



**Independent School District No. 286  
Brooklyn Center, Minnesota**

**Annual Financial Report  
for the  
Fiscal Year Ended June 30, 2020**

INDEPENDENT SCHOOL DISTRICT NO. 286  
BROOKLYN CENTER, MINNESOTA

Financial Statements and  
Supplemental Information

Year Ended  
June 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 286

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 286

School Board and Administration  
Year Ended June 30, 2020

**SCHOOL BOARD**

	<u>Board Position</u>
Cheryl Jechorek	Chair
Ruthie Dallas	Vice Chair
Amy Bailey	Clerk
Benjamin Woksonsommers	Treasurer
Jeff Palm	Director
John Solomon	Director

**ADMINISTRATION**

Carly Baker	Superintendent
Sara Bratsch	Finance Director
Jennifer Moberg	Accountant

FINANCIAL SECTION



**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. 286  
Brooklyn Center, 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. 286 (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 other district information, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are the responsibility of management and were derived from and relate 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.

(continued)

The introductory and other district information 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.

### **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 December 18, 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 December 17, 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  
December 17, 2020

## INDEPENDENT SCHOOL DISTRICT NO. 286

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

This section of Independent School District No. 286's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's annual financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by \$21,406,274 (net position deficit). The District's total net position decreased by \$2,094,588 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*. The implementation of this standard changed the way the District reports certain fiduciary activities that were not previously included within the District reporting entity. The implementation of this standard increased beginning net position in the government-wide statements and beginning fund balance in the General Fund by \$77,985. Fiduciary fund net position was reduced by \$77,985 with the implementation of this standard.
- Government-wide revenues totaled \$41,319,478 and were \$2,094,588 less than expenses of \$43,414,066.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$268,848 from the prior year, compared to a decrease of \$822,550 planned in the budget, excluding the change in accounting principle discussed above.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual financial statements 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 aids 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 Special Revenue 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. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

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 the self-insurance activities of the district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds 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 that belong to other organizations or individuals. 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. We exclude these activities 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:

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current and other assets	\$ 20,979,826	\$ 37,857,790
Capital assets, net of depreciation	<u>48,114,134</u>	<u>33,271,921</u>
Total assets	<u>\$ 69,093,960</u>	<u>\$ 71,129,711</u>
<b>Deferred outflows of resources</b>		
Pension plan deferments	\$ 14,924,992	\$ 22,437,519
OPEB plan deferments	<u>55,827</u>	<u>31,809</u>
Total deferred outflows of resources	<u>\$ 14,980,819</u>	<u>\$ 22,469,328</u>
<b>Liabilities</b>		
Current and other liabilities	\$ 6,428,774	\$ 6,927,267
Long-term liabilities, including due within one year	<u>69,952,012</u>	<u>72,241,431</u>
Total liabilities	<u>\$ 76,380,786</u>	<u>\$ 79,168,698</u>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 5,808,404	\$ 5,242,452
Pension plan deferments	22,795,832	27,980,092
OPEB plan deferments	<u>496,031</u>	<u>597,468</u>
Total deferred inflows of resources	<u>\$ 29,100,267</u>	<u>\$ 33,820,012</u>
<b>Net position</b>		
Net investment in capital assets	\$ 2,510,515	\$ 2,056,804
Restricted	1,107,908	1,611,038
Unrestricted	<u>(25,024,697)</u>	<u>(23,057,513)</u>
Total net position	<u>\$ (21,406,274)</u>	<u>\$ (19,389,671)</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 is the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The decrease in net position restricted for debt service, food service, and community service contributed to the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. The shift between current and capital assets reflects the continued completion of ongoing projects in the current year.

Table 2 presents a summarized version of the District’s Statement of Activities:

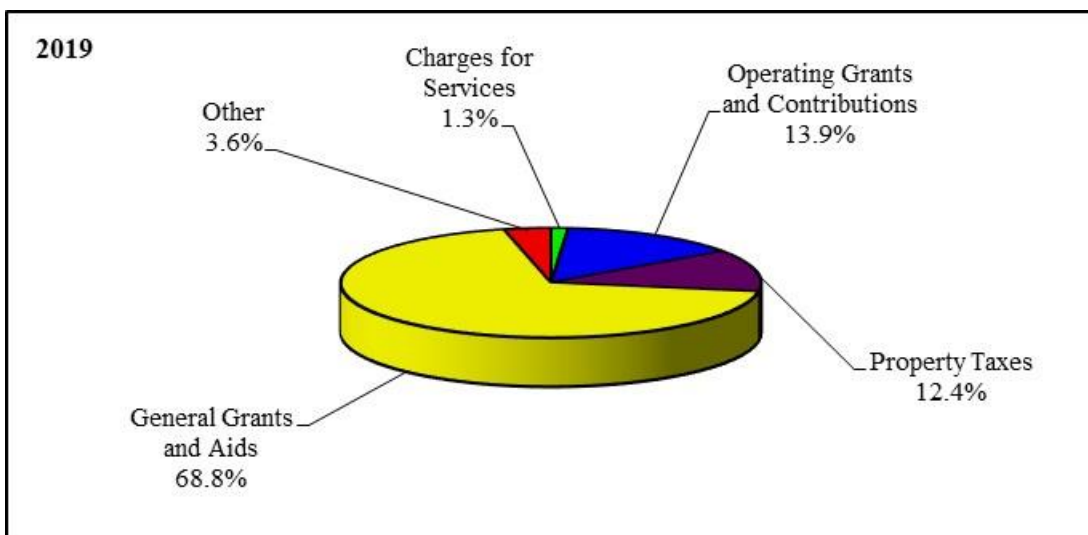
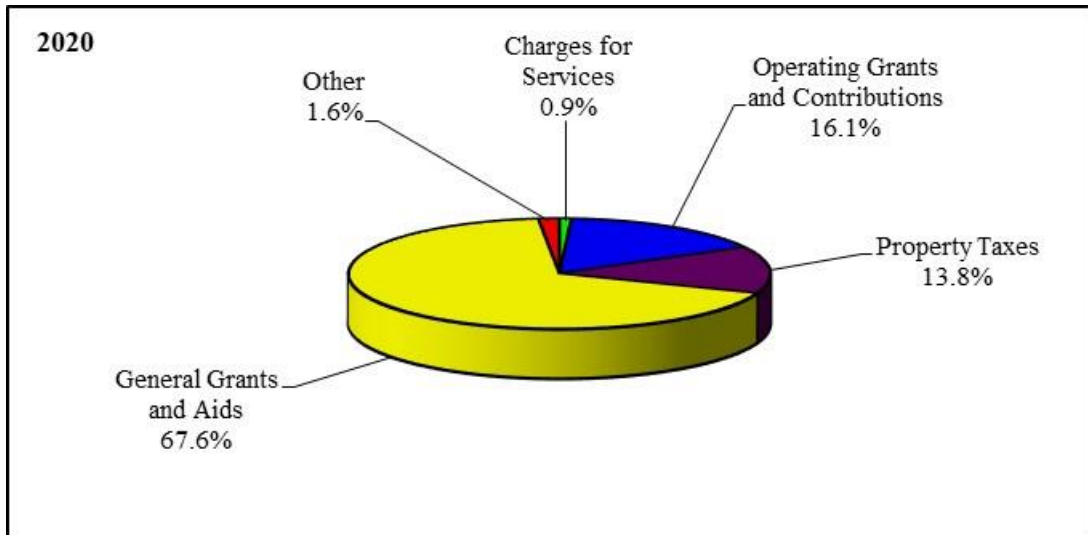
	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 381,030	\$ 546,603
Operating grants and contributions	6,648,406	5,657,084
General revenues		
Property taxes	5,691,397	5,035,984
General grants and aids	27,929,703	27,915,778
Other	668,942	1,447,728
Total revenues	<u>41,319,478</u>	<u>40,603,177</u>
<b>Expenses</b>		
Administration	1,629,090	1,105,778
District support services	2,273,950	2,046,136
Elementary and secondary regular instruction	18,564,610	12,700,612
Vocational education instruction	448,986	144,915
Special education instruction	5,380,434	3,343,779
Instructional support services	2,462,982	1,255,807
Pupil support services	4,463,074	3,913,911
Sites and buildings	3,149,556	3,151,534
Fiscal and other fixed cost programs	95,656	88,030
Food service	1,547,150	1,668,743
Community service	1,607,168	1,244,081
Interest and fiscal charges	1,791,410	1,845,448
Total expenses	<u>43,414,066</u>	<u>32,508,774</u>
Change in net position	(2,094,588)	8,094,403
Net position – beginning, as previously reported	(19,389,671)	(27,484,074)
Change in accounting principle	77,985	–
Net position – beginning, as restated	<u>(19,311,686)</u>	<u>(27,484,074)</u>
Net position – ending	<u>\$ (21,406,274)</u>	<u>\$ (19,389,671)</u>

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

The significant increase in expenses reflects the change in the PERA and the TRA multiple-employer defined benefit pension plans, impacting functional areas based on salary and benefit levels. The decrease in charges for services and other general revenues was largely due to the change with distance learning caused by the COVID-19 pandemic.

Figure A shows further analysis of these revenue sources:

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

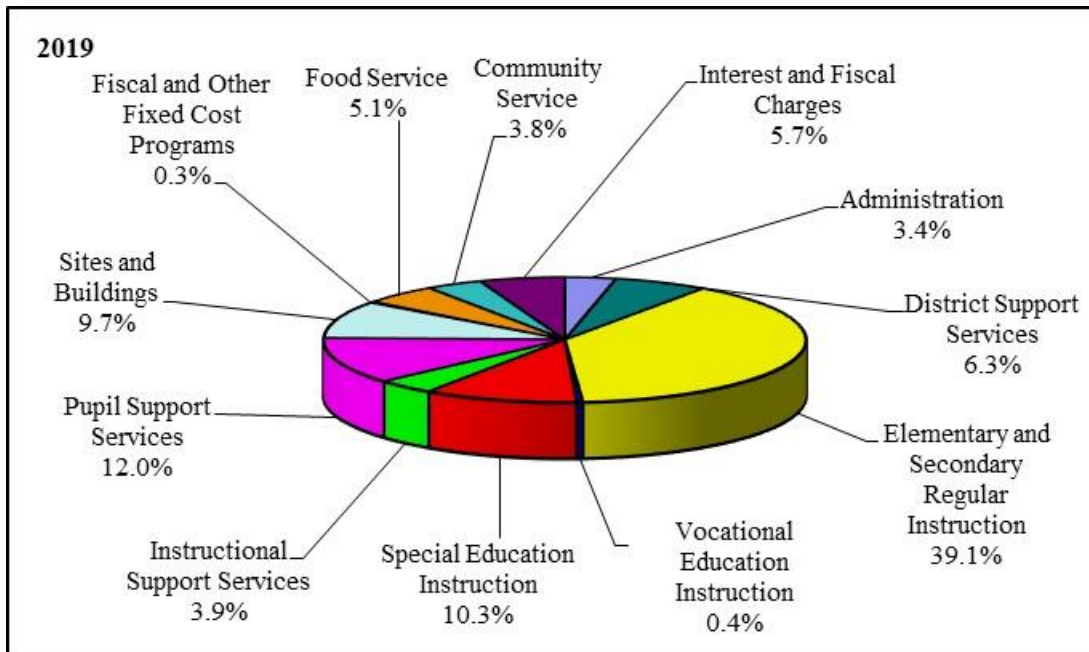
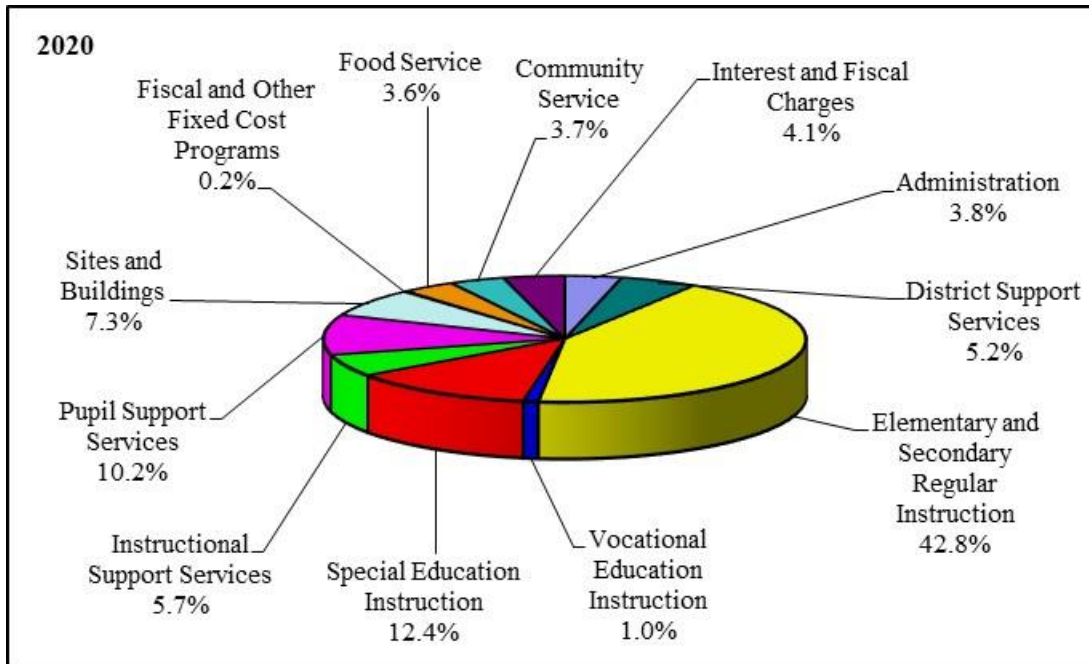


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers 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.

