

# Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2020



Orono Public Schools • ISD #278 • Orono, Minnesota

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INDEPENDENT SCHOOL DISTRICT NO. 278  
ORONO, MINNESOTA

Comprehensive Annual  
Financial Report

Year Ended  
June 30, 2020

Prepared by  
Finance Department

John Morstad – Director of Business Services

Lauren Syrup, CPA – Controller

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# INDEPENDENT SCHOOL DISTRICT NO. 278

## Table of Contents

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i–v
Organizational Chart	vi–vii
School Board and Administration	viii
Certificate of Excellence	ix
Map of School District	x–xi
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	1–3
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	4–15
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18–19
Reconciliation of the Balance Sheet to the Statement of Net Position	20
Statement of Revenue, Expenditures, and Changes in Fund Balances	21–22
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	23
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	24
Proprietary Funds	
Internal Service Funds	
Statement of Net Position	25
Statement of Revenue, Expenses, and Changes in Net Position	26
Statement of Cash Flows	27
Fiduciary Funds	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	28
Notes to Basic Financial Statements	29–59
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Public Employee Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	60
Schedule of District Contributions	60
Teachers Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	61
Schedule of District Contributions	61
Other Post-Employment Benefits Plan	
Schedule of Changes in the District’s Net OPEB Liability and Related Ratios	62
Schedule of Investment Returns	63
Notes to Required Supplementary Information	64–68

# INDEPENDENT SCHOOL DISTRICT NO. 278

## Table of Contents (continued)

	Page
<b>SUPPLEMENTAL INFORMATION</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	69
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	70
Governmental Funds	
General Fund	
Balance Sheet by Account	71
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account	72
Operating Account – Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	73
Capital Expenditure Account – Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	74
Special Revenue Funds	
Food Service Special Revenue Fund	
Comparative Balance Sheet	75
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	76
Community Service Special Revenue Fund	
Comparative Balance Sheet	77
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	78
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	79
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	80
Debt Service Fund	
Balance Sheet by Account	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account – Budget and Actual	82–83
Internal Service Funds	
Combining Statement of Net Position	84
Combining Statement of Revenue, Expenses, and Changes in Net Position	85
Combining Statement of Cash Flows	86

INDEPENDENT SCHOOL DISTRICT NO. 278

**Table of Contents (continued)**

	Page
<b>STATISTICAL SECTION (UNAUDITED)</b>	
Net Position by Component	87–88
Changes in Net Position	89–90
Governmental Activities Tax Revenues by Source and Levy Type	91
Fund Balances of Governmental Funds	92–93
Changes in Fund Balances of Governmental Funds	94–95
General Governmental Tax Revenues by Source and Levy Type	96
Assessed and Actual Value of Taxable Property	97
Property Tax Rates – Direct and Overlapping Governments	98–99
Principal Property Taxpayers	100
Property Tax Levies, Collections, and Receivables	101–102
Ratios of Outstanding Debt by Type	103
Ratio of Net General Obligation Bonded Debt to Market Value and Net General Obligation Bonded Debt per Capita	104
Direct and Overlapping Debt	105
Legal Debt Margin Information	106–107
Demographic and Economic Statistics	108
Principal Employers	109
Employees by Classification	110–111
Operating Statistics	112
School Building Information	113–114
Food Service – School Lunch Program Data	115
Student Enrollment	116

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## INTRODUCTORY SECTION



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November 11, 2020

To the Citizens of the School District, Board of Education, and Employees of the School District:

## INTRODUCTION

We are submitting the Comprehensive Annual Financial Report (CAFR) of Independent School District No. 278, Orono (the District) for the fiscal year ended June 30, 2020. This report fairly presents the District's financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. The District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

The District's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to the independent audit of the District's financial statements, the District is required to undergo an annual Single Audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statutes § 6.65. The standards governing Single Audit engagements require the independent auditor to report on not only the fair presentation of the financial statements, but also the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued "Special Purpose Audit Reports."

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

## DISTRICT GOALS

### School District Mission

*Our students will maximize their potential in life because of their experiences in Orono Schools.*

### Strategic Goals

1. Scholarship – Through personalized and rigorous learning, students and staff will apply high levels of interdisciplinary knowledge across all content areas
2. Character – Students and staff members will understand and model the core ethical values for a life of integrity
3. Relationships – Students and staff will engage in strong academic relationships

The School Board governs under the guidelines of the Minnesota School Board Association, which provides model policy recommendations and School Board governance training to its members.

The School Board has overall control of the organization. Through its policies, the Superintendent is the School Board's link to operational achievement and conduct, so that all authority and accountability of staff, as far as the School Board is concerned, is considered the authority and accountability of the Superintendent.

## LOCAL ECONOMIC CONDITION AND OUTLOOK

The District was incorporated in 1951 and serves a portion of six suburban communities on the western edge of the Minneapolis/St. Paul metropolitan area, covering 49 square miles with an estimated population of 12,729. The District encompasses all or part of the communities of Independence, Long Lake, Maple Plain, Medina, Minnetonka Beach, and Orono.

For 2019–2020, the District facilities included two elementary schools, one middle school, one senior high school, a community education center, a student center, and a transportation and storage center. The average building age was 35.85 years old.

Enrollment for the 2019–2020 school year was 2,859 pupils in adjusted daily membership, which represents a decrease of 18 students from the prior year. Demographic forecasts project an increase in enrollment for the next several years. Projected enrollments for the near future per an independent demographer hired by the District are:

<u>Fiscal Year</u>	<u>Enrollment</u>
2021	2,880
2022	2,902
2023	2,921

The tax base of the District increased by 5.11 percent during the past year. The market value of all taxable property in the District in fiscal year 2020 was \$3,872,495,300, compared to \$3,684,163,400 in fiscal year 2019.

The net tax capacity of the District for fiscal year 2020 was \$44,772,374, an increase of 5.04 percent over the prior year value of \$42,620,095.

## Programs and Services

The District provides a full range of public education services appropriate to grade levels ranging from pre-Kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and career/vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood family education and adult basic education programs, and a myriad of classes for lifelong learning experiences for children and adults.

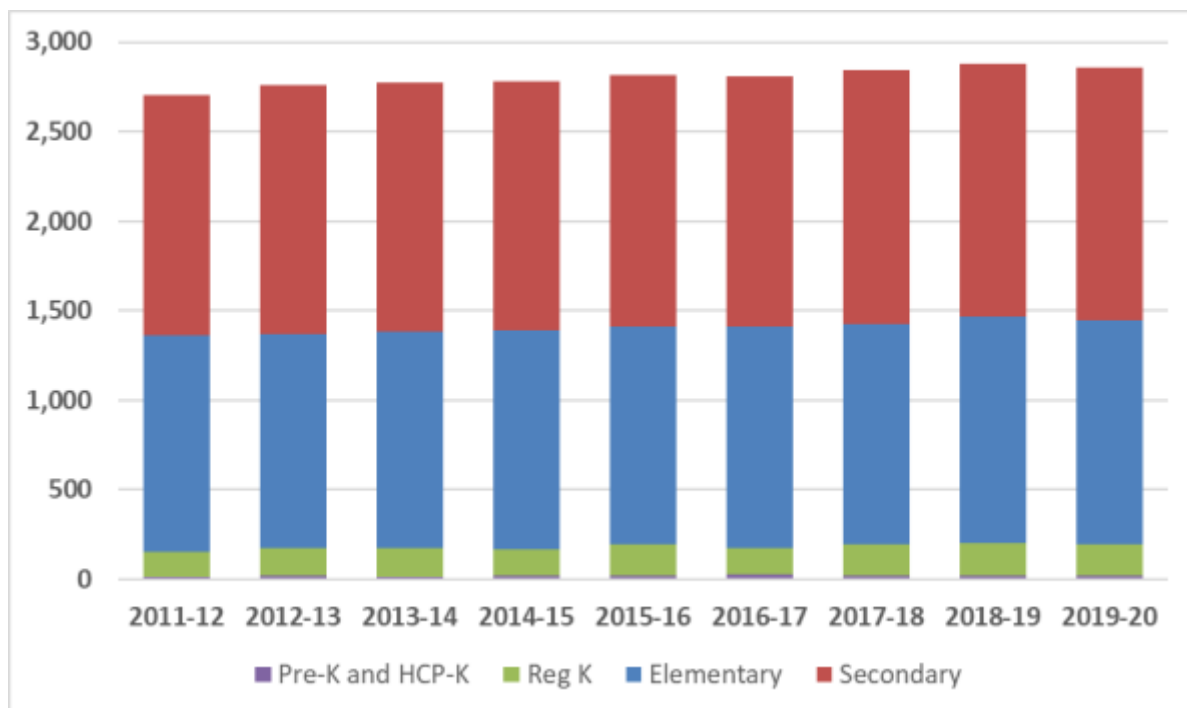
## Enrollment

Enrollment is a critical factor in determining funding levels. Approximately 70 percent of the General Fund revenue is enrollment driven. During fiscal year 2020, enrollment decreased by 18 average daily memberships to 2,859. The decrease can be attributed to the mobility in resident population within the District, with more families of students moving out than moving in.

**Student Enrollment (Average Daily Membership)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Pre-K and HCP-K</b>	15	18	13	18	23	25	24	24	22
<b>Reg K</b>	138	156	162	151	171	151	169	177	173
<b>Elementary</b>	1,212	1,197	1,205	1,224	1,219	1,235	1,233	1,263	1,251
<b>Secondary</b>	1,342	1,391	1,395	1,387	1,402	1,400	1,415	1,413	1,413
<b>Total Students</b>	<b>2,707</b>	<b>2,762</b>	<b>2,775</b>	<b>2,780</b>	<b>2,815</b>	<b>2,811</b>	<b>2,841</b>	<b>2,877</b>	<b>2,859</b>
<b>Percent Change</b>	-2.10%	2.03%	0.47%	0.18%	1.26%	-0.14%	1.07%	1.27%	-0.63%

**Student Enrollment (Average Daily Membership)**



The continued stability of grade cohorts in the last three years led to a 1.71 percent increase in enrollment from fiscal year 2017. The District projects a 4.00 percent year over year increase over the next five years. This is primarily due to expected residential growth within the District during that time period. The enrollment changes presented above offer both financial and strategic challenges and opportunities for the District.

## FINANCIAL AND BUDGETARY CONTROL

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from theft, misuse, or losses and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and Minnesota Uniform Financial Accounting and Reporting Standards.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management. In addition, the District has also adopted the following policies to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board:

- **Fund Balance Policy** – Requires the District to maintain an operating fund balance of 5 percent of the expenditure budget.
- **Budget Policy** – Establishes a guideline for allocation of district resources.
- **Personnel Staffing Guidelines** – Personnel costs represent close to 81 percent of General Fund expenditures. These guidelines, which set the staffing allocation for every allocated position in the District, are updated each February by the administration and the School Board.

The District's budget process is based, first, on development of a budget projection model that attempts to project resources and expenses over a multiple year period. The budget projection is used by the School Board and the administration to determine budget parameters and staffing guidelines. Second, the budget adopted in June is based upon the personnel staffing guidelines approved by the School Board and preparation of the nonpersonnel budget by school and department administrators, in accordance with School Board-approved budget parameters. The School Board resolution adopting the budget in June also includes a provision directing the administration to update the budget in October. This final budget reflects the District's actual enrollment count on October 1, the actual staff hired, and other dynamics such as employee contract settlements.

The level of budgetary control is at the fund level. However, in the General Fund; operating, special education, pupil transportation, capital expenditure, and quality compensation are maintained as separate internal accounts for budgeting purposes. The District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.



## **MAJOR INITIATIVES**

### **Transportation Center Remodel**

The District remodeled the Transportation Center building purchased in 2017. The facility was converted from retail and warehouse storage into a bus parking and maintenance building for use by the District's bus contractor.

### **Lease Purchase Refinancing**

The District refinanced a lease purchase agreement for the Transportation Center with Capital One Bank. The refinancing reduced interest rates and provided capital to complete building renovations.

### **Abatement Bonds**

The District issued abatement bonds in late 2018 to fund the replacement and improvement of a number of parking lots throughout the District. Projects began construction in the summer of 2020, with completion in September of 2020.

## **CERTIFICATE OF EXCELLENCE**

This CAFR has been prepared following the guidelines provided by the Association of School Business Officials (ASBO) International for its Certificate of Excellence in Financial Reporting Program. Achieving recognition by this program provides a clear indication of the District's high standards for financial reporting. The District intends to submit this CAFR to the ASBO International Certificate Program for consideration. The District received the Certificate of Excellence in Financial Reporting award for the past three fiscal years.

## **ACKNOWLEDGMENTS**

We would like to acknowledge the efforts of the entire Business Office staff in providing complete and accurate data for this CAFR.

Sincerely,



Dr. Karen Orcutt  
Superintendent



John Morstad  
Director of Business Services

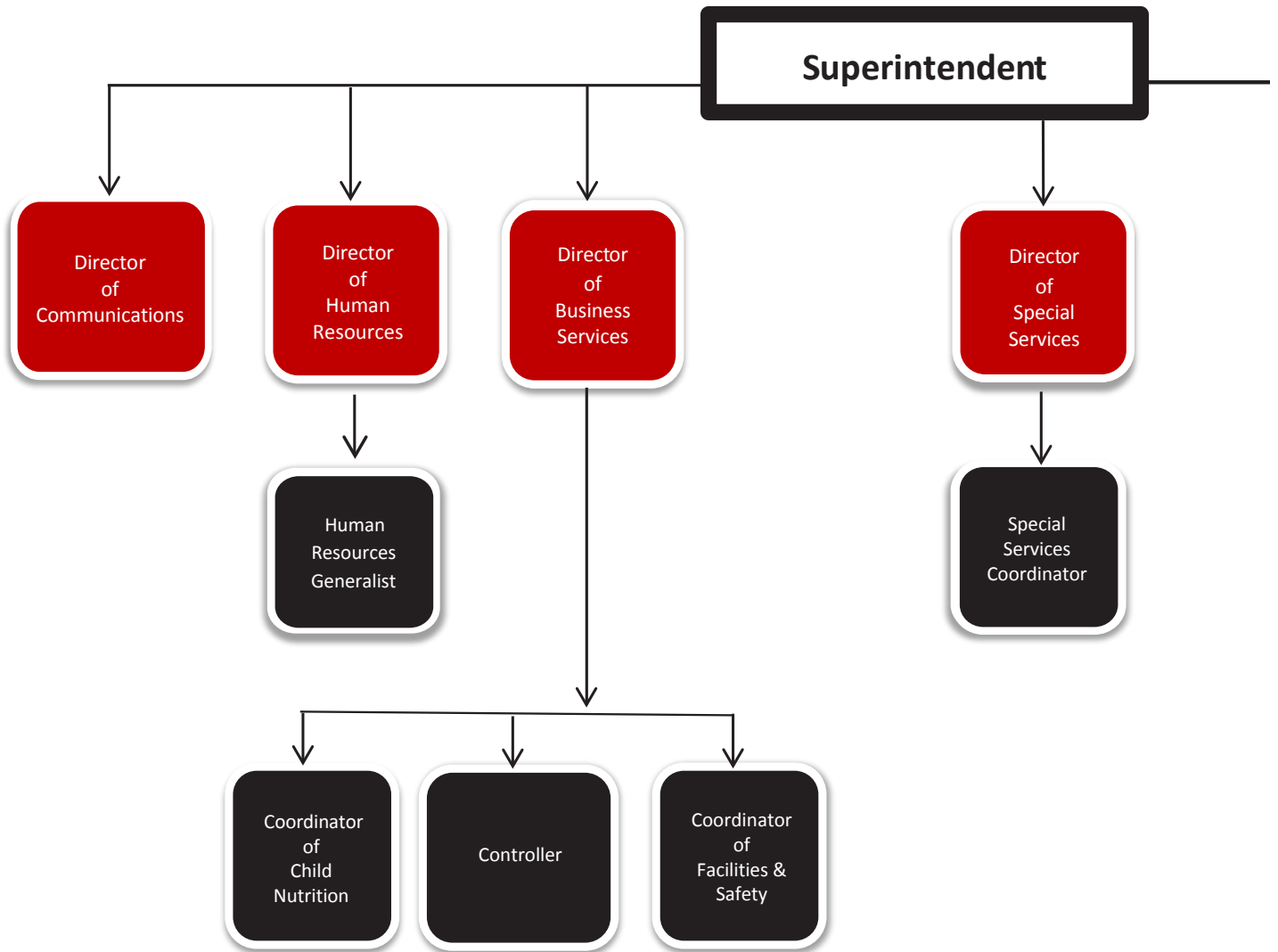


Lauren Syrup, CPA  
Controller

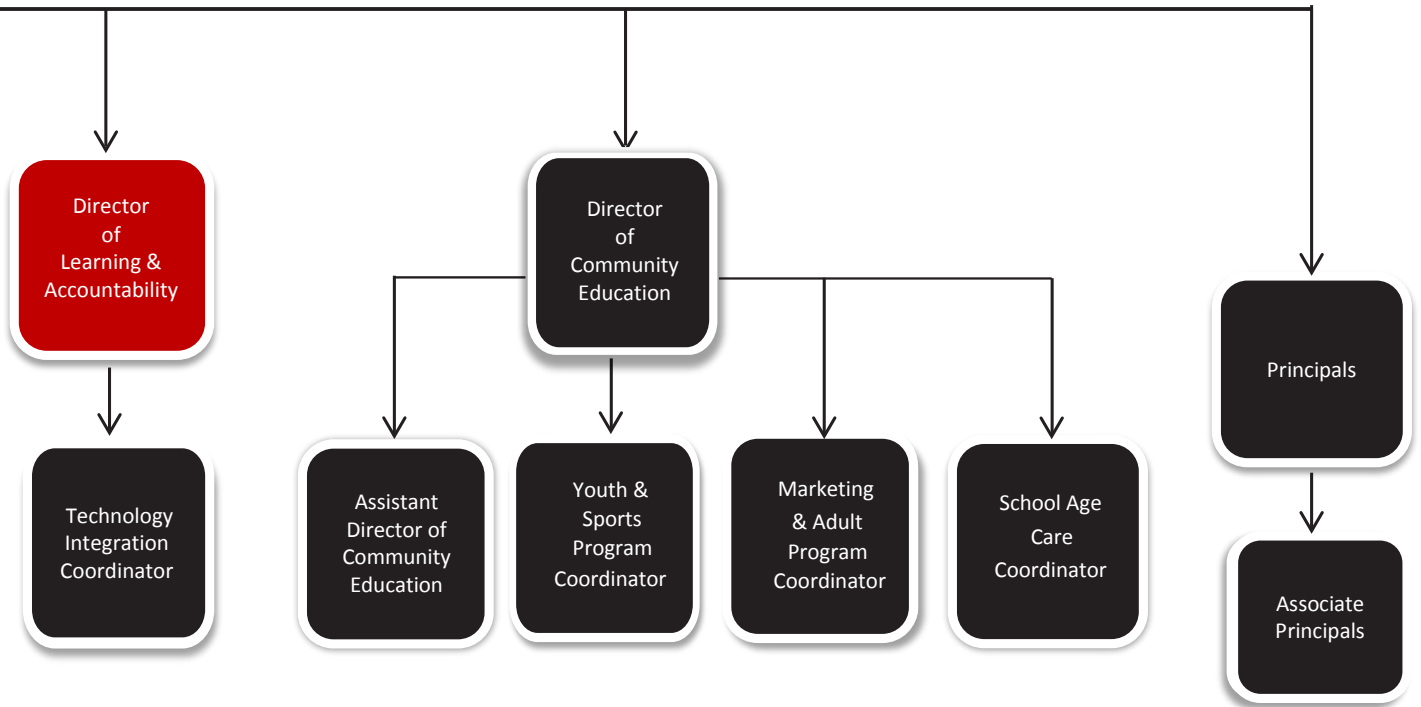


# Orono Schools

Where Excellence is a Tradition and a Goal



Red = Superintendent's Administrative Team



INDEPENDENT SCHOOL DISTRICT NO. 278

School Board and Administration  
Year Ended June 30, 2020

**SCHOOL BOARD**

	<u>Position</u>
Robert Tunheim	Board Chair
Sarah Borchers	Vice Chair
Michael Bash	Treasurer
Martha Van de Ven	Clerk
Alicia Howe	Director
Laura Wallander	Director

**ADMINISTRATION**

Dr. Karen Orcutt	Superintendent
John Morstad	Director of Business Services



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting  
is presented to**

**ISD 278 Orono Public Schools**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2019.**

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Claire Hertz'.

