

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Fiscal Year Ended June 30, 2018*

INDEPENDENT SCHOOL DISTRICT NO. 281  
ROBBINSDALE AREA SCHOOLS  
NEW HOPE, MINNESOTA

4148 Winnetka Avenue North  
New Hope, Minnesota 55427-1288





COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2018

INDEPENDENT SCHOOL DISTRICT NO. 281  
ROBBINSDALE AREA SCHOOLS  
NEW HOPE, MINNESOTA

Prepared by:  
Finance Department

Interim Executive Director of Business Services  
Greg Hein

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INDEPENDENT SCHOOL DISTRICT NO. 281

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## **INTRODUCTORY SECTION**





Individual Focus. Infinite Potential.

**Education Service Center**  
4148 Winnetka Avenue North  
New Hope MN 55427  
763-504-8000

January 7, 2019

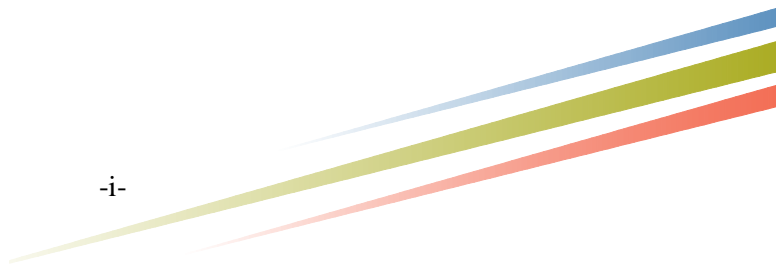
To the School Board, Citizens, Employees, and Students of  
Independent School District 281, Robbinsdale Area Schools

## **INTRODUCTION**

The following Comprehensive Annual Financial Report (CAFR) of Independent School District No. 281, Robbinsdale Area Schools (the District) presents the financial position of the District as of June 30, 2018 and the results of its operations for the fiscal year then ended. This report is prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. State law requires the District to publish a complete set of audited financial statements within six months of the close of the District's fiscal year.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established internal controls. The internal controls are designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not be more than the benefits, the District's internal controls are designed to provide reasonable rather than absolute assurance that these financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this CAFR is complete and reliable, in all material respects.

These financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2018, are fairly presented, in conformity with accounting principles generally accepted in the United States of America.



## **FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT**

The independent audit of the financial statements of the District was part of a broader, federally mandated, “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statutes, Section 6.65. These reports are available in a separate document.

## **REPORT FORMAT**

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this letter of transmittal, organizational chart, information on the School Board and Administration, a map of the District, and the Certificate of Excellence in Financial Reporting Award. The financial section contains the independent auditor’s report, management’s discussion and analysis (MD&A), basic financial statements, required supplementary information, and combining and individual fund statements and schedules presented as supplemental information. The statistical section contains supplemental financial and other statistical data, generally presented on a multi-year basis.

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

## **DISTRICT GOALS**

**The Mission** of the District is to inspire and educate all learners to develop their unique potential and positively contribute to their community.

### **Unified District Vision:**

The District is committed to ensuring every student graduates career and college ready. We believe each student has limitless possibilities and we strive to ignite the potential in every student. We expect high intellectual performance from all our students. We are committed to ensuring an equitable and respectful educational experience for every student, family, and staff member, focusing on strengths related to: race, culture, ethnicity, home or first language, national origin, socioeconomic status, gender, sexual orientation, age, ability, religion, or physical appearance.

### **The Unified District Vision Consists of Four Key Goals:**

- Implement policies and practices that open pathways to academic excellence for all students
- Utilize culturally relevant teaching and personalized learning for all students
- Engage family and community members as partners
- Engage and empower students by amplifying student voice

The School Board determines the mission and vision of the District and establishes goals. These goals are then monitored through workshops and frequent reports at public board meetings. The established district goals are used as guides in setting the annual superintendent goals. The School Board evaluates its performance and the performance of the superintendent annually.

The laws of the state of Minnesota give the authority to direct the District's business operations and educational functions to the District's School Board, whose members are elected officials. The School Board has the authority to levy taxes, set fees, approve budgets, and staff positions, along with other business and educational functions without prior approval from any other governmental unit. The School Board can issue debt generally with prior district voter approval. The Minnesota Department of Education does have some minor oversight responsibility over the District that is generally related to compliance and approval of certain laws and procedures, but not substantive in nature.

The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the District (primary government) is financially accountable. There are no organizations considered to be component units of the District.

## **LOCATION AND LEARNING ENVIRONMENT**

The District is located in Hennepin County, which is one of seven counties that make up the Twin Cities metropolitan area. This seven-county area is the most populated area of Minnesota with service division jobs constituting the greatest growth of the area's employment. Within the metropolitan area, health services, business services, and retail trade are the most significant industries.

As a Minneapolis suburban school district, the District serves a general population of approximately 104,207. The geographic boundary, spanning about 32 square miles, wholly covers the cities of Crystal, New Hope, and Robbinsdale, and partially the cities of Brooklyn Center, Brooklyn Park, Golden Valley, and Plymouth.

The District is Minnesota's ninth largest school district, in terms of student numbers, serving 12,304 students during the 2017–2018 fiscal year. The enrollment reflects a decline of 118 students. The District projects a similar decline in enrollment for the 2017–2018 school year. The decline is a reflection of expanded enrollment choice options in recent years.

The District owns and operates 20 facilities in Brooklyn Center, Crystal, Golden Valley, New Hope, Plymouth, and Robbinsdale. During Minnesota’s special legislative session in calendar year 2015, the FAIR School in Crystal, Minnesota was conveyed to the District. The District assumed operating responsibilities for this building in the 2015–2016 school year. For the audit period covered in this report, the District operated the following configuration of buildings; 2 senior high schools, 3 middle schools, 10 elementary schools, and 5 multi-purpose facilities:

Facility	Grades	Year Built
Cooper High School	9–12	1964
Armstrong High School	9–12	1970
Plymouth Middle School	6–8	1968
Robbinsdale Middle School	6–8	1956
FAIR School Crystal	K & 4–8	2000
Forest Elementary	K–5	2005
Lakeview Elementary	K–5	1964
Meadow Lake Elementary	K–5	1961
Neill Elementary	K–5	1957
Noble Elementary	K–5	1954
Northport Elementary	K–5	1956
Olson Elementary	K–5	1971
Sonnesyn Elementary	K–5	1962
Sunny Hollow Elementary	K–5	1960
Zachary Lane Elementary	K–5	1969
Multi-Purpose Facility	Use	Year Built
Sandburg	Various	1959
Pilgrim Lane	Vacant	1966
New Hope	Various	1960
Transportation		1966
Administration		1968

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and career/vocational education. Child nutrition, transportation, and before and after school care are provided as supporting programs. The District’s community education program also provides early childhood and family education programs, an adult basic education program, and a myriad of classes for lifelong learning and engagement experiences for children and adults within the community.

The District is an award-winning district committed to academic excellence. We take pride in the options we provide for families and for students.

- Robbinsdale Cooper High School is an International Baccalaureate (IB) site. The academic curriculum of an IB site must follow an international standard and, as such, our IB diplomas are recognized world-wide.
- Robbinsdale Armstrong High School has a full continuum of Advanced Placement (AP) courses, and has one of the largest selections of AP courses in the state of Minnesota.
- The District has five schools that have received the National School of Excellence Blue Ribbon designation.

- The District has a fully authorized K–12 IB Programme, including the Primary Years, Middle Years, and Diploma Programmes. The Middle Years Programme was recognized by the international organization in Geneva for outstanding program design. The District’s Middle Years Programme is the only one in Minnesota to achieve this distinction and was one of four schools chosen world-wide to be used as a model for a Harvard University publication on best practices of interdisciplinary teaching methods among IB Middle Years Programs.
- The District offers Advancement Via Individual Determination programming in both of our middle schools and both of our high schools. This program accelerates student learning, uses research-based methods of effective instruction, raises expectations of students, and puts in place a system of supports that help students succeed.
- Students in our district regularly achieve great success in enrichment programs. We have teams in *FIRST*, LEGO League, and Destination Imagination that have competed in national competitions; we have students who have placed nationally in competitions such as National History Day, and students in world language who consistently rank at the top in national exams.
- Teachers in our district have also been recognized for their dedication to excellence in teaching, representing Minnesota in national and international institutes in such areas as economics and history.

## **BUDGETARY PROCESS**

The District’s budgeting process begins with a review and estimation of the projected student enrollment. Student enrollment is the main driver of the allocation of the unrestricted revenue resources. A majority of the budgeting decisions are made centrally, including staffing, capital expenditures, and infrastructure improvements. Budget managers receive an allocation for site or department specific needs. The plan is developed as a partnership between the School Board members and the District’s administration, which follows a timeline with completion and adoption in June, prior to the start of the school year.

Enrollment is a critical factor in determining funding levels. Approximately 70 percent of the General Fund revenue is enrollment driven and, as such, the administration places a high premium on enrollment projections as a determinant of both funding and, staffing levels needed for the forthcoming year. A preliminary financial forecast is prepared by the executive director of business services and staffing levels are determined keeping the financial projection in focus. The administration then recommends staffing and other budgetary changes in line with the District’s mission to the School Board for approval.

The executive director of business services has responsibility for the financial integrity of the District. The District utilizes an integrated payroll/finance system for all financial record keeping. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. To accurately track and report financial activities with a focus on site-based accounting, approximately 15,000 accounts have been defined within the District’s chart of accounts. Each site and department administrator have access to the finance system to extract reports and review detailed budget activity specific to their area of responsibility.

The district administration receives and reviews monthly financial reports. These reports are also presented to the School Board and are publicly available as part of the School Board’s meeting materials. The revenue and expenditure budgets are monitored and modified as conditions change. All revisions to the budget are approved by the School Board.

## **ECONOMIC FACTORS**

The state of Minnesota guarantees each school district a base amount of funding per pupil unit through the General Education Funding Program. This funding relationship intertwines the District’s economic outlook to that of the state. The funding increases in the biennium, while modest, still fall short of the inflationary costs incurred by school districts. The formula allowance was increased 2.0 percent for the 2017–2018 school year.

Minnesota school districts also have the ability to raise additional revenue through voter-approved excess levy referendums. The referendum formula determines the amount of the referendum that is state aid as compared to local levy, a process called equalization. For fiscal 2018, the District had voter-approved authority of \$1,453 per pupil unit of excess levy authority, which raises a total of approximately \$20.5 million. Most of this revenue is provided from property taxes.

Taxable market value in the District increased 7.8 percent for taxes payable in 2018 to \$9,160,183,925.

## **CONFORMANCE WITH STATE ACCOUNTING REGULATIONS**

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report must be provided to the Minnesota Department of Education by December 31, subsequent to year-end on June 30.

## **FINANCIAL POLICIES**

The cash management policy of the District is to invest idle funds. Cash is invested in certificates of deposit, repurchase agreements, and interest-bearing checking accounts. Short-term borrowing, which is sometimes needed by the District, was not utilized for fiscal year 2017.

The District has adopted a formal fund balance policy that establishes the District will strive to maintain a minimum unassigned General Fund balance of 6.5 percent of the annual projected expenditures. At June 30, 2018, the unassigned fund balance of the General Fund (excluding any restricted account deficits) was 0.4 percent of the annual budgeted expenditures for the year then ended.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Association of School Business Officials (ASBO) International awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Excellence, the District published an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Excellence Program's requirements and we are submitting it to the ASBO to determine its eligibility for another certificate.

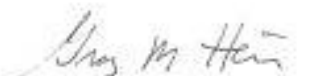
This report could not have been completed without the dedicated services of the District's Business Services Team. We would like to express our sincere thanks to all members of the District who assisted and contributed to the preparation of this report.

Our appreciation is also given to the School Board for its continued support in leading the District in sound and responsible financial management as well as academic excellence.

Respectfully submitted,



Dr. Carlton D. Jenkins  
Superintendent



Greg Hein  
Interim Finance Manager



# SUPERINTENDENT'S ORGANIZATIONAL CHART

SCHOOL BOARD

Mary Cebula  
Executive Assistant

Carlton D. Jenkins, Ph.D.  
Superintendent

Dr. Stephanie Burrage  
Assistant Superintendent

Achievement and Integration

All Schools

College and Career Readiness

Curriculum and Instruction

Early Childhood Programs

Federal Programs

Fine Arts

Gifted and Talented

Homeless

Special Education

Student Services

Student Teacher Placements

Dennis Beekman  
Executive Director

Information Systems

Instructional Technology

Media Services

Technology Services

Stephanie Crosby  
Executive Director

Benefits

Contract Negotiations

Human Resources

Staffing

Substitute Staffing System

Dr. Richard McGregor  
Executive Director

Achievement Accountability

Publications

Research, Evaluation and Assessment

Strategic Communications

Dale Sundstrom  
Executive Director

Business Services

Child Nutrition

Custodial Services

Facilities

Fiscal Operations

Payroll

Purchasing

Jerry Anderson  
Transportation and CESO

Kristine Wehrkamp  
Executive Director

Adult Academics

Adventure Club

Activities Directors

Community Education

Community Enrichment and Engagement

Redesign



ROBBINSDALE  
Area Schools

Individual focus. Infinite potential.

INDEPENDENT SCHOOL DISTRICT NO. 281

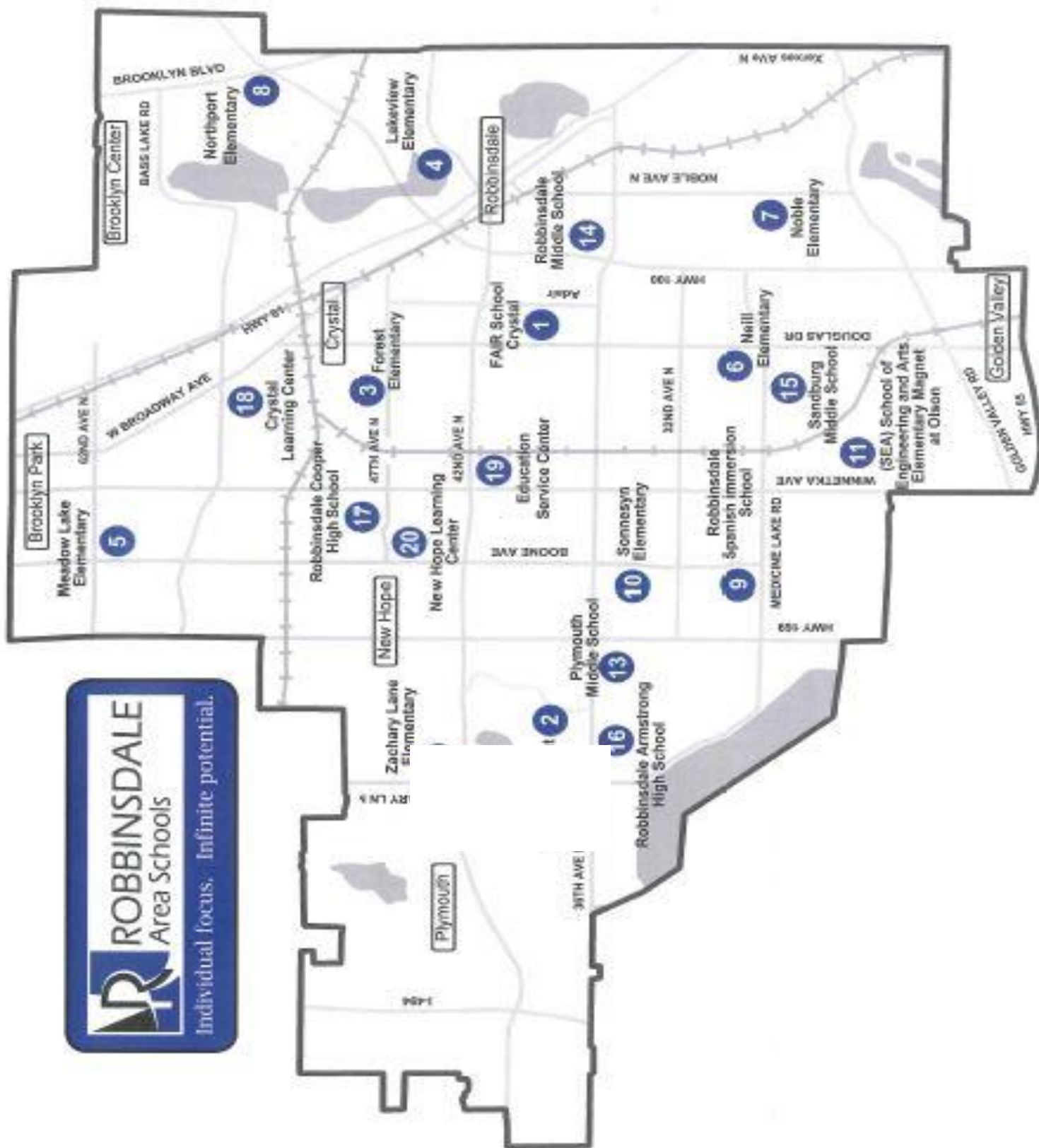
School Board and Administration  
Year Ended June 30, 2018

**SCHOOL BOARD**

	<u>Position</u>
John Vento	Chairperson
Mike Herring	Vice Chair
Helen Bassett	Treasurer
David Boone	Clerk
Pam Lindberg	Clerk
Patsy Green	Director
Sherry Tyrrell	Director

**ADMINISTRATION**

<u>Cabinet</u>	
Dr. Carlton Jenkins	Superintendent
Stephanie Burrage	Assistant Superintendent
Dennis Beekman	Executive Director of Technology
Stephanie Crosby	Executive Director of Human Resources
Richard McGregory	Executive Director of Strategic Communication and Achievement Accountability
Dale Sundstrom	Executive Director of Business Services (through June 30, 2018)
Greg Hein	Interim Executive Director of Business Services
Kristine Wehrkamp	Executive Director of Community Education





ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

**ISD 281 - Robbinsdale Area Schools**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE  
Executive Director

## **FINANCIAL SECTION**



**INDEPENDENT AUDITOR'S REPORT**

To the School Board and Management of  
Independent School District No. 281  
New Hope, 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. 281, Robbinsdale Area Schools (the District) as of and for the year ended June 30, 2018, 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, 2018, 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.

## **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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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

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

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

### **Prior Year Comparative Information**

We have previously audited the District's 2017 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 January 9, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)



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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2019 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 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  
January 7, 2019

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## INDEPENDENT SCHOOL DISTRICT NO. 281

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

This section of Independent School District No. 281, Robbinsdale Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the other components of the District's CAFR.

#### FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018 by \$71.0 million (deficit net position).
- Government-wide revenues totaled \$206.0 million and expenses were \$259.1 million. As a result, the District's total net position decreased by \$53.1 million during the fiscal year ended June 30, 2018.
- The General Fund's total fund balance decreased \$8.6 million from the prior year, compared to a \$4.6 million decrease approved in the final budget.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR report 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. 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, transportation, administration, food service, 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 that do not meet the threshold to be classified as major funds are called "nonmajor" funds, and include the Food Service and Community Service Special Revenue Funds. Detailed financial information for nonmajor funds are presented as supplemental information.

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

The District maintains the following kinds of funds:

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

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

**Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to other organizations. 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:

<b>Table 1</b> <b>Summary of Net Position</b> <b>as of June 30, 2018 and 2017</b>		
	2018	2017
<b>Assets</b>		
Current and other assets	\$ 103,613,326	\$ 112,847,826
Capital assets, net of depreciation	305,733,999	301,821,497
<b>Total assets</b>	<b>\$ 409,347,325</b>	<b>\$ 414,669,323</b>
<b>Deferred outflows of resources</b>		
Pension plan deferments	\$ 175,740,542	\$ 238,868,090
OPEB plan deferments	236,294	—
Deferred charges on refundings	507,852	554,020
<b>Total deferred outflows of resources</b>	<b>\$ 176,484,688</b>	<b>\$ 239,422,110</b>
<b>Liabilities</b>		
Current and other liabilities	\$ 18,302,443	\$ 17,921,408
Long-term liabilities, including due within one year	529,339,521	596,237,780
<b>Total liabilities</b>	<b>\$ 547,641,964</b>	<b>\$ 614,159,188</b>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 56,227,361	\$ 53,992,071
OPEB plan deferments	14,066	1,412
Pension plan deferments	52,919,304	3,855,774
<b>Total deferred inflows of resources</b>	<b>\$ 109,160,731</b>	<b>\$ 57,849,257</b>
<b>Net position</b>		
Net investment in capital assets	\$ 117,654,573	\$ 115,303,157
Restricted	11,038,463	9,768,518
Unrestricted	(199,663,718)	(142,988,687)
<b>Total net position</b>	<b>\$ (70,970,682)</b>	<b>\$ (17,917,012)</b>

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 depreciation estimates and capitalization policies. Unfunded long-term liabilities for compensated absences, severance, and pensions cause many Minnesota school districts to report a deficit in unrestricted net position.