Figure B shows further analysis of these expense functions:

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



The District’s expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

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:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Major funds			
General	\$ 4,181,166	\$ 3,834,333	\$ 346,833
Capital Projects – Building Construction	3,926,250	20,104,394	(16,178,144)
Debt Service	713,952	1,802,494	(1,088,542)
Nonmajor funds			
Food Service Special Revenue	159,212	287,355	(128,143)
Community Service Special Revenue	<u>199</u>	<u>131,283</u>	<u>(131,084)</u>
Total governmental funds	<u>\$ 8,980,779</u>	<u>\$ 26,159,859</u>	<u>\$ (17,179,080)</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 that 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 a combined fund balance of \$8,980,779, a decrease of \$17,179,080 in comparison with the prior year, which includes a \$77,985 increase for a change in accounting principle as previously discussed. Approximately 30.3 percent of this amount (\$2,724,119) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned, to indicate that it is: 1) not in spendable form (\$36,110); 2) restricted for particular purposes (\$5,720,550); or 3) assigned for particular purposes (\$500,000).

Changes in the table above are discussed on the following pages.

## ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenues	<u>\$ 35,618,141</u>	<u>\$ 35,788,873</u>	<u>\$ 170,732</u>	<u>0.5%</u>
Expenditures	<u>\$ 35,618,141</u>	<u>\$ 36,611,423</u>	<u>\$ 993,282</u>	<u>2.8%</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 amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

	<u>2020 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues	\$ 35,544,953	\$ (243,920)	(0.7%)	\$ 192,665	0.5%
Expenditures	<u>35,308,605</u>	<u>(1,302,818)</u>	(3.6%)	<u>622,943</u>	1.8%
Excess of revenue over expenditures	236,348	1,058,898		(430,278)	
Net other financing sources (uses)	<u>32,500</u>	<u>32,500</u>		<u>60,674</u>	
Net change in fund balances	<u>\$ 268,848</u>	<u>\$ 1,091,398</u>		<u>\$ (369,604)</u>	

The fund balance of the General Fund increased \$268,848, compared to a decrease of \$822,550 approved in the final budget.

The variance to budget was primarily in federal sources, with less federal magnet school grant funding earned than anticipated. State sources were over budget, partially offsetting the negative variances in federal and other sources. The increase over the prior year includes improvements in the general education funding formula, an increase in the property tax levy, and more federal sources with an increase in grant funding in the current year. A decrease in the number of students served offset a portion of the increase in the current year.

General Fund expenditures were under budget, due to less federal grant spending than planned and conservative management by budget administrators of approved program budgets. Expenditures increased from the prior year, with more salaries and benefits as contractually approved.

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

### **Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund reported a fund balance decrease of \$16,178,144, due to capital outlay exceeding current year investment earnings. The District is spending down bond proceeds issued in the prior year. The year-end fund balance is restricted for capital projects as approved in the bond referendum approved by district taxpayers for a variety of facility needs.

### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, the District's general obligation debt. Activity of the Debt Service Fund is primarily controlled with each debt issue's financing plan. During the 2020 fiscal year, the Debt Service Fund's equity balance decreased by \$1,088,542, to a year-end fund balance total of \$713,952, which is restricted for future debt service payments.

### **Food Service Special Revenue Fund**

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, reducing equity by \$128,143, compared to a budgeted decrease of \$104,000.

### **Community Service Special Revenue Fund**

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, reducing equity by \$131,084, compared to a budgeted decrease of \$40,000.

### **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 currently maintains two internal service funds. These funds are used to account for the District's self-insured health and dental insurance functions.

Operating revenues for the internal service funds for fiscal year 2020 totaled \$3,838,616. This is an increase from the fiscal year 2019 operating revenue level of \$3,705,339. Nonoperating revenues totaled \$6,622, which is an increase from the fiscal year 2019 nonoperating revenue of \$3,155. Operating expenses totaled \$3,698,786, which represents an increase from fiscal year 2019 operating expenditures of \$3,297,995, primarily due to more health benefit claims.

The net position balance for all internal service funds as of June 30, 2020 was \$445,983, which represents an increase of \$146,452 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:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 85,990	\$ 85,990	\$ –
Construction in progress	24,737,428	8,813,023	15,924,405
Land and building improvements	4,671,918	4,556,729	115,189
Buildings	38,361,013	38,361,013	–
Furniture and equipment	9,319,310	9,320,424	(1,114)
Less accumulated depreciation	<u>(29,061,525)</u>	<u>(27,865,258)</u>	<u>(1,196,267)</u>
Total	<u>\$ 48,114,134</u>	<u>\$ 33,271,921</u>	<u>\$ 14,842,213</u>
Depreciation expense	<u>\$ 1,207,704</u>	<u>\$ 1,189,283</u>	<u>\$ 18,421</u>

By the end of 2020, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2020, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

## Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General obligation bonds payable	\$ 47,814,000	\$ 49,605,000	\$ (1,791,000)
Unamortized premium/discount	1,553,336	1,677,840	(124,504)
Capital leases payable	162,533	361,894	(199,361)
Net pension liability	19,779,438	20,005,926	(226,488)
Net OPEB liability	409,238	379,106	30,132
Severance benefits payable	68,790	110,792	(42,002)
Compensated absences payable	<u>164,677</u>	<u>100,873</u>	<u>63,804</u>
Total	<u>\$ 69,952,012</u>	<u>\$ 72,241,431</u>	<u>\$ (2,289,419)</u>

The changes in general obligation bonds payable, capital leases payable, and unamortized premium/discount in the table above, are primarily due to principal payments and amortization during fiscal year 2020, as planned in the approved repayment schedules.

The differences in the net pension liability reflect the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

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):

District's market value	\$ 802,858,100
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 120,428,715</u>

Additional details of the District's 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 will 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, will mean less revenue for the District.

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

These financial statements are 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 these statements or need additional financial information, contact the Business Office, Independent School District No. 286, 6300 Shingle Creek Parkway, Suite 286, Brooklyn Center, Minnesota 55430.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Governmental Activities	
	2020	2019
<b>Assets</b>		
Cash and temporary investments	\$ 12,488,519	\$ 30,443,142
Receivables		
Current taxes	3,247,214	2,900,711
Delinquent taxes	63,054	22,769
Accounts and interest	119,909	147,256
Due from other governmental units	5,025,020	4,317,209
Inventory	24,873	14,062
Prepaid items	11,237	12,641
Capital assets		
Not depreciated	24,823,418	8,899,013
Depreciated, net of accumulated depreciation	23,290,716	24,372,908
Total capital assets, net of accumulated depreciation	48,114,134	33,271,921
Total assets	69,093,960	71,129,711
<b>Deferred outflows of resources</b>		
Pension plan deferments	14,924,992	22,437,519
OPEB plan deferments	55,827	31,809
Total deferred outflows of resources	14,980,819	22,469,328
Total assets and deferred outflows of resources	\$ 84,074,779	\$ 93,599,039
<b>Liabilities</b>		
Salaries payable	\$ 1,632,380	\$ 1,200,892
Accounts and contracts payable	3,780,271	4,274,849
Accrued interest payable	769,789	790,972
Due to other governmental units	67,792	120,131
Unearned revenue	24,552	391,769
Claims incurred, but not reported	153,990	148,654
Long-term liabilities		
Due within one year	1,883,133	2,132,156
Due in more than one year	68,068,879	70,109,275
Total long-term liabilities	69,952,012	72,241,431
Total liabilities	76,380,786	79,168,698
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	5,808,404	5,242,452
Pension plan deferments	22,795,832	27,980,092
OPEB plan deferments	496,031	597,468
Total deferred inflows of resources	29,100,267	33,820,012
<b>Net position</b>		
Net investment in capital assets	2,510,515	2,056,804
Restricted for		
Capital asset acquisition	758,523	169,082
Debt service	-	1,017,158
Food service	159,212	287,355
Community service	112,811	131,806
Other purposes (state funding restrictions)	77,362	5,637
Unrestricted	(25,024,697)	(23,057,513)
Total net position	(21,406,274)	(19,389,671)
Total liabilities, deferred inflows of resources, and net position	\$ 84,074,779	\$ 93,599,039

INDEPENDENT SCHOOL DISTRICT NO. 286

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

Functions/Programs	Expenses	2020		2019	
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
				Governmental Activities	
Governmental activities				Governmental Activities	
Administration	\$ 1,629,090	\$ -	\$ -	\$ (1,629,090)	\$ (1,105,778)
District support services	2,273,950	-	-	(2,273,950)	(2,046,136)
Elementary and secondary regular instruction	18,564,610	37,726	1,661,983	(16,864,901)	(11,373,777)
Vocational education instruction	448,986	-	66,644	(382,342)	(104,208)
Special education instruction	5,380,434	-	2,560,448	(2,819,986)	(1,364,726)
Instructional support services	2,462,982	-	-	(2,462,982)	(1,255,807)
Pupil support services	4,463,074	-	29,715	(4,433,359)	(3,913,911)
Sites and buildings	3,149,556	-	-	(3,149,556)	(3,121,694)
Fiscal and other fixed cost programs	95,656	-	-	(95,656)	(88,030)
Food service	1,547,150	43,488	1,348,215	(155,447)	(168,494)
Community service	1,607,168	299,816	981,401	(325,951)	82,922
Interest and fiscal charges	1,791,410	-	-	(1,791,410)	(1,845,448)
Total governmental activities	<u>\$ 43,414,066</u>	<u>\$ 381,030</u>	<u>\$ 6,648,406</u>	(36,384,630)	(26,305,087)
General revenue					
Taxes					
Property taxes, levied for general purposes				3,170,545	2,685,070
Property taxes, levied for community service				145,205	144,895
Property taxes, levied for debt service				2,375,647	2,206,019
General grants and aids				27,929,703	27,915,778
Other general revenues				319,581	632,414
Investment earnings				349,361	815,314
Total general revenue				<u>34,290,042</u>	<u>34,399,490</u>
Change in net position				(2,094,588)	8,094,403
Net position – beginning, as previously reported				(19,389,671)	(27,484,074)
Change in accounting principle				77,985	-
Net position – beginning, as restated				<u>(19,311,686)</u>	<u>(27,484,074)</u>
Net position – ending				<u>\$ (21,406,274)</u>	<u>\$ (19,389,671)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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
<b>Assets</b>			
Cash and temporary investments	\$ 4,411,102	\$ 5,501,336	\$ 1,974,338
Receivables			
Current taxes	1,791,102	–	1,380,385
Delinquent taxes	33,901	–	27,431
Accounts and interest	85,998	20,496	–
Due from other governmental units	4,544,579	–	24,184
Due from other funds	238,169	–	–
Inventory	–	–	–
Prepaid items	10,837	–	–
	<u>11,115,688</u>	<u>5,521,832</u>	<u>3,406,338</u>
<b>Total assets</b>	<b>\$ 11,115,688</b>	<b>\$ 5,521,832</b>	<b>\$ 3,406,338</b>
<b>Liabilities</b>			
Salaries payable	\$ 1,632,380	\$ –	\$ –
Accounts and contracts payable	2,159,125	1,595,582	–
Due to other governmental units	66,653	–	–
Due to other funds	–	–	–
Unearned revenue	22,649	–	–
<b>Total liabilities</b>	<b>3,880,807</b>	<b>1,595,582</b>	<b>–</b>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	3,007,041	–	2,655,672
Unavailable revenue – delinquent taxes	46,674	–	36,714
<b>Total deferred inflows of resources</b>	<b>3,053,715</b>	<b>–</b>	<b>2,692,386</b>
<b>Fund balances</b>			
Nonspendable	10,837	–	–
Restricted	835,885	3,926,250	713,952
Assigned	500,000	–	–
Unassigned	2,834,444	–	–
<b>Total fund balances</b>	<b>4,181,166</b>	<b>3,926,250</b>	<b>713,952</b>
	<u>11,115,688</u>	<u>5,521,832</u>	<u>3,406,338</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,115,688</b>	<b>\$ 5,521,832</b>	<b>\$ 3,406,338</b>