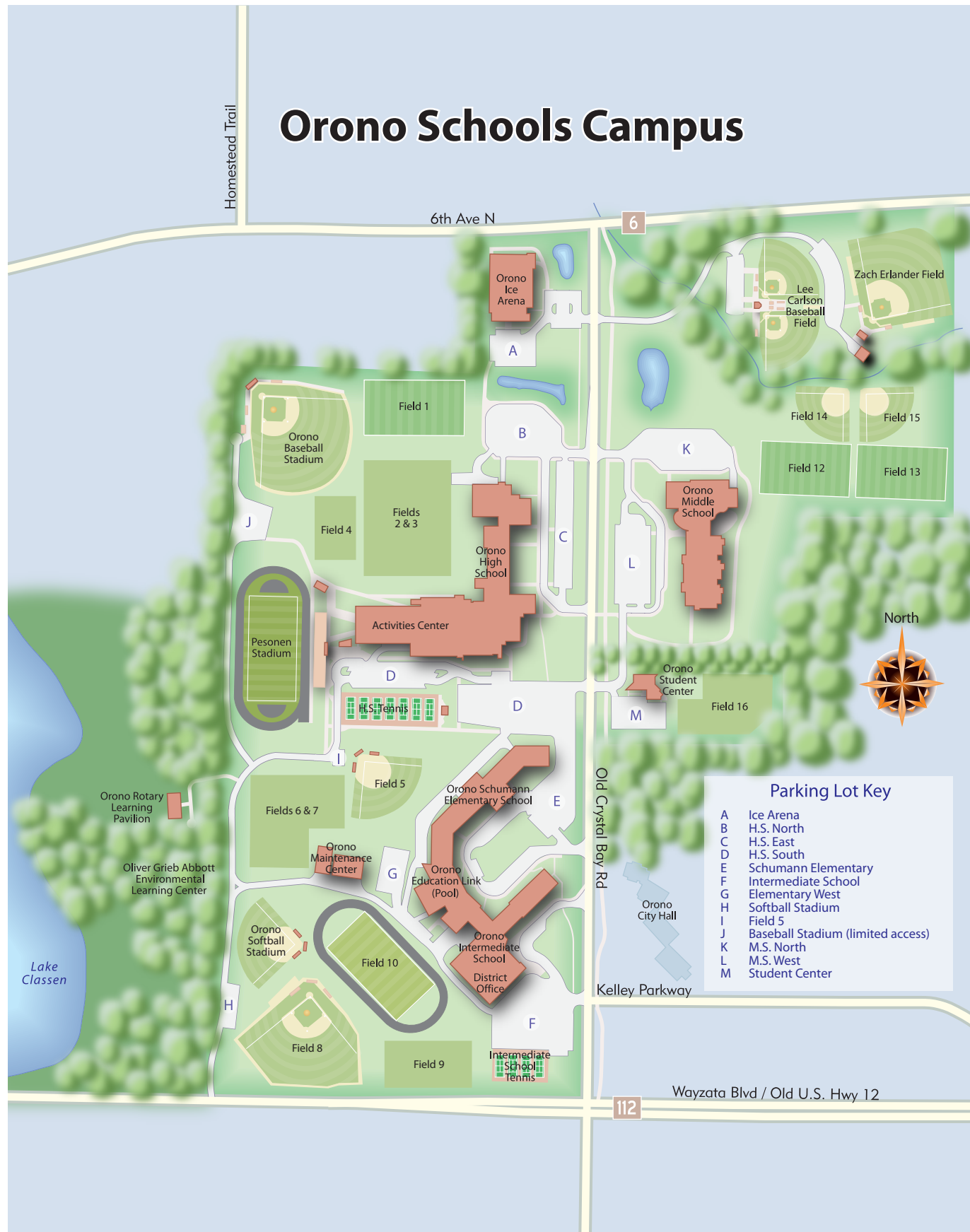
Claire Hertz, SFO  
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis  
Executive Director



# Orono Schools Campus



Parking Lot Key	
A	Ice Arena
B	H.S. North
C	H.S. East
D	H.S. South
E	Schumann Elementary
F	Intermediate School
G	Elementary West
H	Softball Stadium
I	Field 5
J	Baseball Stadium (limited access)
K	M.S. North
L	M.S. West
M	Student Center



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## FINANCIAL SECTION

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## PRINCIPALS

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

## INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 278  
Orono, Minnesota

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 278 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(continued)

## **OPINIONS**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **EMPHASIS OF MATTER**

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

(continued)

### **Prior Year Comparative Information**

We have previously audited the District's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 4, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Malloy, Montague, Karnowski, Radosevich & Co., P. A.*

Minneapolis, Minnesota  
November 11, 2020

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## INDEPENDENT SCHOOL DISTRICT NO. 278

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2020

This section of Independent School District No. 278's (the District) Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of its financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's CAFR.

#### FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by \$15,724,753 (net position deficit). The District's total net position increased by \$393,385 during the fiscal year ended June 30, 2020, excluding the change in accounting principle as discussed below.
- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which changed how the District reports certain fiduciary activities, including extracurricular student activities that were previously excluded from the District's reporting entity. The implementation of this standard increased beginning net position in the government-wide financial statements and beginning fund balance in the General Fund by \$863,040.
- Government-wide revenues totaled \$51,013,813 and were \$393,385 more than expenses of \$50,620,428.
- The General Fund's total fund balances (under the governmental fund presentation) decreased \$672,238 from the prior year (excluding the change in accounting principle), to a year-end balance of \$9,564,569, compared to a budgeted decrease of \$208,508.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information, consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except for the fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aid and property taxes.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Proprietary Funds** – The District maintains one type of proprietary fund. Internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for its self-insured dental and medical benefits activities. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** – The District is the trustee, or fiduciary, for assets held for others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

<b>Table 1</b> <b>Summary Statement of Net Position</b> <b>as of June 30, 2020 and 2019</b>		
	2020	2019
Assets		
Current and other assets	\$ 33,811,642	\$ 34,777,779
Capital assets, net of depreciation	80,283,588	79,259,935
Total assets	<u>\$ 114,095,230</u>	<u>\$ 114,037,714</u>
Deferred outflows of resources		
Pension plan deferments	\$ 19,000,452	\$ 27,595,653
OPEB plan deferments	272,566	157,674
Total deferred outflows of resources	<u>\$ 19,273,018</u>	<u>\$ 27,753,327</u>
Liabilities		
Current and other liabilities	\$ 4,686,093	\$ 5,967,038
Long-term liabilities, including due within one year	98,316,340	100,183,613
Total liabilities	<u>\$ 103,002,433</u>	<u>\$ 106,150,651</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 17,594,034	\$ 17,051,086
Pension plan deferments	28,391,362	35,408,727
OPEB plan deferments	105,172	161,755
Total deferred inflows of resources	<u>\$ 46,090,568</u>	<u>\$ 52,621,568</u>
Net position		
Net investment in capital assets	\$ 13,126,922	\$ 9,268,412
Restricted	3,272,665	3,223,874
Unrestricted	(32,124,340)	(29,473,464)
Total net position	<u>\$ (15,724,753)</u>	<u>\$ (16,981,178)</u>

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

Total net position increased by \$393,385 in the current year, excluding the change in accounting principle. Changes in the District's share of two state-wide pension plans contributed to the differences in deferred outflows and inflows of resources, long-term liabilities, and unrestricted net position. The increase in the District's net investment in capital assets was primarily due to the repayment of outstanding capital debt and receipt of \$1,112,400 of capital asset contributions during the year.

Table 2 presents a condensed version of the Change in Net Position of the District:

<b>Table 2</b> <b>Change in Net Position</b> <b>for the Years Ended June 30, 2020 and 2019</b>		
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 4,190,098	\$ 5,130,335
Operating grants and contributions	5,893,622	5,662,594
Capital grants and contributions	1,112,400	–
General revenues		
Property taxes	18,123,809	17,410,629
General grants and aids	20,455,376	19,144,727
Other	1,238,508	1,787,051
Total revenues	51,013,813	49,135,336
Expenses		
Administration	1,403,513	1,144,834
District support services	1,648,088	1,646,977
Elementary and secondary regular instruction	22,661,409	13,956,796
Vocational education instruction	347,654	177,043
Special education instruction	5,264,305	3,378,768
Instructional support services	3,140,503	1,959,811
Pupil support services	2,933,397	2,798,029
Sites and buildings	6,168,157	6,720,625
Fiscal and other fixed cost programs	282,859	401,279
Food service	1,480,033	1,609,297
Community service	3,366,310	3,162,147
Interest and fiscal charges	1,924,200	2,233,460
Total expenses	50,620,428	39,189,066
Change in net position	393,385	9,946,270
Net position – beginning, as previously reported	(16,981,178)	(26,927,448)
Change in accounting principle	863,040	–
Net position – beginning, as restated	(16,118,138)	(26,927,448)
Net position – ending	\$ (15,724,753)	\$ (16,981,178)

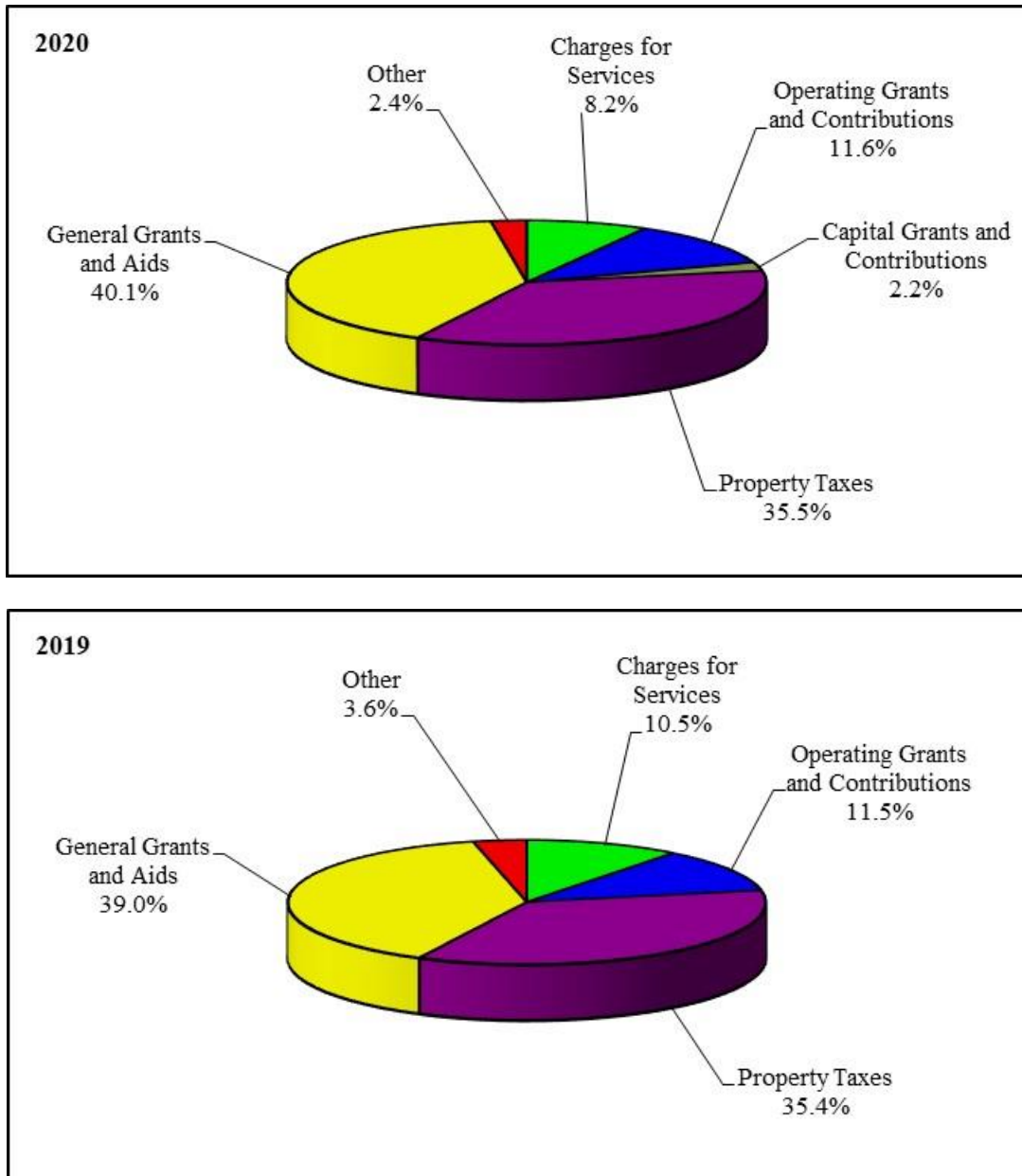
The table summarizes all of the governmental activities of the District and is presented on the accrual basis of accounting. Revenues are allocated between those directly related to specific programs and those that are general revenues. Depreciation expense is included in the program expenses, but capital asset purchase costs, debt proceeds, and the repayment of debt principal are excluded.

Governmental activities revenues increased \$1,878,477 (3.8 percent) from the previous year, mainly due to increases in revenues from property taxes, capital contributions, and pension pass-through revenue.

Governmental activities expenses were \$11,431,362 (29.2 percent) lower than last year, mainly due to the change in expenses related to the two state-wide pension plans mentioned earlier, which impact the various functional areas based on relative salary and benefit levels.



**Figure A – Types of Revenue for Fiscal Years 2020 and 2019**

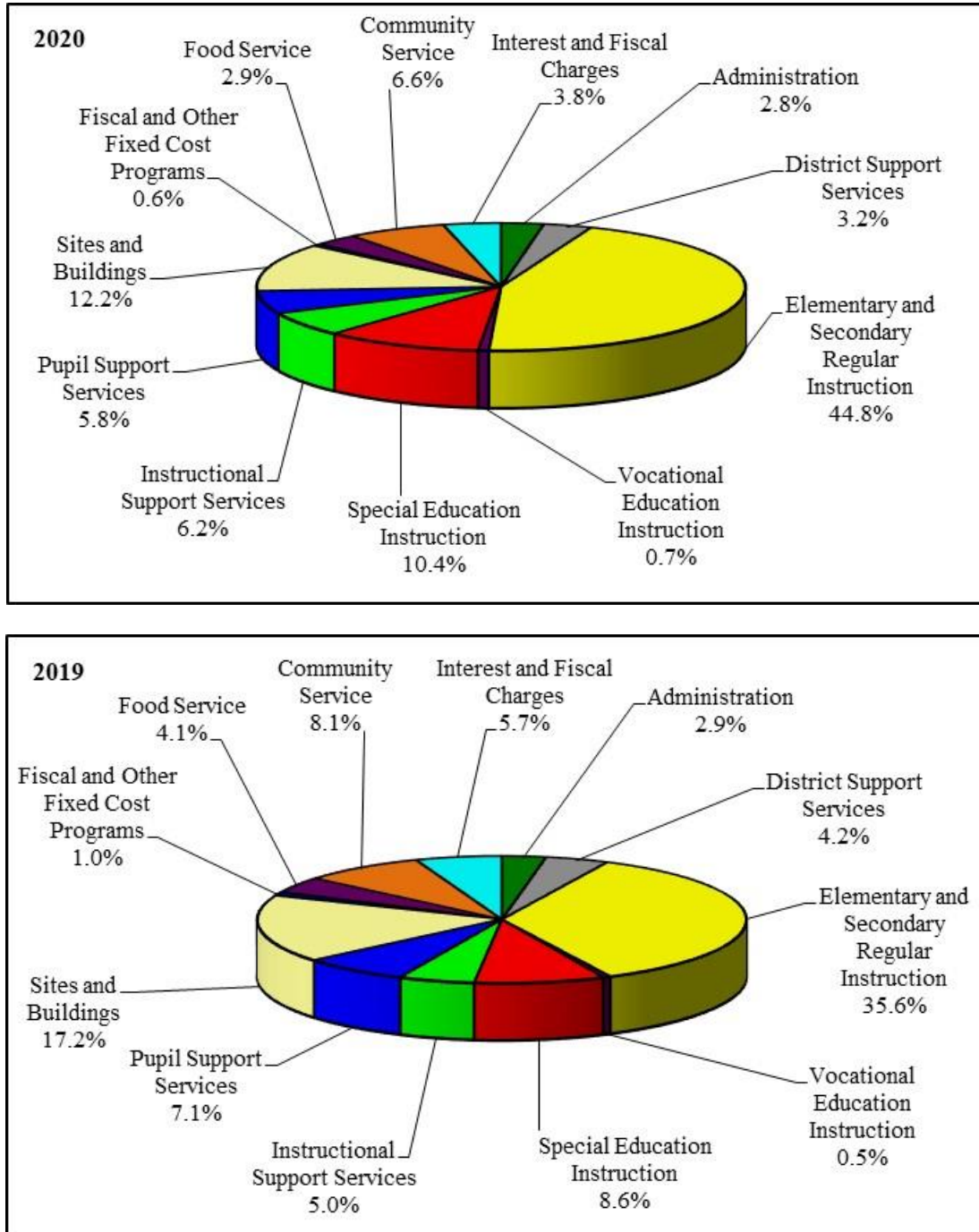


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Capital grants and contributions increased in the current year, due to the contribution of solar panels valued at \$1,112,400. The decrease in charges for services from the prior year was directly related to the COVID-19 pandemic, which caused the cancellation of numerous activities beginning in March through the end of the fiscal year.

**Figure B – Expenses for Fiscal Years 2020 and 2019**



The District's expenses are predominately related to educating students. The majority of the District's expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services.

The significant year-to-year change in the percentage of expenses incurred in several program areas shown above was attributable to the change in expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances in each of the District's governmental funds:

<b>Table 3</b> <b>Governmental Fund Balances</b> <b>as of June 30, 2020 and 2019</b>			
	2020	2019	Change
Major funds			
General	\$ 9,564,569	\$ 9,373,767	\$ 190,802
Capital Projects – Building Construction	350,148	1,128,160	(778,012)
Debt Service	808,454	867,576	(59,122)
Nonmajor funds			
Food Service Special Revenue	252,220	396,633	(144,413)
Community Service Special Revenue	456,317	900,584	(444,267)
Total governmental funds	<u>\$ 11,431,708</u>	<u>\$ 12,666,720</u>	<u>\$ (1,235,012)</u>

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2020, the District's governmental funds reported combined fund balances of \$11,431,708, a decrease of \$1,235,012 in comparison with the prior year, including the change in accounting principle discussed previously. Unassigned fund balance at year-end was \$5,522,578, which is available for spending at the District's discretion. The remainder of the fund balance is either: 1) nonspendable (not in spendable form) – \$259,405, 2) restricted for particular purposes – \$4,390,842, or 3) assigned for particular purposes – \$1,258,883.

The decrease in the fund balance of the Capital Projects – Building Construction Fund was due to the planned utilization of proceeds from bonds sold in the previous year for capital projects.

## Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4</b> <b>General Fund</b> <b>Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 39,514,786</u>	<u>\$ 41,741,913</u>	<u>\$ 2,227,127</u>	<u>5.6%</u>
Expenditures and other financing uses	<u>\$ 38,984,952</u>	<u>\$ 41,950,421</u>	<u>\$ 2,965,469</u>	<u>7.6%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District may change the budget for known significant changes in circumstances, such as: updated enrollment estimates, legislation changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, or special education tuition changes.

Table 5 summarizes the operating results of the General Fund:

<b>Table 5</b> <b>General Fund</b> <b>Operating Results</b>					
	<u>2020 Actual</u>	<u>Over (Under)</u> <u>Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 40,883,648	\$ (858,265)	(2.1) %	\$ 1,496,327	3.8 %
Expenditures and other financing uses	<u>41,555,886</u>	\$ (394,535)	(0.9) %	\$ 2,853,841	7.4 %
Net change in fund balances	<u>\$ (672,238)</u>				

The fund balance of the General Fund decreased \$672,238 as the result of current year operations, compared to a decrease of \$208,508 approved in the final budget.

Total General Fund revenue and other financing sources for the year were \$40,883,648, which was \$858,265 under budget.

Revenue was \$262,675 (0.7 percent) lower than budget, due mainly to lower than expected property tax collections. General Fund revenue was \$125,328 higher than the prior year, with the largest increase in property tax revenue, due to an increase in the levy.

Other financing sources were \$595,590 under budget, as capital lease and refunding debt issuances differed from what was anticipated.

Total General Fund expenditures and other financing uses were for the year were \$41,555,886, which was \$394,535 under budget.

Expenditures were \$1,131,683 (2.8 percent) over budget, mainly due to capital costs financed through capital leases. General Fund expenditures increased \$2,853,841 from the previous year, with the largest increases in the areas of regular and special education instruction, instructional support services, and the maintenance and improvement of sites and buildings.

Other financing uses were \$1,526,218 under budget, due to a debt refunding budgeted in the General Fund but reported in the Debt Service Fund.

## **COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS**

### **Analysis of the Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund ended the year with expenditures exceeding revenues by \$778,012, compared to a planned fund balance decrease of \$479,977. The planned decrease in equity is a result of the District utilizing proceeds from a prior year bond issue for capital improvements. At year-end, \$350,148 of fund balance remains, which is restricted for building construction.

### **Analysis of the Debt Service Fund**

The Debt Service Fund expenditures and other financing uses exceeded revenues and other financing sources by \$59,122, decreasing fund balance to \$808,454 at year-end. In addition to its regularly scheduled debt service payments, the District refunded a previous lease purchase agreement at a more favorable interest rate. Of the remaining fund balance, \$87,083 is restricted for OPEB bond debt service, and \$721,371 is restricted for general debt service.

### **Analysis of Other Governmental Funds**

The District's final budget for the Food Service Special Revenue Fund projected a fund balance decrease of \$214,158, compared to an actual decrease of \$144,413. Revenues were over budget by \$100,743, mainly due to additional federal funding for an expansion of meals served through the child nutrition program during the COVID-19 pandemic. Expenditures were over appropriations by \$31,321, mainly in supplies (including food costs) and materials.

The District's final budget for the Community Service Special Revenue Fund projected a fund balance decrease of \$474,433, while actual fund balance decreased by \$444,267. Revenues were under budget by \$106,867, mainly in program fees and tuition. Expenditures were under budget by \$137,033, with the savings in salaries, supplies and materials, capital outlay, and other expenditures. These variances were mainly caused by a decrease in program participation, due to COVID-19.

## **Analysis of Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds used to account for its self-insured dental and medical insurance functions.

Operating revenues (charges assessed to the governmental funds) for the internal service funds for fiscal 2020 totaled \$4,291,712. This is an increase from the fiscal year 2019 operating revenue level of \$3,648,763, due to the premium rates on the self-insured medical plan increasing approximately 17 percent from the prior year. Nonoperating revenues totaled \$11,633, compared to the fiscal year 2019 nonoperating revenue of \$7,441. Operating expenses totaled \$3,438,913, which represents a decrease from the fiscal year 2019 operating expenditures of \$3,953,235. The decrease in claims was primarily the result of the limited availability of elective medical and dental services during the last quarter of the fiscal year, due to the COVID-19 pandemic.

The net position balance for all internal service funds as of June 30, 2020 was \$899,978, an increase of \$864,432 from the prior year.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2020 and 2019:

<b>Table 6</b> <b>Capital Assets</b>			
	2020	2019	Change
Land	\$ 602,074	\$ 602,074	\$ –
Construction in progress	1,440,324	28,055,712	(26,615,388)
Land improvements	9,154,095	4,896,141	4,257,954
Buildings	105,632,111	80,341,114	25,290,997
Furniture and equipment	5,313,088	4,138,528	1,174,560
Less accumulated depreciation	(41,858,104)	(38,773,634)	(3,084,470)
Total	<u>\$ 80,283,588</u>	<u>\$ 79,259,935</u>	<u>\$ 1,023,653</u>
Depreciation expense	<u>\$ 3,090,070</u>	<u>\$ 2,875,514</u>	<u>\$ 214,556</u>

Most of the activity in capital assets relates to the completion of construction of the District's new Activity Center.

### Long-Term Liabilities

Table 7 shows the components of the District's long-term liabilities and the change from the prior year:

<b>Table 7</b> <b>Outstanding Long-Term Liabilities</b>			
	2020	2019	Change
General obligation bonds payable	\$ 62,545,000	\$ 66,400,000	\$ (3,855,000)
Premium (discount) on bonds	4,334,555	4,825,159	(490,604)
Capital leases payable	3,394,242	2,278,705	1,115,537
Net pension liabilities	24,190,759	23,442,399	748,360
Net OPEB liability	2,516,195	1,925,747	590,448
Severance payable	1,335,589	1,311,603	23,986
Total	<u>\$ 98,316,340</u>	<u>\$ 100,183,613</u>	<u>\$ (1,867,273)</u>

The decrease in long-term liabilities included scheduled principal payments on bonds and capital leases and the current refunding of a transportation center lease purchase agreement; partially offset by the issuance of several new capital leases, and increases in the District's pension and OPEB plan liabilities.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

<b>Table 8</b>	
<b>Limitations on Debt</b>	
District's market value	\$ 3,872,495,300
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 580,874,295</u>

Additional details of the District's capital assets and long-term debt activity can be found in the notes to basic financial statements.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$129, or 2 percent, per pupil to the formula for fiscal year 2021.

The COVID-19 pandemic has impacted how the District provides instruction. The District completed the 2019–2020 school year with distance learning. Increased expenditures for personal protective equipment, sanitation supplies, and technology are expected in the upcoming fiscal year.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic may impact how many students the District attracts and maintains. Students choosing to enroll in other online schools, private school options, or kindergarten families choosing to wait a year, could impact District revenues.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 278, 685 Old Crystal Bay Road North, Long Lake, Minnesota 55356.



## BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Net Position  
as of June 30, 2020  
(With Partial Comparative Information as of June 30, 2019)

	Governmental Activities	
	2020	2019
Assets		
Cash and temporary investments	\$ 19,611,520	\$ 21,390,753
Receivables		
Current taxes	9,718,453	8,870,093
Delinquent taxes	280,480	288,333
Accounts and interest	543,656	847,121
Due from other governmental units	2,897,492	2,785,113
Due from Post-Employment Benefits Trust Fund	128,505	341,944
Inventory	103,985	83,510
Prepaid items	155,420	170,912
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	372,131	–
Capital assets		
Not depreciated	2,042,398	28,657,786
Depreciated, net of accumulated depreciation	78,241,190	50,602,149
Total capital assets, net of accumulated depreciation	80,283,588	79,259,935
Total assets	114,095,230	114,037,714
Deferred outflows of resources		
Pension plan deferments	19,000,452	27,595,653
OPEB plan deferments	272,566	157,674
Total deferred outflows of resources	19,273,018	27,753,327
Total assets and deferred outflows of resources	\$ 133,368,248	\$ 141,791,041
Liabilities		
Salaries payable	\$ 920,693	\$ 1,017,631
Accounts and contracts payable	1,805,570	2,741,794
Accrued interest payable	944,459	1,058,732
Due to other governmental units	86,951	148,908
Unearned revenue	832,420	935,973
Claims and judgements payable	96,000	64,000
Long-term liabilities		
Due within one year	5,035,605	4,388,432
Due in more than one year	93,280,735	95,795,181
Total long-term liabilities	98,316,340	100,183,613
Total liabilities	103,002,433	106,150,651
Deferred inflows of resources		
Property taxes levied for subsequent year	17,594,034	17,051,086
Pension plan deferments	28,391,362	35,408,727
OPEB plan deferments	105,172	161,755
Total deferred inflows of resources	46,090,568	52,621,568
Net position		
Net investment in capital assets	13,126,922	9,268,412
Restricted for		
Capital asset acquisition	1,589,427	1,882,688
Food service	252,220	396,633
Community service	460,383	903,854
Other purposes (state funding restrictions)	970,635	40,699
Unrestricted	(32,124,340)	(29,473,464)
Total net position	(15,724,753)	(16,981,178)
Total liabilities, deferred inflows of resources, and net position	\$ 133,368,248	\$ 141,791,041

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Activities  
Year Ended June 30, 2020  
(With Partial Comparative Information for the Year Ended June 30, 2019)

Functions/Programs	2020				2019	
	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating	Capital	Revenue and	Revenue and
			Grants and Contributions	Grants and Contributions	Changes in Net Position	Changes in Net Position
					Governmental Activities	Governmental Activities
Governmental activities						
Administration	\$ 1,403,513	\$ —	\$ 30,632	\$ —	\$ (1,372,881)	\$ (1,082,624)
District support services	1,648,088	—	—	—	(1,648,088)	(1,632,705)
Elementary and secondary regular instruction	22,661,409	316,534	1,385,672	—	(20,959,203)	(12,303,620)
Vocational education instruction	347,654	—	—	—	(347,654)	(177,043)
Special education instruction	5,264,305	—	3,553,300	—	(1,711,005)	25,584
Instructional support services	3,140,503	82,131	—	—	(3,058,372)	(1,884,550)
Pupil support services	2,933,397	—	25,001	—	(2,908,396)	(2,643,697)
Sites and buildings	6,168,157	437,382	371,806	1,112,400	(4,246,569)	(5,804,382)
Fiscal and other fixed cost programs	282,859	—	—	—	(282,859)	(401,279)
Food service	1,480,033	985,830	310,374	—	(183,829)	(44,037)
Community service	3,366,310	2,368,221	216,837	—	(781,252)	(214,324)
Interest and fiscal charges	1,924,200	—	—	—	(1,924,200)	(2,233,460)
Total governmental activities	<u>\$ 50,620,428</u>	<u>\$ 4,190,098</u>	<u>\$ 5,893,622</u>	<u>\$ 1,112,400</u>	(39,424,308)	(28,396,137)
General revenue						
Taxes						
Property taxes, levied for general purposes					11,669,219	11,064,867
Property taxes, levied for community service					283,184	279,156
Property taxes, levied for debt service					6,171,406	6,066,606
General grants and aids					20,455,376	19,144,727
Other general revenues					964,745	1,204,188
Investment earnings					273,763	582,863
Total general revenue					<u>39,817,693</u>	<u>38,342,407</u>
Change in net position					393,385	9,946,270
Net position – beginning, as previously reported					(16,981,178)	(26,927,448)
Change in accounting principle					863,040	—
Net position – beginning, as restated					<u>(16,118,138)</u>	<u>(26,927,448)</u>
Net position – ending					<u>\$ (15,724,753)</u>	<u>\$ (16,981,178)</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Balance Sheet  
Governmental Funds  
as of June 30, 2020  
(With Partial Comparative Information as of June 30, 2019)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 12,432,021	\$ 551,912	\$ 3,838,246
Cash and investments held by trustee	372,131	–	–
Receivables			
Current taxes	6,236,615	–	3,324,055
Delinquent taxes	179,405	–	96,455
Accounts and interest	529,338	20	–
Due from other governmental units	2,812,029	–	2,945
Due from other funds	128,505	–	–
Inventory	50,220	–	–
Prepaid items	150,843	–	–
Total assets	<u>\$ 22,891,107</u>	<u>\$ 551,932</u>	<u>\$ 7,261,701</u>
Liabilities			
Salaries and compensated absences payable	\$ 844,295	\$ –	\$ –
Accounts and contracts payable	948,525	201,784	–
Due to other governmental units	86,857	–	–
Unearned revenue	372,130	–	–
Total liabilities	<u>2,251,807</u>	<u>201,784</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	151,154	–	85,068
Property taxes levied for subsequent year	10,923,577	–	6,368,179
Total deferred inflows of resources	<u>11,074,731</u>	<u>–</u>	<u>6,453,247</u>
Fund balances			
Nonspendable	201,063	–	–
Restricted	2,582,045	350,148	808,454
Assigned	1,258,883	–	–
Unassigned	5,522,578	–	–
Total fund balances	<u>9,564,569</u>	<u>350,148</u>	<u>808,454</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,891,107</u>	<u>\$ 551,932</u>	<u>\$ 7,261,701</u>

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 918,331	\$ 17,740,510	\$ 20,446,073
—	372,131	—
157,783	9,718,453	8,870,093
4,620	280,480	288,333
5,918	535,276	833,677
82,518	2,897,492	2,785,113
—	128,505	341,944
53,765	103,985	83,510
4,577	155,420	170,912
<u>\$ 1,227,512</u>	<u>\$ 31,932,252</u>	<u>\$ 33,819,655</u>
\$ 76,398	\$ 920,693	\$ 1,017,631
40,818	1,191,127	2,187,300
94	86,951	148,908
95,321	467,451	567,889
<u>212,631</u>	<u>2,666,222</u>	<u>3,921,728</u>
4,066	240,288	180,121
302,278	17,594,034	17,051,086
<u>306,344</u>	<u>17,834,322</u>	<u>17,231,207</u>
58,342	259,405	254,422
650,195	4,390,842	5,182,742
—	1,258,883	1,130,600
—	5,522,578	6,098,956
<u>708,537</u>	<u>11,431,708</u>	<u>12,666,720</u>
<u>\$ 1,227,512</u>	<u>\$ 31,932,252</u>	<u>\$ 33,819,655</u>

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INDEPENDENT SCHOOL DISTRICT NO. 278

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2020  
(With Partial Comparative Information as of June 30, 2019)

	2020	2019
Total fund balances – governmental funds	\$ 11,431,708	\$ 12,666,720
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	122,141,692	118,033,569
Accumulated depreciation	(41,858,104)	(38,773,634)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
Claims and judgements payable	(96,000)	(64,000)
General obligation bonds payable	(62,545,000)	(66,400,000)
(Premium) discount on bonds	(4,334,555)	(4,825,159)
Capital leases payable	(3,394,242)	(2,278,705)
Net pension liabilities	(24,190,759)	(23,442,399)
Net OPEB liability	(2,516,195)	(1,925,747)
Severance payable	(1,335,589)	(1,311,603)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(944,459)	(1,058,732)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	899,978	35,546
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	19,000,452	27,595,653
Deferred outflows of resources – OPEB plan deferments	272,566	157,674
Deferred inflows of resources – delinquent property taxes	240,288	180,121
Deferred inflows of resources – pension plan deferments	(28,391,362)	(35,408,727)
Deferred inflows of resources – OPEB plan deferments	(105,172)	(161,755)
Total net position – governmental activities	<u>\$ (15,724,753)</u>	<u>\$ (16,981,178)</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2020  
 (With Partial Comparative Information for the Year Ended June 30, 2019)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 11,632,385	\$ –	\$ 6,148,869
Investment earnings	180,679	29,826	35,807
Other	1,793,477	–	–
State sources	25,164,889	–	29,454
Federal sources	617,817	–	–
Total revenue	<u>39,389,247</u>	<u>29,826</u>	<u>6,214,130</u>
Expenditures			
Current			
Administration	1,280,235	–	–
District support services	1,601,987	–	–
Elementary and secondary regular instruction	19,655,478	–	–
Vocational education instruction	324,158	–	–
Special education instruction	5,049,917	–	–
Instructional support services	3,027,103	–	–
Pupil support services	2,887,476	–	–
Sites and buildings	6,963,976	–	–
Fiscal and other fixed cost programs	282,859	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	807,838	–
Debt service			
Principal	388,796	–	3,855,000
Interest and fiscal charges	93,901	–	2,435,176
Total expenditures	<u>41,555,886</u>	<u>807,838</u>	<u>6,290,176</u>
Excess (deficiency) of revenue over expenditures	(2,166,639)	(778,012)	(76,046)
Other financing sources (uses)			
Sale of assets	6,992	–	–
Capital lease issued	1,487,409	–	–
Debt issued	–	–	–
Refunding debt issued	–	–	1,543,142
Premiums on debt issued	–	–	–
Debt refunding payments	–	–	(1,526,218)
Total other financing sources (uses)	<u>1,494,401</u>	<u>–</u>	<u>16,924</u>
Net change in fund balances	(672,238)	(778,012)	(59,122)
Fund balances			
Beginning of year, as previously reported	9,373,767	1,128,160	867,576
Change in accounting principle	863,040	–	–
Beginning of year, as restated	<u>10,236,807</u>	<u>1,128,160</u>	<u>867,576</u>
End of year	<u>\$ 9,564,569</u>	<u>\$ 350,148</u>	<u>\$ 808,454</u>



Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 282,388	\$ 18,063,642	\$ 17,370,790
15,818	262,130	575,422
3,354,051	5,147,528	6,334,523
264,780	25,459,123	25,303,879
262,431	880,248	841,851
<u>4,179,468</u>	<u>49,812,671</u>	<u>50,426,465</u>
—	1,280,235	1,448,004
—	1,601,987	1,742,369
—	19,655,478	18,727,494
—	324,158	288,572
—	5,049,917	4,615,399
—	3,027,103	2,434,834
—	2,887,476	3,033,796
—	6,963,976	5,696,569
—	282,859	401,279
1,446,787	1,446,787	1,551,564
3,224,353	3,224,353	3,263,556
97,331	905,169	15,547,052
—	4,243,796	3,997,044
—	2,529,077	2,739,097
<u>4,768,471</u>	<u>53,422,371</u>	<u>65,486,629</u>
(589,003)	(3,609,700)	(15,060,164)
323	7,315	—
—	1,487,409	123,402
—	—	1,900,000
—	1,543,142	2,990,000
—	—	110,336
—	(1,526,218)	(2,950,000)
<u>323</u>	<u>1,511,648</u>	<u>2,173,738</u>
(588,680)	(2,098,052)	(12,886,426)
1,297,217	12,666,720	25,553,146
—	863,040	—
<u>1,297,217</u>	<u>13,529,760</u>	<u>25,553,146</u>
<u>\$ 708,537</u>	<u>\$ 11,431,708</u>	<u>\$ 12,666,720</u>

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INDEPENDENT SCHOOL DISTRICT NO. 278

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2020  
(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020	2019
Total net change in fund balances – governmental funds	\$ (2,098,052)	\$ (12,886,426)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays and contributions are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase and capital contributions are not reported in the governmental fund financial statements.		
Capital outlays	3,001,323	15,705,889
Capital contributions	1,112,400	–
Depreciation expense	(3,090,070)	(2,875,514)
The amount of debt issued is reported in the governmental funds as a source of financing, but constitutes a long-term liability in the governmental activities.		
General obligation bonds issued	–	(4,890,000)
Capital leases issued	(3,030,551)	(123,402)
Repayment of long-term liabilities does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	3,855,000	6,725,000
Capital leases payable	1,915,014	222,044
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Claims and judgements payable	(32,000)	68,997
Net pension liabilities	(748,360)	41,375,201
Net OPEB liability	(590,448)	(454,386)
Severance payable	(23,986)	72,394
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	490,604	360,596
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	114,273	34,705
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	864,432	(297,031)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(8,595,201)	(8,415,117)
Deferred outflows of resources – OPEB plan deferments	114,892	80,963
Deferred inflows of resources – delinquent property taxes	60,167	39,839
Deferred inflows of resources – pension plan deferments	7,017,365	(24,769,030)
Deferred inflows of resources – OPEB plan deferments	56,583	(28,452)
Change in net position – governmental activities	\$ 393,385	\$ 9,946,270