Much of the decrease in unrestricted net position, as well as the changes in long-term liabilities and deferred outflows/inflows of resources, can be attributed to changes in the District's share of unfunded pension liabilities related to the state-wide Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans.

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

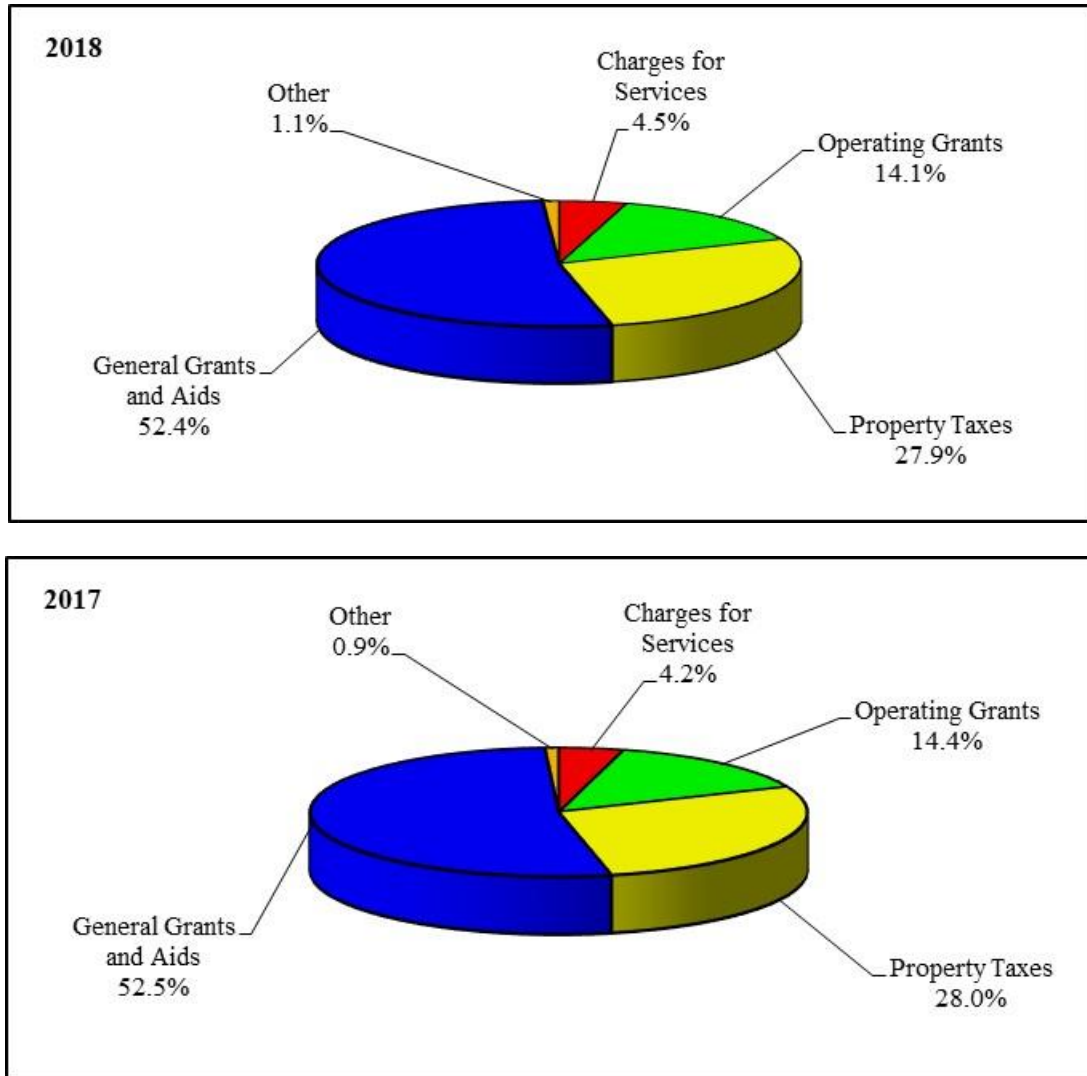
<b>Table 2</b> <b>Change in Net Position</b> <b>for the Years Ended June 30, 2018 and 2017</b>		
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 9,212,488	\$ 8,783,817
Operating grants and contributions	29,103,055	29,846,808
General revenues		
Property taxes	57,592,850	58,106,547
General grants and aids	107,954,995	109,188,461
Other	2,210,206	1,890,603
Total revenues	<u>206,073,594</u>	<u>207,816,236</u>
Expenses		
Administration	7,721,781	7,886,010
District support services	7,836,267	8,291,512
Elementary and secondary regular instruction	106,754,453	115,652,948
Vocational education instruction	1,986,611	2,284,209
Special education instruction	39,746,365	36,782,980
Instructional support services	19,570,243	17,235,990
Pupil support services	19,034,575	17,528,400
Sites and buildings	30,324,113	34,887,431
Fiscal and other fixed cost programs	521,264	557,141
Food service	8,020,908	8,429,759
Community service	11,745,783	11,033,134
Interest and fiscal charges	5,864,901	6,758,127
Total expenses	<u>259,127,264</u>	<u>267,327,641</u>
Change in net position	(53,053,670)	(59,511,405)
Net position – beginning	<u>(17,917,012)</u>	<u>41,594,393</u>
Net position – ending	<u><u>\$ (70,970,682)</u></u>	<u><u>\$ (17,917,012)</u></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.

Revenue decreased slightly from the prior year, mostly in general grants and aids, due to declining enrollment. Revenues from operating grants and contributions and property taxes also contributed to the decrease from the prior year. The decrease in expenses, mainly in elementary and secondary regular instruction, was due to a reduction in staffing levels combined with turnover in staffing.

Figures A and B show further analysis of these revenue sources and expense functions:

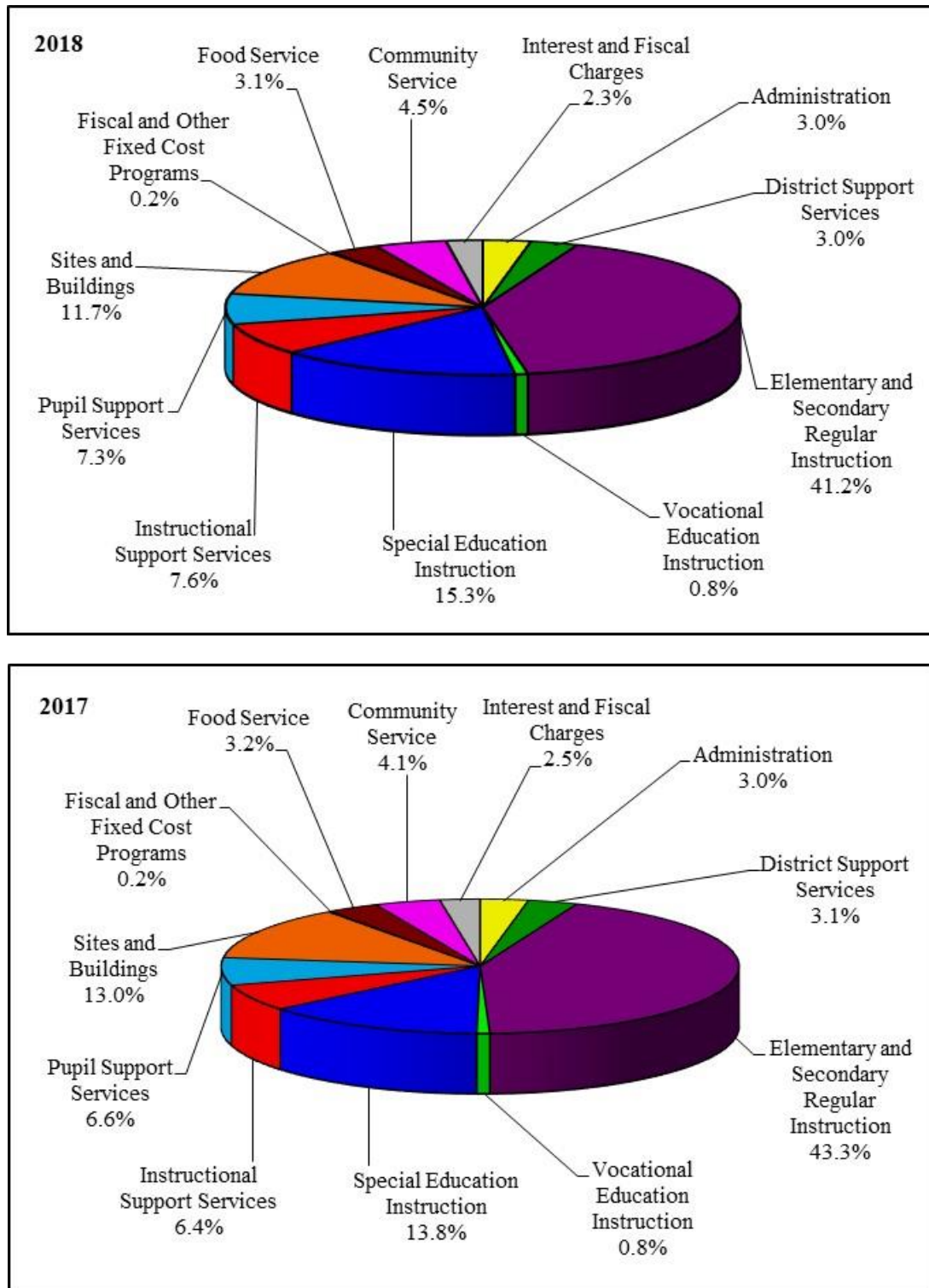
**Figure A – Sources of Revenues for Fiscal Years 2018 and 2017**



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

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

**Figure B – Expenses for Fiscal Years 2018 and 2017**



The District's expenses prioritize the delivery of instruction to 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. Other expenditures are either auxiliary to instruction or related to the operational needs necessary to sustain the learning environment.



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

<b>Table 3</b> <b>Governmental Fund Balances</b> <b>as of June 30, 2018 and 2017</b>				
	2018	2017	Increase (Decrease)	Percent Change
Major funds				
General	\$ 4,979,913	\$ 13,559,750	\$ (8,579,837)	(63.3%)
Capital Projects – Building				
Construction	12,386,151	12,695,833	(309,682)	(2.4%)
Debt Service	2,427,803	2,305,311	122,492	5.3%
Nonmajor funds				
Food Service Special Revenue	985,010	1,226,256	(241,246)	(19.7%)
Community Service Special Revenue	1,432,346	1,760,375	(328,029)	(18.6%)
Total governmental funds	<u>\$ 22,211,223</u>	<u>\$ 31,547,525</u>	<u>\$ (9,336,302)</u>	(29.6%)

### General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through Grade 12, including pupil transportation activities and capital outlay projects.

Approximately 73 percent of General Fund operational revenue is controlled by a complex set of state funding formulas, as such, the local School Board has minimal authority in the establishment of the level of resources. Special education funding is also included in state aid. This funding source is based in part on the identified needs of the special education student population and the related expenditures. Other state formulas further determine the portion of revenue provided through property taxes versus state aid. Expenditures exceeded both the prior year and budget in salaries and benefits, due mostly to increased staffing needs in special education instruction, instructional support services, and pupil support services.

### Capital Projects – Building Construction Fund

Capital Projects – Building Construction Fund expenditures exceeded revenues and other financing sources by \$309,682. The District issued \$14.2 million of Series 2018A General Obligation Facilities Maintenance Bonds to fund various deferred maintenance projects included in the 10-year facility plan of the District. Of the \$12,386,151 fund balance at June 30, 2018, \$10,985,938 is restricted for these long-term facilities maintenance projects.

### Debt Service Fund

Revenues exceeded expenditures by \$122,492 in the Debt Service Fund. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The ending fund balance for 2018 is approximately \$2.4 million, and is available for meeting future debt service obligations.

## Nonmajor Funds

Expenditures exceeded revenues and other financing sources in the District's two nonmajor funds by \$569,275. The Food Service Special Revenue Fund had a decrease in fund balance of \$241,246, ending the year with a fund balance of \$985,010, compared to a budgeted increase of \$8,793. The variance was caused by lower than anticipated revenues from meal sales and federal reimbursements, combined with unfavorable variances in personnel costs. The June 30, 2018 fund balance of the Community Service Special Revenue Fund was \$1,432,346, a decrease of \$328,029 from the prior year, compared to a budgeted decrease of \$72,447. The variance was primarily due to additional staffing required to meet the needs of increased program participation.

## Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4 General Fund Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 174,100,192</u>	<u>\$ 168,873,890</u>	<u>\$ (5,226,302)</u>	<u>(3.0%)</u>
Expenditures	<u>\$ 175,282,869</u>	<u>\$ 173,494,791</u>	<u>\$ (1,788,078)</u>	<u>(1.0%)</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 that budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

<b>Table 5 General Fund Operating Results</b>					
	2018 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue	\$ 167,041,006	\$ (1,832,884)	(1.1%)	\$ 1,085,525	0.7%
Expenditures	<u>175,620,843</u>	\$ 2,126,052	1.2%	\$ 4,988,604	2.9%
Net change in fund balances	<u><u>\$ (8,579,837)</u></u>				

Overall, General Fund balance decreased \$8,579,837, as compared to a projected decrease of \$4,620,901. The revenue variance was mainly the result of the District earning less state aid than anticipated. Unfavorable variances in personnel costs spread across various programs, and the timing of capital expenditures for maintenance projects contributed to the expenditure variance.

The increase in revenue from the previous year was primarily due to additional state aid from increases in the general education formula, compensatory aid, and special education funding. The increase in expenditures from the prior year was primarily caused by staffing increases, inflationary increases to employee benefits, and an increase in construction projects.

Unassigned fund balance in the General Fund (excluding deficit fund balance restrictions) is a deficit balance of \$777,819 as of June 30, 2018.

## 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 ending June 30, 2018 and 2017:

<b>Table 6</b> <b>Capital Assets</b>			
	2018	2017	Change
Land	\$ 1,218,930	\$ 1,218,930	\$ —
Construction in progress	8,779,788	26,536,798	(17,757,010)
Land improvements	8,323,054	7,237,829	1,085,225
Buildings	443,827,475	407,514,342	36,313,133
Furniture and equipment	26,545,358	26,127,817	417,541
Less accumulated depreciation	(182,960,606)	(166,814,219)	(16,146,387)
Total	<u>\$ 305,733,999</u>	<u>\$ 301,821,497</u>	<u>\$ 3,912,502</u>
Depreciation expense	<u>\$ 16,146,387</u>	<u>\$ 15,380,662</u>	<u>\$ 765,725</u>

By the end of 2018, the District had net capital assets of \$305.7 million, representing a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation expense for the year was \$16.1 million, as compared to \$15.4 million the previous year.

The District's 10-year facility plan under the Long-Term Facilities Maintenance Program, which involves performing deferred maintenance and renovation of the District's buildings, accounted for much of the asset additions for the year.

## Long-Term Liabilities

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

<b>Table 7</b> <b>Outstanding Long-Term Liabilities</b>				
	2018	2017	Change	Percent Change
General obligation bonds	\$ 187,945,000	\$ 187,100,000	\$ 845,000	0.5%
Certificates of participation	8,375,000	8,930,000	(555,000)	(6.2%)
Unamortized premiums (discounts)	9,394,298	9,819,204	(424,906)	(4.3%)
Capital leases	3,439,416	3,643,000	(203,584)	(5.6%)
Compensated absences payable	1,426,299	1,569,560	(143,261)	(9.1%)
Severance benefits payable	2,432,944	2,658,377	(225,433)	(8.5%)
Net pension liability	316,326,564	382,517,639	(66,191,075)	(17.3%)
Total	<u>\$ 529,339,521</u>	<u>\$ 596,237,780</u>	<u>\$ (66,898,259)</u>	(11.2%)

At year-end, the District had \$205.7 million in general obligation bonds and certificates of participation payable, including net premiums and discounts. The District issued \$14.2 million in General Obligation Facilities Maintenance bonds during the year, offsetting the scheduled principal repayments during the year.

The difference in net pension liability reflects the change in the District's proportionate share of the state-wide PERA and TRA pension plans.

The District's bonds presently carry a Standard and Poor's long-term rating of "AAA/Stable" and a school-issuer credit rating of "A/Negative."

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

<b>Table 8</b> <b>Limitations on Debt</b>	
District's market value	\$ 9,160,183,925
Limit rate	<u>15%</u>
Legal debt limit	<u>\$ 1,374,027,589</u>

Additional details of the District's capital assets and long-term liabilities 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 Funding 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 \$124, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2019.

The District ran and successfully passed a \$515 per pupil unit operating referendum for a 10-year period beginning in fiscal 2020, which will provide an estimated \$6.3 million of additional annual funding.

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

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this CAFR or need additional financial information, contact the Business Services Department, Independent School District No. 281, 4148 Winnetka Avenue North, New Hope, Minnesota 55427.

## BASIC FINANCIAL STATEMENTS

## INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Net Position  
as of June 30, 2018  
(With Partial Comparative Information as of June 30, 2017)

	Governmental Activities	
	2018	2017
<b>Assets</b>		
Cash and temporary investments	\$ 47,770,002	\$ 50,768,009
Receivables		
Current taxes	28,629,907	28,664,636
Delinquent taxes	474,267	562,469
Accounts and interest	848,658	645,953
Due from other governmental units	16,468,306	15,714,123
Due from post-employment benefit trust	583,727	1,936,108
Inventory	305,422	309,042
Prepaid items	263,234	170,284
Restricted assets – temporarily restricted		
Cash and investments for capital projects	330	5,605,142
Net OPEB asset	8,269,473	8,472,060
Capital assets		
Not depreciated	9,998,718	27,755,728
Depreciated, net of accumulated depreciation	295,735,281	274,065,769
Total capital assets, net of accumulated depreciation	305,733,999	301,821,497
Total assets	409,347,325	414,669,323
<b>Deferred outflows of resources</b>		
Pension plan deferments	175,740,542	238,868,090
OPEB plan deferments	236,294	–
Deferred charges on refundings	507,852	554,020
Total deferred outflows of resources	176,484,688	239,422,110
Total assets and deferred outflows of resources	\$ 585,832,013	\$ 654,091,433
<b>Liabilities</b>		
Salaries payable	\$ 1,246,508	\$ 895,456
Accounts and contracts payable	11,711,912	8,205,716
Accrued interest payable	2,717,038	2,767,150
Due to other governmental units	542,638	819,067
Unearned revenue	2,084,347	5,234,019
Long-term liabilities		
Due within one year	17,225,866	15,883,144
Due in more than one year	512,113,655	580,354,636
Total long-term liabilities	529,339,521	596,237,780
Total liabilities	547,641,964	614,159,188
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	56,227,361	53,992,071
OPEB plan deferments	14,066	1,412
Pension plan deferments	52,919,304	3,855,774
Total deferred inflows of resources	109,160,731	57,849,257
<b>Net position</b>		
Net investment in capital assets	117,654,573	115,303,157
Restricted for		
Capital asset acquisition	7,641,098	6,253,759
Food service	1,215,571	1,447,293
Community service	1,618,576	1,903,618
Other purposes (state funding restrictions)	563,218	163,848
Unrestricted	(199,663,718)	(142,988,687)
Total net position	(70,970,682)	(17,917,012)
Total liabilities, deferred inflows of resources, and net position	\$ 585,832,013	\$ 654,091,433



INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Activities  
Year Ended June 30, 2018  
(With Partial Comparative Information for the Year Ended June 30, 2017)