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ -	\$ 11,886,776	\$ 29,658,576
75,727	3,247,214	2,900,711
1,722	63,054	22,769
12,329	118,823	146,170
456,257	5,025,020	4,317,209
-	238,169	86,301
24,873	24,873	14,062
400	11,237	12,641
<u>\$ 571,308</u>	<u>\$ 20,615,166</u>	<u>\$ 37,158,439</u>
\$ -	\$ 1,632,380	\$ 1,200,892
23,847	3,778,554	4,271,613
-	66,653	119,027
238,169	238,169	86,301
1,903	24,552	58,642
<u>263,919</u>	<u>5,740,308</u>	<u>5,736,475</u>
145,691	5,808,404	5,242,452
2,287	85,675	19,653
<u>147,978</u>	<u>5,894,079</u>	<u>5,262,105</u>
25,273	36,110	26,703
244,463	5,720,550	22,484,676
-	500,000	650,000
(110,325)	2,724,119	2,998,480
<u>159,411</u>	<u>8,980,779</u>	<u>26,159,859</u>
<u>\$ 571,308</u>	<u>\$ 20,615,166</u>	<u>\$ 37,158,439</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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)

	<u>2020</u>	<u>2019</u>
Total fund balances – governmental funds	\$ 8,980,779	\$ 26,159,859
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	77,175,659	61,137,179
Accumulated depreciation	(29,061,525)	(27,865,258)
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.		
General obligation bonds payable	(47,814,000)	(49,605,000)
Unamortized premium/discount	(1,553,336)	(1,677,840)
Capital leases payable	(162,533)	(361,894)
Net pension liability	(19,779,438)	(20,005,926)
Net OPEB liability	(409,238)	(379,106)
Severance benefits payable	(68,790)	(110,792)
Compensated absences payable	(164,677)	(100,873)
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.		
	445,983	299,531
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(769,789)	(790,972)
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	14,924,992	22,437,519
Deferred outflows of resources – OPEB plan deferments	55,827	31,809
Deferred inflows of resources – pension plan deferments	(22,795,832)	(27,980,092)
Deferred inflows of resources – OPEB plan deferments	(496,031)	(597,468)
Deferred inflows of resources – unavailable revenue – delinquent taxes	85,675	19,653
Total net position – governmental activities	<u>\$ (21,406,274)</u>	<u>\$ (19,389,671)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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
<b>Revenue</b>			
Local sources			
Property taxes	\$ 3,137,365	\$ –	\$ 2,344,569
Investment earnings	56,091	249,092	35,204
Other	357,307	–	–
State sources	29,915,749	–	248,093
Federal sources	2,078,441	–	–
Total revenue	<u>35,544,953</u>	<u>249,092</u>	<u>2,627,866</u>
<b>Expenditures</b>			
Current			
Administration	1,498,178	–	–
District support services	2,194,566	–	–
Elementary and secondary regular instruction	16,757,349	–	–
Vocational education instruction	431,070	–	–
Special education instruction	5,037,558	–	–
Instructional support services	2,305,838	–	–
Pupil support services	4,218,341	–	–
Sites and buildings	2,558,999	–	–
Fiscal and other fixed cost programs	95,656	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	16,427,236	–
Debt service			
Principal	199,361	–	1,791,000
Interest and fiscal charges	11,689	–	1,925,408
Total expenditures	<u>35,308,605</u>	<u>16,427,236</u>	<u>3,716,408</u>
Excess (deficiency) of revenue over expenditures	236,348	(16,178,144)	(1,088,542)
<b>Other financing sources (uses)</b>			
Debt issued	–	–	–
Sale of capital assets	32,500	–	–
Transfers in	–	–	–
Transfers out	–	–	–
Total other financing sources (uses)	<u>32,500</u>	<u>–</u>	<u>–</u>
Net change in fund balances	268,848	(16,178,144)	(1,088,542)
<b>Fund balances</b>			
Beginning of year, as previously reported	3,834,333	20,104,394	1,802,494
Change in accounting principle	77,985	–	–
Beginning of year, as restated	<u>3,912,318</u>	<u>20,104,394</u>	<u>1,802,494</u>
End of year	<u>\$ 4,181,166</u>	<u>\$ 3,926,250</u>	<u>\$ 713,952</u>

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 143,441	\$ 5,625,375	\$ 5,017,135
2,352	342,739	812,159
343,304	700,611	1,179,017
507,636	30,671,478	31,148,097
1,821,980	3,900,421	3,465,410
<u>2,818,713</u>	<u>41,240,624</u>	<u>41,621,818</u>
–	1,498,178	1,523,642
–	2,194,566	2,080,892
–	16,757,349	16,257,928
–	431,070	224,482
–	5,037,558	4,645,380
–	2,305,838	2,099,458
–	4,218,341	4,144,163
–	2,558,999	3,349,630
–	95,656	88,030
1,512,900	1,512,900	1,538,289
1,555,742	1,555,742	1,413,981
9,298	16,436,534	8,342,832
–	1,990,361	1,950,775
–	1,937,097	1,854,383
<u>3,077,940</u>	<u>58,530,189</u>	<u>49,513,865</u>
(259,227)	(17,289,565)	(7,892,047)
–	–	525,000
–	32,500	–
–	–	28,174
–	–	(28,174)
<u>–</u>	<u>32,500</u>	<u>525,000</u>
(259,227)	(17,257,065)	(7,367,047)
418,638	26,159,859	33,526,906
–	77,985	–
<u>418,638</u>	<u>26,237,844</u>	<u>33,526,906</u>
<u>\$ 159,411</u>	<u>\$ 8,980,779</u>	<u>\$ 26,159,859</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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)

	<u>2020</u>	<u>2019</u>
Total net change in fund balances – governmental funds	\$ (17,257,065)	\$ (7,367,047)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays 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.		
Capital outlays	16,090,419	8,684,471
Depreciation expense	(1,207,704)	(1,189,283)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(40,502)	(135,389)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	–	(525,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	1,791,000	1,690,000
Capital leases payable	199,361	260,775
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.		
	124,504	126,550
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.		
Net pension liability	226,488	32,067,745
Net OPEB liability	(30,132)	540,106
Severance benefits payable	42,002	42,125
Compensated absences payable	(63,804)	(7,079)
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.		
	146,452	410,499
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.		
	21,183	(117,615)
The recognition of certain revenues and expenses/expenditures differs between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(7,512,527)	(6,567,721)
Deferred outflows of resources – OPEB plan deferments	24,018	23,949
Deferred inflows of resources – pension plan deferments	5,184,260	(19,330,915)
Deferred inflows of resources – OPEB plan deferments	101,437	(530,617)
Deferred inflows of resources – unavailable revenue – delinquent taxes	66,022	18,849
Change in net position – governmental activities	<u>\$ (2,094,588)</u>	<u>\$ 8,094,403</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Property taxes	\$ 3,181,334	\$ 3,181,334	\$ 3,137,365	\$ (43,969)
Investment earnings	11,000	70,950	56,091	(14,859)
Other	391,131	422,044	357,307	(64,737)
State sources	29,942,787	29,368,304	29,915,749	547,445
Federal sources	2,091,889	2,746,241	2,078,441	(667,800)
Total revenue	<u>35,618,141</u>	<u>35,788,873</u>	<u>35,544,953</u>	<u>(243,920)</u>
<b>Expenditures</b>				
Current				
Administration	1,443,999	1,544,747	1,498,178	(46,569)
District support services	2,429,680	2,402,130	2,194,566	(207,564)
Elementary and secondary regular instruction	16,171,860	17,058,250	16,757,349	(300,901)
Vocational education instruction	184,816	208,712	431,070	222,358
Special education instruction	5,021,706	4,933,397	5,037,558	104,161
Instructional support services	2,350,015	2,349,515	2,305,838	(43,677)
Pupil support services	3,807,849	3,890,800	4,218,341	327,541
Sites and buildings	3,888,784	3,898,940	2,558,999	(1,339,941)
Fiscal and other fixed cost programs	114,444	119,944	95,656	(24,288)
Debt service				
Principal	197,900	197,900	199,361	1,461
Interest and fiscal charges	7,088	7,088	11,689	4,601
Total expenditures	<u>35,618,141</u>	<u>36,611,423</u>	<u>35,308,605</u>	<u>(1,302,818)</u>
Excess (deficiency) of revenue over expenditures	–	(822,550)	236,348	1,058,898
<b>Other financing sources</b>				
Sale of capital assets	–	–	32,500	32,500
Net change in fund balances	<u>\$ –</u>	<u>\$ (822,550)</u>	<u>268,848</u>	<u>\$ 1,091,398</u>
<b>Fund balances</b>				
Beginning of year, as previously reported			3,834,333	
Change in accounting principle			<u>77,985</u>	
Beginning of year, as restated			<u>3,912,318</u>	
End of year			<u>\$ 4,181,166</u>	

INDEPENDENT SCHOOL DISTRICT NO. 286

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 temporary investments	\$ 601,743	\$ 784,566
Receivables		
Accounts and interest	1,086	1,086
Due from other funds	20,109	39,989
Total current assets	<u>622,938</u>	<u>825,641</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	1,717	3,236
Due to other governmental units	1,139	1,104
Due to other funds	20,109	39,989
Unearned revenue	-	333,127
Claims incurred, but not reported	153,990	148,654
Total current liabilities	<u>176,955</u>	<u>526,110</u>
Net position		
Unrestricted	<u>\$ 445,983</u>	<u>\$ 299,531</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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		
Contributions from governmental funds	\$ 3,838,616	\$ 3,705,339
Operating expenses		
Health benefit claims	3,523,773	3,063,052
Dental benefit claims	175,013	234,943
Total operating expenses	<u>3,698,786</u>	<u>3,297,995</u>
Operating income	139,830	407,344
Nonoperating revenue		
Investment earnings	<u>6,622</u>	<u>3,155</u>
Change in net position	146,452	410,499
Net position		
Beginning of year	<u>299,531</u>	<u>(110,968)</u>
End of year	<u>\$ 445,983</u>	<u>\$ 299,531</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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		
Contributions from governmental funds	\$ 3,505,489	\$ 3,713,627
Payment for health claims	(3,514,356)	(3,145,710)
Payment for dental claims	(180,578)	(236,131)
Net cash flows from operating activities	<u>(189,445)</u>	<u>331,786</u>
Cash flows from noncapital financing activities		
Cash received from other funds	19,880	39,989
Cash paid to other funds	(19,880)	(39,989)
Net cash flows from noncapital financing activities	<u>—</u>	<u>—</u>
Cash flows from investing activities		
Investment income received	6,622	3,155
Net change in cash and cash equivalents	(182,823)	334,941
Cash and cash equivalents		
Beginning of year	<u>784,566</u>	<u>449,625</u>
End of year	<u>\$ 601,743</u>	<u>\$ 784,566</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 139,830	\$ 407,344
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts payable	(1,519)	3,236
Due to other governmental units	35	(244)
Unearned revenue	(333,127)	8,288
Claims incurred, but not reported	5,336	(86,838)
Net cash flows from operating activities	<u>\$ (189,445)</u>	<u>\$ 331,786</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u>                    </u>	<u>                    </u>
Assets		
Cash and investments held by trustee		
State and local obligations	\$           –	\$       236,032
Nonnegotiable certificates of deposit	–	1,055,000
MNTrust Investment Shares Portfolio	–	3,450
Receivables		
Accounts and interest	–	44,471
Total assets	<u>                    –</u>	<u>          1,338,953</u>
Net position		
Restricted for OPEB	<u>                    \$           –</u>	<u>          \$    1,338,953</u>