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INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund  
Year Ended June 30, 2020

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 11,650,644	\$ 11,935,491	\$ 11,632,385	\$ (303,106)
Investment earnings	320,500	143,750	180,679	36,929
Other	1,674,793	1,649,972	1,793,477	143,505
State sources	25,280,557	25,304,484	25,164,889	(139,595)
Federal sources	588,292	618,225	617,817	(408)
Total revenue	39,514,786	39,651,922	39,389,247	(262,675)
Expenditures				
Current				
Administration	1,492,748	1,295,910	1,280,235	(15,675)
District support services	1,708,125	1,799,892	1,601,987	(197,905)
Elementary and secondary regular instruction	19,303,814	19,756,548	19,655,478	(101,070)
Vocational education instruction	298,208	313,433	324,158	10,725
Special education instruction	4,923,954	5,086,496	5,049,917	(36,579)
Instructional support services	2,863,184	3,099,714	3,027,103	(72,611)
Pupil support services	2,839,899	3,052,070	2,887,476	(164,594)
Sites and buildings	5,215,386	5,372,234	6,963,976	1,591,742
Fiscal and other fixed cost programs	189,298	283,058	282,859	(199)
Debt service				
Principal	120,240	237,612	388,796	151,184
Interest and fiscal charges	30,096	127,236	93,901	(33,335)
Total expenditures	38,984,952	40,424,203	41,555,886	1,131,683
Excess (deficiency) of revenue over expenditures	529,834	(772,281)	(2,166,639)	(1,394,358)
Other financing sources (uses)				
Sale of assets	—	6,991	6,992	1
Capital lease issued	—	539,962	1,487,409	947,447
Refunding debt issued	—	1,543,038	—	(1,543,038)
Debt refunding payments	—	(1,526,218)	—	1,526,218
Total other financing sources (uses)	—	563,773	1,494,401	930,628
Net change in fund balances	\$ 529,834	\$ (208,508)	(672,238)	\$ (463,730)
Fund balances				
Beginning of year, as previously reported			9,373,767	
Change in accounting principle			863,040	
Beginning of year, as restated			10,236,807	
End of year			\$ 9,564,569	

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Net Position  
Internal Service Funds  
as of June 30, 2020  
(With Partial Comparative Information as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,871,010	\$ 944,680
Receivables		
Accounts and interest	<u>8,380</u>	<u>13,444</u>
Total current assets	<u>1,879,390</u>	<u>958,124</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	614,443	554,494
Unearned revenue	<u>364,969</u>	<u>368,084</u>
Total current liabilities	<u>979,412</u>	<u>922,578</u>
Net position		
Unrestricted	<u>\$ 899,978</u>	<u>\$ 35,546</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Revenue, Expenses, and Changes in Net Position  
Internal Service Funds  
Year Ended June 30, 2020  
(With Partial Comparative Information for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating revenue		
Charges for services		
Assessed to governmental funds	\$ 4,291,712	\$ 3,648,763
Operating expenses		
Dental benefit claims	229,265	269,683
Medical benefit claims	<u>3,209,648</u>	<u>3,683,552</u>
Total operating expenses	<u>3,438,913</u>	<u>3,953,235</u>
Operating income (loss)	852,799	(304,472)
Nonoperating revenue		
Investment earnings	<u>11,633</u>	<u>7,441</u>
Change in net position	864,432	(297,031)
Net position		
Beginning of year	<u>35,546</u>	<u>332,577</u>
End of year	<u><u>\$ 899,978</u></u>	<u><u>\$ 35,546</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2020  
(With Partial Comparative Information for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Received from assessments made to governmental funds	\$ 4,293,661	\$ 3,690,778
Payments for dental claims	(230,396)	(255,852)
Payments for medical claims	<u>(3,148,568)</u>	<u>(3,459,297)</u>
Net cash flows from operating activities	914,697	(24,371)
Cash flows from investing activities		
Interest on investments	<u>11,633</u>	<u>7,441</u>
Net change in cash and cash equivalents	926,330	(16,930)
Cash and cash equivalents		
Beginning of year	<u>944,680</u>	<u>961,610</u>
End of year	<u><u>\$ 1,871,010</u></u>	<u><u>\$ 944,680</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 852,799	\$ (304,472)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Accounts and interest receivable	5,064	(578)
Accounts and contracts payable	59,949	238,086
Unearned revenue	<u>(3,115)</u>	<u>42,593</u>
Net cash flows from operating activities	<u><u>\$ 914,697</u></u>	<u><u>\$ (24,371)</u></u>



## INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Fiduciary Net Position  
Fiduciary Funds  
as of June 30, 2020

	Private-Purpose Trust Fund	Custodial Fund	Post-Employment Benefits Trust Fund
<b>Assets</b>			
Cash and investments held by trustee			
Cash and temporary investments	\$ —	\$ —	\$ 2,913,700
Investments at fair value			
MNTrust Investment Shares Portfolio	—	—	702,575
State and local general obligations	—	—	496,760
Accounts and interest receivable	—	11,569	92,183
Total assets	—	11,569	4,205,218
<b>Liabilities</b>			
Checks issued, but not presented for payment	—	11,569	—
Due to governmental funds	—	—	128,505
Total liabilities	—	11,569	128,505
<b>Net position</b>			
Restricted for OPEB	\$ —	\$ —	\$ 4,076,713

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2020

	Private-Purpose Trust Fund	Custodial Fund	Post-Employment Benefits Trust Fund
<b>Additions</b>			
Contributions			
Miscellaneous	\$ —	\$ 5,675	\$ —
Investment earnings	—	—	118,115
Total additions	—	5,675	118,115
<b>Deductions</b>			
Miscellaneous	—	5,675	—
Benefits	—	—	128,505
Total deductions	—	5,675	128,505
Change in net position	—	—	(10,390)
<b>Net position</b>			
Beginning of year, as previously reported	705,578	—	4,087,103
Change in accounting principle	(705,578)	—	—
Beginning of year, as restated	—	—	4,087,103
End of year	\$ —	\$ —	\$ 4,076,713

See notes to basic financial statements

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# INDEPENDENT SCHOOL DISTRICT NO. 278

## Notes to Basic Financial Statements June 30, 2020

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Organization**

Independent School District No. 278 (the District) was formed and operates pursuant to applicable Minnesota laws. The District is governed by a School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **B. Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

#### **C. Government-Wide Financial Statement Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest is considered an indirect expense and is reported separately on the Statement of Activities.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Debt proceeds or acquisitions under capital leases are reported as other financing sources.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds are charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust and custodial. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Description of Funds**

The existence of the various district funds has been established (or allowed) by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

### **Major Governmental Funds**

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District maintains two internal accounts within the General Fund. The Operating Account is used to account for the general operations of the District. The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, and pay-as-you-go long-term facilities maintenance projects.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities, generally authorized by bond issue.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs. The District maintains a separate Other Post-Employment Benefits (OPEB) Debt Service Account within the Debt Service Fund to account for OPEB-related debt activity. All other debt service is reported in the Regular Debt Service Account.

### **Nonmajor Governmental Funds**

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is used to account for the District's child nutrition program.

**Community Service Special Revenue Fund** – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

### **Proprietary Funds**

**Internal Service Funds** – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for and finance the self-insured risk of loss of the District's employee dental and medical healthcare plans.

### **Fiduciary Funds**

**Private-Purpose Trust Fund** – The Private-Purpose Trust Fund was used to account for scholarship activity in previous years that was moved to the General Fund through a change in accounting principle in the current year.

**Custodial Fund** – The Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes these funds to an organization, with no financial benefit to the District.

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund post-employment insurance benefits for eligible employees.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **E. Budgetary Information**

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. During the fiscal year ended June 30, 2020, expenditures exceeded budgeted amounts in the General Fund, Food Service Special Revenue Fund, Capital Projects – Building Construction Fund, and the Debt Service Fund by \$1,131,683, \$31,321, \$293,438, and \$16,923, respectively. Revenues and other financing sources in excess of budget, along with available fund balance, funded these variances.

### **F. Cash and Temporary Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Capital Projects – Building Construction Fund and all trust funds are allocated specifically to those funds.

Cash and investments held by trustee includes balances held in segregated accounts established for specific purposes. In the General Fund, this represents assets held in escrow for capital purposes, which is reported as a restricted asset in the government-wide financial statements. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the respective escrow accounts.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

At year-end, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 2,718,111
Due from other Minnesota school districts	83,141
Due from other governmental units	<u>96,240</u>
Total due from other governmental units	<u>\$ 2,897,492</u>

### H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, fuel, and surplus commodities received from the federal government. Purchased food, supplies, and fuel are recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

### I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

### J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,024,421 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **K. Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$3,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 10 to 50 years for land improvements and buildings, and 5 to 25 years for furniture and equipment. Land and construction in progress are not depreciated.

The District does not possess material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

### **L. Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

### **M. Employee Benefits**

- 1. Compensated Absences** – Under the terms of certain collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates. Vacation and sick pay are accrued in the governmental funds to the extent they have been used or otherwise matured prior to year-end. Because teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no liability for unused vacation is recorded in the financial statements. Some employee bargaining groups are eligible to be compensated for unused sick leave upon termination subject to certain conditions. Convertible sick leave is recorded as a liability (severance payable) in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.
- 2. Post-Employment Healthcare Benefits** – The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 3. State-Wide Pension Plans** – District employees participate in cost-sharing, multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA), to which the District contributes. See the Defined Benefit Pension Plans – State-Wide note for further information.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the PERA and the TRA plans and additions to/deductions from the PERA's and the TRA's fiduciary net position have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

### N. Risk Management

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and medical health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Changes in the balance of dental claim liabilities for the last two years were as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
June 30, 2019	\$ 13,561	\$ 269,683	\$ 255,852	\$ 27,392
June 30, 2020	\$ 27,392	\$ 229,265	\$ 230,396	\$ 26,261

Changes in the balance of medical claim liabilities for the last two years were as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
June 30, 2019	\$ 302,847	\$ 3,683,552	\$ 3,459,297	\$ 527,102
June 30, 2020	\$ 527,102	\$ 3,209,648	\$ 3,148,568	\$ 588,182

**O. Claims and Judgements Payable**

Claims and judgements payable are recorded in the government-wide and proprietary fund financial statements when probable and reasonably estimable. Claims and judgements payable are recorded in the governmental fund financial statements when due and payable.

**P. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension and OPEB plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Q. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

### R. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s superintendent is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use the resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **S. Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

### **T. Prior Period Comparative Financial Information/Reclassification**

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### **U. Change in Accounting Principle**

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in the presentation of the District's extracurricular student activity accounts in the General Fund and its governmental activities, rather than excluding them from the reporting entity as it has in the past. The District previously presented a private-purpose trust fund for scholarship activity, which has also been combined into the General Fund and its governmental activities. The standard required retroactive implementation, which resulted in an increase of \$863,040 in the fund balance in the General Fund and net position of governmental activities as of July 1, 2019, and a decrease in the net position of the previously reported private-purpose trust fund of \$705,578.

## NOTE 2 – CASH AND INVESTMENTS

### A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$ 9,389,853
Investments	<u>14,695,264</u>
Total cash and investments	<u><u>\$ 24,085,117</u></u>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and temporary investments	\$ 19,611,520
Restricted assets – temporarily restricted	
Cash and investments for capital asset acquisition	372,131
Statement of Fiduciary Net Position	
Cash and investments held by trustee	4,113,035
Checks issued, but not presented for payment	<u>(11,569)</u>
Total cash and investments	<u><u>\$ 24,085,117</u></u>

### B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District’s deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District’s deposits was \$9,389,853, while the balance on the bank records was \$9,680,760. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or collateral held by the District’s agent in the District’s name.

## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

Investment Type	Credit Rating	Rating Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Carrying Value
				Less Than 1	1 to 5	
State and local obligations	Aa	Moody's	Level 2	\$ 496,760	\$ –	\$ 496,760
Investment pools/mutual funds						
Federated Hermes Treasury Obligations Fund	AAA	S&P	N/A	N/A	N/A	372,131
MSDLAF – Liquid Class	AAA	S&P	N/A	N/A	N/A	3,971,090
MSDLAF – MAX Class	AAA	S&P	N/A	N/A	N/A	2,161
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	9,103,122
MNTrust Term Series	N/R	N/A	N/A	\$ 750,000	\$ –	750,000
Total investments						<u>\$ 14,695,264</u>

N/A – Not Applicable

N/R – Not Rated

The District's investments include external investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are regulated by Minnesota Statutes and not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the Term Series Portfolio to recoup any associated penalties, charges, losses or other costs associated with the early redemption of the investments therein.

## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd.7.

In addition to statutory restrictions, the District's investment policy limits the types of investments to United States securities, state and local securities, commercial paper, and time deposits, as defined in Minnesota Statutes § 118A.04.

**Concentration Risk** – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

## NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Beginning of Year	Additions	Deletions	End of Year
Capital assets, not depreciated				
Land	\$ 602,074	\$ –	\$ –	\$ 602,074
Construction in progress	28,055,712	2,623,352	(29,238,740)	1,440,324
Total capital assets, not depreciated	28,657,786	2,623,352	(29,238,740)	2,042,398
Capital assets, depreciated				
Land improvements	4,896,141	4,257,954	–	9,154,095
Buildings	80,341,114	25,290,997	–	105,632,111
Furniture and equipment	4,138,528	1,180,160	(5,600)	5,313,088
Total capital assets, depreciated	89,375,783	30,729,111	(5,600)	120,099,294
Less accumulated depreciation for				
Land improvements	(1,780,615)	(229,652)	–	(2,010,267)
Buildings	(34,468,176)	(2,482,529)	–	(36,950,705)
Furniture and equipment	(2,524,843)	(377,889)	5,600	(2,897,132)
Total accumulated depreciation	(38,773,634)	(3,090,070)	5,600	(41,858,104)
Net capital assets, depreciated	50,602,149	27,639,041	–	78,241,190
Total capital assets, net	\$ 79,259,935	\$ 30,262,393	\$ (29,238,740)	\$ 80,283,588

Depreciation expense for the year was charged to the following governmental functions:

District support services	\$ 17,981
Elementary and secondary regular instruction	1,624,272
Special education instruction	13,118
Instructional support services	14,553
Sites and buildings	1,363,214
Food service	42,397
Community service	14,535
Total depreciation expense	\$ 3,090,070

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Bond Issue	Issue Date	Interest Rate	Original Principal	Final Maturity	Principal Outstanding
2016A G. O. Refunding	08/04/2016	2.50–4.00%	\$ 36,450,000	02/01/2029	\$ 29,080,000
2017A G. O. Building	02/22/2017	3.00–5.00%	\$ 27,375,000	02/01/2033	26,820,000
2017B G. O. Facilities Maintenance	05/18/2017	4.00–5.00%	\$ 2,865,000	02/01/2027	2,140,000
2018A G. O. Taxable OPEB Refunding	11/07/2018	2.95–3.80%	\$ 2,990,000	02/01/2029	2,745,000
2018B G. O. Tax Abatement	11/07/2018	3.00–5.00%	\$ 1,900,000	02/01/2029	1,760,000
Total general obligation bonds payable					\$ 62,545,000



#### NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

These bonds were issued to finance acquisition, construction, or improvement of capital facilities, refinance (refund) previous bond issues, or finance OPEB. Assets of the Debt Service Fund, together with future ad valorem tax levies, are dedicated for the retirement of these bonds. Authorized future debt service levies, equal to 105 percent of the principal and interest due each year, are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

##### **B. Capital Leases Payable**

The District is obligated under a capital lease for improvements to the high school athletic field and track. Repayments will be made from the General Fund over a 15-year period ending May 1, 2023, at an interest rate of 4.76 percent.

On September 12, 2017, the District entered into a capital lease agreement to finance the purchase and renovation of a transportation facility. The lease had a 3-year term, bore an interest rate of 3.45 percent, and had a final maturity of September 2022. This capital lease was being repaid by the General Fund.

During the 2019 fiscal year, the District entered into a capital lease agreement to finance the purchase of exercise equipment for the Activities Center. The equipment purchased consists of multiple items that do not individually meet the District's capitalization threshold of \$3,000, therefore, the equipment acquired is not included as part of capital assets. The lease has a 5-year term, bears an interest rate of 6.41 percent, and has a final maturity of January 2024. This capital lease will be repaid by the General Fund.

During the 2020 fiscal year, the District entered into a capital lease agreement to finance the purchase of custodial equipment. Some of the equipment purchased consists of multiple items that do not individually meet the District's capitalization threshold of \$3,000, therefore, those pieces of equipment are not included as part of capital assets. The lease has a 3-year term, bears no interest rate, and matures in fiscal year 2022. The imputed interest was not material. This capital lease will be repaid by the General Fund.

During the 2020 fiscal year, the District entered in to a capital lease agreement to finance a road reconstruction project. The lease has an 8-year term, bears an interest rate of 1.00 percent, and matures in fiscal year 2027. This capital lease will be repaid by the General Fund.

In August 2019, the District entered into a capital lease agreement to finance the purchase of equipment. The lease has a 4-year term, bears an interest rate of 5.106 percent, and has a final maturity of August 2023. This capital lease will be repaid by the General Fund.

In May 2020, the District entered into a refunding lease purchase agreement, the proceeds of which were used to refund, in advance of their stated maturities, the 2020 through 2022 maturities of the District's 2017 lease agreement totaling \$1,526,218. The proceeds were also used to further finance the purchase and renovation of a transportation facility. The lease has a 15-year term, bears an interest rate of 2.90 percent, and has a final maturity of February 2035. This current refunding will increase the District's total future debt service payments by \$323,274 and will result in present value savings of \$5,198. There was no difference between the carrying amount of the refunded debt and its reacquisition price. This capital lease will be repaid by the General Fund.