Functions/Programs	Expenses	2018		2017	
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 7,721,781	\$ 330	\$ –	\$ (7,721,451)	\$ (7,885,385)
District support services	7,836,267	134,508	–	(7,701,759)	(8,146,388)
Elementary and secondary regular instruction	106,754,453	1,182,309	4,765,434	(100,806,710)	(108,523,308)
Vocational education instruction	1,986,611	–	62,971	(1,923,640)	(2,206,681)
Special education instruction	39,746,365	483,254	15,081,348	(24,181,763)	(22,542,972)
Instructional support services	19,570,243	1,503	174,498	(19,394,242)	(17,148,000)
Pupil support services	19,034,575	2,768	419,249	(18,612,558)	(16,508,126)
Sites and buildings	30,324,113	15,008	–	(30,309,105)	(34,773,810)
Fiscal and other fixed cost programs	521,264	–	–	(521,264)	(557,141)
Food service	8,020,908	2,101,585	5,662,678	(256,645)	(602,637)
Community service	11,745,783	5,291,223	2,936,877	(3,517,683)	(3,044,441)
Interest and fiscal charges	5,864,901	–	–	(5,864,901)	(6,758,127)
Total governmental activities	<u>\$ 259,127,264</u>	<u>\$ 9,212,488</u>	<u>\$ 29,103,055</u>	(220,811,721)	(228,697,016)
General revenues					
Taxes					
Property taxes, for general purposes				35,777,957	37,576,196
Property taxes, for community service				1,841,325	1,729,633
Property taxes, for debt service				19,973,568	18,800,718
General grants and aids				107,954,995	109,188,461
Other general revenues				1,701,133	1,512,981
Investment earnings				509,073	377,622
Total general revenues and special item				<u>167,758,051</u>	<u>169,185,611</u>
Change in net position				(53,053,670)	(59,511,405)
Net position – beginning				<u>(17,917,012)</u>	<u>41,594,393</u>
Net position – ending				<u>\$ (70,970,682)</u>	<u>\$ (17,917,012)</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Balance Sheet  
Governmental Funds  
as of June 30, 2018  
(With Partial Comparative Information as of June 30, 2017)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 13,011,098	\$ 14,353,557	\$ 13,264,466
Cash and investments held by trustee	–	330	–
Receivables			
Current taxes	17,630,970	–	10,016,042
Delinquent taxes	299,655	–	159,517
Accounts and interest	179,244	1,009	–
Due from other governmental units	15,056,755	–	89,105
Due from other funds	1,083,186	–	–
Inventory	232,567	–	–
Prepaid items	253,529	–	1,500
Total assets	<u>\$ 47,747,004</u>	<u>\$ 14,354,896</u>	<u>\$ 23,530,630</u>
Liabilities			
Salaries payable	\$ 980,263	\$ –	\$ –
Accounts and contracts payable	7,102,385	1,968,745	5,700
Due to other governmental units	536,406	–	–
Due to other funds	–	–	–
Unearned revenue	593,583	–	–
Total liabilities	<u>9,212,637</u>	<u>1,968,745</u>	<u>5,700</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	33,242,117	–	20,931,220
Unavailable revenue – delinquent taxes	312,337	–	165,907
Total deferred inflows of resources	<u>33,554,454</u>	<u>–</u>	<u>21,097,127</u>
Fund balances (deficit)			
Nonspendable	486,096	–	1,500
Restricted	5,813,165	12,386,151	2,426,303
Assigned	–	–	–
Unassigned	(1,319,348)	–	–
Total fund balances	<u>4,979,913</u>	<u>12,386,151</u>	<u>2,427,803</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 47,747,004</u>	<u>\$ 14,354,896</u>	<u>\$ 23,530,630</u>

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 2,791,413	\$ 43,420,534	\$ 45,051,916
—	330	5,605,142
982,895	28,629,907	28,664,636
15,095	474,267	562,469
668,405	848,658	645,953
1,322,446	16,468,306	15,714,123
67,375	1,150,561	1,936,108
72,855	305,422	309,042
8,205	263,234	170,284
<u>\$ 5,928,689</u>	<u>\$ 91,561,219</u>	<u>\$ 98,659,673</u>
\$ 266,245	\$ 1,246,508	\$ 895,456
339,221	9,416,051	6,978,970
6,232	542,638	819,067
566,834	566,834	—
263,256	856,839	4,006,511
<u>1,441,788</u>	<u>12,628,870</u>	<u>12,700,004</u>
2,054,024	56,227,361	53,992,071
15,521	493,765	420,073
<u>2,069,545</u>	<u>56,721,126</u>	<u>54,412,144</u>
81,060	568,656	479,326
2,336,296	22,961,915	22,231,727
—	—	873,292
—	(1,319,348)	7,963,180
<u>2,417,356</u>	<u>22,211,223</u>	<u>31,547,525</u>
<u>\$ 5,928,689</u>	<u>\$ 91,561,219</u>	<u>\$ 98,659,673</u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2018  
(With Partial Comparative Information as of June 30, 2017)

	2018	2017
Total fund balances – governmental funds	\$ 22,211,223	\$ 31,547,525
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	488,694,605	468,635,716
Accumulated depreciation	(182,960,606)	(166,814,219)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(187,945,000)	(187,100,000)
Certificates of participation	(8,375,000)	(8,930,000)
Unamortized (premiums) discounts	(9,394,298)	(9,819,204)
Capital leases	(3,439,416)	(3,643,000)
Compensated absences payable	(1,426,299)	(1,569,560)
Severance benefits payable	(2,432,944)	(2,658,377)
Net pension liability	(316,326,564)	(382,517,639)
Net OPEB obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.		
	8,269,473	8,472,060
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(2,717,038)	(2,767,150)
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.		
	826,099	3,261,839
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 – pension plan deferments	175,740,542	238,868,090
Deferred outflows – OPEB plan deferments	236,294	–
Deferred outflows – deferred charges on refundings	507,852	554,020
Deferred inflows – OPEB plan deferments	(14,066)	(1,412)
Deferred inflows – pension plan deferments	(52,919,304)	(3,855,774)
Deferred inflows – delinquent property taxes	493,765	420,073
Total net position – governmental activities	<u>\$ (70,970,682)</u>	<u>\$ (17,917,012)</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2018  
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 35,734,126	\$ –	\$ 19,946,037
Investment earnings	199,551	128,460	102,753
Other	3,519,274	1,489	–
State sources	121,946,342	–	916,247
Federal sources	5,641,713	–	–
Total revenue	167,041,006	129,949	20,965,037
Expenditures			
Current			
Administration	6,211,188	–	–
District support services	5,654,002	–	–
Elementary and secondary regular instruction	76,052,466	–	–
Vocational education instruction	1,386,757	–	–
Special education instruction	31,490,066	–	–
Instructional support services	15,458,739	–	–
Pupil support services	17,171,870	–	–
Sites and buildings	15,743,020	–	–
Fiscal and other fixed cost programs	521,264	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	5,633,888	15,372,424	–
Debt service			
Principal	203,584	–	13,910,000
Interest and fiscal charges	93,999	191,756	6,932,545
Total expenditures	175,620,843	15,564,180	20,842,545
Excess (deficiency) of revenue over expenditures	(8,579,837)	(15,434,231)	122,492
Other financing sources (uses)			
Bonds and certificates of participation issued	–	14,200,000	–
Refunding bonds issued	–	–	–
Capital lease issued	–	–	–
Premiums on debt issued	–	924,549	–
Payment to refunded bond escrow agent	–	–	–
Sale of capital assets	–	–	–
Total other financing sources (uses)	–	15,124,549	–
Net change in fund balances	(8,579,837)	(309,682)	122,492
Fund balances			
Beginning of year	13,559,750	12,695,833	2,305,311
End of year	\$ 4,979,913	\$ 12,386,151	\$ 2,427,803

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 1,838,995	\$ 57,519,158	\$ 58,167,629
31,924	462,688	349,903
7,392,808	10,913,571	10,296,798
3,113,889	125,976,478	123,539,976
5,485,666	11,127,379	11,099,637
<u>17,863,282</u>	<u>205,999,274</u>	<u>203,453,943</u>
—	6,211,188	6,057,838
—	5,654,002	7,539,458
—	76,052,466	80,495,431
—	1,386,757	1,505,730
—	31,490,066	27,998,488
—	15,458,739	13,890,413
—	17,171,870	15,417,357
—	15,743,020	14,352,208
—	521,264	557,141
7,461,961	7,461,961	7,434,021
10,366,492	10,366,492	9,529,583
604,154	21,610,466	51,330,006
—	14,113,584	13,312,096
—	7,218,300	8,148,233
<u>18,432,607</u>	<u>230,460,175</u>	<u>257,568,003</u>
(569,325)	(24,460,901)	(54,114,060)
—	14,200,000	9,535,000
—	—	12,170,000
—	—	3,643,000
—	924,549	1,476,967
—	—	(21,309,077)
<u>50</u>	<u>50</u>	<u>—</u>
<u>50</u>	<u>15,124,599</u>	<u>5,515,890</u>
(569,275)	(9,336,302)	(48,598,170)
<u>2,986,631</u>	<u>31,547,525</u>	<u>80,145,695</u>
<u>\$ 2,417,356</u>	<u>\$ 22,211,223</u>	<u>\$ 31,547,525</u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2018  
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Total net change in fund balances – governmental funds	\$ (9,336,302)	\$ (48,598,170)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in 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	20,058,889	43,952,333
Depreciation expense	(16,146,387)	(15,380,662)
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 and certificates of participation	(14,200,000)	(21,705,000)
Capital leases	–	(3,643,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds and certificates of participation	13,910,000	34,005,000
Capital leases	203,584	142,096
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.		
Compensated absences payable	143,261	(154,692)
Severance benefits payable	225,433	(80,006)
Net pension liability	66,191,075	(273,551,413)
Net OPEB obligations reported in the Statement of Activities do not require the use of current financial resources and are not reported until actually due.		
	(202,587)	135,376
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.		
	50,112	218,440
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.		
	424,906	(385,244)
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.		
	(2,435,740)	(310,833)
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 – pension plan deferments	(63,127,548)	217,544,116
Deferred outflows – OPEB plan deferments	236,294	–
Deferred outflows – deferred charges on refundings	(46,168)	554,020
Deferred inflows – OPEB plan deferments	(12,654)	(1,412)
Deferred inflows – pension plan deferments	(49,063,530)	7,808,728
Deferred inflows – delinquent property taxes	73,692	(61,082)
Change in net position – governmental activities	<u>\$ (53,053,670)</u>	<u>\$ (59,511,405)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund  
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 36,350,858	\$ 35,468,365	\$ 35,734,126	\$ 265,761
Investment earnings	110,699	93,336	199,551	106,215
Other	3,420,887	3,048,233	3,519,274	471,041
State sources	127,812,485	123,336,844	121,946,342	(1,390,502)
Federal sources	6,405,263	6,927,112	5,641,713	(1,285,399)
Total revenue	174,100,192	168,873,890	167,041,006	(1,832,884)
Expenditures				
Current				
Administration	6,037,039	6,068,638	6,211,188	142,550
District support services	7,287,667	5,539,246	5,654,002	114,756
Elementary and secondary regular instruction	80,934,869	80,425,496	76,052,466	(4,373,030)
Vocational education instruction	1,587,556	1,589,084	1,386,757	(202,327)
Special education instruction	29,307,292	28,628,814	31,490,066	2,861,252
Instructional support services	13,670,228	14,501,368	15,458,739	957,371
Pupil support services	15,276,553	15,692,761	17,171,870	1,479,109
Sites and buildings	15,457,403	15,545,997	15,743,020	197,023
Fiscal and other fixed cost programs	659,998	561,186	521,264	(39,922)
Capital outlay	5,064,264	4,942,201	5,633,888	691,687
Debt service				
Principal	—	—	203,584	203,584
Interest and fiscal charges	—	—	93,999	93,999
Total expenditures	175,282,869	173,494,791	175,620,843	2,126,052
Net change in fund balances	\$ (1,182,677)	\$ (4,620,901)	(8,579,837)	\$ (3,958,936)
Fund balances				
Beginning of year			13,559,750	
End of year			\$ 4,979,913	

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Net Position  
Internal Service Funds  
as of June 30, 2018  
(With Partial Comparative Information as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and temporary investments	\$ 4,349,468	\$ 5,716,093
Liabilities		
Current liabilities		
Claims payable	2,295,861	1,226,746
Unearned revenue	<u>1,227,508</u>	<u>1,227,508</u>
Total current liabilities	<u>3,523,369</u>	<u>2,454,254</u>
Net position		
Unrestricted	<u>\$ 826,099</u>	<u>\$ 3,261,839</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenses, and Changes in Net Position  
Internal Service Funds  
Year Ended June 30, 2018  
(With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 17,310,119	\$ 16,755,224
Operating expenses		
Dental benefit claims	1,307,421	1,324,022
Health benefit claims	<u>18,484,823</u>	<u>15,769,754</u>
Total operating expenses	<u>19,792,244</u>	<u>17,093,776</u>
Operating income (loss)	(2,482,125)	(338,552)
Nonoperating revenue		
Investment earnings	<u>46,385</u>	<u>27,719</u>
Change in net position	(2,435,740)	(310,833)
Net position		
Beginning of year	<u>3,261,839</u>	<u>3,572,672</u>
End of year	<u><u>\$ 826,099</u></u>	<u><u>\$ 3,261,839</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2018  
(With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 17,310,119	\$ 18,143,143
Payments for dental claims	(1,325,178)	(1,334,121)
Payments for health claims	<u>(17,397,951)</u>	<u>(15,802,194)</u>
Net cash flows from operating activities	(1,413,010)	1,006,828
Cash flows from investing activities		
Investment income received	<u>46,385</u>	<u>27,719</u>
Net change in cash and cash equivalents	(1,366,625)	1,034,547
Cash and cash equivalents		
Beginning of year	<u>5,716,093</u>	<u>4,681,546</u>
End of year	<u><u>\$ 4,349,468</u></u>	<u><u>\$ 5,716,093</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (2,482,125)	\$ (338,552)
Adjustments to reconcile operating income (loss) to cash flows from operating activities		
Changes in assets and liabilities		
Due from other funds	—	1,390,758
Claims payable	1,069,115	(42,539)
Unearned revenue	<u>—</u>	<u>(2,839)</u>
Net cash flows from operating activities	<u><u>\$ (1,413,010)</u></u>	<u><u>\$ 1,006,828</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Fiduciary Net Position  
Fiduciary Funds  
as of June 30, 2018

	Employee Benefit Trust Funds	Scholarship Private-Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ 442,828	\$ 401,321
Investments		
Mutual funds	18,837,824	—
Accounts and interest receivable	—	4,452
Total assets	<u>19,280,652</u>	<u>405,773</u>
Liabilities		
Accounts and contracts payable	—	3,826
Due to other funds	583,727	—
Total liabilities	<u>583,727</u>	<u>3,826</u>
Net position		
Held in trust for employee benefits and other purposes	<u>\$ 18,696,925</u>	<u>\$ 401,947</u>

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2018

	Employee Benefit Trust Funds	Scholarship Private-Purpose Trust Fund
Additions		
Contributions		
Gifts and donations	\$ —	\$ 17,055
Plan member contributions	794,207	—
Investment earnings	823,399	5,471
Total additions	<u>1,617,606</u>	<u>22,526</u>
Deductions		
Scholarships awarded	—	17,488
Flexible benefits	751,028	—
Retirement benefits	583,727	—
Administrative and other expenses	86,547	1,453
Total deductions	<u>1,421,302</u>	<u>18,941</u>
Change in net position	196,304	3,585
Net position		
Beginning of year	<u>18,500,621</u>	<u>398,362</u>
End of year	<u>\$ 18,696,925</u>	<u>\$ 401,947</u>



# INDEPENDENT SCHOOL DISTRICT NO. 281

## Notes to Basic Financial Statements June 30, 2018

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

#### **A. Organization**

Independent School District No. 281, Robbinsdale Area Schools (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District, located in Hennepin County, serves pre-kindergarten through Grade 12 students in all or parts of the cities of Brooklyn Center, Brooklyn Park, Crystal, Golden Valley, New Hope, Plymouth, and Robbinsdale. The District is governed by a seven-member School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in the basic financial statements.

#### **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 fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

## 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 long-term 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 revenue, 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. Food service sales, community education tuition, and other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. 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 liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Internal service funds are presented in the proprietary fund financial statements, which are reported using the accrual basis of accounting and economic resources measurement focus as described earlier in these notes. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds are charges to customers (other district funds) for services. 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: pension (or other benefit) trust and private-purpose trust. Fiduciary funds are also reported using the accrual basis of accounting and economic resources measurement focus. 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.

### **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 used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects – Building Construction Fund** – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or under the long-term facilities maintenance program.

**Debt Service Fund** – This fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs. The other post-employment benefits (OPEB) debt service account is used for the 2009 taxable OPEB bond issue. The regular debt service account is used for all other general obligation bonds debt service.

### **Nonmajor Governmental Funds**

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

**Community Service Special Revenue Fund** – This 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 government, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental insurance and health insurance offered to district employees as self-insured plans.

### **Fiduciary Funds**

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

**Employee Benefit Trust Fund** – This fund is used to administer resources held for employees participating in the District's flexible benefit plan (Internal Revenue Code [IRC] § 125 Cafeteria Plan).

**Scholarship Private-Purpose Trust Fund** – This fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students.

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

### **E. Budgetary Information**

The School Board adopts annual budgets for all governmental funds, prepared on the same basis of accounting as the financial statements. Legal budgetary control, the level at which expenditures may not legally exceed appropriations, is at the fund level. Budgeted expenditure appropriations lapse at year-end.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Actual expenditures exceeded final budgeted appropriations by \$2,126,052 in the General Fund, \$95,714 in the Food Service Special Revenue Fund, and \$805,725 in the Community Service Special Revenue Fund.

### **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. Earning from the investment of debt proceeds recorded in the Capital Projects – Building Construction Fund and all trust fund investments are not pooled, and earnings on these assets are allocated directly to the respective funds.

Cash and investments held by trustee reported in the Capital Projects – Building Construction Fund represent assets held in escrow accounts for future capital projects in accordance with applicable debt provisions. In the government-wide financial statements, these accounts are reported as restricted assets.

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

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

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

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

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

### G. Receivables

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

Amounts due from other governmental units at year-end consist of the following:

Due from the MDE	\$ 12,474,711
Due from federal government agencies	3,674,799
Due from other Minnesota school districts	180,912
Due from Hennepin County and others	<u>137,884</u>
Total	<u>\$ 16,468,306</u>

### H. Inventories

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

### I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures 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 Minnesota 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 \$3,602,546 of the property tax levy collectible in 2018 as revenue in fiscal 2017–2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

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

### **K. Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated 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. The District does not possess any 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.

Capital assets are reported in the government-wide financial statements, but not in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for furniture and equipment. Land and construction in progress are not depreciated.

### **L. 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 of resources related to deferred charges on refunding in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

### **M. 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.

### **N. Compensated Absences**

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. 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. Unused vacation is accrued as it is earned in the government-wide financial statements.

### **O. Severance Benefits Payable**

The District provides lump sum severance benefits to certain eligible employee groups in accordance with provisions in collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures, due to employee termination.

### **P. 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)

### Q. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB asset or 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 external investment pools or certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

### R. 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; and natural disasters. The District carries commercial insurance for workers' compensation coverage. 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 insurance coverage in fiscal 2018.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its uninsured 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 to the internal service funds on behalf of program participants based on provisional 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:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2017	\$ 50,095	\$ 1,324,022	\$ 1,334,121	\$ 39,996
2018	\$ 39,996	\$ 1,307,421	\$ 1,325,178	\$ 22,239

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

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2017	\$ 1,219,190	\$ 15,769,754	\$ 15,802,194	\$ 1,186,750
2018	\$ 1,186,750	\$ 18,484,823	\$ 17,397,951	\$ 2,273,622



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

### S. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted** – 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** – 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 balances 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 the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s superintendent or designee is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, and 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. 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 or disclosures in the financial statements. Actual results could differ from those estimates.

### 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 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 3,516,163
Investments	<u>63,936,142</u>
Total	<u><u>\$ 67,452,305</u></u>

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

Deposits	\$ 3,516,163
Investments	<u>63,936,142</u>
Total	<u><u>\$ 67,452,305</u></u>

Statement of Net Position	
Cash and temporary investments	\$ 47,770,002
Restricted assets – temporarily restricted – cash and investments for capital projects	330
Statement of Fiduciary Net Position	
Cash and cash equivalents – Employee Benefit Trust Funds	442,828
Investments – Employee Benefit Trust Funds	18,837,824
Cash and cash equivalents – Scholarship Private-Purpose Trust Fund	<u>401,321</u>
Total	<u><u>\$ 67,452,305</u></u>

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Deposits

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

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

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

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

At year-end, the carrying amount of the District’s deposits was \$3,516,163, while the balance on the bank records was \$2,801,200. At June 30, 2018, all of these deposits were fully covered by federal deposit insurance or by collateral held by the District’s agent in the District’s name.