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

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u>                    </u>	<u>                    </u>
Additions		
Investment earnings	\$           –	\$       38,013
Deductions		
Administrative expenses	<u>                    –</u>	<u>                  250</u>
Change in net position	–	37,763
Net position		
Beginning of year, as previously reported	77,985	1,301,190
Change in accounting principle	<u>          (77,985)</u>	<u>                  –</u>
Beginning of year, as restated	<u>                    –</u>	<u>          1,301,190</u>
End of year	<u>                    \$           –</u>	<u>          \$    1,338,953</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Basic Financial Statements  
June 30, 2020

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

**A. Organization**

Independent School District No. 15 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. A School Board elected by the voters of the District governs the District. 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. Transactions representing interfund services provided and used are not eliminated in the consolidation process to 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.

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

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 on debt is considered an indirect expense and is reported separately on the Statement of Activities.

### 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, including property taxes, to be available if they are 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. Proceeds of long-term debt and 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 the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (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 activities 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 providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Fiduciary funds are presented in the fiduciary fund financial statements by type: the District has a Pension (and Other Employee Benefit) Trust Fund. 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.

### Description of Funds

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

#### Major Governmental Funds

**General Fund** – The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, or improvement of capital facilities authorized by bond or other debt 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 regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account was used for the taxable OPEB bond issue.

#### Nonmajor Governmental Funds

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is used primarily to record financial activities of 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 dental and health insurance benefits offered by the District to its employees as self-insured plans.

#### Fiduciary Funds

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of 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 fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. During the fiscal year ended June 30, 2020, expenditures exceeded budgeted amounts in the Community Service Special Revenue Fund by \$992 and the Capital Projects – Building Construction Fund by \$645,209. These variances were funded by available fund balance.

### **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. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. 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 these 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 equivalents. The proprietary (internal service) 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.

### **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.

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

### **H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is 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 expenditures/expenses at the time of consumption.

### **J. Property Taxes**

The majority of the District's revenue in the General Fund 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 \$438,810 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 a 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 which 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.

### **K. Capital Assets**

Capital assets that are purchased or constructed by the District are recorded at historical cost. 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 \$5,000 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 governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus 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 from 10 to 50 years for land and building improvements and buildings, and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

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

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 Obligations**

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. Compensated Absences**

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

### **N. Severance**

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

### **O. State-Wide Pension Plans**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions 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.

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

### **P. Other Post-Employment Benefits (OPEB) Plan**

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.

### **Q. 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 plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, changes in proportion, 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.

### **R. 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 reported amounts and disclosure in the financial statements during the reporting period. Actual results could differ from those estimates.

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

### S. Net Position

In the government-wide and internal service 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 its 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.

### T. 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 board chair, superintendent, finance committee, or finance director are 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 resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

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

### U. Risk Management and Self-Insurance

- 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 this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's coverage in the current 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 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 been 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.

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

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2019	\$ 20,874	\$ 234,943	\$ 236,131	\$ 19,686
2020	\$ 19,686	\$ 175,013	\$ 180,578	\$ 14,121

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

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2019	\$ 214,618	\$ 3,063,052	\$ 3,148,702	\$ 128,968
2020	\$ 128,968	\$ 3,523,773	\$ 3,512,872	\$ 139,869

### V. 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 prior year, 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.

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

### W. 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 has resulted in changing the presentation of the financial statements by accounting for certain trust activities in the General Fund and its governmental activities, rather than as a separate private-purpose trust fund as it has in the past. This standard required retroactive implementation, which resulted in the restatement of fund balance in the governmental funds and net position of governmental activities as of June 30, 2019. The restatement resulted in an increase in fund balance and net position of \$77,985 as of July 1, 2019. The Fiduciary Fund statements include reductions totaling \$77,985 for the amount moved to governmental funds and net position of governmental activities.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. 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 \$4,429,347, while the balance on the bank records was \$4,582,064. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

### B. Investments

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. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. 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.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5 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.

**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. The District’s investment policies do not further restrict investing in specific financial instruments.

The following table presents the District’s deposits and investments at year-end:

Deposits/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
State and local obligations	Aa	Moody’s	Level 2	\$ 236,032	\$ –	\$ 236,032
Investment pools/mutual funds						
MSDLAF – Liquid Class	AAA	S&P	Amortized cost	N/A	N/A	2,845,638
MSDLAF – MAX Class	AAA	S&P	Amortized cost	N/A	N/A	4,654,205
MSDLAF – Term Series	AAA	Fitch	Amortized cost	\$ 1,000,000	N/A	1,000,000
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized cost	N/A	N/A	617,779
Total investments						9,353,654
Deposits						4,429,347
Total deposits and investments						\$ 13,783,001

N/A – Not Applicable

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments are included on the basic financial statements as follows:

Statement of Net Position	
Cash and temporary investments	\$ 12,488,519
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	<u>1,294,482</u>
 Total	 <u><u>\$ 13,783,001</u></u>

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes 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. MSDLAF Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

## NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 85,990	\$ –	\$ –	\$ 85,990
Construction in progress	8,813,023	15,924,405	–	24,737,428
Total capital assets, not depreciated	<u>8,899,013</u>	<u>15,924,405</u>	–	<u>24,823,418</u>
Capital assets, depreciated				
Land and building improvements	4,556,729	115,189	–	4,671,918
Buildings	38,361,013	–	–	38,361,013
Furniture and equipment	9,320,424	50,825	(51,939)	9,319,310
Total capital assets, depreciated	<u>52,238,166</u>	<u>166,014</u>	<u>(51,939)</u>	<u>52,352,241</u>
Less accumulated depreciation for				
Land and building improvements	1,524,844	149,115	–	1,673,959
Buildings	18,947,210	783,104	–	19,730,314
Furniture and equipment	7,393,204	275,485	(11,437)	7,657,252
Total accumulated depreciation	<u>27,865,258</u>	<u>1,207,704</u>	<u>(11,437)</u>	<u>29,061,525</u>
Net capital assets, depreciated	<u>24,372,908</u>	<u>(1,041,690)</u>	<u>(40,502)</u>	<u>23,290,716</u>
Total capital assets, net	<u><u>\$ 33,271,921</u></u>	<u><u>\$ 14,882,715</u></u>	<u><u>\$ (40,502)</u></u>	<u><u>\$ 48,114,134</u></u>

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the following governmental functions:

Administration	\$ 655
District support services	49,709
Elementary and secondary regular instruction	774,872
Special education instruction	7,173
Pupil support services	174,304
Sites and buildings	186,959
Food service	13,050
Community service	<u>982</u>
 Total depreciation expense	 <u><u>\$ 1,207,704</u></u>

**NOTE 4 – LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

The District currently has the following long-term obligations outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
2009A Capital Facility Bonds	05/01/2009	2.00–4.00%	\$ 1,420,000	02/01/2024	\$ 475,000
2011A Capital Facility Bonds	08/01/2011	2.50–4.38%	\$ 1,255,000	02/01/2026	710,000
2015A Building Refunding Bonds	12/09/2015	3.00–5.00%	\$ 21,450,000	02/01/2031	16,750,000
2018A School Building Bonds	03/15/2018	3.00–4.00%	\$ 29,395,000	02/01/2043	29,395,000
2018B Tax Abatement Bonds	12/12/2018	4.17%	\$ 525,000	02/01/2029	<u>484,000</u>
Total general obligation bonds payable					47,814,000
Unamortized premium/discount					1,553,336
Capital leases payable					162,533
Net pension liability					19,779,438
Net OPEB liability					409,238
Severance benefits payable					68,790
Compensated absences payable					<u>164,677</u>
 Total long-term obligations					 <u><u>\$ 69,952,012</u></u>

**B. Description of Long-Term Liabilities**

**General Obligation Bonds Payable** – These obligations were issued to finance acquisition, construction, and/or improvements of capital facilities to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled deferred ad valorem tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

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

**Capital Leases Payable** – The District has purchased various assets through capitalized lease-purchase agreements. Annual principal and interest on these leases will be paid from the General Fund.

Assets Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Network printing software	\$ 26,812	8.88%	08/01/2015	08/01/2020	\$ 1,098
Custodian equipment	50,616	2.03%	11/15/2017	07/15/2020	15,143
Five school buses	<u>432,600</u>	3.40%	02/05/2018	07/15/2020	<u>146,292</u>
	<u>\$ 510,028</u>				<u>\$ 162,533</u>

Amortization of assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year was \$60,486.

The assets acquired through these capital leases are reported as follows:

	Furniture and Equipment
Assets capitalized	\$ 510,028
Less accumulated depreciation	<u>155,270</u>
	<u>\$ 354,758</u>

The leases are secured by the equipment. If the District fails to make the rental payments specified in this agreement or otherwise defaults on the lease, the lessor may 1) declare all rental payments due or to become due, to be immediately due and payable, 2) take possession without terminating the lease, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 3) exclude the District from possession of the property and attempt to sell or again lease the property, holding the District responsible for the rent due under the agreement until the property is sold or leased again, or 4) take legal action to force performance under the terms of the lease.

**Other Long-Term Liabilities**

The District offers a number of benefits to its employees, including pensions, OPEB, severance benefits, and compensated absences. 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 two state-wide, cost-sharing, multiple-employer defined benefit pension 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 for the current year:

Pension Plans	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 5,080,946	\$ 730,403	\$ 999,238	\$ 689,519
TRA	<u>14,698,492</u>	<u>14,194,589</u>	<u>21,796,594</u>	<u>3,043,187</u>
Total	<u>\$ 19,779,438</u>	<u>\$ 14,924,992</u>	<u>\$ 22,795,832</u>	<u>\$ 3,732,706</u>

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

### C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 49,605,000	\$ –	\$ 1,791,000	\$ 47,814,000	\$ 1,515,000
Unamortized premium/discount	1,677,840	–	124,504	1,553,336	–
Subtotal	51,282,840	–	1,915,504	49,367,336	1,515,000
Capital leases payable	361,894	–	199,361	162,533	162,533
Net pension liability	20,005,926	1,828,322	2,054,810	19,779,438	–
Net OPEB liability	379,106	179,414	149,282	409,238	–
Severance benefits payable	110,792	–	42,002	68,790	40,923
Compensated absences payable	100,873	401,241	337,437	164,677	164,677
	<u>\$ 72,241,431</u>	<u>\$ 2,408,977</u>	<u>\$ 4,698,396</u>	<u>\$ 69,952,012</u>	<u>\$ 1,883,133</u>

### D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and capital leases are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 1,515,000	\$ 1,855,922	\$ 162,533	\$ 5,211
2022	1,562,000	1,783,131	–	–
2023	1,639,000	1,709,326	–	–
2024	1,711,000	1,631,573	–	–
2025	1,799,000	1,549,947	–	–
2026–2030	8,998,000	6,753,687	–	–
2031–2035	10,040,000	5,218,584	–	–
2036–2040	12,080,000	3,181,600	–	–
2041–2043	8,470,000	686,400	–	–
	<u>\$ 47,814,000</u>	<u>\$ 24,370,170</u>	<u>\$ 162,533</u>	<u>\$ 5,211</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, which have 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 year-end, 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	\$ –	\$ –	\$ –	\$ 24,873	\$ 24,873
Prepaid items	10,837	–	–	400	11,237
Total nonspendable	<u>10,837</u>	<u>–</u>	<u>–</u>	<u>25,273</u>	<u>36,110</u>
<b>Restricted for</b>					
Scholarships	77,362	–	–	–	77,362
Long-term facilities maintenance	758,523	–	–	–	758,523
Capital projects	–	3,926,250	–	–	3,926,250
Regular debt service	–	–	713,952	–	713,952
Food service	–	–	–	133,939	133,939
Early childhood family education programs	–	–	–	5,651	5,651
School readiness	–	–	–	103,514	103,514
Community service	–	–	–	1,359	1,359
Total restricted	<u>835,885</u>	<u>3,926,250</u>	<u>713,952</u>	<u>244,463</u>	<u>5,720,550</u>
<b>Assigned for</b>					
Subsequent year’s budget	500,000	–	–	–	500,000
<b>Unassigned</b>					
Unassigned – community education programs account deficit	–	–	–	(110,325)	(110,325)
Unassigned	2,834,444	–	–	–	2,834,444
Total unassigned	<u>2,834,444</u>	<u>–</u>	<u>–</u>	<u>(110,325)</u>	<u>2,724,119</u>
<b>Total</b>	<u>\$ 4,181,166</u>	<u>\$ 3,926,250</u>	<u>\$ 713,952</u>	<u>\$ 159,411</u>	<u>\$ 8,980,779</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 of 7 percent to a maximum of 15 percent of the prior fiscal year’s expenditures. At June 30, 2020, the unassigned fund balance was 8 percent of fiscal 2020 actual 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.