The amortization of assets acquired through the capital leases is included in depreciation expense. At year-end, the capitalized value and accumulated depreciation of leased assets were:

	Land Improvements	Buildings	Construction In Progress
Assets	\$ 2,374,316	\$ 1,912,194	\$ 539,858
Less accumulated depreciation	(413,037)	(83,656)	—
Net book value	<u>\$ 1,961,279</u>	<u>\$ 1,828,538</u>	<u>\$ 539,858</u>

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2020:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 4,660,759	\$ 774,872	\$ 887,745	\$ 643,395
TRA	19,530,000	18,225,580	27,503,617	3,767,584
Total	<u>\$ 24,190,759</u>	<u>\$ 19,000,452</u>	<u>\$ 28,391,362</u>	<u>\$ 4,410,979</u>

### D. Minimum Debt Payments

Future principal and interest payments for general obligation bonds and capital leases payable are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2021	\$ 4,130,000	\$ 2,225,870	\$ 429,300	\$ 72,720
2022	4,290,000	2,067,145	422,969	79,051
2023	4,465,000	1,895,075	398,647	65,818
2024	4,655,000	1,708,170	248,146	53,934
2025	4,855,000	1,511,220	223,461	48,404
2026–2030	25,120,000	4,785,215	882,660	173,076
2031–2035	15,030,000	930,150	789,059	64,286
	<u>\$ 62,545,000</u>	<u>\$ 15,122,845</u>	<u>\$ 3,394,242</u>	<u>\$ 557,289</u>

### E. Changes in Long-Term Liabilities

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
General obligation bonds payable	\$ 66,400,000	\$ —	\$ 3,855,000	\$ 62,545,000	\$ 4,130,000
Premium (discount) on bonds	4,825,159	—	490,604	4,334,555	—
Capital leases payable	2,278,705	3,030,551	1,915,014	3,394,242	429,300
Net pension liabilities	23,442,399	2,638,802	1,890,442	24,190,759	—
Net OPEB liability	1,925,747	590,448	—	2,516,195	—
Severance payable	1,311,603	189,296	165,310	1,335,589	476,305
	<u>\$ 100,183,613</u>	<u>\$ 6,449,097</u>	<u>\$ 8,316,370</u>	<u>\$ 98,316,340</u>	<u>\$ 5,035,605</u>

## NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions with an accumulated deficit balance at June 30, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

### A. Classifications

At June 30, 2020, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ 50,220	\$ –	\$ –	\$ 53,765	\$ 103,985
Prepaid items	150,843	–	–	4,577	155,420
Total nonspendable	201,063	–	–	58,342	259,405
<b>Restricted</b>					
Student activities	165,070	–	–	–	165,070
Scholarships	715,812	–	–	–	715,812
Staff development	65,825	–	–	–	65,825
Capital projects levy	28,320	–	–	–	28,320
Operating capital	1,581,232	–	–	–	1,581,232
Achievement and integration	20,395	–	–	–	20,395
Basic skills extended time	3,533	–	–	–	3,533
Long-term facilities maintenance	1,858	–	–	–	1,858
Food service	–	–	–	193,878	193,878
Community education programs	–	–	–	300,567	300,567
Early childhood family education programs	–	–	–	82,017	82,017
School readiness	–	–	–	73,733	73,733
Building construction	–	350,148	–	–	350,148
Debt service	–	–	808,454	–	808,454
Total restricted	2,582,045	350,148	808,454	650,195	4,390,842
<b>Assigned</b>					
Curriculum and development	232,039	–	–	–	232,039
Future projects	110,072	–	–	–	110,072
Building carryover	158,334	–	–	–	158,334
Wellness	66,085	–	–	–	66,085
Separation/retirement benefits	692,353	–	–	–	692,353
Total assigned	1,258,883	–	–	–	1,258,883
<b>Unassigned</b>	5,522,578	–	–	–	5,522,578
<b>Total</b>	<u>\$ 9,564,569</u>	<u>\$ 350,148</u>	<u>\$ 808,454</u>	<u>\$ 708,537</u>	<u>\$ 11,431,708</u>

### B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance (excluding any restricted account deficits) of 5.0 percent of the annual projected expenditures. At June 30, 2020, the unassigned fund balance was 13.6 percent of the 2021 budgeted General Fund expenditures.

## **NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

### **A. Plan Descriptions**

The District participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

#### **1. General Employees Retirement Fund (GERF)**

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

#### **2. Teachers Retirement Association (TRA)**

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul Public Schools or Minnesota State Colleges and Universities (MnSCU)). Educators first hired by MnSCU may elect either TRA coverage or coverage through the Defined Contribution Plan administered by the state of Minnesota.

### **B. Benefits Provided**

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

#### **1. GERF Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with the minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit at least one month but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

### 2. TRA Benefits

The TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

#### Tier I Benefits

Step-Rate Formula	Percentage per Year
<b>Basic Plan</b>	
First 10 years of service	2.2 %
All years after	2.7 %
<b>Coordinated Plan</b>	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) Three percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits, but not yet receiving them, are bound by the plan provisions in effect at the time they last terminated their public service.

### C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

#### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2020, were \$497,236 The District's contributions were equal to the required contributions as set by state statutes.

#### 2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2018		2019		2020	
	Employee	Employer	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.00 %	11.50 %	11.00 %	11.71 %	11.00 %	11.92 %
<b>Coordinated Plan</b>	7.50 %	7.50 %	7.50 %	7.71 %	7.50 %	7.92 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2020, were \$1,442,163. The District's contributions were equal to the required contributions for each year as set by state statutes.

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	<i>in thousands</i>
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300
Add employer contributions not related to future contribution efforts	(688)
Deduct the TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 437,714</u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations, due to the number of decimal places used in the allocations. The TRA has rounded percentage amounts to the nearest ten thousandths.

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$4,660,759 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.0843 percent at the end of the measurement period and 0.0811 percent for the beginning of the period.

The District's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 4,660,759
State's proportionate share of the net pension liability associated with the District	\$ 144,827

For the year ended June 30, 2020, the District recognized pension expense of \$632,549 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$10,846 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

At June 30, 2020, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 128,255	\$ –
Changes in actuarial assumptions	–	359,796
Difference between projected and actual investment earnings	–	460,918
Changes in proportion	149,381	67,031
District's contributions to the GERF subsequent to the measurement date	<u>497,236</u>	<u>–</u>
Total	<u><u>\$ 774,872</u></u>	<u><u>\$ 887,745</u></u>

A total of \$497,236 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (216,815)
2022	\$ (355,585)
2023	\$ (45,219)
2024	\$ 7,510

**2. TRA Pension Costs**

At June 30, 2020, the District reported a liability of \$19,530,000 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.3064 percent at the end of the measurement period and 0.3016 percent for the beginning of the period.

The pension liability amount reflected a reduction, due to direct aid provided to the TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 19,530,000
State's proportionate share of the net pension liability associated with the District	\$ 1,728,266

For the year ended June 30, 2020, the District recognized pension expense of \$3,636,215. It also recognized \$131,369 as an increase to pension expense (and grant revenue) for the support provided by direct aid.



**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

At June 30, 2020, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ —	\$ 466,686
Changes in actuarial assumptions	15,623,185	25,444,473
Difference between projected and actual investment earnings	—	1,592,458
Changes in proportion	1,160,232	—
District's contributions to the TRA subsequent to the measurement date	1,442,163	—
Total	<u>\$ 18,225,580</u>	<u>\$ 27,503,617</u>

A total of \$1,442,163 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ 1,066,219
2022	\$ 109,324
2023	\$ (6,956,812)
2024	\$ (4,952,972)
2025	\$ 14,041

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50%	2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25%	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Actuarial assumptions used in the June 30, 2019 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. Economic assumptions were updated in 2018, based on a review of inflation and investment return assumptions. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

### 1. GERF

#### CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

#### CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

### 2. TRA

#### CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

The Minnesota State Board of Investment, which manages the investments of the PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90 %
Fixed income	20.0	0.75 %
International equity	17.5	5.30/5.90 %
Cash equivalents	2.0	– %
Total	100.0 %	

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### F. Discount Rate

#### 1. GERF

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### 2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

### G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 7,662,035	\$ 4,660,759	\$ 2,182,607
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 31,135,596	\$ 19,530,000	\$ 9,961,358

## **NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

### **H. Pension Plan Fiduciary Net Position**

Detailed information about the GERP's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at [www.mnpera.org](http://www.mnpera.org); by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

Detailed information about the TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained on the TRA website at [www.minnesotatra.org](http://www.minnesotatra.org); by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103; or by calling (651) 296-2409 or (800) 657-3669.

### **I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End**

The United States and global markets experienced declines in values, resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on the PERA's and the TRA's discount rate, as well as the value of each plan's investments. Any impact caused by the resulting declines have not been included in the schedules as of June 30, 2019.

## **NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

### **A. Plan Description**

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

### **B. Benefits Provided**

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

## NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

### D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	27
Active plan members	<u>364</u>
Total members	<u><u>391</u></u>

### E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 6,592,908
Plan fiduciary net position	<u>(4,076,713)</u>
District's net OPEB liability	<u><u>\$ 2,516,195</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>61.8%</u></u>

### F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, and a measurement date as of June 30, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.50%
Expected long-term investment return	2.90% (net of investment expenses)
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.00% grading to 5.00%
Dental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	95.00 %	3.00 %
Cash	5.00	1.50 %
Total	100.00 %	2.90 %

**G. Rate of Return**

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**H. Discount Rate**

The discount rate used to measure the total OPEB liability was 2.50 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.00 percent.

**I. Changes in the Net OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance – July 1, 2019	\$ 6,012,850	\$ 4,087,103	\$ 1,925,747
Changes for the year			
Service cost	366,288	–	366,288
Interest cost	189,014	–	189,014
Assumption changes	183,261	–	183,261
Contributions – paid through operating funds	–	30,000	(30,000)
Net investment income	–	118,526	(118,526)
Differences between expected and actual experience	–	(411)	411
Benefit payments – paid through operating funds	(30,000)	(30,000)	–
Benefit payments – paid through trust	(128,505)	(128,505)	–
Total net changes	580,058	(10,390)	590,448
Ending balance – June 30, 2020	\$ 6,592,908	\$ 4,076,713	\$ 2,516,195

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The long-term rate of return assumption was changed to 2.90 percent from 2.40 percent.

**J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	1.50%	2.50%	3.50%
Net OPEB liability	\$ 2,952,358	\$ 2,516,195	\$ 2,094,087

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rates</u>	<u>Healthcare Trend Rates</u>	<u>1% Increase in Healthcare Trend Rates</u>
Healthcare trend rate	5.00% grading to 4.00%	6.00% grading to 5.00%	7.00% grading to 6.00%
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 1,736,808	\$ 2,516,195	\$ 3,440,088

**K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources**

For the current year ended, the District recognized OPEB expense of \$448,973. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ —	\$ 60,739
Changes in actuarial assumptions	216,023	44,433
Differences between projected and actual investment earnings	56,543	—
Total	<u>\$ 272,566</u>	<u>\$ 105,172</u>

## NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2021	\$ 12,195
2022	\$ 43,207
2023	\$ 34,095
2024	\$ 25,901
2025	\$ 25,821
Thereafter	\$ 26,175

## NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a “cafeteria plan” (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the Plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies and are accounted for in the General Fund. Amounts withheld for medical and dependent care reimbursement are accounted for by an independent contract plan administrator. Payments are made to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical and dependent care reimbursement activity plan is included in the financial statements in the General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District’s general creditors. Participants’ rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## NOTE 9 – INTERFUND BALANCES

The District’s General Fund has a receivable of \$128,505 at year-end due from the Post-Employment Benefits Trust Fund to reimburse OPEB costs. Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District’s governmental activities and the fiduciary funds are not eliminated.



## NOTE 10 – COMMITMENTS AND CONTINGENCIES

### A. Federal and State Revenues

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

### B. Legal Claims

The District has the usual and customary legal claims pending at year-end, mostly of a minor nature and/or covered by insurance. The District's government-wide financial statements include an estimated liability related to current legal claims. Although the outcomes of these claims are not presently determinable, the District does not believe the resolution of these matters will not have a material adverse effect on its financial position beyond the estimated liability accrued.

### C. Construction Commitments

At June 30, 2020, the District had commitments totaling \$876,589 under various construction contracts for which the work was not yet completed.

### D. Power Purchase Commitment

During fiscal year 2020, the District entered into various power purchase agreements to purchase the energy generated by solar panels contributed to the District and installed on various buildings of the District. At June 30, 2020, the equipment capitalized through these agreements is \$1,112,400, with accumulated depreciation of \$6,027. Future power purchase payments are as follows:

Year Ending June 30,	Amount
2021	\$ 51,451
2022	55,901
2023	57,289
2024	58,725
2025	60,207
2026–2030	325,055
2031–2035	320,168
2036–2041	297,041
2042	4,804
	<u>\$ 1,230,641</u>

## NOTE 11 – SUBSEQUENT EVENTS

The COVID-19 pandemic has caused economic and financial market volatility in the United States and around the world, along with significant business and operational disruptions for many organizations. Due to the unknown breadth and duration of this pandemic, any potential impact it may have on the District's future operations and financial condition cannot be determined at this time and has not been reflected in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 278

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2020

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0826%	\$ 3,880,134	\$ —	\$ 3,880,134	\$ 4,348,782	89.22%	78.70%
06/30/2016	06/30/2015	0.0792%	\$ 4,104,555	\$ —	\$ 4,104,555	\$ 4,653,351	88.21%	78.20%
06/30/2017	06/30/2016	0.0824%	\$ 6,690,471	\$ 87,405	\$ 6,777,876	\$ 4,848,272	138.00%	68.90%
06/30/2018	06/30/2017	0.0832%	\$ 5,311,432	\$ 66,776	\$ 5,378,208	\$ 5,318,213	99.87%	75.90%
06/30/2019	06/30/2018	0.0811%	\$ 4,499,096	\$ 147,648	\$ 4,646,744	\$ 5,453,435	82.50%	79.50%
06/30/2020	06/30/2019	0.0843%	\$ 4,660,759	\$ 144,827	\$ 4,805,586	\$ 5,964,762	78.14%	80.20%

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2020

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 343,252	\$ 343,252	\$ —	\$ 4,653,351	7.38%
06/30/2016	\$ 363,557	\$ 363,557	\$ —	\$ 4,848,272	7.50%
06/30/2017	\$ 398,006	\$ 398,006	\$ —	\$ 5,318,213	7.48%
06/30/2018	\$ 408,983	\$ 408,983	\$ —	\$ 5,453,435	7.50%
06/30/2019	\$ 447,359	\$ 447,359	\$ —	\$ 5,964,762	7.50%
06/30/2020	\$ 497,236	\$ 497,236	\$ —	\$ 6,629,796	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 278

Teachers Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2020

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3080%	\$ 14,192,418	\$ 998,516	\$ 15,190,934	\$ 14,057,289	100.96%	81.50%
06/30/2016	06/30/2015	0.2900%	\$ 17,939,368	\$ 2,200,629	\$ 20,139,997	\$ 14,720,573	121.87%	76.80%
06/30/2017	06/30/2016	0.2953%	\$ 70,436,096	\$ 7,069,067	\$ 77,505,163	\$ 15,468,330	455.36%	44.88%
06/30/2018	06/30/2017	0.2981%	\$ 59,506,168	\$ 5,751,982	\$ 65,258,150	\$ 16,096,552	369.68%	51.57%
06/30/2019	06/30/2018	0.3016%	\$ 18,943,303	\$ 1,779,586	\$ 20,722,889	\$ 16,664,426	113.68%	78.07%
06/30/2020	06/30/2019	0.3064%	\$ 19,530,000	\$ 1,728,266	\$ 21,258,266	\$ 17,400,046	112.24%	78.21%

Teachers Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2020

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,104,043	\$ 1,104,043	\$ —	\$ 14,720,573	7.50%
06/30/2016	\$ 1,160,919	\$ 1,160,919	\$ —	\$ 15,468,330	7.51%
06/30/2017	\$ 1,209,519	\$ 1,209,519	\$ —	\$ 16,096,552	7.51%
06/30/2018	\$ 1,249,682	\$ 1,249,682	\$ —	\$ 16,664,426	7.50%
06/30/2019	\$ 1,340,741	\$ 1,340,741	\$ —	\$ 17,400,046	7.71%
06/30/2020	\$ 1,442,163	\$ 1,442,163	\$ —	\$ 18,209,246	7.92%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 278

Other Post-Employment Benefits Plan  
Schedule of Changes in the District's Net  
OPEB Liability and Related Ratios  
Year Ended June 30, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 366,288	\$ 327,523	\$ 327,106	\$ 345,050
Interest cost	189,014	191,824	161,748	156,808
Assumption changes	183,261	82,521	(177,738)	—
Plan changes	—	1,361	—	—
Differences between expected and actual experience	—	(85,035)	—	—
Benefit payments – paid through operating funds	(30,000)	—	—	(327,157)
Benefit payments – paid through trust	(128,505)	(341,944)	(274,363)	—
Net change in total OPEB liability	580,058	176,250	36,753	174,701
Total OPEB liability – beginning of year	6,012,850	5,836,600	5,799,847	5,625,146
Total OPEB liability – end of year	6,592,908	6,012,850	5,836,600	5,799,847
Plan fiduciary net position				
Contributions – paid through operating funds	30,000	—	—	327,157
Net investment income	118,526	63,808	64,243	41,707
Differences between expected and actual experience	(411)	—	—	—
Benefit payments	(158,505)	(341,944)	(274,363)	(327,157)
Net change in plan fiduciary net position	(10,390)	(278,136)	(210,120)	41,707
Plan fiduciary net position – beginning of year	4,087,103	4,365,239	4,575,359	4,533,652
Plan fiduciary net position – end of year	4,076,713	4,087,103	4,365,239	4,575,359
Net OPEB liability (asset)	\$ 2,516,195	\$ 1,925,747	\$ 1,471,361	\$ 1,224,488
Plan fiduciary net position as a percentage of the total OPEB liability	61.83%	67.97%	74.79%	78.89%
Covered-employee payroll	\$ 22,528,956	\$ 21,872,773	\$ 20,730,611	\$ 20,126,807
Net OPEB liability as a percentage of covered-employee payroll	11.17%	8.80%	7.10%	6.08%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 278

Other Post-Employment Benefits Plan  
Schedule of Investment Returns  
Year Ended June 30, 2020

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.92 %
2018	1.40 %
2019	1.50 %
2020	2.90 %

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 278

Notes to Required Supplementary Information  
June 30, 2020

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2019 CHANGES IN PLAN PROVISIONS**

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality projection scale was changed from MP-2017 to MP-2018.

**2018 CHANGES IN PLAN PROVISIONS**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

INDEPENDENT SCHOOL DISTRICT NO. 278

Notes to Required Supplementary Information (continued)  
June 30, 2020

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2017 CHANGES IN PLAN PROVISIONS**

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

**2015 CHANGES IN PLAN PROVISIONS**

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

## INDEPENDENT SCHOOL DISTRICT NO. 278

### Notes to Required Supplementary Information (continued) June 30, 2020

#### **TEACHERS RETIREMENT ASSOCIATION (TRA)**

##### **2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

##### **2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

INDEPENDENT SCHOOL DISTRICT NO. 278

Notes to Required Supplementary Information (continued)  
June 30, 2020

**TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)**

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The single discount rate was changed from 8.00 percent to 4.66 percent.

**2015 CHANGES IN PLAN PROVISIONS**

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

INDEPENDENT SCHOOL DISTRICT NO. 278

Notes to Required Supplementary Information (continued)  
June 30, 2020

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The long-term rate of return assumption was changed to 2.90 percent from 2.40 percent.

**2019 CHANGES IN PLAN PROVISIONS**

- The District's post-employment medical subsidy for one retired employee was changed from up to \$580 per month to the full district-paid single premiums.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality table was updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- Healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The trend rate on post-age 65 subsidies for three administrators was changed to 4.00 percent per year.
- The discount rate was changed from 3.20 percent to 3.00 percent.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.70 percent to 3.20 percent.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 3.50 percent to 2.70 percent.
- The percentage of food service employees who are assumed to continue on one of the District's medical plans post-employment was reduced from 50.00 percent to 10.00 percent.