### C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		No Maturity			
				Date	Less Than 1	1 to 5	
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ –	\$ 597,600	\$ 214,590	\$ 812,190
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	\$ 16,456,192	\$ –	\$ –	16,456,192
MNTrust Term Series	N/R	N/A	N/A	\$ –	\$ 13,500,000	\$ –	13,500,000
Mutual funds	AAA	S&P	Level 2	\$ 9,611,547	\$ –	\$ –	9,611,547
Mutual funds	AAA	S&P	Level 1	\$ 4,753,550	\$ –	\$ –	4,753,550
Mutual funds	N/R	N/A	Level 2	\$ 18,802,663	\$ –	\$ –	18,802,663
Total investments							\$ 63,936,142

N/A – Not Applicable

N/R – Not Rated

The MNTrust Investment Shares Portfolio and MNTrust Term Series are external investment pools regulated by Minnesota Statutes and is not registered with the Securities and Exchange Commission. The District’s investments in the pools are measured at the net asset value per share provided by the pool, which are based on an amortized cost method that approximates fair value. There are no unfunded commitments, redemption frequency is daily, no redemption notice required for the MNTrust Investment Shares Portfolio, and a redemption notice of seven days is required for the MNTrust Term Series.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

For assets held in the District’s irrevocable OPEB (Post-Employment Benefits) trust account, the investment options available 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.

**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.

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

### NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 1,218,930	\$ –	\$ –	\$ –	\$ 1,218,930
Construction in progress	26,536,798	15,637,623	–	(33,394,633)	8,779,788
Total capital assets not depreciated	27,755,728	15,637,623	–	(33,394,633)	9,998,718
Capital assets, depreciated					
Land improvements	7,237,829	1,085,225	–	–	8,323,054
Buildings	407,514,342	2,918,500	–	33,394,633	443,827,475
Furniture and equipment	26,127,817	417,541	–	–	26,545,358
Total capital assets, depreciated	440,879,988	4,421,266	–	33,394,633	478,695,887
Less accumulated depreciation for					
Land improvements	(4,864,649)	(188,850)	–	–	(5,053,499)
Buildings	(139,665,886)	(15,150,830)	–	–	(154,816,716)
Furniture and equipment	(22,283,684)	(806,707)	–	–	(23,090,391)
Total accumulated depreciation	(166,814,219)	(16,146,387)	–	–	(182,960,606)
Net capital assets, depreciated	274,065,769	(11,725,121)	–	33,394,633	295,735,281
Total capital assets, net	\$ 301,821,497	\$ 3,912,502	\$ –	\$ –	\$ 305,733,999

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

Administration	\$ 658
District support services	48,666
Elementary and secondary regular instruction	41,891
Vocational education instruction	425
Special education instruction	10,758
Instructional support services	1,254
Pupil support services	246,608
Sites and buildings	15,703,051
Food service	92,465
Community service	611
Total depreciation expense	\$ 16,146,387

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2009 Refunding Bonds	02/01/2009	4.20%	\$ 6,080,000	02/01/2020	\$ 1,315,000
2009 Taxable OPEB Bonds	05/01/2009	2.15%–5.40%	\$ 20,065,000	02/01/2025	11,160,000
2010 Refunding Bonds	05/01/2010	3.00%–5.00%	\$ 20,790,000	02/01/2024	11,815,000
2010 Refunding Bonds	12/17/2010	2.00%–3.25%	\$ 7,685,000	02/01/2024	4,475,000
2011 Alternative Facilities Bonds	06/01/2011	2.00%–4.50%	\$ 10,990,000	02/01/2032	8,285,000
2011 Refunding Bonds	11/15/2011	3.00%–5.00%	\$ 20,630,000	02/01/2021	7,655,000
2012 Alternative Facilities Bonds	08/29/2012	2.00%–3.00%	\$ 8,535,000	02/01/2024	8,315,000
2012 Refunding Bonds	11/06/2012	2.00%–5.00%	\$ 24,610,000	02/01/2022	12,125,000
2013 Capital Facilities Bond	07/18/2013	2.00%–3.00%	\$ 3,200,000	02/01/2023	1,605,000
2014 Alternative Facilities Bond	05/01/2014	3.00%	\$ 13,425,000	02/01/2026	13,325,000
2014 Refunding Bonds	11/20/2014	2.00%–5.00%	\$ 9,640,000	02/01/2024	6,860,000
2015 Alternative Facilities Bonds	08/25/2015	3.00%–4.00%	\$ 17,100,000	02/01/2028	17,100,000
2015 Refunding Bonds	11/19/2015	5.00%	\$ 2,300,000	02/01/2020	1,225,000
2016 Capital Facilities Bonds	03/10/2016	2.00%–4.00%	\$ 9,235,000	02/01/2031	9,235,000
2016 Alternative Facilities Bonds	06/01/2016	2.00%–5.00%	\$ 7,080,000	02/01/2027	6,520,000
2016 Facilities Maintenance Bonds	06/01/2016	2.00%–3.00%	\$ 40,800,000	02/01/2032	40,800,000
2017 Alternative Facilities Refunding Bonds	05/24/2017	2.00%–5.00%	\$ 12,170,000	02/01/2029	11,930,000
2018 Facilities Maintenance Bonds	05/30/2018	3.00%–5.00%	\$ 14,200,000	02/01/2031	14,200,000
Total general obligation bonds payable					<u>\$ 187,945,000</u>

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

### B. Certificates of Participation Payable

On July 19, 2016, the District sold \$9,535,000 of certificates of participation to finance the construction of additions to several elementary sites and one middle school site. The certificates bear interest rates ranging from 2.00–4.00 percent, with a final maturity of April 1, 2031. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates.

### C. Capital Leases

The District entered into a capital lease agreement to finance the construction of an addition to Pilgrim Lane Elementary School. The lease has an effective interest rate of 2.49 percent, and calls for semiannual principal and interest payments through February 1, 2032, which are being paid by the General Fund. The leased assets were recorded in buildings at \$1,942,000 as of June 30, 2018, with no accumulated depreciation to date.

The District entered into a capital lease agreement to finance the construction of two additions to the School of Engineering and Arts. The lease has an effective interest rate of 3.04 percent, and calls for semiannual principal and interest payments through February 1, 2032, which are being paid by the General Fund. The leased assets were recorded in buildings at \$1,701,000 as of June 30, 2018, with no accumulated depreciation to date.

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

### D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, severance benefits, pension benefits, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid primarily from the General Fund and special revenue funds.

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 as of and for the year ended June 30, 2018:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 28,357,435	\$ 8,215,974	\$ 6,685,972	\$ 3,313,260
TRA	287,969,129	167,524,568	46,233,332	51,350,480
Total	<u>\$ 316,326,564</u>	<u>\$ 175,740,542</u>	<u>\$ 52,919,304</u>	<u>\$ 54,663,740</u>

### E. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds	\$ 187,100,000	\$ 14,200,000	\$ 13,355,000	\$ 187,945,000	\$ 14,730,000
Certificates of participation	8,930,000	–	555,000	8,375,000	565,000
Unamortized premiums	9,911,727	924,549	1,361,266	9,475,010	–
Unamortized discounts	(92,523)	–	(11,811)	(80,712)	–
Capital leases	3,643,000	–	203,584	3,439,416	204,567
Compensated absences payable	1,569,560	1,426,299	1,569,560	1,426,299	1,426,299
Severance benefits payable	2,658,377	77,728	303,161	2,432,944	300,000
Net pension liability	382,517,639	4,249,070	70,440,145	316,326,564	–
	<u>\$ 596,237,780</u>	<u>\$ 20,877,646</u>	<u>\$ 87,775,905</u>	<u>\$ 529,339,521</u>	<u>\$ 17,225,866</u>

### F. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 14,730,000	\$ 6,640,414	\$ 565,000	\$ 189,756	\$ 204,567	\$ 93,016
2020	14,135,000	6,177,051	575,000	178,456	210,210	87,373
2021	13,755,000	5,537,971	585,000	166,956	216,011	81,572
2022	13,195,000	4,963,121	600,000	155,256	221,973	75,610
2023	13,695,000	4,459,191	610,000	143,256	228,102	69,482
2024–2028	72,325,000	15,045,604	3,285,000	477,481	1,238,589	249,326
2029–2032	46,110,000	2,741,931	2,155,000	105,950	1,119,964	70,368
	<u>\$ 187,945,000</u>	<u>\$ 45,565,283</u>	<u>\$ 8,375,000</u>	<u>\$ 1,417,111</u>	<u>\$ 3,439,416</u>	<u>\$ 726,747</u>

## NOTE 5 – FUND BALANCES

### A. Classifications

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. 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 summary of the District's governmental fund balance classifications at year-end are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ 232,567	\$ –	\$ –	\$ 72,855	\$ 305,422
Prepaid items	253,529	–	1,500	8,205	263,234
Total nonspendable	486,096	–	1,500	81,060	568,656
<b>Restricted</b>					
Staff development	5,878	–	–	–	5,878
Health and safety	226,635	–	–	–	226,635
Capital projects levy	718,695	–	–	–	718,695
Operating capital	4,304,617	–	–	–	4,304,617
Medical Assistance	557,340	–	–	–	557,340
Projects funded by COP	–	261,494	–	–	261,494
Long-term facilities maintenance	–	10,985,938	–	–	10,985,938
Capital projects	–	1,138,719	–	–	1,138,719
Food service	–	–	–	905,630	905,630
Community education programs	–	–	–	708,474	708,474
Early childhood family education programs	–	–	–	200,840	200,840
School readiness	–	–	–	337,103	337,103
Adult basic education	–	–	–	78,917	78,917
Community service	–	–	–	105,332	105,332
Debt service	–	–	2,426,303	–	2,426,303
Total restricted	5,813,165	12,386,151	2,426,303	2,336,296	22,961,915
<b>Unassigned</b>					
Safe schools levy – restricted account deficit	(348,736)	–	–	–	(348,736)
Long-term facilities maintenance – restricted account deficit	(192,793)	–	–	–	(192,793)
Unassigned	(777,819)	–	–	–	(777,819)
Total unassigned	(1,319,348)	–	–	–	(1,319,348)
<b>Total</b>	<b>\$ 4,979,913</b>	<b>\$ 12,386,151</b>	<b>\$ 2,427,803</b>	<b>\$ 2,417,356</b>	<b>\$ 22,211,223</b>

### 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 the District will strive to maintain a minimum unassigned General Fund balance of 6.5 percent of the annual projected expenditures. At June 30, 2018, the unassigned fund balance of the General Fund (excluding any restricted account deficits) was a deficit of (0.4) percent of budgeted expenditures for the year then ended, which was below the minimum established in the School Board policy.



## **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 IRC.

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

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

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

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

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

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the City of St. Paul and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by Minnesota State Colleges and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan administered by MnSCU.

### **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.

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually through 2018, and 1.0 percent thereafter.

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.

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

### 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. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent of average salary for Coordinated Plan members for each year 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.

### 2. TRA Benefits

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

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

#### Tier I Benefits

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

With these provisions:

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

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

### Tier II Benefits

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

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

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

### 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 2018; 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, 2018, were \$2,186,897. 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,			
	2017		2018	
	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.0 %	11.5 %	11.0 %	11.5 %
<b>Coordinated Plan</b>	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2018, were \$5,927,137. 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	\$ 367,791
Add employer contributions not related to future contribution efforts	810
Deduct the TRA's contributions not included in allocation	<u>(456)</u>
Total employer contributions	368,145
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 403,733</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, 2018, the District reported a liability of \$28,357,435 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.4442 percent at the end of the measurement period and 0.4506 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 \$6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. 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	\$ 28,357,435
State's proportionate share of the net pension liability associated with the District	\$ 356,565

For the year ended June 30, 2018, the District recognized pension expense of \$3,302,961 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$10,299 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the GERF.

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

At June 30, 2018, 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	\$ 934,574	\$ 1,839,875
Changes in actuarial assumptions	4,775,778	2,842,836
Difference between projected and actual investment earnings	–	1,165,802
Changes in proportion	318,725	837,459
District's contributions to the GERF subsequent to the measurement date	2,186,897	–
Total	<u>\$ 8,215,974</u>	<u>\$ 6,685,972</u>

A total of \$2,186,897 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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
2019	\$ (512,640)
2020	\$ 1,707,614
2021	\$ (648,150)
2022	\$ (1,203,719)

**2. TRA Pension Costs**

At June 30, 2018, the District reported a liability of \$287,969,129 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2017, 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 1.4426 percent at the end of the measurement period and 1.4503 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	\$ 287,969,129
State's proportionate share of the net pension liability associated with the District	\$ 27,837,905

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

For the year ended June 30, 2018, the District recognized pension expense of \$50,816,570. It also recognized \$533,910 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, 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	\$ 2,164,955	\$ 2,022,206
Changes in actuarial assumptions	156,774,787	40,339,929
Difference between projected and actual investment earnings	—	2,340,669
Changes in proportion	2,657,689	1,530,528
District's contributions to the TRA subsequent to the measurement date	5,927,137	—
Total	<u>\$ 167,524,568</u>	<u>\$ 46,233,332</u>

A total of \$5,927,137 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, 2019. 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
2019	\$ 30,953,937
2020	\$ 35,900,977
2021	\$ 30,992,874
2022	\$ 26,293,300
2023	\$ (8,776,989)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25% per year	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	5.12%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter, and 2.0 percent per year for all future years for the TRA.

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

Actuarial assumptions used in the June 30, 2017 valuation for the GERP were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

### **1. GERP**

- 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.

### **2. TRA**

- The cost of living adjustment (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.
- 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.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERP and 5.12 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	100 %	

### F. Discount Rate

#### 1. GERP

The discount rate used to measure the total pension liability in 2017 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERP 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 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2017 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 projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).



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

### 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	\$ 43,984,489	\$ 28,357,435	\$ 15,563,853
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	\$ 308,063,761	\$ 287,969,129	\$ 210,322,150

### H. Pension Plan Fiduciary Net Position

Pension Benefit Reforms – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the PERA and the TRA. The reforms include several changes, including modifications in future COLA and contribution rates.

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 at 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.

## **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 assets of the plan are reported in the Post-Employment Benefits Trust Fund, administered by the District. 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 health 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**

Required contributions are based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

### **D. Membership**

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

Retirees and beneficiaries receiving benefits	58
Active plan members	<u>1,765</u>
Total members	<u><u>1,823</u></u>

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

### E. Net OPEB Liability (Asset) of the District

The District's net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2016 (census date). The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 9,984,624
Plan fiduciary net position	<u>(18,254,097)</u>
District's net OPEB liability (asset)	<u><u>\$ (8,269,473)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	<u><u>182.8%</u></u>

### F. Actuarial Methods and Assumptions

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

Discount rate	5.50%
Expected long-term investment return	5.50%
20-year municipal bond yield	3.62%
Inflation rate	2.75%
Healthcare trend rate	6.90%, grading to an ultimate rate of 4.40% in 2075

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 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 medical trend rates were increased from the prior measurement date to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

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 investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

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

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	20.00 %	4.95 %	7.70 %
International equity	10.00	5.24 %	7.99 %
Fixed income	70.00	1.99 %	4.74 %
Total (net of investment expense)	100.00 %		5.50 %

**G. Rate of Return**

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 4.11 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 5.50 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 taken into account. The District discount rate used in the prior measurement date was 5.75 percent.

**I. Changes in the Net OPEB Liability (Asset)**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance – July 1, 2017	\$ 9,628,912	\$ 18,100,972	\$ (8,472,060)
Changes for the year			
Service cost	395,745	–	395,745
Interest	559,636	–	559,636
Changes of assumptions	(15,942)	–	(15,942)
Net investment income	–	823,399	(823,399)
Benefit payments	(583,727)	(583,727)	–
Administrative expense	–	(86,547)	86,547
Total net changes	355,712	153,125	202,587
Ending balance – June 30, 2018	\$ 9,984,624	\$ 18,254,097	\$ (8,269,473)

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)****J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) 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	4.50%	5.50%	6.50%
Net OPEB liability (asset)	\$ (7,754,498)	\$ (8,269,473)	\$ (8,770,128)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) 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 healthcare trend rate	5.90% decreasing to 3.40% in 2075	6.90% decreasing to 4.40% in 2075	7.90% decreasing to 5.40% in 2075
Net OPEB liability (asset)	\$ (9,138,177)	\$ (8,269,473)	\$ (7,289,453)

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

For the current year ended, the District recognized OPEB income of \$21,053. As of year-end, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ —	\$ 14,066
Differences between projected and actual investment earnings	<u>236,294</u>	<u>—</u>
Total	<u>\$ 236,294</u>	<u>\$ 14,066</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</u>
2019	\$ 57,109
2020	\$ 57,109
2021	\$ 57,109
2022	\$ 57,463
2023	\$ (1,876)
2024 and Thereafter	\$ (4,686)

## NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a “cafeteria plan” (the Plan) under § 125 of the IRC. Employee eligibility is determined by the terms of the various District collective bargaining agreements or contracts. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. Payments of insurance premiums (health, dental, and disability) are made by the District directly to the internal service funds or designated insurance companies from the District’s General Fund and special revenue funds. Amounts withheld for medical reimbursement and dependent care are deposited in the District’s account.

Amounts withheld for medical reimbursement and dependent care are deposited into a separate district checking account on a monthly basis. All assets of the Plan are held in a separate bank account, administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. On June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

The Plan is administered by a third party trustee that handles all record keeping duties. The medical reimbursement and dependent care activity of the Plan is included in the financial statements as the Employee Benefit Trust Fund.

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

## NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables at June 30, 2018:

	Due From Other Funds	Due To Other Funds
Governmental funds		
General Fund	\$ 1,083,186	\$ –
Nonmajor funds		
Food Service Special Revenue Fund	48,810	566,834
Community Service Special Revenue Fund	18,565	–
Fiduciary fund		
Post-Employment Benefits Trust Fund	–	583,727
Total all funds	<u>\$ 1,150,561</u>	<u>\$ 1,150,561</u>

As of June 30, 2018, the District’s General Fund had an interfund receivable of \$566,834 due from the Food Service Special Revenue Fund to eliminate a temporary cash deficit. The remaining interfund balances represent post-employment benefit reimbursements due from the trust to the governmental funds. Interfund balances reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables or payables due between fiduciary funds and other District funds are not eliminated.

## **NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY**

As of June 30, 2018, the District's Health Benefits Self-Insurance Internal Service Fund had a deficit net position of \$377,451.

## **NOTE 12 – COMMITMENTS AND CONTINGENCIES**

### **A. Construction Contracts**

The District is committed to a number of contracts for the construction and improvement of various district properties. At June 30, 2018, the remaining commitment under these contracts is \$4,082,299.

### **B. Federal and State Revenue**

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 Contingencies**

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

## **NOTE 13 – SUBSEQUENT EVENTS**

In November 2018, the District issued \$9,910,000 of General Obligation Taxable OPEB Refunding Bonds, Series 2018B. The bonds bear interest rates of 3.00 percent to 3.30 percent, and have a final maturity of February 1, 2025. These bonds will be used to refund the District's 2009 General Obligation Taxable OPEB Bonds, with a total principal of \$11,160,000.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 281

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2018

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.4714%	\$ 22,144,010	\$ —	\$ 22,144,010	\$ 23,850,298	92.85%	78.70%
06/30/2016	06/30/2015	0.4383%	\$ 22,714,981	\$ —	\$ 22,714,981	\$ 25,717,752	88.32%	78.20%
06/30/2017	06/30/2016	0.4506%	\$ 36,586,485	\$ 477,849	\$ 37,064,334	\$ 27,936,974	130.96%	68.90%
06/30/2018	06/30/2017	0.4442%	\$ 28,357,435	\$ 356,565	\$ 28,714,000	\$ 28,513,259	99.45%	75.90%

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2018

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,900,180	\$ 1,900,180	\$ —	\$ 25,717,752	7.39%
06/30/2016	\$ 2,095,274	\$ 2,095,274	\$ —	\$ 27,936,974	7.50%
06/30/2017	\$ 2,144,453	\$ 2,144,453	\$ —	\$ 28,513,259	7.52%
06/30/2018	\$ 2,186,897	\$ 2,186,897	\$ —	\$ 29,158,626	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. 281

Teachers Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2018

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.4456%	\$ 66,612,207	\$ 4,686,092	\$ 71,298,299	\$ 65,989,556	100.94%	81.50%
06/30/2016	06/30/2015	1.3943%	\$ 86,251,245	\$ 10,579,374	\$ 96,830,619	\$ 70,765,080	121.88%	76.80%
06/30/2017	06/30/2016	1.4503%	\$ 345,931,154	\$ 34,723,065	\$ 380,654,219	\$ 75,456,567	458.45%	44.88%
06/30/2018	06/30/2017	1.4426%	\$ 287,969,129	\$ 27,837,905	\$ 315,807,034	\$ 77,542,890	371.37%	51.57%

Teachers Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2018

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	\$ 5,307,332	\$ 5,307,332	\$ —	\$ 70,765,080	7.50%
06/30/2016	\$ 5,658,083	\$ 5,658,083	\$ —	\$ 75,456,567	7.50%
06/30/2017	\$ 5,812,034	\$ 5,812,034	\$ —	\$ 77,542,890	7.50%
06/30/2018	\$ 5,927,137	\$ 5,927,137	\$ —	\$ 79,157,830	7.49%

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. 281

Other Post-Employment Benefits Plan  
Schedule of Changes in the District's Net  
OPEB Liability (Asset) and Related Ratios  
Year Ended June 30, 2018

	2018	2017
Total OPEB liability		
Service cost	\$ 395,745	\$ 374,192
Interest	559,636	551,130
Changes of assumptions	(15,942)	—
Benefit payments	(583,727)	(1,014,169)
Net change in total OPEB liability	355,712	(88,847)
Total OPEB liability – beginning of year	9,628,912	9,717,759
Total OPEB liability – end of year	9,984,624	9,628,912
Plan fiduciary net position		
Contributions – paid from governmental funds	—	28,001
Net investment income	823,399	1,039,704
Benefit payments – paid from governmental funds	—	(28,001)
Benefit payments – paid from trust	(583,727)	(986,168)
Administrative expense	(86,547)	(7,007)
Net change in plan fiduciary net position	153,125	46,529
Plan fiduciary net position – beginning of year	18,100,972	18,054,443
Plan fiduciary net position – end of year	18,254,097	18,100,972
Net OPEB liability (asset)	\$ (8,269,473)	\$ (8,472,060)
Plan fiduciary net position as a percentage of the total OPEB liability	182.82%	187.99%
Covered-employee payroll	\$ 115,803,161	\$ 115,661,449
Net OPEB liability as a percentage of covered-employee payroll	(7.14%)	(7.32%)

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Other Post-Employment Benefits Plan  
Schedule of Investment Returns  
Year Ended June 30, 2018

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	5.76%
2018	4.11%

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

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INDEPENDENT SCHOOL DISTRICT NO. 281

Notes to Required Supplementary Information  
June 30, 2018

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**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 million. Upon consolidation, state and employer contributions were revised.