#### **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	2.20 %
All years after	2.70 %
<b>Coordinated Plan</b>	
First 10 years if service years are up to July 1, 2006	1.20 %
First 10 years if service years are July 1, 2006 or after	1.40 %
All other years of service if service years are up to July 1, 2006	1.70 %
All other years of service if service years are up to July 1, 2006 or after	1.90 %

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 \$526,186. 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 \$1,012,453. 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 \$5,080,946 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 0.0919 percent at the end of the measurement period and 0.0932 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	\$ 5,080,946
State’s proportionate share of the net pension liability associated with the District	\$ 157,993

For the year ended June 30, 2020, the District recognized pension expense of \$677,687 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$11,832 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 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	\$ 140,378	\$ –
Changes in actuarial assumptions	–	399,575
Differences between projected and actual investment earnings	–	513,096
Changes in proportion	63,839	86,567
District’s contributions to the GERF subsequent to the measurement date	<u>526,186</u>	<u>–</u>
Total	<u>\$ 730,403</u>	<u>\$ 999,238</u>

A total of \$526,186 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	\$ (286,428)
2022	\$ (395,529)
2023	\$ (121,252)
2024	\$ 8,188

**2. TRA Pension Costs**

At June 30, 2020, the District reported a liability of \$14,698,492 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 0.2306 percent at the end of the measurement period and 0.2362 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	\$ 14,698,492
State’s proportionate share of the net pension liability associated with the District	\$ 1,300,734

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

For the year ended June 30, 2020, the District recognized pension expense of \$2,944,316. It also recognized an additional \$98,871 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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	\$ –	\$ 358,481
Changes in actuarial assumptions	12,147,252	19,897,492
Differences between projected and actual investment earnings	–	1,247,511
Changes in proportion	1,034,884	293,110
District’s contributions to the TRA subsequent to the measurement date	<u>1,012,453</u>	<u>–</u>
Total	<u>\$ 14,194,589</u>	<u>\$ 21,796,594</u>

A total of \$1,012,453 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	\$ 807,450
2022	\$ 63,449
2023	\$ (5,481,084)
2024	\$ (3,918,402)
2025	\$ (85,871)

**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 GEF 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 GERP 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. GERP

#### 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 and the TRA, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.50 %	5.10 %
Private markets	25.00	5.90 %
Fixed income	20.00	0.75 %
International equity	17.50	5.30/5.90 %
Cash equivalents	2.00	– %
Total	<u>100.00 %</u>	

## 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	\$ 8,352,800	\$ 5,080,946	\$ 2,379,378
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 23,432,991	\$ 14,698,492	\$ 7,497,027

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

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

Detailed information about the GERF'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 upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree’s premiums for medical and/or dental 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 and date of hire, 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.

### **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. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The District’s contributions in the current year totaled \$149,282 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

### **D. Membership**

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

Retirees and beneficiaries receiving benefits	10
Active plan members	<u>348</u>
Total members	<u><u>358</u></u>

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

**E. Net OPEB Liability of the District**

The District’s net OPEB liability was calculated using a valuation date of July 1, 2018, and a measurement and reporting date of June 30, 2020. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 1,748,191
Plan fiduciary net position	<u>(1,338,953)</u>
District’s net OPEB liability	<u>\$ 409,238</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>76.59%</u>

**F. Actuarial Methods and Assumptions**

The total OPEB liability was determined using an actuarial valuation date of July 1, 2018, and a measurement date of June 30, 2020. The liabilities are based on the entry-age normal level percent of pay cost 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%
Medical trend rate	6.25%, grading to 5.00% over 5 years
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.

The long-term expected rate of return on OPEB Plan investments was set based on the plan’s target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed income	95.00 %	3.00 %
Cash equivalents	<u>5.00</u>	1.00 %
Total	<u>100.00 %</u>	2.90 %

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

### 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	\$ 1,680,296	\$ 1,301,190	\$ 379,106
Changes for the year			
Service cost	125,812	–	125,812
Interest	51,961	–	51,961
Changes in actuarial assumptions	39,404	–	39,404
Employer contributions	–	149,282	(149,282)
Projected investment return	–	37,735	(37,735)
Differences between expected and actual experience	–	278	(278)
Benefit payments	(149,282)	(149,282)	–
Administrative expenses	–	(250)	250
Total net changes	<u>67,895</u>	<u>37,763</u>	<u>30,132</u>
Ending balance	<u>\$ 1,748,191</u>	<u>\$ 1,338,953</u>	<u>\$ 409,238</u>

Changes since the prior measurement date include the following:

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The expected long-term rate of return on plan assets changed from 2.00 percent to 2.90 percent.

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

**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	\$ 508,413	\$ 409,238	\$ 312,369

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 Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB medical trend rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 219,309	\$ 409,238	\$ 635,165

**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 \$53,959. 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>
Difference between expected and actual economic experience	\$ –	\$ 343,564
Changes in actuarial assumptions	33,774	152,467
Differences between projected and actual investment earnings	22,053	–
Total	<u>\$ 55,827</u>	<u>\$ 496,031</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2021	\$ (86,332)
2022	\$ (89,814)
2023	\$ (89,168)
2024	\$ (95,860)
2025	\$ (84,654)
Thereafter	\$ 5,624

## **NOTE 8 – INTERFUND BALANCES AND TRANSACTIONS**

At June 30, 2020, the District's General Fund had an interfund receivable of \$1,967 from the Food Service Special Revenue Fund and \$236,202 from the Community Service Special Revenue Fund to eliminate temporary cash deficits. The Health Benefits Self-Insurance Fund also reported an interfund receivable of \$20,109 from the Dental Self-Insurance Fund to eliminate a temporary cash deficit. Such interfund balances and transactions are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

## **NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY**

At June 30, 2020, the District had a deficit net position total in the Dental Self-Insurance Fund of \$33,370.

## **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

### **A. Construction Contracts**

At year-end, the District had commitments totaling \$4,332,421 under various construction contracts for which the work was not yet completed.

### **B. Federal and State Programs**

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.

### **C. Legal Claims**

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

### **D. Operating Leases**

**Alternative Learning Center (ALC) Lease** – During fiscal 2015, the District entered into a contract with a company to lease space to suit the needs of the District's ALC beginning April 1, 2015. The term of the lease is for 10 years and 10 months through fiscal year 2026. Total General Fund expenditures on this lease for the year ended June 30, 2020 totaled \$324,070.

**District Office Lease** – During fiscal 2016, the District entered into a contract with a company to lease space to suit the needs of the District's business office beginning January 1, 2016. The term of the lease is for 10 years through fiscal year 2026. Total General Fund expenditures on this lease for the year ended June 30, 2020 totaled \$60,942.

**Canon Office Equipment Lease** – During fiscal 2016, the District entered into a contract for the leasing of office equipment starting July 2015 through fiscal year 2021. Total General Fund expenditures on this lease for the year ended June 30, 2020 totaled \$20,630.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

**District Office Lease Expansion** – During fiscal 2018, the District entered into a contract with a company to expand the space leased in the original district office beginning March 1, 2018. The term of the lease is for eight years through fiscal year 2026. Total General Fund expenditures on this lease for the year ended June 30, 2020 totaled \$71,979.

**Brookview Plaza Lease** – During fiscal 2019, the District entered into a contract with a company to provide temporary space for educational purposes, while construction is occurring on the District’s schools. The District began using the temporary space on October 1, 2018. The term of the lease is for three years through fiscal year 2021. Total expenditures on this lease for the year ended June 30, 2020 totaled \$494,014.

The future minimum payments on these leases are as follows:

Year Ending June 30,	ALC Lease	District Office Lease	Canon Office Equipment Lease	District Office Expansion Lease	Brookview Plaza Lease
2021	\$ 328,191	\$ 62,475	\$ 20,630	\$ 73,790	\$ 123,504
2022	332,421	64,040	–	75,639	–
2023	336,549	65,637	–	77,525	–
2024	340,862	67,266	–	79,449	–
2025	350,509	68,927	–	81,450	–
2026	<u>215,502</u>	<u>34,878</u>	<u>–</u>	<u>41,235</u>	<u>–</u>
Total	<u>\$ 1,904,034</u>	<u>\$ 363,223</u>	<u>\$ 20,630</u>	<u>\$ 429,088</u>	<u>\$ 123,504</u>

## NOTE 11 – SUBSEQUENT EVENTS

**COVID-19 Pandemic** – 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.

**Refunding Bonds** – In November 2020, the District issued General Obligation Capital Facilities Refunding Bonds, Series 2020A totaling \$965,000. These bonds will be used to refund certain maturities of the Series 2009A and 2011A bonds. These bonds were issued to reduce future debt levies for District taxpayers.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

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 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	0.0991%	\$ 4,655,222	\$ -	\$ 4,655,222	\$ 5,202,262	89.48%	78.70%
06/30/2016	06/30/2015	0.0873%	\$ 4,524,339	\$ -	\$ 4,524,339	\$ 5,048,933	89.61%	78.20%
06/30/2017	06/30/2016	0.0928%	\$ 7,534,899	\$ 98,396	\$ 7,633,295	\$ 5,756,957	130.88%	68.90%
06/30/2018	06/30/2017	0.0912%	\$ 5,822,148	\$ 73,226	\$ 5,895,374	\$ 5,851,573	99.50%	75.90%
06/30/2019	06/30/2018	0.0932%	\$ 5,170,355	\$ 169,672	\$ 5,340,027	\$ 6,261,347	82.58%	79.50%
06/30/2020	06/30/2019	0.0919%	\$ 5,080,946	\$ 157,993	\$ 5,238,939	\$ 6,815,107	74.55%	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	\$ 378,670	\$ 378,670	\$ -	\$ 5,048,933	7.50%
06/30/2016	\$ 431,774	\$ 431,774	\$ -	\$ 5,756,957	7.50%
06/30/2017	\$ 438,868	\$ 438,868	\$ -	\$ 5,851,573	7.50%
06/30/2018	\$ 469,601	\$ 469,601	\$ -	\$ 6,261,347	7.50%
06/30/2019	\$ 511,133	\$ 511,133	\$ -	\$ 6,815,107	7.50%
06/30/2020	\$ 526,186	\$ 526,186	\$ -	\$ 7,015,813	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. 286