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## SUPPLEMENTAL INFORMATION

## INDEPENDENT SCHOOL DISTRICT NO. 278

Nonmajor Governmental Funds  
Combining Balance Sheet  
as of June 30, 2020

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 277,747	\$ 640,584	\$ 918,331
Receivables			
Current taxes	—	157,783	157,783
Delinquent taxes	—	4,620	4,620
Accounts and interest	—	5,918	5,918
Due from other governmental units	14,431	68,087	82,518
Inventory	53,765	—	53,765
Prepaid items	4,577	—	4,577
Total assets	<u>\$ 350,520</u>	<u>\$ 876,992</u>	<u>\$ 1,227,512</u>
Liabilities			
Salaries and compensated absences payable	\$ 2,699	\$ 73,699	\$ 76,398
Accounts and contracts payable	280	40,538	40,818
Due to other governmental units	—	94	94
Unearned revenue	95,321	—	95,321
Total liabilities	<u>98,300</u>	<u>114,331</u>	<u>212,631</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	—	4,066	4,066
Property taxes levied for subsequent year	—	302,278	302,278
Total deferred inflows of resources	<u>—</u>	<u>306,344</u>	<u>306,344</u>
Fund balances			
Nonspendable	58,342	—	58,342
Restricted	193,878	456,317	650,195
Total fund balances	<u>252,220</u>	<u>456,317</u>	<u>708,537</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 350,520</u>	<u>\$ 876,992</u>	<u>\$ 1,227,512</u>



INDEPENDENT SCHOOL DISTRICT NO. 278

Nonmajor Governmental Funds  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2020

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 282,388	\$ 282,388
Investment earnings	5,847	9,971	15,818
Other	985,830	2,368,221	3,354,051
State sources	47,943	216,837	264,780
Federal sources	262,431	—	262,431
Total revenue	<u>1,302,051</u>	<u>2,877,417</u>	<u>4,179,468</u>
Expenditures			
Current			
Food service	1,446,787	—	1,446,787
Community service	—	3,224,353	3,224,353
Capital outlay	—	97,331	97,331
Total expenditures	<u>1,446,787</u>	<u>3,321,684</u>	<u>4,768,471</u>
Excess (deficiency) of revenue over expenditures	(144,736)	(444,267)	(589,003)
Other financing sources			
Sale of assets	<u>323</u>	<u>—</u>	<u>323</u>
Net change in fund balances	(144,413)	(444,267)	(588,680)
Fund balances			
Beginning of year	<u>396,633</u>	<u>900,584</u>	<u>1,297,217</u>
End of year	<u>\$ 252,220</u>	<u>\$ 456,317</u>	<u>\$ 708,537</u>

## INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund  
Balance Sheet by Account  
as of June 30, 2020  
(With Comparative Totals as of June 30, 2019)

	2020			2019
	Operating	Capital Expenditure	Total	Total
<b>Assets</b>				
Cash and temporary investments	\$ 10,598,353	\$ 1,833,668	\$ 12,432,021	\$ 12,879,000
Cash and investments held by trustee	372,131	—	372,131	—
Receivables				
Current taxes	6,236,615	—	6,236,615	5,678,417
Delinquent taxes	179,405	—	179,405	185,336
Accounts and interest	529,338	—	529,338	688,126
Due from other governmental units	2,812,029	—	2,812,029	2,773,032
Due from other funds	128,505	—	128,505	341,944
Inventory	50,220	—	50,220	56,084
Prepaid items	126,153	24,690	150,843	169,607
<b>Total assets</b>	<b>\$ 21,032,749</b>	<b>\$ 1,858,358</b>	<b>\$ 22,891,107</b>	<b>\$ 22,771,546</b>
<b>Liabilities</b>				
Salaries and compensated absences payable	\$ 844,295	\$ —	\$ 844,295	\$ 905,023
Accounts and contracts payable	921,158	27,367	948,525	1,131,656
Due to other governmental units	86,857	—	86,857	148,908
Unearned revenue	372,130	—	372,130	512,864
<b>Total liabilities</b>	<b>2,224,440</b>	<b>27,367</b>	<b>2,251,807</b>	<b>2,698,451</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue – delinquent taxes	151,154	—	151,154	114,320
Property taxes levied for subsequent year	10,923,577	—	10,923,577	10,585,008
<b>Total deferred inflows of resources</b>	<b>11,074,731</b>	<b>—</b>	<b>11,074,731</b>	<b>10,699,328</b>
<b>Fund balances (deficits)</b>				
Nonspendable for inventory	50,220	—	50,220	56,084
Nonspendable for prepaid items	126,153	24,690	150,843	169,607
Restricted for student activities	165,070	—	165,070	—
Restricted for scholarships	715,812	—	715,812	—
Restricted for staff development	65,825	—	65,825	39,347
Restricted for capital projects levy	—	28,320	28,320	101,233
Restricted for operating capital	—	1,581,232	1,581,232	1,776,588
Restricted for achievement and integration	20,395	—	20,395	—
Restricted for basic skills extended time	3,533	—	3,533	1,352
Restricted for long-term facilities maintenance	—	1,858	1,858	—
Assigned for curriculum and development	232,039	—	232,039	176,721
Assigned for future projects	—	110,072	110,072	110,072
Assigned for building carryover	158,334	—	158,334	127,089
Assigned for wellness	66,085	—	66,085	74,134
Assigned for insurance recovery	—	—	—	141,147
Assigned for separation/retirement benefits	692,353	—	692,353	501,437
Unassigned – long-term facilities maintenance restricted account deficit	—	—	—	(300,476)
Unassigned	5,437,759	84,819	5,522,578	6,399,432
<b>Total fund balances</b>	<b>7,733,578</b>	<b>1,830,991</b>	<b>9,564,569</b>	<b>9,373,767</b>
<b>Total liabilities, deferred inflows     of resources, and fund balances</b>	<b>\$ 21,032,749</b>	<b>\$ 1,858,358</b>	<b>\$ 22,891,107</b>	<b>\$ 22,771,546</b>

## INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	2020			2019
	Operating	Capital Expenditure	Total	Total
Revenue				
Local sources				
Property taxes	\$ 8,860,767	\$ 2,771,618	\$ 11,632,385	\$ 11,035,340
Investment earnings	180,679	—	180,679	291,909
Other	1,727,221	66,256	1,793,477	2,232,187
State sources	24,863,137	301,752	25,164,889	25,119,839
Federal sources	617,817	—	617,817	584,644
Total revenue	36,249,621	3,139,626	39,389,247	39,263,919
Expenditures				
Current				
Administration	1,280,235	—	1,280,235	1,448,004
District support services	1,363,785	238,202	1,601,987	1,742,369
Elementary and secondary regular instruction	19,383,370	272,108	19,655,478	18,727,494
Vocational education instruction	324,158	—	324,158	288,572
Special education instruction	5,049,917	—	5,049,917	4,615,399
Instructional support services	2,245,742	781,361	3,027,103	2,434,834
Pupil support services	2,887,476	—	2,887,476	3,033,796
Sites and buildings	4,585,679	2,378,297	6,963,976	5,696,569
Fiscal and other fixed cost programs	282,859	—	282,859	401,279
Debt service				
Principal	118,407	270,389	388,796	222,044
Interest and fiscal charges	61,853	32,048	93,901	91,685
Total expenditures	37,583,481	3,972,405	41,555,886	38,702,045
Excess (deficiency) of revenue over expenditures	(1,333,860)	(832,779)	(2,166,639)	561,874
Other financing sources				
Sale of assets	6,992	—	6,992	—
Capital lease issued	539,857	947,552	1,487,409	123,402
Total other financing sources	546,849	947,552	1,494,401	123,402
Net change in fund balances	(787,011)	114,773	(672,238)	685,276
Fund balances				
Beginning of year, as previously reported	7,657,549	1,716,218	9,373,767	8,688,491
Change in accounting principle	863,040	—	863,040	—
Beginning of year, as restated	8,520,589	1,716,218	10,236,807	8,688,491
End of year	\$ 7,733,578	\$ 1,830,991	\$ 9,564,569	\$ 9,373,767

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund – Operating Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 9,163,873	\$ 8,860,767	\$ (303,106)	\$ 8,202,761
Investment earnings	143,750	180,679	36,929	291,909
Other	1,556,633	1,727,221	170,588	1,853,145
State sources	24,993,379	24,863,137	(130,242)	24,785,501
Federal sources	618,225	617,817	(408)	584,644
Total revenue	36,475,860	36,249,621	(226,239)	35,717,960
Expenditures				
Current				
Administration	1,295,910	1,280,235	(15,675)	1,448,004
District support services	1,561,683	1,363,785	(197,898)	1,441,068
Elementary and secondary regular instruction	19,315,695	19,383,370	67,675	18,380,908
Vocational education instruction	313,433	324,158	10,725	288,572
Special education instruction	5,086,496	5,049,917	(36,579)	4,615,399
Instructional support services	2,086,073	2,245,742	159,669	1,588,711
Pupil support services	3,052,070	2,887,476	(164,594)	3,033,796
Sites and buildings	4,233,289	4,585,679	352,390	3,815,427
Fiscal and other fixed cost programs	283,058	282,859	(199)	401,279
Debt service				
Principal	117,372	118,407	1,035	101,804
Interest and fiscal charges	97,140	61,853	(35,287)	61,589
Total expenditures	37,442,219	37,583,481	141,262	35,176,557
Excess (deficiency) of revenue over expenditures	(966,359)	(1,333,860)	(367,501)	541,403
Other financing sources (uses)				
Sale of assets	6,991	6,992	1	–
Capital lease issued	539,962	539,857	(105)	123,402
Refunding debt issued	1,543,038	–	(1,543,038)	–
Debt refunding payments	(1,526,218)	–	1,526,218	–
Total other financing sources (uses)	563,773	546,849	(16,924)	123,402
Net change in fund balances	\$ (402,586)	(787,011)	\$ (384,425)	664,805
Fund balances				
Beginning of year, as previously reported		7,657,549		6,992,744
Change in accounting principle		863,040		–
Beginning of year, as restated		8,520,589		6,992,744
End of year		\$ 7,733,578		\$ 7,657,549

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund – Capital Expenditure Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2020  
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 2,771,618	\$ 2,771,618	\$ –	\$ 2,832,579
Other	93,339	66,256	(27,083)	379,042
State sources	311,105	301,752	(9,353)	334,338
Total revenue	3,176,062	3,139,626	(36,436)	3,545,959
Expenditures				
Current				
District support services	238,209	238,202	(7)	301,301
Elementary and secondary regular instruction	440,853	272,108	(168,745)	346,586
Instructional support services	1,013,641	781,361	(232,280)	846,123
Sites and buildings	1,138,945	2,378,297	1,239,352	1,881,142
Debt service				
Principal	120,240	270,389	150,149	120,240
Interest and fiscal charges	30,096	32,048	1,952	30,096
Total expenditures	2,981,984	3,972,405	990,421	3,525,488
Excess (deficiency) of revenue over expenditures	194,078	(832,779)	(1,026,857)	20,471
Other financing sources				
Capital lease issued	–	947,552	947,552	–
Net change in fund balances	\$ 194,078	114,773	\$ (79,305)	20,471
Fund balances				
Beginning of year		1,716,218		1,695,747
End of year		\$ 1,830,991		\$ 1,716,218

## INDEPENDENT SCHOOL DISTRICT NO. 278

Food Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 277,747	\$ 423,917
Receivables		
Accounts and interest	—	102
Due from other governmental units	14,431	—
Inventory	53,765	27,426
Prepaid items	<u>4,577</u>	<u>410</u>
Total assets	<u><u>\$ 350,520</u></u>	<u><u>\$ 451,855</u></u>
Liabilities		
Salaries and compensated absences payable	\$ 2,699	\$ —
Accounts and contracts payable	280	965
Unearned revenue	<u>95,321</u>	<u>54,257</u>
Total liabilities	98,300	55,222
Fund balances		
Nonspendable for inventory	53,765	27,426
Nonspendable for prepaid items	4,577	410
Restricted for food service	<u>193,878</u>	<u>368,797</u>
Total fund balances	<u><u>252,220</u></u>	<u><u>396,633</u></u>
Total liabilities and fund balances	<u><u>\$ 350,520</u></u>	<u><u>\$ 451,855</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Food Service Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,000	\$ 5,847	\$ 4,847	\$ 6,162
Other – primarily meal sales	1,024,782	985,830	(38,952)	1,270,204
State sources	59,771	47,943	(11,828)	37,849
Federal sources	115,755	262,431	146,676	257,207
Total revenue	<u>1,201,308</u>	<u>1,302,051</u>	<u>100,743</u>	<u>1,571,422</u>
Expenditures				
Current				
Salaries	572,789	583,769	10,980	571,444
Employee benefits	170,648	181,045	10,397	182,089
Purchased services	62,364	76,131	13,767	73,791
Supplies and materials	542,258	604,118	61,860	722,466
Other expenditures	1,094	1,724	630	1,774
Capital outlay	66,313	–	(66,313)	59,632
Total expenditures	<u>1,415,466</u>	<u>1,446,787</u>	<u>31,321</u>	<u>1,611,196</u>
Excess (deficiency) of revenue over expenditures	(214,158)	(144,736)	69,422	(39,774)
Other financing sources				
Sale of assets	<u>–</u>	<u>323</u>	<u>323</u>	<u>–</u>
Net change in fund balances	<u>\$ (214,158)</u>	<u>(144,413)</u>	<u>\$ 69,745</u>	<u>(39,774)</u>
Fund balances				
Beginning of year		<u>396,633</u>		<u>436,407</u>
End of year		<u>\$ 252,220</u>		<u>\$ 396,633</u>

## INDEPENDENT SCHOOL DISTRICT NO. 278

Community Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 640,584	\$ 1,151,070
Receivables		
Current taxes	157,783	140,029
Delinquent taxes	4,620	5,041
Accounts and interest	5,918	38,446
Due from other governmental units	68,087	9,031
Prepaid items	<u>—</u>	<u>895</u>
Total assets	<u><u>\$ 876,992</u></u>	<u><u>\$ 1,344,512</u></u>
Liabilities		
Salaries and compensated absences payable	\$ 73,699	\$ 112,608
Accounts and contracts payable	40,538	43,594
Due to other governmental units	94	—
Unearned revenue	<u>—</u>	<u>768</u>
Total liabilities	<u>114,331</u>	<u>156,970</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	4,066	3,270
Property taxes levied for subsequent year	<u>302,278</u>	<u>283,688</u>
Total deferred inflows of resources	<u>306,344</u>	<u>286,958</u>
Fund balances		
Nonspendable for prepaid items	—	895
Restricted for community education programs	300,567	636,930
Restricted for early childhood family education programs	82,017	138,428
Restricted for school readiness	<u>73,733</u>	<u>124,331</u>
Total fund balances	<u><u>456,317</u></u>	<u><u>900,584</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 876,992</u></u>	<u><u>\$ 1,344,512</u></u>



INDEPENDENT SCHOOL DISTRICT NO. 278

Community Service Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 285,867	\$ 282,388	\$ (3,479)	\$ 278,578
Investment earnings	10,506	9,971	(535)	12,343
Other – primarily tuition and fees	2,502,348	2,368,221	(134,127)	2,832,132
State sources	185,563	216,837	31,274	115,691
Total revenue	2,984,284	2,877,417	(106,867)	3,238,744
Expenditures				
Current				
Salaries	2,179,330	2,092,569	(86,761)	2,044,285
Employee benefits	333,495	335,591	2,096	291,515
Purchased services	484,294	516,174	31,880	527,559
Supplies and materials	217,661	186,823	(30,838)	255,652
Other expenditures	138,278	93,196	(45,082)	144,545
Capital outlay	105,659	97,331	(8,328)	44,117
Total expenditures	3,458,717	3,321,684	(137,033)	3,307,673
Net change in fund balances	\$ (474,433)	(444,267)	\$ 30,166	(68,929)
Fund balances				
Beginning of year		900,584		969,513
End of year		\$ 456,317		\$ 900,584

INDEPENDENT SCHOOL DISTRICT NO. 278

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 551,912	\$ 2,032,242
Receivables		
Accounts and interest	<u>20</u>	<u>107,003</u>
Total assets	<u>\$ 551,932</u>	<u>\$ 2,139,245</u>
Liabilities		
Accounts and contracts payable	\$ 201,784	\$ 1,011,085
Fund balances		
Restricted for building construction	<u>350,148</u>	<u>1,128,160</u>
Total liabilities and fund balances	<u>\$ 551,932</u>	<u>\$ 2,139,245</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Capital Projects – Building Construction Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 34,423	\$ 29,826	\$ (4,597)	\$ 207,486
Expenditures				
Capital outlay				
Purchased services	14,400	27,582	13,182	1,219,440
Capital expenditures	500,000	780,256	280,256	14,223,863
Debt service				
Fiscal charges and other	—	—	—	42,757
Total expenditures	<u>514,400</u>	<u>807,838</u>	<u>293,438</u>	<u>15,486,060</u>
Excess (deficiency) of revenue over expenditures	(479,977)	(778,012)	(298,035)	(15,278,574)
Other financing sources				
Debt issued	—	—	—	1,900,000
Premiums on debt issued	<u>—</u>	<u>—</u>	<u>—</u>	<u>110,336</u>
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,010,336</u>
Net change in fund balances	<u>\$ (479,977)</u>	<u>(778,012)</u>	<u>\$ (298,035)</u>	<u>(13,268,238)</u>
Fund balances				
Beginning of year		<u>1,128,160</u>		<u>14,396,398</u>
End of year		<u>\$ 350,148</u>		<u>\$ 1,128,160</u>

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## INDEPENDENT SCHOOL DISTRICT NO. 278

Debt Service Fund  
Balance Sheet by Account  
as of June 30, 2020  
(With Comparative Totals as of June 30, 2019)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2020	2019
Assets				
Cash and temporary investments	\$ 3,576,553	\$ 261,693	\$ 3,838,246	\$ 3,959,844
Receivables				
Current taxes	3,132,595	191,460	3,324,055	3,051,647
Delinquent taxes	89,829	6,626	96,455	97,956
Due from other governmental units	2,922	23	2,945	3,050
Total assets	<u>\$ 6,801,899</u>	<u>\$ 459,802</u>	<u>\$ 7,261,701</u>	<u>\$ 7,112,497</u>
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	\$ 79,145	\$ 5,923	\$ 85,068	\$ 62,531
Property taxes levied for subsequent year	6,001,383	366,796	6,368,179	6,182,390
Total deferred inflows of resources	<u>6,080,528</u>	<u>372,719</u>	<u>6,453,247</u>	<u>6,244,921</u>
Fund balances				
Restricted for debt service	<u>721,371</u>	<u>87,083</u>	<u>808,454</u>	<u>867,576</u>
Total deferred inflows of resources and fund balances	<u>\$ 6,801,899</u>	<u>\$ 459,802</u>	<u>\$ 7,261,701</u>	<u>\$ 7,112,497</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Debt Service Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Budget and Actual  
Year Ended June 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

		2020	
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 6,269,705	\$ 5,788,310	\$ 360,559
Investment earnings	25,000	33,232	2,575
State sources	29,559	29,219	235
Total revenue	6,324,264	5,850,761	363,369
Expenditures			
Debt service			
Principal	3,855,000	3,610,000	245,000
Interest	2,415,878	2,306,516	126,182
Fiscal charges and other	2,375	2,003	475
Total expenditures	6,273,253	5,918,519	371,657
Excess (deficiency) of revenue over expenditures	51,011	(67,758)	(8,288)
Other financing sources (uses)			
Refunding debt issued	—	1,543,142	—
Debt refunding payments	—	(1,526,218)	—
Total other financing sources (uses)	—	16,924	—
Net change in fund balances	\$ 51,011	(50,834)	(8,288)
Fund balances			
Beginning of year		772,205	95,371
End of year		\$ 721,371	\$ 87,083

		2019
Total	Over (Under) Budget	Actual
\$ 6,148,869	\$ (120,836)	\$ 6,056,872
35,807	10,807	57,522
29,454	(105)	30,500
6,214,130	(110,134)	6,144,894
3,855,000	—	3,775,000
2,432,698	16,820	2,552,465
2,478	103	52,190
6,290,176	16,923	6,379,655
(76,046)	(127,057)	(234,761)
1,543,142	1,543,142	2,990,000
(1,526,218)	(1,526,218)	(2,950,000)
16,924	16,924	40,000
(59,122)	\$ (110,133)	(194,761)
867,576		1,062,337
\$ 808,454		\$ 867,576

INDEPENDENT SCHOOL DISTRICT NO. 278

Combining Statement of Net Position  
Internal Service Funds  
as of June 30, 2020  
(With Comparative Totals as of June 30, 2019)