**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. 281

Notes to Required Supplementary Information (continued)  
June 30, 2018

**TRA**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The cost of living adjustment (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.
- 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.



**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The medical trend rates were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- The discount rate was changed from 5.75 percent to 5.50 percent.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The healthcare trend rates were changed to reflect updated cost increase expectations.
- Medical claim costs were updated to reflect recent experience and plan offerings.
- Withdrawal, disability, retirement, mortality, and salary increase rates were updated to correct the PERA and the TRA valuations.
- Retiree coverage elections were updated to reflect recent plan experience.
- The inflation rate was changed from 3.00 percent to 2.75 percent.
- The discount rate was changed from 4.00 percent to 5.75 percent.

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## SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 281

Nonmajor Governmental Funds  
Combining Balance Sheet  
as of June 30, 2018

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ —	\$ 2,791,413	\$ 2,791,413
Receivables			
Current taxes	—	982,895	982,895
Delinquent taxes	—	15,095	15,095
Accounts and interest	638,355	30,050	668,405
Due from other governmental units	1,003,076	319,370	1,322,446
Due from other funds	48,810	18,565	67,375
Inventory	72,855	—	72,855
Prepaid items	6,525	1,680	8,205
Total assets	<u>\$ 1,769,621</u>	<u>\$ 4,159,068</u>	<u>\$ 5,928,689</u>
Liabilities			
Salaries payable	\$ 16,449	\$ 249,796	\$ 266,245
Accounts and contracts payable	84,581	254,640	339,221
Due to other governmental units	—	6,232	6,232
Due to other funds	566,834	—	566,834
Unearned revenue	116,747	146,509	263,256
Total liabilities	<u>784,611</u>	<u>657,177</u>	<u>1,441,788</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	2,054,024	2,054,024
Unavailable revenue – delinquent taxes	—	15,521	15,521
Total deferred inflows of resources	<u>—</u>	<u>2,069,545</u>	<u>2,069,545</u>
Fund balances			
Nonspendable	79,380	1,680	81,060
Restricted	905,630	1,430,666	2,336,296
Total fund balances	<u>985,010</u>	<u>1,432,346</u>	<u>2,417,356</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,769,621</u>	<u>\$ 4,159,068</u>	<u>\$ 5,928,689</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Nonmajor Governmental Funds  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2018

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 1,838,995	\$ 1,838,995
Investment earnings	1,631	30,293	31,924
Other	2,101,585	5,291,223	7,392,808
State sources	408,972	2,704,917	3,113,889
Federal sources	5,253,706	231,960	5,485,666
Total revenue	7,765,894	10,097,388	17,863,282
Expenditures			
Current			
Food service	7,461,961	—	7,461,961
Community service	—	10,366,492	10,366,492
Capital outlay	545,229	58,925	604,154
Total expenditures	8,007,190	10,425,417	18,432,607
Excess (deficiency) of revenue over expenditures	(241,296)	(328,029)	(569,325)
Other financing sources			
Sale of capital assets	50	—	50
Net change in fund balances	(241,246)	(328,029)	(569,275)
Fund balances			
Beginning of year	1,226,256	1,760,375	2,986,631
End of year	\$ 985,010	\$ 1,432,346	\$ 2,417,356

## INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund  
Comparative Balance Sheet  
as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 13,011,098	\$ 15,146,972
Receivables		
Current taxes	17,630,970	17,775,911
Delinquent taxes	299,655	360,187
Accounts and interest	179,244	280,780
Due from other governmental units	15,056,755	14,389,617
Due from other funds	1,083,186	1,818,035
Inventory	232,567	230,834
Prepaid items	<u>253,529</u>	<u>144,283</u>
Total assets	<u>\$ 47,747,004</u>	<u>\$ 50,146,619</u>
Liabilities		
Salaries payable	\$ 980,263	\$ 663,647
Accounts and contracts payable	7,102,385	2,671,359
Due to other governmental units	536,406	812,805
Unearned revenue	<u>593,583</u>	<u>88,770</u>
Total liabilities	9,212,637	4,236,581
Deferred inflows of resources		
Property taxes levied for subsequent year	33,242,117	32,081,782
Unavailable revenue – delinquent taxes	<u>312,337</u>	<u>268,506</u>
Total deferred inflows of resources	33,554,454	32,350,288
Fund balances (deficit)		
Nonspendable for inventory	232,567	230,834
Nonspendable for prepaid items	253,529	144,283
Restricted for staff development	5,878	–
Restricted for health and safety	226,635	–
Restricted for capital projects levy	718,695	381,105
Restricted for operating capital	4,304,617	3,803,208
Restricted for Medical Assistance	557,340	163,848
Assigned for building carryover	–	709,873
Assigned for LCTS program	–	163,419
Unassigned – safe schools levy restricted account deficit	(348,736)	(318,117)
Unassigned – LTFM restricted account deficit	(192,793)	–
Unassigned	<u>(777,819)</u>	<u>8,281,297</u>
Total fund balances	<u>4,979,913</u>	<u>13,559,750</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 47,747,004</u>	<u>\$ 50,146,619</u>

## INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 35,468,365	\$ 35,734,126	\$ 265,761	\$ 37,616,397
Investment earnings	93,336	199,551	106,215	93,336
Other	3,048,233	3,519,274	471,041	3,305,339
State sources	123,336,844	121,946,342	(1,390,502)	119,496,936
Federal sources	6,927,112	5,641,713	(1,285,399)	5,443,473
Total revenue	168,873,890	167,041,006	(1,832,884)	165,955,481
Expenditures				
Current				
Administration				
Salaries	4,430,380	4,663,048	232,668	4,476,498
Employee benefits	1,313,901	1,300,773	(13,128)	1,281,809
Purchased services	178,195	88,394	(89,801)	138,271
Supplies and materials	51,851	48,058	(3,793)	50,707
Capital expenditures	8,734	1,077	(7,657)	4,675
Other expenditures	94,311	110,915	16,604	110,553
Total administration	6,077,372	6,212,265	134,893	6,062,513
District support services				
Salaries	2,674,577	2,887,451	212,874	2,608,710
Employee benefits	798,233	878,477	80,244	766,370
Purchased services	1,205,698	1,209,106	3,408	1,606,166
Supplies and materials	851,729	734,514	(117,215)	2,489,276
Capital expenditures	1,598,603	2,012,345	413,742	458,191
Other expenditures	9,009	(55,546)	(64,555)	68,936
Total district support services	7,137,849	7,666,347	528,498	7,997,649
Elementary and secondary regular instruction				
Salaries	58,826,489	54,577,762	(4,248,727)	58,280,597
Employee benefits	16,629,854	16,224,609	(405,245)	16,617,900
Purchased services	3,119,729	3,244,724	124,995	3,470,163
Supplies and materials	1,133,605	1,249,315	115,710	1,458,082
Capital expenditures	348,209	349,243	1,034	530,930
Other expenditures	715,819	756,056	40,237	668,689
Total elementary and secondary regular instruction	80,773,705	76,401,709	(4,371,996)	81,026,361

## INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual (continued)  
Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,099,980	1,017,051	(82,929)	1,081,166
Employee benefits	292,804	314,632	21,828	285,075
Purchased services	101,019	7,463	(93,556)	77,493
Supplies and materials	79,129	36,693	(42,436)	47,344
Capital expenditures	5,152	20,943	15,791	—
Other expenditures	16,152	10,918	(5,234)	14,652
Total vocational education instruction	1,594,236	1,407,700	(186,536)	1,505,730
Special education instruction				
Salaries	20,109,218	21,851,959	1,742,741	19,238,045
Employee benefits	6,071,959	6,909,314	837,355	5,906,706
Purchased services	2,255,239	2,417,329	162,090	2,596,921
Supplies and materials	88,575	190,339	101,764	152,874
Capital expenditures	147,551	46,637	(100,914)	46,565
Other expenditures	103,823	121,125	17,302	103,942
Total special education instruction	28,776,365	31,536,703	2,760,338	28,045,053
Instructional support services				
Salaries	10,068,463	10,601,016	532,553	9,423,046
Employee benefits	2,419,463	2,731,204	311,741	2,355,612
Purchased services	845,199	881,470	36,271	755,575
Supplies and materials	1,125,420	1,184,190	58,770	1,124,776
Capital expenditures	11,712	3,388	(8,324)	9,394
Other expenditures	42,823	60,859	18,036	231,404
Total instructional support services	14,513,080	15,462,127	949,047	13,899,807
Pupil support services				
Salaries	3,667,816	5,181,592	1,513,776	3,979,030
Employee benefits	1,207,422	1,519,011	311,589	1,181,261
Purchased services	10,220,671	10,067,349	(153,322)	9,870,211
Supplies and materials	454,367	320,212	(134,155)	240,925
Capital expenditures	17,230	2,496	(14,734)	12,798
Other expenditures	142,485	83,706	(58,779)	145,930
Total pupil support services	15,709,991	17,174,366	1,464,375	15,430,155



## INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual (continued)  
Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	5,504,987	5,471,244	(33,743)	5,430,974
Employee benefits	1,925,238	1,854,266	(70,972)	1,882,642
Purchased services	6,977,770	7,502,681	524,911	5,921,287
Supplies and materials	1,020,188	888,195	(131,993)	998,369
Capital expenditures	2,805,010	3,197,759	392,749	1,558,812
Other expenditures	117,814	26,634	(91,180)	118,936
Total sites and buildings	18,351,007	18,940,779	589,772	15,911,020
Fiscal and other fixed cost programs				
Purchased services	561,186	521,264	(39,922)	557,141
Debt service				
Principal	—	203,584	203,584	142,096
Interest and fiscal charges	—	93,999	93,999	54,714
Total debt service	—	297,583	297,583	196,810
Total expenditures	173,494,791	175,620,843	2,126,052	170,632,239
Net change in fund balances	<u>\$ (4,620,901)</u>	<u>(8,579,837)</u>	<u>\$ (3,958,936)</u>	<u>(4,676,758)</u>
Fund balances				
Beginning of year		13,559,750		18,236,508
End of year		<u>\$ 4,979,913</u>		<u>\$ 13,559,750</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Food Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	\$ —	\$ 24,326
Receivables		
Accounts and interest	638,355	349,554
Due from other governmental units	1,003,076	874,958
Due from other funds	48,810	28,123
Inventory	72,855	78,208
Prepaid items	6,525	21,565
Total assets	<u>\$ 1,769,621</u>	<u>\$ 1,376,734</u>
Liabilities		
Salaries payable	\$ 16,449	\$ 25,513
Accounts and contracts payable	84,581	17,507
Due to other funds	566,834	—
Unearned revenue	116,747	107,458
Total liabilities	<u>784,611</u>	<u>150,478</u>
Fund balances		
Nonspendable for inventory	72,855	78,208
Nonspendable for prepaid items	6,525	21,565
Restricted for food service	905,630	1,126,483
Total fund balances	<u>985,010</u>	<u>1,226,256</u>
Total liabilities and fund balances	<u>\$ 1,769,621</u>	<u>\$ 1,376,734</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Food Service Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ —	\$ 1,631	\$ 1,631	\$ 4,321
Other – primarily meal sales	2,140,501	2,101,585	(38,916)	2,052,382
State sources	421,993	408,972	(13,021)	401,308
Federal sources	5,357,775	5,253,706	(104,069)	5,373,432
Total revenue	<u>7,920,269</u>	<u>7,765,894</u>	<u>(154,375)</u>	<u>7,831,443</u>
Expenditures				
Current				
Salaries	1,963,036	2,475,189	512,153	2,376,200
Employee benefits	871,566	948,490	76,924	908,802
Purchased services	203,200	154,269	(48,931)	124,318
Supplies and materials	4,309,674	3,847,440	(462,234)	4,002,768
Other expenditures	19,000	36,573	17,573	21,933
Capital outlay	545,000	545,229	229	962,838
Total expenditures	<u>7,911,476</u>	<u>8,007,190</u>	<u>95,714</u>	<u>8,396,859</u>
Excess (deficiency) of revenue over expenditures	8,793	(241,296)	(250,089)	(565,416)
Other financing sources				
Sale of capital assets	<u>—</u>	<u>50</u>	<u>50</u>	<u>—</u>
Net change in fund balances	<u>\$ 8,793</u>	<u>(241,246)</u>	<u>\$ (250,039)</u>	<u>(565,416)</u>
Fund balances				
Beginning of year		<u>1,226,256</u>		<u>1,791,672</u>
End of year		<u>\$ 985,010</u>		<u>\$ 1,226,256</u>

## INDEPENDENT SCHOOL DISTRICT NO. 281

Community Service Special Revenue Fund  
Comparative Balance Sheet  
as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 2,791,413	\$ 2,669,544
Receivables		
Current taxes	982,895	919,112
Delinquent taxes	15,095	17,492
Accounts and interest	30,050	14,610
Due from other governmental units	319,370	362,064
Due from other funds	18,565	89,950
Prepaid items	<u>1,680</u>	<u>3,086</u>
Total assets	<u><u>\$ 4,159,068</u></u>	<u><u>\$ 4,075,858</u></u>
Liabilities		
Salaries payable	\$ 249,796	\$ 205,552
Accounts and contracts payable	254,640	73,758
Due to other governmental units	6,232	6,262
Unearned revenue	<u>146,509</u>	<u>167,283</u>
Total liabilities	657,177	452,855
Deferred inflows of resources		
Property taxes levied for subsequent year	2,054,024	1,849,437
Unavailable revenue – delinquent taxes	<u>15,521</u>	<u>13,191</u>
Total deferred inflows of resources	2,069,545	1,862,628
Fund balances		
Nonspendable for prepaid items	1,680	3,086
Restricted for community education programs	708,474	1,031,462
Restricted for early childhood family education programs	200,840	226,065
Restricted for school readiness	337,103	231,986
Restricted for adult basic education	78,917	142,548
Restricted for community service	<u>105,332</u>	<u>125,228</u>
Total fund balances	<u><u>1,432,346</u></u>	<u><u>1,760,375</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,159,068</u></u>	<u><u>\$ 4,075,858</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Community Service Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,857,769	\$ 1,838,995	\$ (18,774)	\$ 1,731,656
Investment earnings	—	30,293	30,293	15,223
Other – primarily tuition and fees	4,843,711	5,291,223	447,512	4,939,077
State sources	2,612,718	2,704,917	92,199	2,766,884
Federal sources	233,047	231,960	(1,087)	282,732
Total revenue	9,547,245	10,097,388	550,143	9,735,572
Expenditures				
Current				
Salaries	5,963,018	6,920,864	957,846	6,371,427
Employee benefits	1,981,253	2,091,010	109,757	1,849,607
Purchased services	1,157,365	894,634	(262,731)	914,858
Supplies and materials	382,603	415,339	32,736	349,699
Other expenditures	24,253	44,645	20,392	43,992
Capital outlay	111,200	58,925	(52,275)	50,752
Total expenditures	9,619,692	10,425,417	805,725	9,580,335
Net change in fund balances	\$ (72,447)	(328,029)	\$ (255,582)	155,237
Fund balances				
Beginning of year		1,760,375		1,605,138
End of year		\$ 1,432,346		\$ 1,760,375

## INDEPENDENT SCHOOL DISTRICT NO. 281

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 14,353,557	\$ 14,949,772
Cash and investments held by trustee	330	5,605,142
Receivables		
Accounts and interest	<u>1,009</u>	<u>1,009</u>
Total assets	<u>\$ 14,354,896</u>	<u>\$ 20,555,923</u>
Liabilities		
Salaries payable	\$ —	\$ 744
Accounts and contracts payable	1,968,745	4,216,346
Unearned revenue	<u>—</u>	<u>3,643,000</u>
Total liabilities	1,968,745	7,860,090
Fund balances		
Restricted for projects funded by certificates of participation	261,494	261,494
Restricted for long-term facilities maintenance	10,985,938	11,748,211
Restricted for capital projects	<u>1,138,719</u>	<u>686,128</u>
Total fund balances	<u>12,386,151</u>	<u>12,695,833</u>
Total liabilities and fund balances	<u>\$ 14,354,896</u>	<u>\$ 20,555,923</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Capital Projects – Building Construction Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 220,925	\$ 128,460	\$ (92,465)	\$ 164,149
Other	–	1,489	1,489	–
Total revenue	220,925	129,949	(90,976)	164,149
Expenditures				
Capital outlay				
Salaries	163,746	149,283	(14,463)	160,535
Employee benefits	42,106	39,876	(2,230)	41,280
Purchased services	–	118,880	118,880	100
Supplies and materials	–	542	542	–
Capital expenditures	20,295,038	15,063,843	(5,231,195)	47,493,136
Debt service				
Fiscal charges and other	–	191,756	191,756	213,471
Total expenditures	20,500,890	15,564,180	(4,936,710)	47,908,522
Excess (deficiency) of revenue over expenditures	(20,279,965)	(15,434,231)	4,845,734	(47,744,373)
Other financing sources				
Bonds and certificates of participation issued	14,200,000	14,200,000	–	9,535,000
Capital lease issued	–	–	–	3,643,000
Premiums on debt issued	731,645	924,549	192,904	159,351
Total other financing sources	14,931,645	15,124,549	192,904	13,337,351
Net change in fund balances	\$ (5,348,320)	(309,682)	\$ 5,038,638	(34,407,022)
Fund balances				
Beginning of year		12,695,833		47,102,855
End of year		\$ 12,386,151		\$ 12,695,833

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## INDEPENDENT SCHOOL DISTRICT NO. 281

Debt Service Fund  
Balance Sheet by Account  
as of June 30, 2018  
(With Comparative Totals as of June 30, 2017)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2018	2017
Assets				
Cash and temporary investments	\$ 11,842,322	\$ 1,422,144	\$ 13,264,466	\$ 12,261,302
Receivables				
Current taxes	9,098,574	917,468	10,016,042	9,969,613
Delinquent taxes	143,391	16,126	159,517	184,790
Due from other governmental units	89,104	1	89,105	87,484
Prepaid items	1,000	500	1,500	1,350
Total assets	<u>\$ 21,174,391</u>	<u>\$ 2,356,239</u>	<u>\$ 23,530,630</u>	<u>\$ 22,504,539</u>
Liabilities				
Accounts payable	\$ 5,700	\$ —	\$ 5,700	\$ —
Deferred inflows of resources				
Property taxes levied for subsequent year	19,013,924	1,917,296	20,931,220	20,060,852
Unavailable revenue – delinquent taxes	149,310	16,597	165,907	138,376
Total deferred inflows of resources	19,163,234	1,933,893	21,097,127	20,199,228
Fund balances				
Nonspendable for prepaid items	1,000	500	1,500	1,350
Restricted for debt service	2,004,457	421,846	2,426,303	2,303,961
Total fund balances	<u>2,005,457</u>	<u>422,346</u>	<u>2,427,803</u>	<u>2,305,311</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,174,391</u>	<u>\$ 2,356,239</u>	<u>\$ 23,530,630</u>	<u>\$ 22,504,539</u>