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 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	0.2252%	\$ 10,377,054	\$ 729,883	\$ 11,106,937	\$ 10,278,596	100.96%	81.50%
06/30/2016	06/30/2015	0.2206%	\$ 13,646,292	\$ 1,674,127	\$ 15,320,419	\$ 11,177,280	122.09%	76.80%
06/30/2017	06/30/2016	0.2296%	\$ 54,765,078	\$ 5,495,987	\$ 60,261,065	\$ 11,991,480	456.70%	44.88%
06/30/2018	06/30/2017	0.2317%	\$ 46,251,523	\$ 4,471,027	\$ 50,722,550	\$ 12,579,853	367.66%	51.57%
06/30/2019	06/30/2018	0.2362%	\$ 14,835,571	\$ 1,393,892	\$ 16,229,463	\$ 13,051,053	113.67%	78.07%
06/30/2020	06/30/2019	0.2306%	\$ 14,698,492	\$ 1,300,734	\$ 15,999,226	\$ 13,056,213	112.58%	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	\$ 838,296	\$ 838,296	\$ -	\$ 11,177,280	7.50%
06/30/2016	\$ 899,361	\$ 899,361	\$ -	\$ 11,991,480	7.50%
06/30/2017	\$ 943,489	\$ 943,489	\$ -	\$ 12,579,853	7.50%
06/30/2018	\$ 978,829	\$ 978,829	\$ -	\$ 13,051,053	7.50%
06/30/2019	\$ 1,006,634	\$ 1,006,634	\$ -	\$ 13,056,213	7.71%
06/30/2020	\$ 1,012,453	\$ 1,012,453	\$ -	\$ 12,783,497	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. 286

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

	District Fiscal Year-End Date			
	2017	2018	2019	2020
Total OPEB liability				
Service cost	\$ 172,302	\$ 174,418	\$ 113,288	\$ 125,812
Interest	57,456	61,695	77,653	51,961
Changes in actuarial assumptions	–	(77,993)	(151,062)	39,404
Changes in plan provisions	–	79,738	–	–
Differences between expected and actual experience	–	–	(480,992)	–
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)
Net change in total OPEB liability	163,573	142,898	(538,744)	67,895
Total OPEB liability – beginning of year	1,912,569	2,076,142	2,219,040	1,680,296
Total OPEB liability – end of year	2,076,142	2,219,040	1,680,296	1,748,191
Plan fiduciary net position				
Employer contributions	66,185	–	97,631	149,282
Projected investment return	27,103	27,290	35,095	37,735
Differences between expected and actual experience	(17,427)	3,244	(33,483)	278
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)
Administrative expenses	(250)	(250)	(250)	(250)
Net change in plan fiduciary net position	9,426	(64,676)	1,362	37,763
Plan fiduciary net position – beginning of year	1,355,078	1,364,504	1,299,828	1,301,190
Plan fiduciary net position – end of year	1,364,504	1,299,828	1,301,190	1,338,953
Net OPEB liability	\$ 711,638	\$ 919,212	\$ 379,106	\$ 409,238
Plan fiduciary net position as a percentage of the total OPEB liability	65.72%	58.58%	77.44%	76.59%
Covered-employee payroll	\$ 17,090,700	\$ 17,603,421	\$ 17,192,530	\$ 17,708,306
Net OPEB liability as a percentage of covered-employee payroll	4.16%	5.22%	2.21%	2.31%

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

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	0.71 %
2018	2.20 %
2019	0.12 %
2020	2.90 %

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

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. 286

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. 286

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. 286

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. 286

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 expected long-term rate of return on plan assets changed from 2.00 percent to 2.90 percent.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were 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.
- The retiree plan participation assumption for participants not eligible for a pre-65 subsidy was changed from 0.50 percent to 0.30 percent.
- The discount rate was changed from 3.40 percent to 3.00 percent.

**2018 CHANGES IN PLAN PROVISIONS**

- The superintendent will receive post-employment subsidized medical, dental, and life insurance until Medicare eligibility.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.80 percent to 3.40 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 3.00 percent to 2.80 percent.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Special Revenue Funds		Total
	Food Service	Community Service	
<b>Assets</b>			
Receivables			
Current taxes	\$ -	\$ 75,727	\$ 75,727
Delinquent taxes	-	1,722	1,722
Accounts and interest	2,000	10,329	12,329
Due from other governmental units	148,592	307,665	456,257
Inventory	24,873	-	24,873
Prepaid items	400	-	400
	<u>400</u>	<u>-</u>	<u>400</u>
Total assets	<u>\$ 175,865</u>	<u>\$ 395,443</u>	<u>\$ 571,308</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 12,783	\$ 11,064	\$ 23,847
Due to other funds	1,967	236,202	238,169
Unearned revenue	1,903	-	1,903
Total liabilities	<u>16,653</u>	<u>247,266</u>	<u>263,919</u>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	-	145,691	145,691
Unavailable revenue – delinquent taxes	-	2,287	2,287
Total deferred inflows of resources	<u>-</u>	<u>147,978</u>	<u>147,978</u>
<b>Fund balances (deficit)</b>			
Nonspendable	25,273	-	25,273
Restricted	133,939	110,524	244,463
Unassigned	-	(110,325)	(110,325)
Total fund balances	<u>159,212</u>	<u>199</u>	<u>159,411</u>
	<u>\$ 175,865</u>	<u>\$ 395,443</u>	<u>\$ 571,308</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 175,865</u>	<u>\$ 395,443</u>	<u>\$ 571,308</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 143,441	\$ 143,441
Investment earnings	2,352	-	2,352
Other	43,488	299,816	343,304
State sources	77,005	430,631	507,636
Federal sources	1,271,210	550,770	1,821,980
Total revenue	<u>1,394,055</u>	<u>1,424,658</u>	<u>2,818,713</u>
Expenditures			
Current			
Food service	1,512,900	-	1,512,900
Community service	-	1,555,742	1,555,742
Capital outlay	9,298	-	9,298
Total expenditures	<u>1,522,198</u>	<u>1,555,742</u>	<u>3,077,940</u>
Net change in fund balances	(128,143)	(131,084)	(259,227)
Fund balances			
Beginning of year	<u>287,355</u>	<u>131,283</u>	<u>418,638</u>
End of year	<u>\$ 159,212</u>	<u>\$ 199</u>	<u>\$ 159,411</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund  
Comparative Balance Sheet  
as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and temporary investments	\$ 4,411,102	\$ 4,007,629
Receivables		
Current taxes	1,791,102	1,618,843
Delinquent taxes	33,901	15,108
Accounts and interest	85,998	71,024
Due from other governmental units	4,544,579	3,998,609
Due from other funds	238,169	86,301
Prepaid items	<u>10,837</u>	<u>11,134</u>
Total assets	<u>\$ 11,115,688</u>	<u>\$ 9,808,648</u>
<b>Liabilities</b>		
Salaries payable	\$ 1,632,380	\$ 1,200,892
Accounts and contracts payable	2,159,125	1,866,292
Due to other governmental units	66,653	112,889
Unearned revenue	<u>22,649</u>	<u>57,539</u>
Total liabilities	3,880,807	3,237,612
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	3,007,041	2,723,209
Unavailable revenue – delinquent taxes	<u>46,674</u>	<u>13,494</u>
Total deferred inflows of resources	3,053,715	2,736,703
<b>Fund balances</b>		
Nonspendable for prepaid items	10,837	11,134
Restricted for scholarships	77,362	–
Restricted for area learning center	–	4,706
Restricted for basic skills extended time	–	931
Restricted for long-term facilities maintenance	758,523	169,082
Assigned for subsequent year’s budget	500,000	–
Assigned for future budget revisions	–	500,000
Assigned for enrollment campaign	–	150,000
Unassigned	<u>2,834,444</u>	<u>2,998,480</u>
Total fund balances	<u>4,181,166</u>	<u>3,834,333</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,115,688</u>	<u>\$ 9,808,648</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General 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		Over (Under) Budget	2019
	Budget	Actual		Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 3,181,334	\$ 3,137,365	\$ (43,969)	\$ 2,672,380
Investment earnings	70,950	56,091	(14,859)	73,233
Other	422,044	357,307	(64,737)	714,895
State sources	29,368,304	29,915,749	547,445	30,234,679
Federal sources	2,746,241	2,078,441	(667,800)	1,657,101
Total revenue	35,788,873	35,544,953	(243,920)	35,352,288
<b>Expenditures</b>				
Current				
Administration				
Salaries	962,033	955,478	(6,555)	1,053,170
Employee benefits	321,071	327,156	6,085	309,996
Purchased services	160,352	151,383	(8,969)	62,330
Supplies and materials	88,379	27,872	(60,507)	62,689
Capital expenditures	—	—	—	15,115
Other expenditures	12,912	36,289	23,377	20,342
Total administration	1,544,747	1,498,178	(46,569)	1,523,642
District support services				
Salaries	1,232,874	1,235,556	2,682	1,074,678
Employee benefits	422,877	420,017	(2,860)	374,619
Purchased services	423,172	378,502	(44,670)	334,549
Supplies and materials	315,379	216,437	(98,942)	299,734
Capital expenditures	76,650	—	(76,650)	4,886
Other expenditures	(68,822)	(55,946)	12,876	(7,574)
Total district support services	2,402,130	2,194,566	(207,564)	2,080,892
Elementary and secondary regular instruction				
Salaries	8,695,990	8,357,329	(338,661)	8,604,440
Employee benefits	2,709,981	2,700,502	(9,479)	2,686,995
Purchased services	4,630,510	4,684,273	53,763	4,187,940
Supplies and materials	879,151	803,041	(76,110)	631,980
Capital expenditures	39,400	68,075	28,675	14,378
Other expenditures	103,218	144,129	40,911	132,195
Total elementary and secondary regular instruction	17,058,250	16,757,349	(300,901)	16,257,928

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	124,078	297,513	173,435	140,897
Employee benefits	39,922	99,529	59,607	47,815
Purchased services	44,712	22,188	(22,524)	24,811
Supplies and materials	–	7,381	7,381	9,661
Capital expenditures	–	3,441	3,441	125
Other expenditures	–	1,018	1,018	1,173
Total vocational education instruction	208,712	431,070	222,358	224,482
Special education instruction				
Salaries	3,497,038	3,459,350	(37,688)	3,142,108
Employee benefits	1,134,867	1,043,686	(91,181)	979,674
Purchased services	247,040	485,152	238,112	480,976
Supplies and materials	53,867	29,742	(24,125)	22,332
Other expenditures	585	19,628	19,043	20,290
Total special education instruction	4,933,397	5,037,558	104,161	4,645,380
Instructional support services				
Salaries	1,661,041	1,607,370	(53,671)	1,399,852
Employee benefits	443,795	453,059	9,264	402,549
Purchased services	143,016	142,400	(616)	165,735
Supplies and materials	30,020	26,249	(3,771)	36,366
Other expenditures	71,643	76,760	5,117	94,956
Total instructional support services	2,349,515	2,305,838	(43,677)	2,099,458
Pupil support services				
Salaries	2,278,347	2,155,186	(123,161)	2,082,806
Employee benefits	686,587	618,257	(68,330)	678,010
Purchased services	673,564	1,271,850	598,286	1,150,447
Supplies and materials	228,276	165,395	(62,881)	225,923
Capital expenditures	23,526	–	(23,526)	–
Other expenditures	500	7,653	7,153	6,977
Total pupil support services	3,890,800	4,218,341	327,541	4,144,163