	Dental Self-Insurance	Medical Self-Insurance	Totals	
			2020	2019
Assets				
Current assets				
Cash and cash equivalents	\$ 215,032	\$ 1,655,978	\$ 1,871,010	\$ 944,680
Receivables				
Accounts and interest	2,361	6,019	8,380	13,444
Total current assets	217,393	1,661,997	1,879,390	958,124
Liabilities				
Current liabilities				
Accounts and contracts payable	26,261	588,182	614,443	554,494
Unearned revenue	24,691	340,278	364,969	368,084
Total current liabilities	50,952	928,460	979,412	922,578
Net position				
Unrestricted	\$ 166,441	\$ 733,537	\$ 899,978	\$ 35,546



INDEPENDENT SCHOOL DISTRICT NO. 278

Combining Statement of Revenue, Expenses, and Changes in Net Position  
Internal Service Funds  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	Dental Self-Insurance	Medical Self-Insurance	Totals	
			2020	2019
Operating revenue				
Charges for services				
Assessed to governmental funds	\$ 285,346	\$ 4,006,366	\$ 4,291,712	\$ 3,648,763
Operating expenses				
Dental benefit claims	229,265	—	229,265	269,683
Medical benefit claims	—	3,209,648	3,209,648	3,683,552
Total operating expenses	<u>229,265</u>	<u>3,209,648</u>	<u>3,438,913</u>	<u>3,953,235</u>
Operating income (loss)	56,081	796,718	852,799	(304,472)
Nonoperating revenue				
Investment earnings	<u>1,919</u>	<u>9,714</u>	<u>11,633</u>	<u>7,441</u>
Change in net position	58,000	806,432	864,432	(297,031)
Net position				
Beginning of year	<u>108,441</u>	<u>(72,895)</u>	<u>35,546</u>	<u>332,577</u>
End of year	<u>\$ 166,441</u>	<u>\$ 733,537</u>	<u>\$ 899,978</u>	<u>\$ 35,546</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	Dental Self-Insurance	Medical Self-Insurance	Totals	
			2020	2019
Cash flows from operating activities				
Contributions from governmental funds	\$ 286,959	\$ 4,006,702	\$ 4,293,661	\$ 3,690,778
Payments for dental claims	(230,396)	—	(230,396)	(255,852)
Payments for medical claims	—	(3,148,568)	(3,148,568)	(3,459,297)
Net cash flows from operating activities	56,563	858,134	914,697	(24,371)
Cash flows from investing activities				
Interest on investments	1,919	9,714	11,633	7,441
Net change in cash and cash equivalents	58,482	867,848	926,330	(16,930)
Cash and cash equivalents				
Beginning of year	156,550	788,130	944,680	961,610
End of year	\$ 215,032	\$ 1,655,978	\$ 1,871,010	\$ 944,680
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 56,081	\$ 796,718	\$ 852,799	\$ (304,472)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	1,385	3,679	5,064	(578)
Accounts and contracts payable	(1,131)	61,080	59,949	238,086
Unearned revenue	228	(3,343)	(3,115)	42,593
Net cash flows from operating activities	\$ 56,563	\$ 858,134	\$ 914,697	\$ (24,371)

STATISTICAL SECTION (UNAUDITED)

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## **STATISTICAL SECTION (UNAUDITED)**

This section of Independent School District No. 278's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Contents**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

#### **Operating Indicators**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's CAFR relates to the services the District provides, and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the District's CAFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 278

Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

				Fiscal Year
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 9,711,891	\$ 8,165,213	\$ 7,653,770	\$ 7,393,374
Restricted	2,192,508	3,314,005	3,620,076	3,756,494
Unrestricted	3,836,539	4,320,806	4,678,806	5,257,977
Total governmental activities net position	<u>\$ 15,740,938</u>	<u>\$ 15,800,024</u>	<u>\$ 15,952,652</u>	<u>\$ 16,407,845</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$21.0 million. Prior years were not restated.

Note 2: The District implemented GASB Statement No. 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$5.2 million. Prior years were not restated.

Note 3: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard that increased unrestricted net position by approximately \$863 thousand. Prior years were not restated.

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 7,868,907	\$ 8,753,841	\$ 6,534,251	\$ 7,778,439	\$ 9,268,412	\$ 13,126,922
3,844,782	2,979,828	4,065,675	3,560,209	3,223,874	3,272,665
<u>(15,287,877)</u>	<u>(15,210,721)</u>	<u>(29,672,163)</u>	<u>(38,266,096)</u>	<u>(29,473,464)</u>	<u>(32,124,340)</u>
<u>\$ (3,574,188)</u>	<u>\$ (3,477,052)</u>	<u>\$ (19,072,237)</u>	<u>\$ (26,927,448)</u>	<u>\$ (16,981,178)</u>	<u>\$ (15,724,753)</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Expenses				
Administration	\$ 1,240,176	\$ 1,103,447	\$ 1,211,999	\$ 1,114,374
District support services	1,210,939	1,306,845	1,186,616	1,418,314
Elementary and secondary regular instruction	15,906,341	15,821,717	16,588,104	16,715,403
Vocational education instruction	227,041	228,139	232,415	241,330
Special education instruction	3,577,519	3,433,434	3,603,350	3,611,233
Instructional support services	1,371,005	1,178,776	1,132,586	2,296,955
Pupil support services	2,282,735	2,139,593	2,189,262	2,432,063
Sites and buildings	4,505,990	4,643,492	4,452,099	3,879,490
Fiscal and other fixed cost programs	106,788	121,810	152,429	149,070
Food service	1,375,569	1,324,369	1,487,498	1,420,436
Community service	3,130,688	3,103,963	3,089,958	3,307,702
Interest and fiscal charges	2,582,123	2,523,805	2,457,007	2,381,304
Total governmental activities expenses	37,516,914	36,929,390	37,783,323	38,967,674
Program revenues				
Charges for services				
District support services	—	—	—	—
Elementary and secondary regular instruction	439,665	466,099	462,156	483,615
Instructional support services	73,997	72,613	84,612	86,742
Sites and buildings	48,084	44,780	45,320	32,450
Food service	1,113,764	1,147,584	1,178,931	1,115,473
Community service	2,614,388	2,575,570	2,751,209	2,982,439
Operating grants and contributions	4,302,312	4,189,597	4,327,106	4,633,326
Capital grants and contributions	—	—	—	—
Total governmental activities program revenues	8,592,210	8,496,243	8,849,334	9,334,045
Net (expense) revenue	(28,924,704)	(28,433,147)	(28,933,989)	(29,633,629)
General revenues and other changes in net position				
Property taxes	13,878,356	11,328,567	11,437,738	9,176,495
General grants and aids	13,755,226	16,233,024	16,715,745	19,720,708
Investment earnings and other	867,863	930,642	933,134	1,191,619
Total general revenues and other changes in net position	28,501,445	28,492,233	29,086,617	30,088,822
Change in net position	\$ (423,259)	\$ 59,086	\$ 152,628	\$ 455,193



2015	2016	2017	2018	2019	2020
\$ 1,419,501	\$ 1,210,448	\$ 2,051,816	\$ 1,644,415	\$ 1,144,834	\$ 1,403,513
1,352,392	1,452,785	1,727,629	1,883,055	1,646,977	1,648,088
17,853,192	19,243,525	26,536,175	26,417,988	13,956,796	22,661,409
252,752	266,949	398,942	398,458	177,043	347,654
3,847,621	4,172,151	5,783,842	5,835,792	3,378,768	5,264,305
1,947,093	2,170,518	2,694,470	2,678,015	1,959,811	3,140,503
2,517,343	2,632,360	2,934,532	3,003,901	2,798,029	2,933,397
3,954,424	4,543,936	5,148,314	5,437,461	6,720,625	6,168,157
163,768	130,476	153,893	218,719	401,279	282,859
1,484,656	1,584,898	1,599,610	1,550,110	1,609,297	1,480,033
3,056,864	3,137,082	3,155,738	3,224,093	3,162,147	3,366,310
2,298,810	2,205,783	3,666,352	3,077,375	2,233,460	1,924,200
40,148,416	42,750,911	55,851,313	55,369,382	39,189,066	50,620,428
—	—	—	—	14,272	—
505,005	454,212	443,288	434,607	417,156	316,534
95,393	94,186	98,355	84,414	75,261	82,131
41,627	54,161	91,946	200,841	521,310	437,382
1,154,225	1,185,196	1,217,362	1,185,258	1,270,204	985,830
2,732,277	2,792,652	2,525,272	2,789,796	2,832,132	2,368,221
4,910,953	5,026,723	6,092,995	5,415,378	5,662,594	5,893,622
—	—	—	—	—	1,112,400
9,439,480	9,607,130	10,469,218	10,110,294	10,792,929	11,196,120
(30,708,936)	(33,143,781)	(45,382,095)	(45,259,088)	(28,396,137)	(39,424,308)
13,006,374	13,757,445	14,859,066	16,538,863	17,410,629	18,123,809
17,755,988	18,724,777	19,186,103	19,324,330	19,144,727	20,455,376
998,139	758,695	945,725	1,540,684	1,787,051	1,238,508
31,760,501	33,240,917	34,990,894	37,403,877	38,342,407	39,817,693
\$ 1,051,565	\$ 97,136	\$(10,391,201)	\$ (7,855,211)	\$ 9,946,270	\$ 393,385

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INDEPENDENT SCHOOL DISTRICT NO. 278

Governmental Activities Tax Revenues by Source and Levy Type  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

Fiscal Year	Property Tax					Total
	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service		
2011	\$ 8,521,682	\$ 410,087	\$ 1,024,716	\$ 3,921,871	\$ 13,878,356	
2012	6,911,002	279,714	–	4,137,851	11,328,567	
2013	6,994,866	280,086	–	4,162,786	11,437,738	
2014	4,678,374	147,551	–	4,350,570	9,176,495	
2015	8,271,967	266,886	–	4,467,521	13,006,374	
2016	8,811,854	277,619	–	4,667,972	13,757,445	
2017	9,730,224	270,784	–	4,585,058	14,586,066	
2018	10,655,450	268,792	–	5,614,621	16,538,863	
2019	11,064,867	279,156	–	6,066,606	17,410,629	
2020	11,669,219	283,184	–	6,171,406	18,123,809	

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

## INDEPENDENT SCHOOL DISTRICT NO. 278

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 516,868	\$ 163,719	\$ 216,880	\$ 241,431
Restricted	1,518,496	2,630,437	2,798,031	2,682,295
Assigned	2,209,746	2,364,311	1,932,960	1,383,557
Unassigned	<u>2,999,391</u>	<u>2,997,703</u>	<u>3,642,622</u>	<u>4,568,437</u>
Total General Fund	<u>\$ 7,244,501</u>	<u>\$ 8,156,170</u>	<u>\$ 8,590,493</u>	<u>\$ 8,875,720</u>
All other governmental funds				
Nonspendable	\$ 35,251	\$ 35,298	\$ 27,005	\$ 38,918
Restricted	<u>2,286,911</u>	<u>1,185,684</u>	<u>1,301,385</u>	<u>1,627,111</u>
Total all other governmental funds	<u>\$ 2,322,162</u>	<u>\$ 1,220,982</u>	<u>\$ 1,328,390</u>	<u>\$ 1,666,029</u>
Total all governmental funds	<u>\$ 9,566,663</u>	<u>\$ 9,377,152</u>	<u>\$ 9,918,883</u>	<u>\$ 10,541,749</u>

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 297,934	\$ 233,587	\$ 568,630	\$ 270,511	\$ 225,691	\$ 201,063
2,453,121	1,669,709	1,805,594	1,953,557	1,918,520	2,582,045
1,420,294	1,289,948	903,865	651,831	1,130,600	1,258,883
<u>4,767,214</u>	<u>4,725,281</u>	<u>4,935,360</u>	<u>5,812,592</u>	<u>6,098,956</u>	<u>5,522,578</u>
<u>\$ 8,938,563</u>	<u>\$ 7,918,525</u>	<u>\$ 8,213,449</u>	<u>\$ 8,688,491</u>	<u>\$ 9,373,767</u>	<u>\$ 9,564,569</u>
\$ 35,421	\$ 37,822	\$ 25,244	\$ 46,997	\$ 28,731	\$ 58,342
<u>1,826,739</u>	<u>1,818,629</u>	<u>66,575,361</u>	<u>16,817,658</u>	<u>3,264,222</u>	<u>1,808,797</u>
<u>\$ 1,862,160</u>	<u>\$ 1,856,451</u>	<u>\$ 66,600,605</u>	<u>\$ 16,864,655</u>	<u>\$ 3,292,953</u>	<u>\$ 1,867,139</u>
<u>\$ 10,800,723</u>	<u>\$ 9,774,976</u>	<u>\$ 74,814,054</u>	<u>\$ 25,553,146</u>	<u>\$ 12,666,720</u>	<u>\$ 11,431,708</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Local sources				
Property taxes	\$ 13,977,592	\$ 11,302,357	\$ 11,417,290	\$ 9,325,440
Investment earnings	16,247	5,730	8,946	20,976
Other	5,141,102	5,231,350	5,446,123	5,871,288
State sources	16,806,502	19,309,387	20,111,316	23,389,076
Federal sources	1,251,036	1,113,234	931,535	964,958
Total revenues	37,192,479	36,962,058	37,915,210	39,571,738
Expenditures				
Current				
Administration	1,239,856	1,204,821	1,232,397	1,279,471
District support services	1,184,927	1,291,926	1,156,567	1,390,862
Elementary and secondary regular instruction	13,881,798	14,265,971	14,900,909	14,926,668
Vocational education instruction	227,041	228,139	232,415	241,330
Special education instruction	3,576,871	3,469,533	3,613,323	3,670,933
Instructional support services	1,354,842	1,181,729	1,126,459	2,291,844
Pupil support services	2,282,735	2,139,593	2,189,262	2,432,063
Sites and buildings	2,960,689	3,925,813	3,892,468	3,460,180
Fiscal and other fixed cost programs	106,788	121,810	152,429	149,070
Food service	1,301,862	1,267,152	1,398,291	1,331,466
Community service	3,101,348	3,059,733	3,049,239	3,179,435
Capital outlay	10,079,802	861,963	71,252	108,731
Debt service				
Principal	1,341,874	1,596,544	1,881,440	2,080,038
Interest and fiscal charges	2,596,483	2,542,149	2,479,741	2,406,781
Total expenditures	45,236,916	37,156,876	37,376,192	38,948,872
Excess of revenues over (under) expenditures	(8,044,437)	(194,818)	539,018	622,866
Other financing sources (uses)				
Sale of capital assets	—	5,307	2,713	—
Debt issued	—	—	—	—
Refunding debt issued	—	—	—	—
Premium on debt issued	—	—	—	—
Capital leases issued	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—
Transfer in	—	558,308	—	—
Transfer (out)	—	(558,308)	—	—
Total other financing sources (uses)	—	5,307	2,713	—
Net change in fund balances	\$ (8,044,437)	\$ (189,511)	\$ 541,731	\$ 622,866
Debt service as a percentage of noncapital expenditures	10.9%	11.4%	11.8%	11.4%

2015	2016	2017	2018	2019	2020
\$ 12,994,742	\$ 13,771,864	\$ 14,862,494	\$ 16,476,583	\$ 17,370,790	\$ 18,063,642
18,875	37,152	238,884	707,479	575,422	262,130
5,507,722	5,301,775	5,082,564	5,527,204	6,334,523	5,147,528
21,632,879	22,849,359	23,472,665	23,888,544	25,303,879	25,459,123
990,504	902,141	913,924	860,304	841,851	880,248
41,144,722	42,862,291	44,570,531	47,460,114	50,426,465	49,812,671
1,292,593	1,292,336	1,311,624	1,408,662	1,448,004	1,280,235
1,389,978	1,464,316	1,645,753	1,822,054	1,742,369	1,601,987
16,190,951	17,504,473	17,599,749	18,155,931	18,727,494	19,655,478
256,702	268,482	271,638	283,104	288,572	324,158
3,892,207	4,169,778	4,342,829	4,436,551	4,615,399	5,049,917
1,956,114	2,166,451	2,207,738	2,255,018	2,434,834	3,027,103
2,528,801	2,634,668	2,622,242	2,737,127	3,033,796	2,887,476
4,091,578	4,726,177	4,461,292	6,344,981	5,696,569	6,963,976
163,768	130,476	153,893	218,719	401,279	282,859
1,418,152	1,520,656	1,510,636	1,489,003	1,551,564	1,446,787
3,017,133	2,941,196	2,810,283	3,015,234	3,263,556	3,224,353
39,522	253,428	1,384,838	15,352,154	15,547,052	905,169
2,319,616	2,579,414	2,854,443	3,356,843	3,997,044	4,243,796
2,328,633	2,239,597	3,356,288	4,114,072	2,739,097	2,529,077
40,885,748	43,891,448	46,533,246	64,989,453	65,486,629	53,422,371
258,974	(1,029,157)	(1,962,715)	(17,529,339)	(15,060,164)	(3,609,700)
—	3,410	275	10,931	—	7,315
—	—	30,240,000	—	1,900,000	—
—	—	36,450,000	—	2,990,000	1,543,142
—	—	6,161,518	—	110,336	—
—	—	—	1,767,500	123,402	1,487,409
—	—	(5,850,000)	(33,510,000)	(2,950,000)	(1,526,218)
—	—	—	—	—	—
—	—	—	—	—	—
—	3,410	67,001,793	(31,731,569)	2,173,738	1,511,648
\$ 258,974	\$ (1,025,747)	\$ 65,039,078	\$ (49,260,908)	\$ (12,886,426)	\$ (2,098,052)
11.6%	11.3%	13.8%	15.7%	13.5%	13.4%

INDEPENDENT SCHOOL DISTRICT NO. 278

General Governmental Tax Revenues by Source and Levy Type  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax					Total
	General Fund	Community Service Fund	Capital Projects – Building Construction	Debt Service Fund		
2011	\$ 8,578,774	\$ 415,192	\$ 1,024,716	\$ 3,958,910	\$ 13,977,592	
2012	6,897,326	279,373	–	4,125,658	11,302,357	
2013	6,985,415	279,437	–	4,152,438	11,417,290	
2014	4,771,862	151,188	–	4,402,390	9,325,440	
2015	8,264,484	266,720	–	4,463,538	12,994,742	
2016	8,820,421	278,040	–	4,673,403	13,771,864	
2017	9,735,050	270,784	–	4,856,660	14,862,494	
2018	10,616,722	267,866	–	5,591,995	16,476,583	
2019	11,035,340	278,578	–	6,056,872	17,370,790	
2020	11,632,385	282,388	–	6,148,869	18,063,642	

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.



INDEPENDENT SCHOOL DISTRICT NO. 278

Assessed and Actual Value of Taxable Property  
Last Ten Fiscal Years

Payable Year	(1) Real Estate Property	(2) Personal Property	Total Net Tax Capacity Value	Total Direct Tax Rate
2011	\$ 38,656,546	\$ 277,550	\$ 38,934,096	19.380 %
2012	35,589,316	282,588	35,871,904	19.939
2013	33,441,747	309,093	33,750,840	22.325
2014	33,005,685	310,406	33,316,091	22.613
2015	34,834,094	325,356	35,159,450	22.601
2016	36,175,699	334,353	36,510,052	23.166
2017	38,769,896	347,527	39,117,423	23.352
2018	40,886,558	379,128	41,265,686	24.024
2019	42,187,119	432,976	42,620,095	23.552
2020	44,353,478	418,896	44,772,374	23.109

- (1) Real estate property includes residential, agricultural, public utility, railroad operating property, all other commercial and industrial property, nonhomestead residential/multiple dwelling, and commercial and seasonal recreational property.
- (2) Personal property includes certain utility systems, railroad docks and wharves, certain manufactured homes, and flight property.