## INDEPENDENT SCHOOL DISTRICT NO. 281

Debt Service Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Budget and Actual  
Year Ended June 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			
		Actual		
		Regular	OPEB	
	Budget	Debt Service	Debt Service	Total
		Account	Account	
Revenue				
Local sources				
Property taxes	\$ 20,254,575	\$ 18,043,631	\$ 1,902,406	\$ 19,946,037
Investment earnings	102,752	90,607	12,146	102,753
State sources	50	916,242	5	916,247
Total revenue	20,357,377	19,050,480	1,914,557	20,965,037
Expenditures				
Debt service				
Principal	14,113,584	12,630,000	1,280,000	13,910,000
Interest	7,294,579	6,292,040	624,805	6,916,845
Fiscal charges and other	—	15,250	450	15,700
Total expenditures	21,408,163	18,937,290	1,905,255	20,842,545
Excess (deficiency) of revenue over expenditures	(1,050,786)	113,190	9,302	122,492
Other financing sources (uses)				
Refunding bonds issued	—	—	—	—
Premiums on debt issued	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—
Total other financing sources (uses)	—	—	—	—
Net change in fund balances	\$ (1,050,786)	113,190	9,302	122,492
Fund balances				
Beginning of year		1,892,267	413,044	2,305,311
End of year		\$ 2,005,457	\$ 422,346	\$ 2,427,803

	2017
Over (Under) Budget	Actual
\$ (308,538)	\$ 18,819,576
1	72,874
916,197	874,848
607,660	19,767,298
(203,584)	13,170,000
(377,734)	7,713,969
15,700	166,079
(565,618)	21,050,048
1,173,278	(1,282,750)
—	12,170,000
—	1,317,616
—	(21,309,077)
—	(7,821,461)
\$ 1,173,278	(9,104,211)
	11,409,522
	\$ 2,305,311

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds  
Combining Statement of Net Position  
as of June 30, 2018  
(With Comparative Totals as of June 30, 2017)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2018	2017
Assets				
Current assets				
Cash and temporary investments	\$ 1,357,938	\$ 2,991,530	\$ 4,349,468	\$ 5,716,093
Liabilities				
Current liabilities				
Claims payable	22,239	2,273,622	2,295,861	1,226,746
Unearned revenue	132,149	1,095,359	1,227,508	1,227,508
Total current liabilities	<u>154,388</u>	<u>3,368,981</u>	<u>3,523,369</u>	<u>2,454,254</u>
Net position				
Unrestricted	<u>\$ 1,203,550</u>	<u>\$ (377,451)</u>	<u>\$ 826,099</u>	<u>\$ 3,261,839</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2018	2017
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 1,315,654	\$ 15,994,465	\$ 17,310,119	\$ 16,755,224
Operating expenses				
Dental benefit claims	1,307,421	—	1,307,421	1,324,022
Health benefit claims	—	18,484,823	18,484,823	15,769,754
Total operating expenses	<u>1,307,421</u>	<u>18,484,823</u>	<u>19,792,244</u>	<u>17,093,776</u>
Operating income (loss)	8,233	(2,490,358)	(2,482,125)	(338,552)
Nonoperating revenue				
Investment earnings	<u>13,640</u>	<u>32,745</u>	<u>46,385</u>	<u>27,719</u>
Change in net position	21,873	(2,457,613)	(2,435,740)	(310,833)
Net position				
Beginning of year	<u>1,181,677</u>	<u>2,080,162</u>	<u>3,261,839</u>	<u>3,572,672</u>
End of year	<u>\$ 1,203,550</u>	<u>\$ (377,451)</u>	<u>\$ 826,099</u>	<u>\$ 3,261,839</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2018	2017
Cash flows from operating activities				
Contributions from governmental funds	\$ 1,315,654	\$ 15,994,465	\$ 17,310,119	\$ 18,143,143
Payments for dental claims	(1,325,178)	—	(1,325,178)	(1,334,121)
Payments for health claims	—	(17,397,951)	(17,397,951)	(15,802,194)
Net cash flows from operating activities	(9,524)	(1,403,486)	(1,413,010)	1,006,828
Cash flows from investing activities				
Investment income received	13,640	32,745	46,385	27,719
Net change in cash and cash equivalents	4,116	(1,370,741)	(1,366,625)	1,034,547
Cash and cash equivalents				
Beginning of year	1,353,822	4,362,271	5,716,093	4,681,546
End of year	\$ 1,357,938	\$ 2,991,530	\$ 4,349,468	\$ 5,716,093
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 8,233	\$ (2,490,358)	\$ (2,482,125)	\$ (338,552)
Adjustments to reconcile operating income (loss) to cash flows from operating activities				
Changes in assets and liabilities				
Due from other funds	—	—	—	1,390,758
Claims payable	(17,757)	1,086,872	1,069,115	(42,539)
Unearned revenue	—	—	—	(2,839)
Net cash flows from operating activities	\$ (9,524)	\$ (1,403,486)	\$ (1,413,010)	\$ 1,006,828

INDEPENDENT SCHOOL DISTRICT NO. 281

Employee Benefit Trust Funds  
Combining Statement of Fiduciary Net Position  
as of June 30, 2018

	Post-Employment Benefits Trust Fund	Employee Benefit Trust Fund	Totals
Assets			
Cash and cash equivalents	\$ —	\$ 442,828	\$ 442,828
Investments			
Mutual funds	18,837,824	—	18,837,824
Total assets	18,837,824	442,828	19,280,652
Liabilities			
Due to other funds	583,727	—	583,727
Net position			
Held in trust for employee benefits	\$ 18,254,097	\$ 442,828	\$ 18,696,925

Employee Benefit Trust Funds  
Combining Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2018

	Post-Employment Benefits Trust Fund	Employee Benefit Trust Fund	Totals
Additions			
Contributions			
Plan member contributions	\$ —	\$ 794,207	\$ 794,207
Investment earnings	823,399	—	823,399
Total additions	823,399	794,207	1,617,606
Deductions			
Flexible benefits	—	751,028	751,028
Retirement benefits	583,727	—	583,727
Administrative and other expenses	86,547	—	86,547
Total deductions	670,274	751,028	1,421,302
Change in net position	153,125	43,179	196,304
Net position			
Beginning of year	18,100,972	399,649	18,500,621
End of year	\$ 18,254,097	\$ 442,828	\$ 18,696,925

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**STATISTICAL SECTION  
(UNAUDITED)**



## **STATISTICAL SECTION**

This section of Independent School District No. 281, Robbinsdale Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Contents**

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

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

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

#### **Operating Indicators**

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

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

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 88,847,464	\$ 91,838,388	\$ 89,269,252	\$ 93,870,910
Restricted	4,291,767	9,271,428	17,648,539	18,157,806
Unrestricted	8,937,032	9,420,046	16,601,884	19,053,209
Total governmental activities	<u>\$ 102,076,263</u>	<u>\$ 110,529,862</u>	<u>\$ 123,519,675</u>	<u>\$ 131,081,925</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased net position by approximately \$101.1 million. Prior year amounts have not been restated.

Note 2: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$3.4 million. Prior year amounts have not been restated.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 95,833,155	\$ 106,560,557	\$ 107,207,460	\$ 122,266,332	\$ 115,303,157	\$ 117,654,573
14,265,052	4,501,991	5,848,970	8,691,982	9,768,518	11,038,463
<u>16,714,922</u>	<u>14,680,171</u>	<u>(83,516,985)</u>	<u>(86,000,673)</u>	<u>(142,988,687)</u>	<u>(199,663,718)</u>
<u><u>\$ 126,813,129</u></u>	<u><u>\$ 125,742,719</u></u>	<u><u>\$ 29,539,445</u></u>	<u><u>\$ 44,957,641</u></u>	<u><u>\$ (17,917,012)</u></u>	<u><u>\$ (70,970,682)</u></u>

## INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Expenses				
Administration	\$ 3,818,527	\$ 3,265,762	\$ 4,721,420	\$ 5,254,684
District support services	4,849,295	4,244,896	4,022,006	4,007,776
Elementary and secondary regular instruction	58,102,087	63,422,893	61,558,467	67,086,723
Vocational education instruction	3,653,486	3,268,132	2,922,693	3,257,103
Special education instruction	21,793,129	22,070,152	21,442,593	22,327,429
Instructional support services	5,480,770	6,887,487	6,928,011	7,210,665
Pupil support services	14,836,979	12,385,012	13,066,229	13,986,891
Sites and buildings	25,418,110	26,617,949	24,689,560	26,014,078
Fiscal and other fixed cost programs	460,215	474,219	470,583	467,751
Food service	5,778,326	5,940,503	5,694,290	6,441,276
Community service	8,128,907	7,788,768	7,820,064	8,081,600
Interest and fiscal charges on debt	10,889,988	8,598,049	8,869,478	7,174,191
Total expenses	163,209,819	164,963,822	162,205,394	171,310,167
Program revenues				
Charges for services				
Administration	—	—	—	—
District support services	3,279	4,937	4,783	250
Elementary and secondary regular instruction	1,355,642	1,716,661	1,249,357	2,012,918
Vocational education instruction	661	2,118	1,992	1,415
Special education instruction	3,577	7,748	12,082	11,222
Instructional support services	24,911	15,524	21,441	45,705
Pupil support services	53,569	63,333	80,255	63,398
Sites and buildings	2,299,097	1,629,512	1,415,346	1,512,452
Food service	2,908,809	2,619,119	2,508,784	2,541,098
Community service	3,431,613	3,211,959	3,183,403	3,396,561
Total charges for services	10,081,158	9,270,911	8,477,443	9,585,019
Operating grants and contributions	25,307,867	31,893,287	28,195,959	25,617,442
Capital grants and contributions	3,160,967	3,052,837	3,027,743	973,129
Total program revenues	38,549,992	44,217,035	39,701,145	36,175,590
Net (expense) revenue	(124,659,827)	(120,746,787)	(122,504,249)	(135,134,577)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	21,554,301	30,301,163	42,140,903	27,699,645
Property taxes, levied for community service	1,380,071	1,554,723	2,432,268	1,721,469
Property taxes, levied for building construction	6,941,126	5,695,569	5,697,723	6,084,113
Property taxes, levied for debt service	13,306,821	15,216,114	16,137,889	17,427,622
General grants and aids	84,335,696	73,066,799	65,790,325	86,221,137
Other general revenues	2,968,695	3,087,196	3,264,695	3,431,905
Gain on disposal of capital assets	2,456,890	—	—	—
Investment earnings	2,861,886	278,822	30,259	110,936
Special item – conveyance of FAIR school	—	—	—	—
Total general revenues and other changes in net position	135,805,486	129,200,386	135,494,062	142,696,827
Change in net position	\$ 11,145,659	\$ 8,453,599	\$ 12,989,813	\$ 7,562,250

	2014	2015	2016	2017	2018
\$	5,323,237	\$ 5,390,640	\$ 6,098,358	\$ 7,886,010	\$ 7,721,781
	4,655,575	5,367,003	7,218,076	8,291,512	7,836,267
	74,585,367	75,849,372	84,552,454	115,652,948	106,754,453
	1,891,133	1,928,738	1,794,043	2,284,209	1,986,611
	24,965,365	25,746,822	28,164,535	36,782,980	39,746,365
	8,669,006	11,497,919	10,769,418	17,235,990	19,570,243
	13,749,311	13,480,522	15,015,158	17,528,400	19,034,575
	28,589,660	27,603,972	25,787,522	34,887,431	30,324,113
	396,227	533,245	454,428	557,141	521,264
	6,482,286	7,054,514	7,822,574	8,429,759	8,020,908
	8,449,009	8,295,446	8,840,567	11,033,134	11,745,783
	5,792,505	5,644,096	6,107,024	6,758,127	5,864,901
	183,548,681	188,392,289	202,624,157	267,327,641	259,127,264
	800	165	652	625	330
	14,161	162,582	247,734	145,124	134,508
	1,410,509	1,101,536	1,119,601	1,264,788	1,182,309
	2,415	2,326	18	14	—
	147,548	208,893	195,777	267,964	483,254
	15,070	8,675	903	222	1,503
	22,363	47,177	38,486	—	2,768
	2,037,673	282,482	93,200	113,621	15,008
	2,226,066	2,217,047	2,172,672	2,052,382	2,101,585
	4,199,608	3,894,381	4,368,503	4,939,077	5,291,223
	10,076,213	7,925,264	8,237,546	8,783,817	9,212,488
	26,227,085	27,540,323	28,424,275	29,846,808	29,103,055
	—	—	—	—	—
	36,303,298	35,465,587	36,661,821	38,630,625	38,315,543
	(147,245,383)	(152,926,702)	(165,962,336)	(228,697,016)	(220,811,721)
	18,184,240	31,895,867	35,886,676	37,576,196	35,777,957
	972,623	1,784,695	1,690,354	1,729,633	1,841,325
	2,320,542	2,540,747	1,440,091	—	—
	17,988,593	18,626,998	18,175,924	18,800,718	19,973,568
	104,689,723	99,826,289	107,504,169	109,188,461	107,954,995
	1,146,041	3,130,188	1,914,060	1,512,981	1,701,133
	859,894	—	—	—	—
	13,317	12,767	106,758	377,622	509,073
	—	—	14,662,500	—	—
	146,174,973	157,817,551	181,380,532	169,185,611	167,758,051
\$	(1,070,410)	\$ 4,890,849	\$ 15,418,196	\$ (59,511,405)	\$ (53,053,670)

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INDEPENDENT SCHOOL DISTRICT NO. 281

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

Fiscal Year	Property Tax				Total
	General Purposes	Community Service	Building Construction	Debt Service	
2009	\$ 21,554,301	\$ 1,380,071	\$ 6,941,126	\$ 13,306,821	\$ 43,182,319
2010	30,301,163	1,554,723	5,695,569	15,216,114	52,767,569
2011	42,140,903	2,432,268	5,697,723	16,137,889	66,408,783
2012	27,699,645	1,721,469	6,084,113	17,427,622	52,932,849
2013	30,424,159	1,844,255	3,252,849	17,775,903	53,297,166
2014	18,184,240	972,623	2,320,542	17,988,593	39,465,998
2015	31,895,867	1,784,695	2,540,747	18,626,998	54,848,307
2016	35,886,676	1,690,354	1,440,091	18,175,924	57,193,045
2017	37,576,196	1,729,633	—	18,800,718	58,106,547
2018	35,777,957	1,841,325	—	19,973,568	57,592,850

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Those changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 9,739,649	\$ —	\$ —	\$ —
Unreserved	1,858,440	—	—	—
Nonspendable	—	1,880,978	2,070,239	1,005,846
Restricted	—	6,391,551	6,202,569	3,486,453
Assigned	—	413,497	—	—
Unassigned	—	6,799,329	12,786,913	17,383,851
Total General Fund	<u>\$ 11,598,089</u>	<u>\$ 15,485,355</u>	<u>\$ 21,059,721</u>	<u>\$ 21,876,150</u>
All other governmental funds				
Reserved	\$ 21,566,126	\$ —	\$ —	\$ —
Unreserved, reported in				
Special revenue funds	1,269,239	—	—	—
Debt Service Fund	3,610,612	—	—	—
Nonspendable, reported in				
Special revenue funds	—	57,798	74,072	87,550
Capital Projects – Building				
Construction Fund	—	—	—	—
Debt Service Fund	—	—	—	—
Restricted, reported in				
Special revenue funds	—	2,822,079	2,840,899	2,916,759
Capital Projects – Building				
Construction Fund	—	5,827,740	19,287,258	16,886,988
Debt Service Fund	—	41,025,067	46,842,001	10,685,888
Unassigned, reported in				
Capital Projects – Building				
Construction Fund	—	—	—	—
Total all other governmental funds	<u>\$ 26,445,977</u>	<u>\$ 49,732,684</u>	<u>\$ 69,044,230</u>	<u>\$ 30,577,185</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which changed the classifications of fund balances reported in governmental funds. Fiscal 2010 fund balances were restated.

2013	2014	2015	2016	2017	2018
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
914,253	890,495	800,112	552,260	375,117	486,096
1,158,322	1,560,153	1,506,725	2,265,076	4,348,161	5,813,165
1,835,483	1,231,939	930,246	1,839,081	873,292	—
13,409,077	14,953,578	15,855,654	13,580,091	7,963,180	(1,319,348)
<u>\$ 17,317,135</u>	<u>\$ 18,636,165</u>	<u>\$ 19,092,737</u>	<u>\$ 18,236,508</u>	<u>\$ 13,559,750</u>	<u>\$ 4,979,913</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
79,068	123,085	92,131	71,158	102,859	81,060
—	496	769	—	—	—
—	—	—	900	1,350	1,500
2,995,585	3,245,474	3,198,194	3,325,652	2,883,772	2,336,296
11,072,844	8,274,406	—	47,102,855	12,695,833	12,386,151
3,013,158	2,617,489	2,679,063	11,408,622	2,303,961	2,426,303
—	—	(276,195)	—	—	—
<u>\$ 17,160,655</u>	<u>\$ 14,260,950</u>	<u>\$ 5,693,962</u>	<u>\$ 61,909,187</u>	<u>\$ 17,987,775</u>	<u>\$ 17,231,310</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Local sources				
Taxes	\$ 43,548,585	\$ 52,808,624	\$ 66,431,752	\$ 52,832,586
Investment earnings	2,935,930	275,979	30,302	106,565
Other	12,908,890	11,878,562	11,729,666	13,622,717
State sources	103,867,688	88,604,283	85,628,695	99,893,311
Federal sources	8,936,839	19,408,640	11,385,332	12,312,604
Total revenues	172,197,932	172,976,088	175,205,747	178,767,783
Expenditures				
Current				
Administration	6,436,322	4,120,538	4,893,005	4,948,012
District support services	4,879,355	3,564,904	3,249,904	3,247,017
Elementary and secondary regular instruction	63,476,168	60,910,733	61,621,318	63,837,775
Vocational education instruction	3,694,588	3,234,364	3,009,100	3,201,878
Special education instruction	23,907,159	21,607,328	21,623,658	21,918,570
Instructional support services	8,225,793	7,932,077	6,671,402	6,981,737
Pupil support services	15,745,348	11,838,514	12,598,149	13,263,280
Sites and buildings	15,024,871	13,497,762	12,545,861	12,026,127
Fiscal and other fixed cost programs	460,215	474,219	470,583	467,751
Food service	6,745,974	5,662,712	5,534,958	6,298,281
Community service	10,062,161	7,523,301	7,736,612	7,845,731
Capital outlay	18,249,448	11,079,156	11,104,790	18,049,095
Debt service				
Principal	8,104,211	8,974,330	10,367,549	11,038,778
Interest and fiscal charges	11,145,787	8,490,912	9,012,300	9,245,568
Total expenditures	196,157,400	168,910,850	170,439,189	182,369,600
Excess of revenues over (under) expenditures	(23,959,468)	4,065,238	4,766,558	(3,601,817)
Other financing sources (uses)				
Refunding debt issued	6,080,000	—	7,685,000	20,630,000
Debt issued	29,350,000	20,790,000	10,990,000	—
Premiums on debt issued	51,945	1,565,666	244,195	2,525,262
Discounts on debt issued	(299,171)	—	—	—
Payment to refunded bond escrow agent	(72,000,000)	—	—	(57,990,000)
Sale of real property	3,099,031	753,069	1,200,159	2,723
Transfers in	36,745	37,505	—	—
Transfers (out)	(36,745)	(37,505)	—	—
Capital leases	—	—	—	783,216
Total other financing sources (uses)	(33,718,195)	23,108,735	20,119,354	(34,048,799)
Net change in fund balances	\$ (57,677,663)	\$ 27,173,973	\$ 24,885,912	\$ (37,650,616)
Debt service as a percentage of noncapital expenditures	10.8%	11.1%	12.2%	12.0%

