

1. Welcome and Introductions
2. Accept Agenda - *Action*
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5. Long-Term Planning
6. Future Meetings/FAC Timeline
7. Other

**Robbinsdale Area Schools
FINANCIAL ADVISORY COUNCIL (FAC)
MINUTES FOR JANUARY 11, 2022
DRAFT**

Present	FAC Members
X	Lennie Kaufman, Chair
X	Walter Gray
X	Earl Hoffman
X	Greg Kugler
X	O. Barry Rogers
X	Howard Schwartz
X	Terry Swanson
	School Board Member
X	John Vento, Treasurer
	District 281 Staff
X	David Engstrom, Superintendent
X	Ukee Dozier, Executive Director of Finance
X	Virginia Verbrugge, Assistant Director of Finance
X	Beth Tomlinson, Contoller
X	Karylanne Marchand, Business Office Manager
	PFM Asset Management
X	Brian Johnson
X	Danny Nelson

Agenda Item 1: Welcome and Introductions:

Chair Lennie Kaufman called the meeting to order at 6:30 PM on January 11, 2022, with the FAC members and others noted above in attendance. The meeting was held via Zoom. Mr. Kaufman opened the meeting by welcoming the attendees.

Agenda Item 2: Acceptance of Agenda:

The agenda had been distributed to the members prior to the meeting. A motion was properly made and seconded to accept the distributed Agenda as amended. The motion passed unanimously.

Agenda Item 3: Approve the Minutes of FAC meetings on November 9, 2021:

The minutes were discussed. Mr. Schwarz discussed his corrections about his statements at the meeting and his recommendation to look at greater length at the geographical areas within the District that are losing students to open enrollment and other schools. The minutes, as corrected by Mr. Schwarz, were approved.

Item Inserted in Agenda: OPEB Investments—Yield and Risk:

Mr. Johnson and Mr. Nelson presented a detailed allocation of the OPEB investments by class (equity and fixed yield) and by source (government, industry type, international, etc.), showing the current and projected rates of return (ROR) and risk measure of each. The District's investments are now in a "70/30" model: 70% in fixed yield investments and 30% in equity investments. Mr. Johnson showed 5 and 10 year projections of portfolio return under the current 70/30 model and under alternative 50/50 and 30/70 models. As the equity mix increases, the ROR also increases, but so does the standard deviation (volatility or risk) of the expected yield. Mr. Gray pointed out that the standard deviation of the S&P 500 (all equity) is about 15%, far higher than that of the District's portfolio.

The District's current discount rate is 5.5%, which is used to determine the present value (PV) of liabilities. In determining this rate, PFM focuses on the 50th percentile of projected outcomes. Mr. Johnson mentioned that it's necessary to look at the District's historical RORs and trends in developing the discount rate.

OPEB assets are now \$14.4 million (M), and the actuarial PV of liabilities is \$7.3M, producing a funding ratio of 198%. The PV of liabilities assumes current medical expense trend at 6.25%, dropping to 5% over the next 6 years and then to 4% over the next 48 years. Contributions are more than sufficient to cover withdrawals in all future scenarios except the worst one.

Mr. Schwartz asked if the current 30/70 model is too conservative, given the high funding ratio. Mr. Hoffman asked if the District is able take money out for operations and other uses if OPEB is overfunded. Mr. Gray responded that, in his experience, taking money out is generally unadvisable, and given the long time frame of these projections, any current excess funding may be needed for unexpected events. Mr. Johnson said that there are headwinds that could change the value of fixed income investments, with interest rate increases on the horizon.

Agenda Item 4: Preliminary Audit Report:

Ms. Verbrugge reported on the results of the audit and the status of the various funds as of June 30, 2021. The General Fund unassigned fund balance increased \$6.8M, up from \$0.6M twelve months earlier. The unassigned fund balance represents 4.98% of FY21 expenses, but this is still only about 76% of the Board-approved target level. The primary reasons for the improvement is federal ESSER (COVID) funding and lower expenses during FY21 due to distance learning (e.g., lower transportation costs).