Source: Hennepin County

INDEPENDENT SCHOOL DISTRICT NO. 278

Property Tax Rates – Direct and Overlapping Governments  
Last Ten Fiscal Years

Tax Collection Calendar Year	ISD No. 278 Certified Levies			Total Direct School Tax Rate (1)	Overlapping Rates (1)		
	General Fund	Community Service	General Obligation Debt Service		City of Independence	City of Long Lake	City of Maple Plain
2011	\$ 6,830,653	\$ 260,447	\$ 4,173,469	19.380	34.152	37.105	57.639
2012	6,784,053	276,487	4,203,065	19.939	34.178	44.388	69.255
2013	7,094,049	289,074	4,365,435	22.325	36.266	43.989	79.650
2014	8,167,479	267,687	4,480,196	22.613	37.451	44.229	71.322
2015	8,695,765	278,445	4,681,099	22.601	38.856	44.491	80.776
2016	9,575,016	270,461	4,851,771	23.166	39.788	43.796	76.817
2017	10,604,537	268,492	5,606,134	23.352	39.967	39.180	75.349
2018	11,032,761	280,275	6,096,166	24.024	40.448	37.157	66.514
2019	11,506,020	283,918	6,187,223	23.552	40.361	36.417	63.221
2020	11,949,765	302,453	6,372,351	23.109	39.944	36.576	58.571

- (1) Tax rates shown above are tax capacity rates only, and do not include tax rates for taxes that are spread on referendum market value.
- (2) Special districts include Metropolitan Mosquito Control District, Metropolitan Council, Metro Transit, Park Museum, Hennepin County Regional Railroad Authority, and Hennepin Housing and Redevelopment Authority.
- (3) The total rate shown above is for property in the City of Orono.

Source: Data compiled by Ehlers from information provided by Hennepin County

City of Medina	City of Minnetonka Beach	City of Orono	City of Wayzata	Hennepin County	Three Rivers Park District	Other (2)	Sample Direct and Overlapping Tax Rate (3)
18.977	23.240	14.991	23.032	45.187	3.765	5.407	88.7300
21.342	24.563	16.283	24.274	48.231	3.943	5.580	93.9760
24.639	27.467	17.667	26.020	49.461	4.054	6.035	99.5420
25.501	32.772	17.815	26.311	49.959	4.169	6.392	100.9480
23.577	26.798	17.387	25.705	46.398	3.789	5.996	96.1710
23.301	27.030	17.325	24.673	45.356	3.601	3.929	93.3770
22.270	25.948	16.759	23.352	44.087	3.365	5.929	93.4920
21.521	24.613	16.555	21.749	42.808	3.161	5.812	92.3600
21.529	24.710	16.406	21.672	41.861	2.961	5.589	90.3690
22.493	24.179	16.512	21.055	41.084	2.859	5.360	88.9240

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INDEPENDENT SCHOOL DISTRICT NO. 278

Principal Property Taxpayers  
Current Year and Nine Years Ago (1)

Taxpayer	2020			2017		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
Private residence	\$ 153,575	1	0.34 %	\$ 138,750	2	0.35 %
Brackett Point Property LLC	134,813	2	0.30	—	—	—
Private residence	127,200	3	0.28	—	—	—
Private residence	122,613	4	0.27	—	—	—
WJM Properties	113,250	5	0.25	98,790	8	0.25
Private residence	112,425	6	0.25	111,875	4	0.29
Private residence	109,488	7	0.24	107,275	6	0.27
Bohns Point LLC	104,013	8	0.23	—	—	—
Private residence	100,788	9	0.23	—	—	—
Orono Housing and Redevelopment Authority	96,700	10	0.22	—	—	—
Private residence	—	—	—	218,875	1	0.56
Private residence	—	—	—	116,113	3	0.30
Private residence	—	—	—	110,663	5	0.28
The Lafayette Club	—	—	—	106,290	7	0.27
Carlson Holdings Inc.	—	—	—	98,750	9	0.25
Private residence	—	—	—	95,700	10	0.24
Total	<u>\$ 1,174,865</u>		<u>2.62 %</u>	<u>\$ 1,203,081</u>		<u>3.08 %</u>

(1) Information on principal taxpayers is not available prior to 2017.

Source: Hennepin County

INDEPENDENT SCHOOL DISTRICT NO. 278

Property Tax Levies, Collections, and Receivables  
Last Ten Fiscal Years

For Taxes Collectible	Taxes Levied for the Fiscal Year					Collected Within the First Year of Levy	
	General Fund Basic Levy	Community Service Levy	Debt Service Levy	OPEB Debt Levy	Total Tax Levy	Current Tax Collection	Percentage of Levy
2011	\$ 6,830,653	\$ 260,447	\$ 3,724,165	\$ 449,304	\$ 11,264,569	\$ 11,044,847	98.0 %
2012	6,784,053	276,487	3,784,598	418,467	11,263,605	11,116,730	98.7
2013	7,094,049	289,074	3,913,769	451,666	11,748,558	11,687,284	99.5
2014	8,167,479	267,687	4,030,351	449,845	12,915,362	12,802,871	99.1
2015	8,695,765	278,445	4,230,677	450,422	13,655,309	13,577,519	99.4
2016	9,575,016	270,461	4,406,783	444,988	14,697,248	14,702,430	100.0
2017	10,604,537	268,492	5,178,495	427,639	16,479,163	16,560,894	100.5
2018	11,032,761	280,275	5,671,071	425,095	17,409,202	17,188,659	98.7
2019	11,506,020	283,918	5,825,430	361,793	17,977,161	17,850,079	99.3
2020	11,949,765	302,453	6,005,459	366,892	18,624,569	8,906,116	47.8

Note 1: Collections include amounts collected through state paid tax credits along with any net levy adjustments.

Note 2: Collections for the most recent year are first half collections (through June 30) only.

Source: State of Minnesota School Tax Report

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent
	Total Tax Collection	Percentage of Levy		
\$ 219,722	\$ 11,264,569	100.0 %	\$ —	— %
146,875	11,263,605	100.0	—	—
61,274	11,748,558	100.0	—	—
112,491	12,915,362	100.0	—	—
56,391	13,633,910	99.8	21,399	0.2
(20,279)	14,682,151	99.9	15,097	0.1
(137,292)	16,423,602	99.7	55,561	0.3
159,202	17,347,861	99.6	61,341	0.4
—	17,850,079	99.3	127,082	0.7
—	8,906,116	—	—	—
			<u>\$ 280,480</u>	

INDEPENDENT SCHOOL DISTRICT NO. 278

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Capital Leases	Total Primary Government		
2011	\$ 56,722,518	\$ 1,393,185	\$ 58,115,703	— %	\$ —
2012	55,234,147	1,291,641	56,525,788	—	—
2013	53,465,776	1,185,201	54,650,977	—	4,406
2014	51,487,405	1,090,163	52,577,568	—	4,239
2015	49,274,034	990,547	50,264,581	—	4,053
2016	46,805,663	886,133	47,691,796	—	3,845
2017	110,611,483	776,690	111,388,173	—	8,902
2018	73,420,755	2,377,347	75,798,102	—	6,086
2019	71,225,159	2,278,705	73,503,864	—	5,687
2020	66,879,555	3,394,242	70,273,797	—	5,521

(1) Presented net of issuance premiums and discounts.

(2) Personal income information for residents living within the District is not available.

(3) See Demographics and Economic Statistics table for source of estimated population. Estimated population not available for years prior to 2013.

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.



INDEPENDENT SCHOOL DISTRICT NO. 278

Ratio of Net General Obligation Bonded Debt  
to Market Value and Net General Obligation Bonded Debt  
per Capita  
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds on Hand (2)	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population (3)	Net Bonded Debt per Capita
2011	\$ 56,722,518	\$ 366,883	\$ 56,355,635	\$3,366,727,400	1.67	—	\$ —
2012	55,234,147	551,769	54,682,378	3,145,159,200	1.74	—	—
2013	53,465,776	513,373	52,952,403	2,978,858,100	1.78	12,403	4,269
2014	51,487,405	583,420	50,903,985	2,945,824,100	1.73	12,403	4,104
2015	49,274,034	554,213	48,719,821	3,100,033,300	1.57	12,403	3,928
2016	46,805,663	570,580	46,235,083	3,213,352,100	1.44	12,403	3,728
2017	110,611,483	35,966,895	74,644,588	3,422,899,200	2.18	12,513	5,965
2018	73,420,755	1,062,337	72,358,418	3,594,504,400	2.01	12,454	5,810
2019	71,225,159	867,576	70,357,583	3,684,163,400	1.91	12,926	5,443
2020	66,879,555	808,454	66,071,101	3,872,495,300	1.71	12,729	5,191

(1) Presented net of issuance premiums and discounts.

(2) Includes all restricted fund balances in the Debt Service Fund. We believe this is the most accurate and consistent representation of the resources restricted for debt service as it includes crossover refunding bond proceeds held in escrow when applicable, which are not included in the governmental activities net position restricted for debt service, due to the conversion for full accrual accounting.

(3) See Demographics and Economic Statistics table for source of estimated population. Estimated population is not available for years prior to 2013.

Source: Annual school district census and U.S. Census

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# INDEPENDENT SCHOOL DISTRICT NO. 278

## Direct and Overlapping Debt as of June 30, 2020

Governmental Unit	Debt Outstanding	Percent Allocable to ISD No. 278	Portion Allocable to ISD No. 278
Independent School District No. 278	\$ 62,545,000	100.00 %	\$ 62,545,000
Overlapping debt			
Hennepin County	996,820,000	2.09	20,833,538
City of Independence	5,195,000	48.19	2,503,471
City of Long Lake	2,610,000	100.00	2,610,000
City of Maple Plain	6,735,000	100.00	6,735,000
City of Medina	8,645,000	38.63	3,339,564
City of Minnetonka Beach	3,515,000	100.00	3,515,000
City of Orono	5,185,000	62.81	3,256,699
City of Wayzata	17,325,000	0.54	93,555
Metropolitan Council	230,225,000	0.97	2,233,183
Three Rivers Park District	46,875,000	2.97	1,392,188
Hennepin Regional Railroad Authority	98,385,000	2.22	2,184,147
Total overlapping debt			<u>48,696,343</u>
Total direct and overlapping debt			<u>\$ 111,241,343</u>

Note: The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Source: Taxable value data used to estimate applicable percentages and debt outstanding data provided by the District's financial advisor, Ehlers & Associates

INDEPENDENT SCHOOL DISTRICT NO. 278

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Dollars in Thousands)

	Fiscal Year			
	2011	2012	2013	2014
Debt limit	\$ 505,009,110	\$ 471,773,880	\$ 446,828,715	\$ 441,873,615
Total debt applicable to the limit	56,355,635	54,682,378	52,952,403	50,903,985
Legal debt margin	<u>\$ 448,653,475</u>	<u>\$ 417,091,502</u>	<u>\$ 393,876,312</u>	<u>\$ 390,969,630</u>
Total debt applicable to the limit as a percentage of debt limit	11.16%	11.59%	11.85%	11.52%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: State of Minnesota School Tax

2015	2016	2017	2018	2019	2020
\$ 465,004,995	\$ 482,002,815	\$ 513,434,880	\$ 539,175,660	\$ 552,624,510	\$ 580,874,295
48,719,821	46,235,083	68,968,105	67,172,663	65,532,424	61,736,546
<u>\$ 416,285,174</u>	<u>\$ 435,767,732</u>	<u>\$ 444,466,775</u>	<u>\$ 472,002,997</u>	<u>\$ 487,092,086</u>	<u>\$ 519,137,749</u>
10.48%	9.59%	13.43%	12.46%	11.86%	10.63%

Legal Debt Margin Calculation for Fiscal Year 2020

Market value	\$ 3,872,495,300
Debt limit (15% of market value)	580,874,295
Debt applicable to the limit	
General obligation bonds	<u>61,736,546</u>
Legal debt margin	<u>\$ 519,137,749</u>

INDEPENDENT SCHOOL DISTRICT NO. 278

Demographic and Economic Statistics  
Last Eight Fiscal Years

Fiscal Year	Orono School District			School Enrollment	Unemployment Rate (3)
	Population (1)	Personal Income (2)	Per Capita Personal Income (2)		
2013	12,403	\$ —	\$ —	2,762	4.6 %
2014	12,403	—	—	2,776	3.8
2015	12,403	—	—	2,779	3.3
2016	12,403	—	—	2,815	2.9
2017	12,513	—	—	2,811	3.7
2018	12,454	—	—	2,841	3.6
2019	12,926	—	—	2,877	3.3
2020	12,729	—	—	2,859	3.2

(1) District estimate. Information is not available for years prior to 2013.

(2) Personal income information for residents living within the District is not available.

(3) Official Metropolitan Council estimate.

INDEPENDENT SCHOOL DISTRICT NO. 278

Principal Employers  
Current Year and Nine Years Ago (1)

Employer	Fiscal Year					
	2020			2017		
	Employees	Rank	Percentage of Total (2) Employment	Employees	Rank	Percentage of Total (2) Employment
Proto Labs, Inc.	500	1	27.23 %	500	1	28.72 %
ISD No. 278	350	2	19.06	352	2	20.22
ServiceMaster Co.	200	3	10.89	200	3	11.49
Woodhill Country Club	186	4	10.13	150	4	8.62
Herc-U-Lift, Inc.	120	5	6.54	120	5	6.89
American Custom Rotomolding	110	6	5.99	110	6	6.32
Lafayette Club	100	7	5.45	100	7	5.74
Jem Tech, Inc.	100	8	5.45	—	—	—
Birchs on the Lake	100	9	5.45	—	—	—
Wenck Associates	70	10	3.81	—	—	—
Haven Homes of Maple Plain	—	—	—	95	8	5.46
Otten Brothers Nursery	—	—	—	64	9	3.68
Maple Plain Food Center	—	—	—	50	10	2.87
Total	<u>1,836</u>		<u>100.00 %</u>	<u>1,741</u>		<u>100.00 %</u>
Total ISD No. 278 population (see the Schedule of Demographic and Economic Statistics)	<u>12,729</u>			<u>12,513</u>		
Percent of principal employers to total ISD No. 278 population	<u>14.4%</u>			<u>13.9%</u>		

(1) Information on principal employers is not available prior to 2017.

(2) Total employment within district boundary is not available. Percentage is of total employment for employers shown in table.

Source: City of Orono

## INDEPENDENT SCHOOL DISTRICT NO. 278

Employees by Classification  
Last Ten Fiscal Years

Employees	Fiscal Year			
	2011	2012	2013	2014
Administrative staff	22.0	23.0	23.0	23.0
Support service staff	123.0	125.0	126.0	126.0
Classroom teachers	158.8	159.1	160.2	161.8
Special education teachers	35.0	35.0	35.0	35.6
Total	338.8	342.1	344.2	346.4

Source: This information is derived from the Minnesota Department of Education STARS report (October 1)



2015	2016	2017	2018	2019	2020
23.0	23.0	23.5	23.0	24.0	23.0
126.0	129.0	130.0	130.0	136.0	140.0
160.3	160.0	165.0	175.0	178.0	180.0
35.5	35.1	35.3	35.0	35.0	35.0
344.8	347.1	353.8	363.0	373.0	378.0

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## INDEPENDENT SCHOOL DISTRICT NO. 278

Operating Statistics  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Total Governmental Activities Expenses	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio
2011	2,766	\$ 37,516,914	\$ 13,564	4.4 %	193.8	14.3
2012	2,707	36,929,390	13,642	0.6	194.1	13.9
2013	2,762	37,783,323	13,680	0.3	195.2	14.2
2014	2,776	38,967,674	14,037	2.6	197.4	14.1
2015	2,779	40,148,416	14,447	2.9	195.8	14.2
2016	2,815	42,750,911	15,187	5.1	195.1	14.4
2017	2,811	55,851,313	19,869	30.8	200.3	14.0
2018	2,841	55,369,382	19,487	(1.9)	210.0	13.5
2019	2,877	39,189,066	13,620	(30.1)	213.0	13.5
2020	2,859	50,620,428	17,705	30.0	215.0	13.3

Source: District records

INDEPENDENT SCHOOL DISTRICT NO. 278

School Building Information  
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Elementary Schools				
Orono Schuman Elementary <b>(1987)</b>				
Enrollment (1)	567	541	553	534
Square feet	89,764	89,764	89,764	89,764
Orono Intermediate <b>(1972)</b>				
Enrollment (1)	624	605	610	649
Square feet	127,324	127,324	127,324	127,324
Middle School				
Orono Middle School <b>(2000)</b>				
Enrollment (1)	684	699	691	681
Square feet	122,000	122,000	122,000	122,000
High School				
Orono High School <b>(1960)</b>				
Enrollment (1)	891	862	908	912
Square feet	186,444	186,444	186,444	186,444
Total enrollment	2,766	2,707	2,762.00	2,776.00
Total square feet	525,532	525,532	525,532	525,532
Athletics				
Football fields	3	3	3	3
Soccer fields	13	13	13	13
Running tracks	1	1	1	1
Baseball/softball	6	6	6	6
Swimming pools	1	1	1	1
Playgrounds	3	3	3	3

(1) Enrollment reflects average daily membership (ADM) served by site.

Source: Square footage, capacity, and athletic statistics are derived from district records. Enrollment was obtained from a combination of district records and school ADM reports available on the Minnesota Department of Education website.

2015	2016	2017	2018	2019	2020
541	570	573	573	585	581
89,764	89,764	89,764	89,764	89,764	89,764
635	632	608	630	658	629
127,324	127,324	127,324	127,324	127,324	127,324
684	686	698	697	698	701
122,000	122,000	122,000	122,000	122,000	122,000
919	927	932	941	936	948
186,444	186,444	186,444	186,444	282,740	282,740
2,779	2,815	2,811	2,841	2,877	2,859
525,532	525,532	525,532	525,532	621,828	621,828
3	3	4	4	3	3
13	13	13	13	12	12
1	1	1	1	2	2
6	6	6	6	4	4
1	1	1	1	1	1
3	3	3	3	3	3

## INDEPENDENT SCHOOL DISTRICT NO. 278

Food Service  
School Lunch Program Data  
Last Ten Fiscal Years

Year Ended June 30,	Program Adult Meals	Meals Served Students	Full Price Meals Served	Free Meals Served	Reduced-Price Meals Served
2011	9,051	258,598	228,998	18,752	10,848
2012	9,063	258,950	230,108	22,858	5,984
2013	8,911	254,590	223,974	23,454	7,162
2014	8,705	248,711	220,360	22,336	6,015
2015	9,920	276,849	249,649	20,087	7,113
2016	10,226	274,214	178,992	21,229	5,839
2017	11,363	272,340	245,425	18,396	8,519
2018	6,581	253,279	226,757	18,641	7,881
2019	6,897	251,511	226,793	16,451	8,267
2020	4,730	183,114	165,795	10,445	6,874

Year Ended June 30,	Student Regular Lunch Prices		
	Elementary	Middle	High School
2011	\$ 2.15	\$ 2.25	\$ 2.40
2012	2.25	2.35	2.50
2013	2.30	2.40	2.55
2014	2.40	2.55	2.70
2015	2.45	2.60	2.75
2016	2.50	2.65	2.80
2017	2.55	2.70	2.85
2018	2.65	2.80	2.95
2019	2.70	2.85	3.00
2020	2.80	2.95	3.10

INDEPENDENT SCHOOL DISTRICT NO. 278

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2011	19	177	1,212	1,357	2,766	3,209
2012	15	138	1,212	1,342	2,707	3,162
2013	18	156	1,197	1,391	2,762	3,224
2014	13	162	1,205	1,395	2,775	3,237
2015	18	151	1,224	1,387	2,780	3,057
2016	23	171	1,219	1,402	2,815	3,095
2017	25	151	1,235	1,400	2,811	3,091
2018	24	169	1,233	1,415	2,841	3,124
2019	24	177	1,263	1,413	2,877	3,160
2020	22	173	1,251	1,413	2,859	3,141

Note 1: Student enrollment for the latest fiscal year is estimated.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten Half-Day/Full-Day	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2011 through 2015	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal 2016 through 2020	1.000	1.000	0.550/1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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