2013	2014	2015	2016	2017	2018
\$ 53,406,864	\$ 39,592,903	\$ 54,844,379	\$ 57,309,754	\$ 58,167,629	\$ 57,519,158
48,062	13,317	12,767	106,758	349,903	462,688
10,319,044	11,222,254	11,055,452	10,151,606	10,296,798	10,913,571
103,111,825	120,362,250	116,764,176	124,317,336	123,539,976	125,976,478
10,360,123	10,554,558	10,398,015	11,611,108	11,099,637	11,127,379
177,245,918	181,745,282	193,074,789	203,496,562	203,453,943	205,999,274
4,928,293	5,352,963	5,457,327	5,876,647	6,057,838	6,211,188
3,073,635	3,955,195	3,996,042	4,460,021	7,539,458	5,654,002
68,702,102	71,812,151	75,446,692	82,611,441	80,495,431	76,052,466
2,393,168	1,851,632	1,950,594	1,799,623	1,505,730	1,386,757
23,296,305	24,373,242	25,753,766	27,740,788	27,998,488	31,490,066
7,900,411	8,265,307	11,484,753	10,468,901	13,890,413	15,458,739
13,284,375	13,181,909	13,018,795	14,674,569	15,417,357	17,171,870
13,296,728	13,546,358	13,427,858	13,598,259	14,352,208	15,743,020
501,766	396,227	533,245	454,428	557,141	521,264
6,102,084	6,322,283	6,956,562	7,499,503	7,434,021	7,461,961
7,950,731	8,175,526	8,167,323	8,779,365	9,529,583	10,366,492
27,099,007	25,252,839	16,241,393	29,095,514	51,330,006	21,610,466
11,545,312	12,465,481	12,492,199	12,375,776	13,312,096	14,113,584
7,592,003	6,816,235	6,378,142	6,640,092	8,148,233	7,218,300
197,665,920	201,767,348	201,304,691	226,074,927	257,568,003	230,460,175
(20,420,002)	(20,022,066)	(8,229,902)	(22,578,365)	(54,114,060)	(24,460,901)
24,610,000	—	9,640,000	9,380,000	12,170,000	—
8,535,000	16,625,000	—	67,135,000	9,535,000	14,200,000
3,182,260	161,221	1,603,918	3,932,191	1,476,967	924,549
—	—	—	—	—	—
(34,765,000)	—	(11,125,000)	(2,515,000)	(21,309,077)	—
882,197	1,655,170	568	5,170	—	50
—	—	—	9,238	—	—
—	—	—	(9,238)	—	—
—	—	—	—	3,643,000	—
2,444,457	18,441,391	119,486	77,937,361	5,515,890	15,124,599
\$ (17,975,545)	\$ (1,580,675)	\$ (8,110,416)	\$ 55,358,996	\$ (48,598,170)	\$ (9,336,302)
10.8%	10.6%	9.4%	9.5%	10.0%	10.1%

INDEPENDENT SCHOOL DISTRICT NO. 281

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

Fiscal Year	Property Tax					Total
	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund		
2009	\$ 21,737,121	\$ 1,391,777	\$ 7,000,000	\$ 13,419,687	\$ 43,548,585	
2010	30,324,738	1,555,933	5,700,000	15,227,953	52,808,624	
2011	42,155,478	2,433,109	5,699,694	16,143,471	66,431,752	
2012	27,659,448	1,716,530	6,084,113	17,372,495	52,832,586	
2013	30,507,654	1,848,270	3,252,849	17,798,091	53,406,864	
2014	18,272,948	976,762	2,317,001	18,026,192	39,592,903	
2015	31,906,847	1,784,355	2,538,546	18,614,631	54,844,379	
2016	35,915,801	1,694,733	1,445,833	18,253,387	57,309,754	
2017	37,616,397	1,731,656	–	18,819,576	58,167,629	
2018	35,734,126	1,838,995	–	19,946,037	57,519,158	

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal years 2011 and 2014, which were offset by an equal adjustment to state aid payments.

## INDEPENDENT SCHOOL DISTRICT NO. 281

Operating Fund Revenue by Source (1)  
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous (2)	Total
2009	\$ 23,128,901 13.61%	\$ 102,421,693 60.27%	\$ 8,936,838 5.26%	\$ 35,459,881 20.86%	\$ 169,947,313 100.00%
2010	31,880,671 21.22%	87,056,968 57.94%	19,408,640 12.92%	11,899,238 7.92%	150,245,517 100.00%
2011	44,588,587 29.38%	84,045,406 55.38%	11,385,332 7.50%	11,740,546 7.74%	151,759,871 100.00%
2012	29,375,978 19.14%	98,213,652 64.01%	12,312,604 8.02%	13,557,721 8.82%	153,459,955 100.00%
2013	32,355,924 20.84%	102,210,710 65.84%	10,360,123 6.67%	10,327,046 6.64%	155,253,803 100.00%
2014	19,249,710 12.00%	119,462,108 74.45%	10,554,558 6.58%	11,200,301 6.98%	160,466,677 100.00%
2015	33,691,202 19.70%	115,864,130 67.75%	10,398,015 6.08%	11,064,587 6.47%	171,017,934 100.00%
2016	37,610,534 20.57%	123,417,289 67.50%	11,611,108 6.35%	10,197,238 5.58%	182,836,169 100.00%
2017	39,348,053 21.44%	122,665,128 66.84%	11,099,637 6.05%	10,409,678 5.67%	183,522,496 100.00%
2018	37,573,121 20.32%	125,060,231 67.64%	11,127,379 6.02%	11,143,557 6.02%	184,904,288 100.00%

(1) Operating funds include the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

(2) Includes interest earnings.

INDEPENDENT SCHOOL DISTRICT NO. 281

Operating Fund Expenditures by Function (1) (2)  
Last Ten Fiscal Years

Year Ended June 30,	District and School Administration	District Support Services	Regular Instruction	Vocational Instruction	Special Education Instruction
2009	\$ 6,446,335 3.95%	\$ 5,369,931 3.29%	\$ 64,390,529 39.44%	\$ 3,715,802 2.28%	\$ 23,922,305 14.65%
2010	4,127,649 2.81%	4,254,242 2.89%	63,007,735 42.87%	3,243,971 2.21%	21,746,095 14.80%
2011	4,904,409 3.34%	4,171,415 2.84%	62,908,654 42.83%	3,069,746 2.09%	21,777,295 14.83%
2012	4,954,561 3.23%	4,125,691 2.69%	65,577,766 42.77%	3,238,651 2.11%	22,019,090 14.36%
2013	4,948,560 3.08%	3,823,897 2.38%	70,441,755 43.85%	2,449,812 1.53%	23,399,623 14.57%
2014	5,371,076 3.28%	4,361,338 2.67%	73,588,280 44.97%	1,852,246 1.13%	24,511,412 14.98%
2015	5,467,794 3.20%	5,286,447 3.10%	76,169,169 44.64%	1,951,604 1.14%	25,867,207 15.16%
2016	5,886,622 3.21%	6,978,242 3.80%	83,354,768 45.40%	1,799,623 0.98%	27,811,806 15.15%
2017	6,062,513 3.21%	7,997,649 4.24%	81,026,361 42.96%	1,505,730 0.80%	28,045,053 14.87%
2018	6,212,265 3.20%	7,666,347 3.95%	76,401,709 39.37%	1,407,700 0.73%	31,536,703 16.25%

(1) Operating funds include the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

(2) Capital expenditures are included by function.

(3) Includes food service.



Community Education	Instructional Support Services	Pupil Support Services (3)	Sites, Buildings, and Equipment	Fiscal and Other Fixed Cost Programs	Total
\$ 10,068,176 6.17%	\$ 8,498,694 5.21%	\$ 23,166,943 14.19%	\$ 17,184,527 10.53%	\$ 496,960 0.30%	\$ 163,260,202 100.00%
7,546,099 5.13%	8,289,440 5.64%	18,439,348 12.55%	15,848,424 10.78%	474,236 0.32%	146,977,239 100.00%
7,846,646 5.34%	6,961,092 4.74%	18,758,500 12.77%	16,002,113 10.90%	470,583 0.32%	146,870,453 100.00%
7,903,018 5.15%	7,140,788 4.66%	20,905,495 13.63%	16,296,968 10.63%	1,178,099 0.77%	153,340,127 100.00%
7,996,246 4.98%	8,178,000 5.09%	19,962,399 12.43%	18,458,669 11.49%	965,710 0.60%	160,624,671 100.00%
8,293,743 5.07%	8,596,851 5.25%	19,633,674 12.00%	16,580,964 10.13%	860,172 0.53%	163,649,756 100.00%
8,279,318 4.85%	11,704,553 6.86%	20,064,106 11.76%	15,119,911 8.86%	730,055 0.43%	170,640,164 100.00%
8,830,748 4.81%	10,559,425 5.75%	22,346,244 12.17%	15,363,128 8.37%	651,239 0.36%	183,581,845 100.00%
9,580,335 5.08%	13,899,807 7.37%	23,827,014 12.63%	15,911,020 8.44%	753,951 0.40%	188,609,433 100.00%
10,425,417 5.37%	15,462,127 7.97%	25,181,556 12.98%	18,940,779 9.76%	818,847 0.42%	194,053,450 100.00%

INDEPENDENT SCHOOL DISTRICT NO. 281

Tax Capacities and Market Values  
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation			
	Agricultural	Nonagricultural	Fiscal Disparities	
			Contribution	Distribution
2009	\$ 2,090	\$ 107,097,428	\$ (9,216,881)	\$ 14,526,516
2010	2,153	100,797,530	(9,612,898)	15,655,021
2011	2,143	92,918,269	(9,281,070)	15,695,118
2012	2,142	84,396,807	(8,672,925)	15,191,476
2013	2,176	79,534,454	(8,230,582)	14,688,145
2014	2,261	79,030,536	(8,449,034)	14,712,766
2015	2,259	86,141,492	(8,633,147)	14,813,573
2016	8,043	89,754,553	(8,340,302)	14,346,780
2017	444	95,900,642	(9,078,698)	15,883,569
2018	440	103,737,702	(9,371,466)	16,328,556

Source: State of Minnesota School Tax Report

Tax Increment		Total Taxable	Total Direct Tax Rate	Taxable Market Value	Tax Capacity as a Percentage of Market Value
\$	(4,727,857)	\$ 107,681,296	27.214	\$ 9,215,649,967	1.17 %
	(2,573,847)	104,267,959	28.621	8,661,341,800	1.20
	(2,361,556)	96,972,904	34.387	7,402,074,612	1.23
	(2,501,570)	88,415,930	32.810	7,681,019,073	1.15
	(1,868,438)	84,125,755	32.347	7,219,687,475	1.17
	(2,096,844)	83,199,685	34.777	7,149,705,435	1.16
	(2,247,092)	90,077,085	33.226	7,691,217,200	1.17
	(2,451,835)	93,317,239	33.833	7,994,981,425	1.17
	(2,804,981)	99,900,976	31.612	8,497,124,725	1.18
	(3,365,469)	107,329,763	31.957	9,160,183,925	1.17

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INDEPENDENT SCHOOL DISTRICT NO. 281

Taxable Net Tax Capacity and Estimated Market Value  
of All Taxable Property  
Last Ten Fiscal Years

Tax Collection Year	Sales Ratio	Taxable Net Tax Capacity	Estimated Market Value	Percent Total Tax Capacity of Estimated Market Value	Indicated Market Value (1)
2009	96.8	\$ 107,528,082	\$9,215,649,967	1.17 %	\$9,520,299,553
2010	98.4	103,884,934	8,661,341,800	1.20	8,802,176,626
2011	100.1	91,375,062	7,402,074,612	1.23	7,394,679,932
2012	100.3	88,585,669	7,681,019,073	1.15	7,658,044,938
2013	101.3	84,125,766	7,219,687,475	1.17	7,127,036,007
2014	99.9	83,199,685	7,149,705,435	1.16	7,156,862,297
2015	94.3	90,077,085	7,691,217,200	1.17	8,156,115,801
2016	94.3	93,317,239	7,994,981,425	1.17	8,478,241,172
2017	93.5	99,900,976	8,497,124,725	1.18	9,087,833,930
2018	93.9	107,329,763	9,160,183,925	1.17	9,758,372,137

(1) Calculated by dividing the estimated market value by the sales ratio.

Note: Taxable net tax capacity is as adjusted for fiscal disparities and tax increments.

Source: Hennepin County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 281

Property Tax Capacity Rates  
All Overlapping Governmental Units  
Last Ten Fiscal Years

Tax Collection Year	Property Tax Rate – Based on Tax Capacity Values				
	ISD No. 281 (1)	City of Brooklyn Center	City of Brooklyn Park	City of Crystal	City of Golden Valley
2009	27.214	47.521	39.652	38.288	45.914
2010	28.621	52.412	46.041	44.270	48.196
2011	34.387	57.217	50.309	47.346	53.060
2012	32.810	64.359	56.087	51.341	55.796
2013	32.347	72.202	62.741	57.630	58.204
2014	34.777	75.742	62.034	56.015	61.839
2015	33.226	71.256	57.494	50.498	54.626
2016	33.833	73.292	56.690	50.498	54.452
2017	31.612	70.498	55.207	50.360	56.109
2018	31.957	68.432	52.373	50.416	55.152

Tax Collection Year	Total Tax Capacity Rate for Taxpayers as a				
	Brooklyn Center Resident	Brooklyn Park Resident	Crystal Resident	Golden Valley Resident	New Hope Resident
2009	122.302	114.433	113.069	120.695	115.843
2010	130.570	124.199	122.428	126.354	124.172
2011	146.219	139.311	136.348	142.062	137.943
2012	153.393	145.121	140.375	144.830	143.843
2013	163.621	154.160	149.049	149.623	150.231
2014	170.424	156.716	150.697	156.521	153.278
2015	160.665	146.903	139.907	144.035	145.387
2016	162.011	145.409	139.217	143.171	146.124
2017	155.019	139.728	134.881	140.630	144.452
2018	151.713	135.654	133.697	138.433	141.870

- (1) The rate does not include the referendum, which is spread on School District Referendum Market Value.
- (2) Special districts include the Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit, Three Rivers Park District, Park Museum, and the Hennepin County Regional Railroad Authority.
- (3) District voters have authorized additional school funding through an operating referendum.

Source: Hennepin County Auditor

City of New Hope	City of Plymouth	City of Robbinsdale	Special Districts (2)	Hennepin County
41.062	24.368	37.000	7.154	40.413
46.014	26.007	42.182	6.897	42.640
48.941	26.944	44.628	8.775	45.840
54.809	28.146	48.642	7.993	48.231
58.812	29.816	55.282	9.611	49.461
58.596	30.114	57.436	10.047	49.858
55.978	28.374	51.134	9.785	46.398
57.405	27.838	53.785	9.530	45.356
59.931	26.959	50.574	8.822	44.087
58.589	26.804	50.346	8.516	42.808

Plymouth Resident	Robbinsdale Resident	ISD No. 281 Market Value Base Tax (3)
99.149	111.781	0.23696
104.165	120.340	0.22900
115.946	133.630	0.23107
117.180	137.676	0.27612
121.235	146.701	0.29668
124.796	152.118	0.30399
117.783	140.543	0.28484
116.557	142.504	0.28216
111.480	135.095	0.24959
110.085	133.627	0.23433

INDEPENDENT SCHOOL DISTRICT NO. 281

Principal Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity
FW MN–Rockford Road LLC	\$ 586,000	1	0.55 %	\$ –	–	– %
Boom (Minnesota), LLC	571,250	2	0.53	–	–	–
Bigos Management, Inc.	568,250	3	0.53	432,500	3	0.40
AGA Medical Corporation	563,990	4	0.53	281,470	7	0.26
Crystal Shopping Center Association	432,970	5	0.40	419,250	4	0.39
Columbia II Rockridge Center	356,250	6	0.33	–	–	–
Plymouth Ponds, LLLP	350,325	7	0.33	–	–	–
Golden Valley Investors LLC	305,490	8	0.28	–	–	–
Walmart Inc.	294,730	9	0.27	–	–	–
CRW Plymouth, LLC	285,710	10	0.27	290,350	5	0.27
United HealthCare Services	–	–	–	560,010	1	0.52
U.S. Retail Partners, LLC	–	–	–	466,278	2	0.43
HP 3, LLC	–	–	–	286,270	6	0.27
Brooks Mall Properties, LLC	–	–	–	261,190	8	0.24
Total	<u>\$ 4,314,965</u>		<u>4.02 %</u>	<u>\$ 2,997,318</u>		<u>2.78 %</u>
Total district tax capacity	<u>\$ 107,329,763</u>			<u>\$ 107,681,296</u>		

Source: Hennepin County Auditor



## INDEPENDENT SCHOOL DISTRICT NO. 281

School Tax Levies and Tax Rates by Fund  
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	(3) OPEB Pension Fund	Total All Funds
Levies (1)							
	2009	\$ 29,770,358	\$ 1,626,979	\$ 5,700,000	\$ 15,931,974	\$ –	\$ 53,029,311
	2010	28,812,571	1,627,141	5,700,000	14,953,850	1,935,749	53,029,311
	2011	27,920,679	1,804,625	6,254,928	16,350,387	1,945,125	54,275,744
	2012	30,918,858	1,809,057	3,285,126	15,921,133	1,951,236	53,885,410
	2013	29,745,257	1,905,421	3,252,849	16,071,319	1,979,247	52,954,093
	2014	31,819,451	1,793,663	2,550,206	16,784,964	1,930,734	54,879,018
	2015	35,345,951	1,698,476	1,478,895	16,354,011	1,904,762	56,782,094
	2016	37,577,972	1,734,090	–	16,992,968	1,910,341	58,215,371
	2017	35,768,682	1,849,437	–	18,147,591	1,913,261	57,678,971
	2018	36,844,663	2,054,024	–	19,013,924	1,917,296	59,829,907
Tax capacity rates							
	2009	0.05029	0.01552	0.05437	0.15196	–	0.27214
	2010	0.05370	0.01563	0.05472	0.14357	0.01859	0.28621
	2011	0.06734	0.01893	0.06563	0.17156	0.02041	0.34387
	2012	0.06481	0.02074	0.03766	0.18252	0.02237	0.32810
	2013	0.05762	0.02274	0.02770	0.19179	0.02362	0.32347
	2014	0.06830	0.02174	0.03090	0.20343	0.02340	0.34777
	2015	0.09733	0.01865	0.01584	0.17953	0.02091	0.33226
	2016	0.11712	0.01859	–	0.18214	0.02048	0.33833
	2017	0.10015	0.01823	–	0.17888	0.01886	0.31612
	2018	0.10618	0.01907	–	0.17652	0.01780	0.31957
Referendum market value tax rate (2)							
	2009	0.00237	–	–	–	–	0.00237
	2010	0.00229	–	–	–	–	0.00229
	2011	0.00231	–	–	–	–	0.00231
	2012	0.00276	–	–	–	–	0.00276
	2013	0.00297	–	–	–	–	0.00297
	2014	0.00304	–	–	–	–	0.00304
	2015	0.00285	–	–	–	–	0.00285
	2016	0.00282	–	–	–	–	0.00282
	2017	0.00250	–	–	–	–	0.00250
	2018	0.00234	–	–	–	–	0.00234

- (1) The levies include the Homestead and Agricultural Credit Aid, Education Homestead Credit adjustment, and the Homestead Market Value adjustment.
- (2) The referendum levy was converted to a market value referendum in 1999, resulting in a separate tax rate computed on the total market value of the District's property.
- (3) Fiscal year 2010 was the first year that the OPEB/Pension Fund Levy was applicable.

Source: School Tax Report

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INDEPENDENT SCHOOL DISTRICT NO. 281

Property Tax Levies and Collections  
Last Ten Fiscal Years

Tax Collection Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2009	\$ 53,032,051	\$ 50,873,564	95.93 %	\$ 2,147,250	\$ 53,020,814	99.98 %
2010	53,033,575	52,194,596	98.42	831,457	53,026,053	99.99
2011	54,275,744	53,665,310	98.88	610,434	54,275,744	100.00
2012	53,885,410	53,275,701	98.87	543,176	53,818,877	99.88
2013	52,954,093	52,537,173	99.21	385,657	52,922,830	99.94
2014	54,879,018	54,146,763	98.67	700,037	54,846,800	99.94
2015	56,782,094	55,931,584	98.50	779,342	56,710,926	99.87
2016	58,215,371	57,585,191	98.92	541,006	58,126,197	99.85
2017	57,678,971	57,085,020	98.97	410,040	57,495,060	99.68
2018	59,829,907	31,200,000	52.15	—	31,200,000	52.15

Note 1: Total tax levy includes certified levy (including fiscal disparities) less tax credits.

Note 2: Property taxes are remitted to the District based on a calendar fiscal year; the current tax collections for the most recent levy represent collections through the District's fiscal year-end of June 30.