The food service fund increased by \$1.1M. The federal government picked up 100% of student meal costs in FY21, and there was less staffing due to distance learning for part of the year. The community education fund has a \$1.5M balance, primarily due to ESSER funding. Debt service fund remained at about the same level during FY21. The building construction fund balance increased to \$3.3M, from \$1.2M, but this excess will be used during FY22 for projects now underway.

The self-insured medical and dental fund increased by \$451,000 during FY21, due in part to \$1.1M of ESSER funds that paid for COVID-related claims. The District did not increase employee contributions in January 2021 but did increase them in January 2022.

Mr. Schwartz expressed his concern that the District may be creating expense items, which it will be obligated to cover in future years beyond the expiry of the ESSER funds. He noted that much of the ESSER funding must be spent by September 30, 2024. He recommended that the District create a list of the new items to which the District is now committed to fund beyond that date. Mr. Dozier said he agreed with Mr. Schwartz and cautioned that the consequences of COVID will likely impact the District for many years. An additional item of concern is whether the federal government will continue to fully pay for school lunches after June 30, 2022.

Mr. Kaufman asked the staff in attendance how the audit went. Did the auditors do a good job and follow up on items they said in the past they would do? Ms. Verbrugge said that the auditors did an excellent, thorough job and provided recommendations on how the District can improve and what the District staff should watch out for in the future. Mr. Schwartz asked if the District's improved financials (increased unassigned fund, etc.) would result in a better bond rating. Kelly Smith of Baker Tilly responded that this would typically be the case.

Agenda Item 5: Year to Date (YTD) ESSER Update:

Mr. Dozier presented updated information regarding the funds allocated to the District from ESSER I, II, and III. The information showed the amounts allocated, the dates by which the District must spend the funds, and the funding "buckets" (broad expenditure categories). He also showed, for each of ESSER I, II, and III, the YTD expenditures by category and the remaining balances to be spent.

The District has received \$39.5M in ESSER funds and has spent \$7.3M so far. The District has already used nearly all of its ESSER I allocation but has spent only a small part of its ESSER II and III allocations. Mr. Dozier said that, because of various funding restrictions, the District might not be able to spend all of the remaining balance. He also presented the top 5 ESSER priorities spending for students, staff, and families and communities.

Agenda Item 6: Enrollment History with ADM Projections:

Mr. Dozier presented the five-year projections of enrollment, on the bases of both ADMs and seat counts. Current District enrollment in FY22 is 11,038 and is projected to be 10,720 for FY23. The enrollment is then projected to decrease annually by 2.2% to 3.1% through FY27. The District experienced a 6.1% enrollment drop in FY21, primarily due to COVID. Mr. Dozier projects that the effects of COVID will impact enrollment negatively in future years. Because of the many unknown factors that can influence enrollment in the next five years, he wanted to be conservative in his projection.

Mr. Hoffman asked how the changes in the District's enrollment compare to changes in the K-12 student population residing in the District. Mr. Vento recalled that, in 2017, the District's geographic area was showing a declining birth rate, and that over 80% of the District's households did not have a school age child living in it. He stressed that getting the District's average test scores up is critical to convincing more parents to enroll their children in District schools.

Agenda Item 7: Long Term Planning (5Cast): Due to time limitations, this item was not covered.

Agenda Items 8-10: Future Meetings/FAC Timeline, Other Items, and Adjournment:

The next FAC meeting will be March 29, 2022 at 6:30 PM. At the next meeting, there will be discussion on the following:

- Actual vs. potential enrollment in District schools.
- Additional costs associated with students who open enroll into the District, particularly costs associated with special education.
- Geographic areas within the District's borders where there are a large number of students open enrolling outside of the District.

After a proper motion was made and seconded to adjourn, the meeting was adjourned at 8:05 PM.