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	771,298	750,907	(20,391)	791,745
Employee benefits	314,567	276,461	(38,106)	337,438
Purchased services	2,656,275	1,379,615	(1,276,660)	2,038,127
Supplies and materials	152,600	137,984	(14,616)	144,096
Capital expenditures	3,000	–	(3,000)	36,014
Other expenditures	1,200	14,032	12,832	2,210
Total sites and buildings	<u>3,898,940</u>	<u>2,558,999</u>	<u>(1,339,941)</u>	<u>3,349,630</u>
Fiscal and other fixed cost programs				
Purchased services	114,444	92,956	(21,488)	88,030
Other expenditures	5,500	2,700	(2,800)	–
Total fiscal and other fixed cost programs	<u>119,944</u>	<u>95,656</u>	<u>(24,288)</u>	<u>88,030</u>
Debt service				
Principal	197,900	199,361	1,461	260,775
Interest and fiscal charges	7,088	11,689	4,601	11,282
Total debt service	<u>204,988</u>	<u>211,050</u>	<u>6,062</u>	<u>272,057</u>
Total expenditures	<u>36,611,423</u>	<u>35,308,605</u>	<u>(1,302,818)</u>	<u>34,685,662</u>
Excess (deficiency) of revenue over expenditures	(822,550)	236,348	1,058,898	666,626
Other financing sources (uses)				
Sale of capital assets	–	32,500	32,500	–
Transfers out	–	–	–	(28,174)
Total other financing sources (uses)	<u>–</u>	<u>32,500</u>	<u>32,500</u>	<u>(28,174)</u>
Net change in fund balances	<u>\$ (822,550)</u>	268,848	<u>\$ 1,091,398</u>	638,452
Fund balances				
Beginning of year, as previously reported		3,834,333		3,195,881
Change in accounting principle		77,985		–
Beginning of year, as restated		<u>3,912,318</u>		<u>3,195,881</u>
End of year		<u>\$ 4,181,166</u>		<u>\$ 3,834,333</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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	\$ -	\$ 298,931
Receivables		
Accounts and interest	2,000	-
Due from other governmental units	148,592	-
Inventory	24,873	14,062
Prepaid items	400	80
	<u>175,865</u>	<u>313,073</u>
Total assets	<u>\$ 175,865</u>	<u>\$ 313,073</u>
Liabilities		
Accounts and contracts payable	\$ 12,783	\$ 24,477
Due to other governmental units	-	138
Due to other funds	1,967	-
Unearned revenue	1,903	1,103
Total liabilities	<u>16,653</u>	<u>25,718</u>
Fund balances		
Nonspendable for inventory	24,873	14,062
Nonspendable for prepaids items	400	80
Restricted for food service	133,939	273,213
Total fund balances	<u>159,212</u>	<u>287,355</u>
Total liabilities and fund balances	<u>\$ 175,865</u>	<u>\$ 313,073</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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		Over (Under) Budget	2019
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 4,000	\$ 2,352	\$ (1,648)	\$ 5,776
Other – primarily meal sales	113,700	43,488	(70,212)	76,026
State sources	84,000	77,005	(6,995)	82,654
Federal sources	1,383,300	1,271,210	(112,090)	1,341,569
Total revenue	<u>1,585,000</u>	<u>1,394,055</u>	<u>(190,945)</u>	<u>1,506,025</u>
Expenditures				
Current				
Salaries	549,706	567,322	17,616	536,896
Employee benefits	215,413	230,836	15,423	203,909
Purchased services	130,732	87,055	(43,677)	91,879
Supplies and materials	686,629	624,200	(62,429)	701,975
Other expenditures	2,520	3,487	967	3,630
Capital outlay	104,000	9,298	(94,702)	137,713
Total expenditures	<u>1,689,000</u>	<u>1,522,198</u>	<u>(166,802)</u>	<u>1,676,002</u>
Net change in fund balances	<u>\$ (104,000)</u>	(128,143)	<u>\$ (24,143)</u>	(169,977)
Fund balances				
Beginning of year		<u>287,355</u>		<u>457,332</u>
End of year		<u>\$ 159,212</u>		<u>\$ 287,355</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	<u>2020</u>	<u>2019</u>
Assets		
Receivables		
Current taxes	\$ 75,727	\$ 73,893
Delinquent taxes	1,722	615
Accounts and interest	10,329	11,585
Due from other governmental units	307,665	290,774
Prepaid items	<u>–</u>	<u>916</u>
Total assets	<u>\$ 395,443</u>	<u>\$ 377,783</u>
Liabilities		
Accounts and contracts payable	\$ 11,064	\$ 8,453
Due to other governmental units	–	6,000
Due to other funds	<u>236,202</u>	<u>86,301</u>
Total liabilities	<u>247,266</u>	<u>100,754</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	145,691	145,223
Unavailable revenue – delinquent taxes	<u>2,287</u>	<u>523</u>
Total deferred inflows of resources	<u>147,978</u>	<u>145,746</u>
Fund balances (deficit)		
Nonspendable for prepaid items	–	916
Restricted for early childhood family education programs	5,651	52,374
Restricted for school readiness	103,514	76,699
Restricted for community service	1,359	1,294
Unassigned – community education programs account deficit	<u>(110,325)</u>	<u>–</u>
Total fund balances	<u>199</u>	<u>131,283</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 395,443</u>	<u>\$ 377,783</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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		Over (Under) Budget	2019
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 145,213	\$ 143,441	\$ (1,772)	\$ 144,372
Investment earnings	–	–	–	206
Other – primarily tuition and fees	447,701	299,816	(147,885)	388,096
State sources	424,936	430,631	5,695	472,167
Federal sources	496,900	550,770	53,870	466,740
Total revenue	<u>1,514,750</u>	<u>1,424,658</u>	<u>(90,092)</u>	<u>1,471,581</u>
Expenditures				
Current				
Salaries	1,073,299	960,116	(113,183)	877,678
Employee benefits	294,035	278,644	(15,391)	241,031
Purchased services	115,909	228,688	112,779	250,418
Supplies and materials	65,392	87,022	21,630	43,233
Other expenditures	2,185	1,272	(913)	1,621
Capital outlay	3,930	–	(3,930)	212
Total expenditures	<u>1,554,750</u>	<u>1,555,742</u>	<u>992</u>	<u>1,414,193</u>
Excess (deficiency) of revenue over expenditures	(40,000)	(131,084)	(91,084)	57,388
Other financing sources				
Transfers in	–	–	–	28,174
Net change in fund balances	<u>\$ (40,000)</u>	<u>(131,084)</u>	<u>\$ (91,084)</u>	<u>85,562</u>
Fund balances				
Beginning of year		<u>131,283</u>		<u>45,721</u>
End of year		<u>\$ 199</u>		<u>\$ 131,283</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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	\$ 5,501,336	\$ 22,411,863
Receivables		
Accounts and interest	20,496	63,561
Prepaid items	<u>–</u>	<u>511</u>
Total assets	<u>\$ 5,521,832</u>	<u>\$ 22,475,935</u>
Liabilities		
Accounts and contracts payable	\$ 1,595,582	\$ 2,371,541
Fund balances		
Nonspendable for prepaid items	–	511
Restricted for capital projects	<u>3,926,250</u>	<u>20,103,883</u>
Total fund balances	<u>3,926,250</u>	<u>20,104,394</u>
Total liabilities and fund balances	<u>\$ 5,521,832</u>	<u>\$ 22,475,935</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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		Over (Under) Budget	2019
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 300,000	\$ 249,092	\$ (50,908)	\$ 680,225
Expenditures				
Capital outlay				
Salaries	10,698	52,178	41,480	37,906
Employee benefits	3,540	18,161	14,621	12,840
Purchased services	15,715,789	16,354,079	638,290	8,102,692
Supplies and materials	–	280	280	–
Other expenditures	52,000	2,538	(49,462)	51,469
Total expenditures	<u>15,782,027</u>	<u>16,427,236</u>	<u>645,209</u>	<u>8,204,907</u>
Excess (deficiency) of revenue over expenditures	(15,482,027)	(16,178,144)	(696,117)	(7,524,682)
Other financing sources				
Debt issued	–	–	–	500,000
Net change in fund balances	<u>\$ (15,482,027)</u>	(16,178,144)	<u>\$ (696,117)</u>	(7,024,682)
Fund balances				
Beginning of year		<u>20,104,394</u>		<u>27,129,076</u>
End of year		<u>\$ 3,926,250</u>		<u>\$ 20,104,394</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2020	2019
<b>Assets</b>				
Cash and temporary investments	\$ 1,974,338	\$ -	\$ 1,974,338	\$ 2,940,153
Receivables				
Current taxes	1,380,385	-	1,380,385	1,207,975
Delinquent taxes	27,431	-	27,431	7,046
Due from other governmental units	24,184	-	24,184	27,826
<b>Total assets</b>	<b>\$ 3,406,338</b>	<b>\$ -</b>	<b>\$ 3,406,338</b>	<b>\$ 4,183,000</b>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 850
<b>Deferred inflows of resources</b>				
Property taxes levied for subsequent year	2,655,672	-	2,655,672	2,374,020
Unavailable revenue – delinquent taxes	36,714	-	36,714	5,636
<b>Total deferred inflows of resources</b>	<b>2,692,386</b>	<b>-</b>	<b>2,692,386</b>	<b>2,379,656</b>
<b>Fund balances</b>				
Restricted for debt service	713,952	-	713,952	1,802,494
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,406,338</b>	<b>\$ -</b>	<b>\$ 3,406,338</b>	<b>\$ 4,183,000</b>

INDEPENDENT SCHOOL DISTRICT NO. 286

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			Total
	Budget	Regular Debt Service Account	Actual OPEB Debt Service Account	
<b>Revenue</b>				
Local sources				
Property taxes	\$ 2,373,909	\$ 2,022,367	\$ 322,202	\$ 2,344,569
Investment earnings	-	30,643	4,561	35,204
State sources	208,804	248,093	-	248,093
Total revenue	<u>2,582,713</u>	<u>2,301,103</u>	<u>326,763</u>	<u>2,627,866</u>
<b>Expenditures</b>				
Debt service				
Principal	1,789,000	1,476,000	315,000	1,791,000
Interest	1,920,401	1,904,683	15,750	1,920,433
Fiscal charges and other	8,850	4,303	672	4,975
Total expenditures	<u>3,718,251</u>	<u>3,384,986</u>	<u>331,422</u>	<u>3,716,408</u>
Excess (deficiency) of revenue over expenditures	(1,135,538)	(1,083,883)	(4,659)	(1,088,542)
<b>Other financing sources (uses)</b>				
Debt issued	-	-	-	-
Intrafund transfers in	-	85,093	-	85,093
Intrafund transfers out	-	-	(85,093)	(85,093)
Total other financing sources (uses)	<u>-</u>	<u>85,093</u>	<u>(85,093)</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,135,538)</u>	(998,790)	(89,752)	(1,088,542)
<b>Fund balances</b>				
Beginning of year		1,712,742	89,752	1,802,494
End of year		<u>\$ 713,952</u>	<u>\$ -</u>	<u>\$ 713,952</u>

	<u>2019</u>	
<u>Over (Under)</u>	<u>Budget</u>	<u>Actual</u>
\$	(29,340)	\$ 2,200,383
	35,204	52,719
	39,289	358,597
	<u>45,153</u>	<u>2,611,699</u>
	2,000	1,690,000
	32	1,813,568
	(3,875)	29,533
	<u>(1,843)</u>	<u>3,533,101</u>
	46,996	(921,402)
	-	25,000
	85,093	-
	<u>(85,093)</u>	<u>-</u>
	<u>-</u>	<u>25,000</u>
\$	<u>46,996</u>	(896,402)
		<u>2,698,896</u>
		<u>\$ 1,802,494</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2020	2019
<b>Assets</b>				
Current assets				
Cash and temporary investments	\$ 601,743	\$ -	\$ 601,743	\$ 784,566
Receivables				
Accounts and interest	226	860	1,086	1,086
Due from other funds	20,109	-	20,109	39,989
Total current assets	<u>622,078</u>	<u>860</u>	<u>622,938</u>	<u>825,641</u>
<b>Liabilities</b>				
Current liabilities				
Accounts and contracts payable	1,717	-	1,717	3,236
Due to other governmental units	1,139	-	1,139	1,104
Due to other funds	-	20,109	20,109	39,989
Unearned revenue	-	-	-	333,127
Claims incurred, but not reported	139,869	14,121	153,990	148,654
Total current liabilities	<u>142,725</u>	<u>34,230</u>	<u>176,955</u>	<u>526,110</u>
<b>Net position</b>				
Unrestricted	<u>\$ 479,353</u>	<u>\$ (33,370)</u>	<u>\$ 445,983</u>	<u>\$ 299,531</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