Source: Hennepin County Auditor and district records

INDEPENDENT SCHOOL DISTRICT NO. 281

Property Tax Levies and Receivables  
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Homestead Market Value Credit Aid	Total Levy
2009	\$ 45,963,074	\$ 5,913,454	\$ 1,155,523	\$ 53,032,051
2010	43,909,112	7,918,466	1,205,997	53,033,575
2011	45,078,892	7,990,855	1,205,997	54,275,744
2012	45,233,941	8,651,394	75	53,885,410
2013	43,880,638	9,073,455	—	52,954,093
2014	45,551,752	9,327,266	—	54,879,018
2015	46,911,686	9,870,408	—	56,782,094
2016	49,272,306	8,943,065	—	58,215,371
2017	47,767,783	9,911,188	—	57,678,971
2018	50,546,470	9,283,437	—	59,829,907

Note 1: A portion of the total spread levy is paid through various property tax credits which are paid through state aids, most of which were eliminated in 2012.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2018

Delinquent			Current		
Amount		Percent	Amount		Percent
\$	—	— %	\$	—	— %
	—	—		—	—
	—	—		—	—
	66,533	0.12		—	—
	31,263	0.06		—	—
	32,218	0.06		—	—
	71,168	0.13		—	—
	89,174	0.15		—	—
	183,911	0.32		—	—
	—	—		28,629,907	47.85
\$	474,267		\$	28,629,907	

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INDEPENDENT SCHOOL DISTRICT NO. 281

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Percentage of Personal Income (2)	Per Capita (2)
	Bonds and Certificates of Participation (1)	Capital Leases	Total		
2009	\$ 195,494,608	\$ 2,078,303	\$ 197,572,911	0.32 %	\$ 1,959
2010	209,130,777	1,698,975	210,829,752	0.33	2,126
2011	217,932,890	1,301,426	219,234,316	0.33	2,182
2012	171,392,767	1,400,864	172,793,631	0.25	1,696
2013	161,939,769	955,552	162,895,321	0.22	1,599
2014	165,971,526	495,071	166,466,597	0.21	1,634
2015	153,041,516	322,872	153,364,388	0.19	1,488
2016	217,763,960	142,096	217,906,056	0.26	2,091
2017	205,849,204	3,643,000	209,492,204	N/A	2,010
2018	205,714,298	3,439,416	209,153,714	N/A	2,007

N/A – Not Available

(1) Net of unamortized premiums and discounts.

(2) See the Schedule of Demographic and Economic Statistics for personal income and population data.

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Ratio of Net General Obligation Bonded Debt  
to Tax Capacity, Indicated Market Value, and Estimated Market Value  
and Net General Obligation Bonded Debt per Capita  
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds on Hand (1)	Net Bonded Debt	Tax Capacity (2)	Percent of Net Debt to Tax Capacity	Indicated Market Value (IMV) (3)
2009	\$ 195,494,608	\$ 18,885,626	\$ 176,608,982	\$ 107,681,296	164.01 %	\$ 9,520,299,553
2010	209,130,777	41,025,067	168,105,710	104,267,959	161.22	8,802,176,626
2011	217,932,890	46,842,001	171,090,889	96,972,904	176.43	7,394,679,932
2012	171,392,767	10,685,888	160,706,879	88,415,930	181.76	7,658,044,938
2013	161,939,769	3,013,158	158,926,611	84,125,755	188.92	7,127,036,007
2014	165,971,526	2,617,489	163,354,037	83,199,685	196.34	7,156,862,297
2015	153,041,516	2,679,063	150,362,453	90,077,085	166.93	8,156,115,801
2016	217,763,960	11,409,522	206,354,438	93,317,239	221.13	8,478,241,172
2017	205,849,204	2,305,311	203,543,893	99,900,976	203.75	9,087,833,930
2018	205,714,298	2,427,803	203,286,495	107,329,763	189.40	9,758,372,137

(1) The gross bonded debt includes refunding issues and certificates of participation. The amount held in escrow for these bonds is included in debt service funds on hand.

(2) See the Schedule of Tax Capacities and Market Values for tax capacity data.

(3) See the Schedule of Tax Capacity and Estimated Market Value for IMV and EMV data.

(4) See the Schedule of Demographic and Economic Statistics for personal income and population data.



Percent of Net Debt to IMV	Estimated Market Value (EMV) (3)	Percent of Net Debt to EMV	Estimated Population (4)	Net Bonded Debt per Capita
1.86 %	\$ 9,215,649,967	1.92 %	100,852	\$ 1,751
1.91	8,661,341,800	1.94	99,178	1,695
2.31	7,402,074,612	2.31	100,497	1,702
2.10	7,681,019,073	2.09	101,885	1,577
2.23	7,219,687,475	2.20	101,885	1,560
2.28	7,149,705,435	2.28	101,885	1,603
1.84	7,691,217,200	1.95	103,064	1,459
2.43	7,994,981,425	2.58	104,207	1,980
2.24	8,497,124,725	2.40	104,207	1,953
2.08	9,160,183,925	2.22	104,207	1,951

INDEPENDENT SCHOOL DISTRICT NO. 281

Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Other Fiscal Charges</u>	<u>Total Debt Service Expenditures</u>	<u>Total General Expenditures (1)</u>	<u>Percent of Debt Service to General Expenditures</u>
2009	\$ 7,755,000	\$ 7,559,667	\$ 15,314,667	\$ 196,123,633	7.81 %
2010	8,595,000	8,295,154	16,890,154	168,910,850	10.00
2011	9,970,000	8,929,732	18,899,732	170,439,189	11.09
2012	10,355,000	9,182,095	19,537,095	182,369,600	10.71
2013	11,100,000	7,536,469	18,636,469	197,665,920	9.43
2014	12,005,000	6,775,869	18,780,869	201,767,348	9.31
2015	12,320,000	6,353,531	18,673,531	201,304,691	9.28
2016	12,195,000	6,624,057	18,819,057	226,074,927	8.32
2017	13,170,000	7,880,048	21,050,048	257,568,003	8.17
2018	13,910,000	6,932,545	20,842,545	230,460,175	9.04

(1) General expenditures include all governmental funds.

Note: Debt service expenditures included only bonded debt and do not include refundings.

INDEPENDENT SCHOOL DISTRICT NO. 281

Direct and Overlapping Debt  
June 30, 2018

<u>Governmental Unit</u>	<u>Tax Capacity</u>	<u>General Obligation Debt</u>	<u>Percent Allocable to ISD No. 281</u>	<u>Portion Allocable to ISD No. 281</u>
ISD No. 281	\$ 107,329,763	\$ 187,945,000	100.00 %	\$ 187,945,000
Overlapping debt				
Hennepin County	1,838,226,093	950,945,000	5.84	55,523,777
City of Brooklyn Center	25,120,921	24,295,000	22.30	5,417,639
City of Brooklyn Park	83,442,143	24,500,000	4.75	1,163,946
City of Crystal	21,635,502	17,260,000	100.00	17,260,000
City of Golden Valley	40,620,349	50,925,000	45.50	23,168,889
City of New Hope	21,948,221	35,535,000	100.00	35,535,000
City of Plymouth	126,107,826	9,320,000	18.35	1,710,155
City of Robbinsdale	12,559,504	9,615,000	100.00	9,615,000
Hennepin County Regional				
Railroad Authority	1,838,226,093	31,535,000	5.84	1,841,266
Metropolitan Council	3,971,779,581	148,045,000	2.70	4,000,620
Three Rivers Park District	<u>1,304,690,419</u>	<u>53,355,000</u>	<u>8.23</u>	<u>4,389,249</u>
Total overlapping debt	9,284,356,652			<u>159,625,541</u>
Total direct and overlapping debt				<u>\$ 347,570,541</u>

Source: Hennepin County Property Tax Division

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INDEPENDENT SCHOOL DISTRICT NO. 281

Legal Debt Margin Information  
Last Ten Fiscal Years

Fiscal Year	Estimated Market Value	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Net Debt Applicable to Limit as a Percentage of Debt Limit
2009	\$ 9,215,649,967	\$ 1,382,347,495	\$ 176,359,374	\$ 1,205,988,121	12.76 %
2010	8,661,341,800	1,299,201,270	166,414,933	1,132,786,337	12.81
2011	7,402,074,612	1,110,311,192	169,302,999	941,008,193	15.25
2012	7,681,019,073	1,152,152,861	157,744,112	994,408,749	13.69
2013	7,219,687,475	1,082,953,121	152,696,842	930,256,279	14.10
2014	7,149,705,435	1,072,455,815	157,712,511	914,743,304	14.71
2015	7,691,217,200	1,153,682,580	143,845,937	1,009,836,643	12.47
2016	7,994,981,425	1,199,247,214	196,920,478	1,002,326,736	16.42
2017	8,497,124,725	1,274,568,709	184,794,689	1,089,774,020	14.50
2018	9,160,183,925	1,374,027,589	185,517,197	1,188,510,392	13.50

Legal Debt Margin Calculation for Fiscal Year 2018

Market value	<u>\$ 9,160,183,925</u>
Debt limit (15% of market value)	\$ 1,374,027,589
Debt applicable to limit	
General obligation bonds	187,945,000
Less amount set aside for repayment of general obligation debt	<u>2,427,803</u>
Total net debt applicable to limit	<u>185,517,197</u>
Legal debt margin	<u>\$ 1,188,510,392</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Hennepin County			
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age
2009	1,156,212	\$ 62,444,697,696	\$ 54,008	35.9
2010	1,152,425	63,324,601,325	54,949	35.9
2011	1,168,431	67,156,740,156	57,476	35.9
2012	1,184,576	69,769,157,248	58,898	35.9
2013	1,198,778	72,647,145,578	60,601	36.0
2014	1,212,064	78,824,158,112	65,033	36.1
2015	1,223,149	79,787,232,419	65,231	36.1
2016	1,232,483	83,102,631,241	67,427	36.2
2017	1,252,024	N/A	N/A	36.2
2018	1,252,024 (2)	N/A	N/A	36.2

N/A – Not Available

Sources:

(1) Hennepin County

(2) Estimated

		ISD No. 281	
Labor Force (1)	Unemployment Rate	Population (1)	School Enrollment
663,372	7.7 %	100,852	12,586
667,348	6.7	99,178	12,107
656,517	5.5	100,497	12,095
665,282	5.7	101,885	12,174
636,064	4.6	101,885	12,181
672,114	3.7	101,885	12,284
679,549	3.3	103,064	12,314
679,285	3.4	104,207	12,626
694,060	3.2	104,207 (2)	12,422
N/A	3.2 (2)	104,207 (2)	12,304

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INDEPENDENT SCHOOL DISTRICT NO. 281

Principal Employers  
Current and Nine Years Prior

Employer	2018 (3)		2009 (3)	
	Approximate Number of Employees	Rank	Approximate Number of Employees	Rank
North Memorial Medical Center	4,300	1	5,328	2
Honeywell	2,000	2	1,377	6
ISD No. 281	2,059	3	1,760	5
United Healthcare	1,000	4	—	—
Metro Building Company	1,000	4	—	—
North Ridge Care Center	720	6	—	—
St. Therese of New Hope	620	7	566	10
All Around Taxi	620	7	—	—
US Food Service	550	9	—	—
Courage Center	400	10	—	—
Wells Fargo Bank (1)	—	—	20,000	1
Boston Scientific	—	—	3,500	4
General Mills, Inc.	—	—	5,000	3
Promeon (2)	—	—	1,350	7
Carlson Companies (1)	—	—	1,300	8
Prudential Insurance Company	—	—	700	9
Total	13,269		40,881	

- (1) Total employees for the entire state.  
 (2) Includes locations in Brooklyn Center and Brooklyn Park only.  
 (3) Total employees for the area encompassed by district boundaries is not available.

Note: Residents of the District are employed throughout the metropolitan area. Major employers in close proximity to the District are listed above.

Sources: Minnesota Department of Employment and Economic Development and Ehlers Public Sector Advisor

INDEPENDENT SCHOOL DISTRICT NO. 281

FTE Staff Allocation  
Last Ten Fiscal Years

	<u>2008–2009</u>	<u>2009–2010</u>	<u>2010–2011</u>	<u>2011–2012</u>
Superintendent	1.00	1.00	1.00	1.00
Cabinet	5.00	6.00	7.00	7.00
Principals	15.00	13.00	13.00	13.00
Assistant principals	11.00	10.00	10.00	12.00
Program directors	40.69	40.80	38.63	37.00
Program assistants	87.93	89.07	87.46	91.98
Teachers	760.80	755.32	749.60	761.68
Counselors	17.11	15.50	15.37	17.00
Social workers	11.50	13.10	13.65	13.70
Psychologists	9.96	10.40	10.36	10.80
Nurses	10.03	9.06	9.30	9.30
Special assignments	47.62	57.10	53.68	51.10
Education assistants	357.16	336.68	319.56	324.91
Bus monitor	12.31	12.89	13.28	13.50
Custodians	101.30	99.50	98.60	102.00
Custodial/bus drivers	35.37	30.50	27.00	27.00
Mechanics	6.00	6.00	5.00	5.00
Transportation part-time	47.11	41.90	45.07	45.00
Community education	63.05	58.43	51.19	78.68
Office employees	84.58	76.18	69.44	70.27
Food service	91.12	83.60	87.23	88.18
Total	<u>1,815.64</u>	<u>1,766.03</u>	<u>1,725.42</u>	<u>1,780.10</u>

Source: The District's Human Resources Department

2012–2013	2013–2014	2014–2015	2015–2016	2016–2017	2017–2018
1.00	1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00	6.00
14.00	14.00	14.00	15.00	16.00	17.00
13.00	13.00	13.00	20.00	21.00	22.00
36.00	36.00	36.00	34.00	32.00	31.00
88.83	96.33	103.00	96.00	75.00	100.00
776.97	779.97	735.00	759.00	757.00	750.47
18.00	20.00	20.00	17.00	17.00	16.20
14.30	14.30	14.30	17.00	17.00	16.80
11.80	11.80	11.80	12.00	13.00	12.20
9.40	9.40	9.40	12.00	10.00	8.60
57.80	60.80	60.80	77.00	63.00	57.40
329.50	335.60	328.00	287.00	342.00	342.70
6.00	6.00	6.00	6.00	6.00	6.38
104.25	104.25	92.00	81.00	102.00	74.50
21.00	18.00	13.00	9.00	10.00	10.00
–	–	–	–	–	–
–	–	–	–	–	–
81.00	85.00	85.00	72.00	80.00	52.73
73.25	73.25	72.00	53.00	65.00	58.80
92.00	92.00	93.00	95.00	96.00	88.00
<u>1,755.10</u>	<u>1,777.70</u>	<u>1,714.30</u>	<u>1,670.00</u>	<u>1,730.00</u>	<u>1,671.78</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Physical Plant Characteristics  
as of June 30, 2018

Facility	Grades Housed	Year Built	Year of Major Additions	Acreage	Total Square Footage	Actual Enrollment
Cooper	9–12	1964	2000	40	293,816	1,510
Armstrong	9–12	1970	1997	52	328,600	1,937
Plymouth	6–8	1968	1990	22	180,500	962
Robbinsdale	6–8	1956	1976	18.34	269,107	917
FAIR School – Crystal	K, 4–8	2000	–	9.89	106,427	496
Forest	K–5	2005	–	14	75,870	620
Lakeview	K–5	1964	–	5.75	55,648	423
Meadow Lake	K–5	1961	1965	15	79,860	595
Neill	K–5	1957	1968 and 2000	14	71,037	439
Noble	K–5	1954	1956, 2000, and 2006	10	56,800	372
Northport	K–5	1956	1957 and 1984	14	65,300	608
SEA School at Olson	K–5	1971	–	9.2	44,000	446
Sonnesyn	K–5	1962	1968	15	76,187	483
RSI at Sunny Hollow	K–5	1960	1965	14	74,564	727
Zachary Lane	K–5	1969	1993	14	73,596	547
<u>Multi-Purpose Facilities</u>						
Sandburg	Various	1959	–	36	174,939	561
Pilgrim Lane	Vacant	1966	–	11.5	58,168	139
New Hope	Various	1960	–	14	55,902	109
Transportation		1966	–	10.5	48,843	–
Administration		1968	–	3.32	<u>41,412</u>	<u>–</u>
Out of district tuition						<u>114</u>
Totals					<u><u>2,230,576</u></u>	<u><u>12,005</u></u>

Source: The District's Buildings and Grounds Department

# INDEPENDENT SCHOOL DISTRICT NO. 281

## Miscellaneous Statistical Facts as of June 30, 2018

Old district changed to ISD No. 281	1957
Form of government	School Board – Superintendent
Fiscal year begins	July 1
Area of ISD No. 281	32 square miles
Number of high schools	2
Number of middle schools	3
Number of elementary schools	10
Number of auxiliary buildings	5
Number of communities served	7
Staffing ratio	
Elementary school	18–30
Middle school	24.22
High school	27.1
Extracurricular activities at high school	
Athletic	30
Nonathletic	30 +
Teacher education	
Bachelor's degree	100%
Master's degree or doctorate	71%

Source: Various district departments

## INDEPENDENT SCHOOL DISTRICT NO. 281

Schedule of Insurance Coverage  
June 30, 2018

Type of Coverage	Amount of Coverage
Property coverage	
Real and personal property (all locations)	\$ 526,338,233
Demolition cost	1,000,000
Increased cost of construction	1,000,000
Exterior signs	60,000
Supplementary accounts receivable	250,000
Supplementary valuable papers and records	250,000
Boiler and machinery coverage	100,000,000
Flood and furnace (each)	250,000
Environmental insurance (Robbinsdale Middle School)	2,000,000
Inland marine coverage	
Miscellaneous equipment	100,000
Mini-computer equipment and media	13,050,000
Musical equipment and instruments and fine arts	825,000
Liability coverage	
Bodily injury and property damage per occurrence	1,000,000
Combined single limit annual aggregate	2,000,000
Medical payments	5,000
Employee benefits liability	
Each occurrence	1,000,000
Aggregate	3,000,000
Volunteer liability	250,000
International general liability	
Each occurrence	1,000,000
Aggregate	2,000,000
Employee benefits	
Each occurrence	1,000,000
Aggregate	1,000,000
Auto liability	1,000,000
Crime coverage	
Employee dishonesty	250,000
Faithful performance	250,000
Money and securities on and off premises	50,000
Computer fraud, funds transfers, and forgery – alterations	150,000
Automobile coverage	
Liability protection	1,000,000
Personal injury protection	40,000
Uninsured and underinsured motorist protection	1,000,000
Collision and comprehensive	Varies
Excess liability coverage	
Excess amount coverage per occurrence	5,000,000
School leaders legal liability coverage annual aggregate	1,000,000
Business income and extra expense	5,000,000

Source: The District's Business Office

## INDEPENDENT SCHOOL DISTRICT NO. 281

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (Including Enrollment Option ADM)					Total Pupil Units	
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total		
2009	132.09	809.95	5,523.88	6,119.98	12,585.90	14,609.49	
2010	135.35	803.73	5,241.42	5,926.79	12,107.29	14,055.67	
2011	131.32	763.02	5,298.59	5,902.02	12,094.95	14,057.02	
2012	132.40	782.86	5,316.91	5,941.93	12,174.10	14,139.37	
2013	124.04	836.07	5,366.02	5,855.08	12,181.21	14,105.52	
2014	138.25	851.78	5,488.05	5,805.52	12,283.60	14,198.17	
2015	177.15	865.91	5,479.86	5,791.06	12,313.98	13,466.10	
2016	193.89	817.95	5,815.32	5,798.67	12,625.83	13,784.02	
2017	187.69	784.97	5,707.53	5,742.06	12,422.25	13,569.14	
2018	*	367.94	765.98	5,441.19	5,728.93	12,304.04	13,448.05

\* Estimated

Source: Minnesota Department of Education

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

	Early Childhood	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2009 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2018	1.000	1.000	0.550	1.000	1.000	1.000	1.200

INDEPENDENT SCHOOL DISTRICT NO. 281

Expenditures per Student  
Year Ended June 30, 2018  
(With Comparative Amounts for the Year Ended June 30, 2017)

	State Average	Seven-County Metro Average	ISD No. 281	
	2017	2017	2017	2018
Expenditures (1) per student (ADM) (2)				
General Fund				
Administration and district support	\$ 991	\$ 996	\$ 1,079	\$ 951
Elementary and secondary				
regular instruction	5,539	5,887	6,388	6,095
Vocational education instruction	166	153	119	111
Special education instruction	2,225	2,334	2,222	2,524
Instructional support services	660	765	1,102	1,239
Pupil support services	1,074	1,165	1,224	1,376
Sites and buildings and other	906	870	1,199	1,327
Total General Fund expenditures	<u>\$ 11,561</u>	<u>\$ 12,170</u>	<u>\$ 13,333</u>	<u>\$ 13,623</u>
ADM used per profile model format			<u>12,601</u>	<u>12,478</u>

(1) Excludes capital expenditures.

(2) Average daily membership (ADM) is a measure of student attendance.

Source: Minnesota Department of Education School District Profiles Report