Minutes submitted by Earl Hoffman

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2021

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

**4148 Winnetka Avenue North
New Hope, Minnesota 55427-1288**



ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2021

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

Prepared by:
Finance Department

Executive Director of Finance
Greg Hein

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INDEPENDENT SCHOOL DISTRICT NO. 281

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INTRODUCTORY SECTION



Robbinsdale Area Schools

Independent School District 281

4148 Winnetka Ave N.
New Hope, MN 55427
763-504-8000 | rdale.org

December 28, 2021

To: Independent School District No. 281, Robbinsdale Area Schools School Board Members,
Citizens and Employees

INTRODUCTION

The Annual Comprehensive Financial Report (ACFR) of Independent School District No. 281, Robbinsdale Area Schools (the District) presents the financial position of the District as of June 30, 2021, 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 ACFR 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, 2021, 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, 2021, 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 ACFR 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 School 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 the District's School Board, whose members are elected officials, to direct the District's business operations and educational functions. 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 (MDE) 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 108,821. 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 11,393 students during the 2020–2021 school year. The enrollment reflects a decline of 739 students. The decline reflects changes in delivery of instruction and expanded enrollment choice options in recent years.

The District owns and operates 23 facilities in Brooklyn Center, Crystal, Golden Valley, New Hope, Plymouth, and Robbinsdale. For the audit period covered in this report, the District operated the following configuration of buildings: 4 high schools (2 traditional high schools, an alternative high school, and a fully accredited online high school), 4 middle schools, 11 elementary schools, 2 learning centers, 2 warehouses, an administration building, and bus garage. The majority of the District's facilities were originally constructed between 1954 and 1971, except for one middle school constructed in 2000 and one elementary school constructed in 2005.

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 students, families, and our community:

- The District has received the 2020 Best Communities for Music Education designation.
- 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 is designated as an Advanced Placement (AP) Capstone school, one of the first two schools in Minnesota to offer this program from the College Board. There is a full continuum of AP courses and one of the largest course selections in the state of Minnesota.
- The School of Engineering and Arts has received the prestigious National School of Excellence Blue Ribbon and Green 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 (AVID) 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 finance 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 finance has responsibility for the financial integrity of the District. The District utilizes an integrated payroll/finance system for all financial recordkeeping. 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 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 basic formula allowance was increased 2.0 percent for the 2020–2021 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 2021, the District had voter-approved authority of \$1,767 per pupil unit of excess levy authority, which raises a total of approximately \$22.7 million. Most of this revenue is provided from property taxes.

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 MDE 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, mutual funds, external investment pools, and interest-bearing checking accounts. Short-term borrowing, which is sometimes needed by the District, was not utilized for fiscal year 2021.

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, 2021, the unassigned fund balance of the General Fund (excluding any restricted account deficits) was 5.0 percent of the annual unassigned actual expenditures for the year then ended.

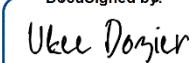
AWARDS AND ACKNOWLEDGEMENTS

The Association of School Business Officials (ASBO) International awarded a Certificate of Excellence in Financial Reporting to the District for its ACFR for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Excellence, the District published an easily readable and efficiently organized ACFR. 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 ACFR continues to meet the Certificate of Excellence Program's requirements and we are submitting it to the ASBO International to determine its eligibility for another certificate.

This report could not have been completed without the dedicated services of the District's Finance Department. 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,