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

	Health Benefits	Dental	Totals	
	Self-Insurance	Self-Insurance	2020	2019
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 3,621,855	\$ 216,761	\$ 3,838,616	\$ 3,705,339
Operating expenses				
Health benefit claims	3,523,773	–	3,523,773	3,063,052
Dental benefit claims	–	175,013	175,013	234,943
Total operating expenses	<u>3,523,773</u>	<u>175,013</u>	<u>3,698,786</u>	<u>3,297,995</u>
Operating income	98,082	41,748	139,830	407,344
Nonoperating revenue				
Investment earnings	<u>6,622</u>	<u>–</u>	<u>6,622</u>	<u>3,155</u>
Change in net position	104,704	41,748	146,452	410,499
Net position				
Beginning of year	<u>374,649</u>	<u>(75,118)</u>	<u>299,531</u>	<u>(110,968)</u>
End of year	<u>\$ 479,353</u>	<u>\$ (33,370)</u>	<u>\$ 445,983</u>	<u>\$ 299,531</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds  
 Combining Statement of Cash Flows  
 Year Ended June 30, 2020

(With Comparative Total Amounts for the Year Ended June 30, 2019)

	Health Benefits	Dental	Totals	
	Self-Insurance	Self-Insurance	2020	2019
Cash flows from operating activities				
Contributions from governmental funds	\$ 3,305,031	\$ 200,458	\$ 3,505,489	\$ 3,713,627
Payment for health claims	(3,514,356)	–	(3,514,356)	(3,145,710)
Payment for dental claims	–	(180,578)	(180,578)	(236,131)
Net cash flows from operating activities	(209,325)	19,880	(189,445)	331,786
Cash flows from noncapital financing activities				
Cash received from other funds	19,880	–	19,880	39,989
Cash paid to other funds	–	(19,880)	(19,880)	(39,989)
Net cash flows from noncapital financing activities	19,880	(19,880)	–	–
Cash flows from investing activities				
Investment income received	6,622	–	6,622	3,155
Net change in cash and cash equivalents	(182,823)	–	(182,823)	334,941
Cash and cash equivalents				
Beginning of year	784,566	–	784,566	449,625
End of year	\$ 601,743	\$ –	\$ 601,743	\$ 784,566
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 98,082	\$ 41,748	\$ 139,830	\$ 407,344
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and contracts payable	(1,519)	–	(1,519)	3,236
Due to other governmental units	35	–	35	(244)
Unearned revenue	(316,824)	(16,303)	(333,127)	8,288
Claims incurred, but not reported	10,901	(5,565)	5,336	(86,838)
Net cash flows from operating activities	\$ (209,325)	\$ 19,880	\$ (189,445)	\$ 331,786

OTHER DISTRICT INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 286

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Adjusted Average Daily Membership (ADM)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2011	23.33	156.22	940.95	1,117.64	2,238.14	2,599.94
2012	24.40	152.06	950.14	1,038.62	2,165.22	2,505.05
2013	24.61	200.49	969.42	1,025.14	2,219.66	2,537.56
2014	21.62	165.03	997.31	1,052.22	2,236.18	2,578.08
2015	40.69	179.46	1,043.83	1,158.47	2,422.45	2,654.14
2016	18.37	160.46	1,059.03	1,171.58	2,409.44	2,643.76
2017	90.41	141.09	991.19	1,196.06	2,418.75	2,657.96
2018	89.43	144.69	1,010.58	1,330.05	2,574.75	2,840.78
2019	101.75	131.38	917.41	1,336.78	2,487.32	2,754.69
2020	95.29	128.66	862.03	1,324.88	2,410.86	2,675.83

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

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

	<u>Pre-Kindergarten</u>	<u>Handicapped Kindergarten</u>	<u>Half-Day Kindergarten</u>	<u>Full-Day Kindergarten</u>	<u>Elementary 1-3</u>	<u>Elementary 4-6</u>	<u>Secondary</u>
Fiscal 2011 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2020	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	Noncash Assistance
<b>U.S. Department of Agriculture</b>			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	\$ 185,464	
National School Lunch Program	10.555	568,183	\$ 81,949
Summer Food Service Program for Children	10.559	\$ 38,943	
COVID-19 – Summer Food Service Program for Children	10.559	<u>265,757</u>	
Subtotal CFDA 10.559		<u>304,700</u>	
Total child nutrition cluster			\$ 1,058,347
Fresh Fruit and Vegetable Program	10.582		34,071
Child and Adult Care Food Program	10.558		178,793
Direct			
Farm to School Grant Program	10.575		30,393
<b>U.S. Department of Education</b>			
Direct			
Indian Education Grants to Local Educational Agencies	84.060		5,454
Passed through Minnesota Department of Education			
Special education cluster			
Special Education Grants to States	84.027	444,934	
Special Education Preschool Grants	84.173	<u>4,647</u>	
Total special education cluster			449,581
Special Education – Grants for Infants and Families	84.181		12,968
Title I Grants to Local Educational Agencies	84.010		535,635
English Language Acquisition State Grants	84.365		58,750
Supporting Effective Instruction State Grants	84.367		78,516
Twenty-First Century Community Learning Centers	84.287		550,770
Student Support and Academic Enrichment Program	84.424		71,901
Passed through Independent School District No. 284			
Career and Technical Education – Basic Grants to States	84.048		17,238
Passed through Northwest Suburban Integration School District			
Magnet Schools Assistance	84.165		807,292
Passed through Spurwink Services			
Education Innovation and Research	84.411		5,415
<b>U.S. Department of Health and Human Services</b>			
Passed through Minnesota Department of Education			
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools			
	93.981		<u>5,994</u>
Total federal awards			<u>\$ 3,901,118</u>

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.



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Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of  
Independent School District No. 286  
Brooklyn Center, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (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, and have issued our report thereon dated December 17, 2020.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-001, that we consider to be a significant deficiency.

(continued)

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **DISTRICT'S RESPONSE TO FINDING**

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
December 17, 2020



**PRINCIPALS**

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Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR**  
**EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL**  
**CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the School Board and Management of  
Independent School District No. 286  
Brooklyn Center, Minnesota

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Independent School District No. 286’s (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2020. The District’s major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

**MANAGEMENT’S RESPONSIBILITY**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**AUDITOR’S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance.

(continued)

## OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-002, that we consider to be a significant deficiency.

## DISTRICT'S RESPONSE TO FINDING

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
December 17, 2020

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of  
Independent School District No. 286  
Brooklyn Center, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (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, and have issued our report thereon dated December 17, 2020.

**MINNESOTA LEGAL COMPLIANCE**

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, except as described in the Schedule of Findings and Questioned Costs as finding 2020-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

**DISTRICT'S RESPONSE TO FINDING**

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
December 17, 2020

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

**A. SUMMARY OF AUDIT RESULTS**

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

**Financial Statements**

What type of auditor’s report is issued?  Unmodified  
 Qualified  
 Adverse  
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No  
 Significant deficiencies identified?  Yes  None reported  
 Noncompliance material to the financial statements noted?  Yes  No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?  Yes  No  
 Significant deficiencies identified?  Yes  None reported

Type of auditor’s report issued on compliance for major programs?  Unmodified  
 Qualified  
 Adverse  
 Disclaimer

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  Yes  No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Summer Food Service Program for Children	10.559
– COVID-19 – Summer Food Service Program for Children	10.559

The U.S. Department of Education – special education cluster consisting of:  
 – Magnet Schools Assistance 84.165

Threshold for distinguishing type A and B programs. \$ 750,000

Does the auditee qualify as a low-risk auditee?  Yes  No

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2020

**B. FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCY**

**2020-001 Segregation of Duties**

**Criteria** – Internal control over financial reporting.

**Condition** – Independent School District No. 286 (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, cash receipts, and journal entries.

**Questioned Costs** – Not applicable.

**Context** – The condition applies to multiple areas as noted above.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

**Effect** – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

**Recommendation** – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost-beneficial.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2020

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, SPECIAL EDUCATION CLUSTER – CFDA NOS. 84.027 AND 84.173**

**2020-002 Internal Control Over Compliance With Federal Allowable Costs Requirements**

**Criteria** – 2 CFR § 200.302(b)(3) requires the District to maintain records that adequately identify the source and application of funds for federally funded activities in accordance with 2 CFR 200 Subpart E – Cost Principles.

**Condition** – During our audit, we noted that the District did not have sufficient controls to ensure adequate and timely documentation of time and effort was created and retained to support salary costs charged to federal programs and ensure compliance with the OMB's Uniform Guidance allowable costs standards.

**Questioned Costs** – None. Our testing did not indicate any instances of noncompliance.

**Context** – The deficiency in controls pertains to this program tested in the current year. This was not a statistically valid sample.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – This could be viewed as a violation of the award agreement.

**Recommendation** – We recommend that the District review its internal control procedures relating to time and effort documentation of allowable costs.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review and update its policies and procedures relating to allowable costs for its federal programs to ensure compliance with the Uniform Guidance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2020

**D. MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2020-003 Claims and Disbursements**

**Criteria** – Minnesota Statutes § 471.425, Subd. 2.

**Condition** – Minnesota Statutes require districts to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, the District must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For one disbursement selected for testing, the District did not pay the obligations within the required time period and did not pay interest on the unpaid obligations.

**Questioned Costs** – Not applicable.

**Context** – One of forty disbursements tested were not in compliance.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – All general disbursement invoices are received at the district office. A copy of the invoice is sent to the school and/or department prior to payment to ensure that the item was properly received. On occasion, there is a timing delay from when the invoice is approved for payment, and when it is sent back to the district office for payment.

**Effect** – Certain payments made to vendors were not paid within the timeframe as required by state statutes, and the vendors were not paid interest to which they were entitled.

**Recommendation** – We recommend that the District review claims and disbursement payment procedures in place to ensure future compliance with state statutes.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review the payment procedures and will properly pay all invoices within the 35-day time limit and verify compliance with state statutes. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2020

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 35,544,953	\$ 35,544,952	\$ 1
Total expenditures		\$ 35,308,605	\$ 35,308,605	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 10,837	\$ 10,837	\$ –
Restricted				
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ 77,362	\$ 77,362	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ 758,523	\$ 758,523	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 500,000	\$ 500,000	\$ –
Unassigned				
422	Unassigned fund balance	\$ 2,834,444	\$ 2,834,444	\$ –
<b>Food Service</b>				
Total revenue		\$ 1,394,055	\$ 1,394,055	\$ –
Total expenditures		\$ 1,522,198	\$ 1,522,199	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ 25,273	\$ 25,273	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 133,939	\$ 133,939	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ 1,424,658	\$ 1,424,659	\$ (1)
Total expenditures		\$ 1,555,742	\$ 1,555,742	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ (110,325)	\$ (110,325)	\$ –
432	ECFE	\$ 5,651	\$ 5,651	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ 103,514	\$ 103,514	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 1,359	\$ 1,359	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2020

		Audit	UFARS	Audit – UFARS
<b>Building Construction</b>				
Total revenue		\$ 249,092	\$ 249,092	\$ –
Total expenditures		\$ 16,427,236	\$ 16,427,236	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 3,926,250	\$ 3,926,250	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>				
Total revenue		\$ 2,301,103	\$ 2,301,103	\$ –
Total expenditures		\$ 3,384,986	\$ 3,384,986	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Maximum effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 713,952	\$ 713,952	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
<b>Custodial Fund</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
<b>Internal Service</b>				
Total revenue		\$ 3,845,238	\$ 3,845,238	\$ –
Total expenditures		\$ 3,698,786	\$ 3,698,786	\$ –
422	Net position	\$ 445,983	\$ 445,983	\$ –
<b>OPEB Revocable Trust Fund</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
<b>OPEB Irrevocable Trust Fund</b>				
Total revenue		\$ 38,013	\$ 38,013	\$ –
Total expenditures		\$ 250	\$ 250	\$ –
422	Net position	\$ 1,338,953	\$ 1,338,953	\$ –
<b>OPEB Debt Service Fund</b>				
Total revenue		\$ 326,763	\$ 326,764	\$ (1)
Total expenditures		\$ 331,422	\$ 331,422	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.