Ukee Dozier

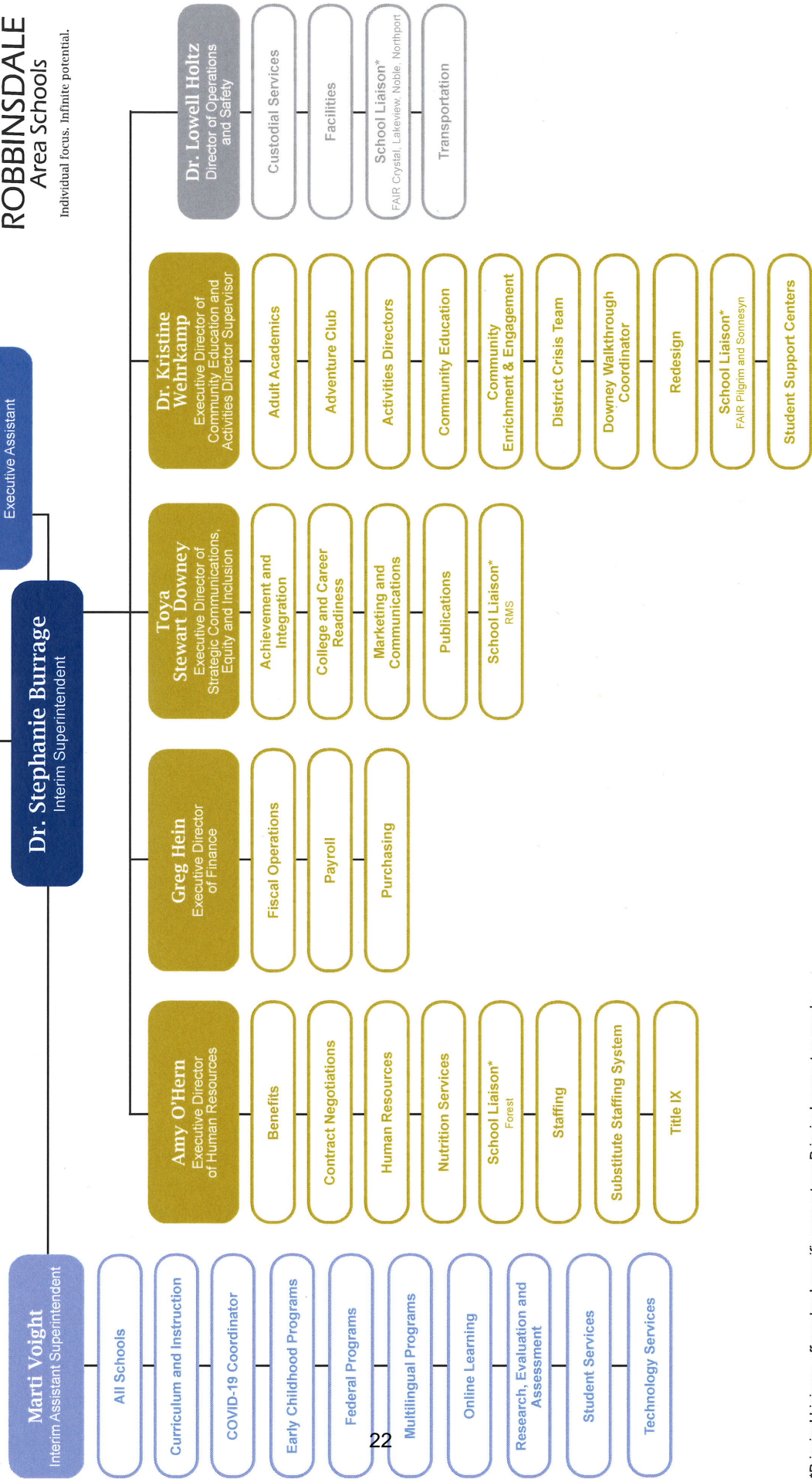
Ukee Dozier
Executive Director of Finance

DocuSigned by:

David Engstrom

David Engstrom
Superintendent

SUPERINTENDENT'S ORGANIZATIONAL CHART



*Principal Liaisons offer school-specific support per Principal request or needs.

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INDEPENDENT SCHOOL DISTRICT NO. 281

School Board and Administration
Year Ended June 30, 2021

SCHOOL BOARD

	<u>Position</u>
David Boone	Chair
Helen Bassett	Vice Chair
Pam Lindberg	Treasurer
Mike Herring	Clerk
Greta Evans-Becker	Director
Sam Sant	Director
John Vento	Director

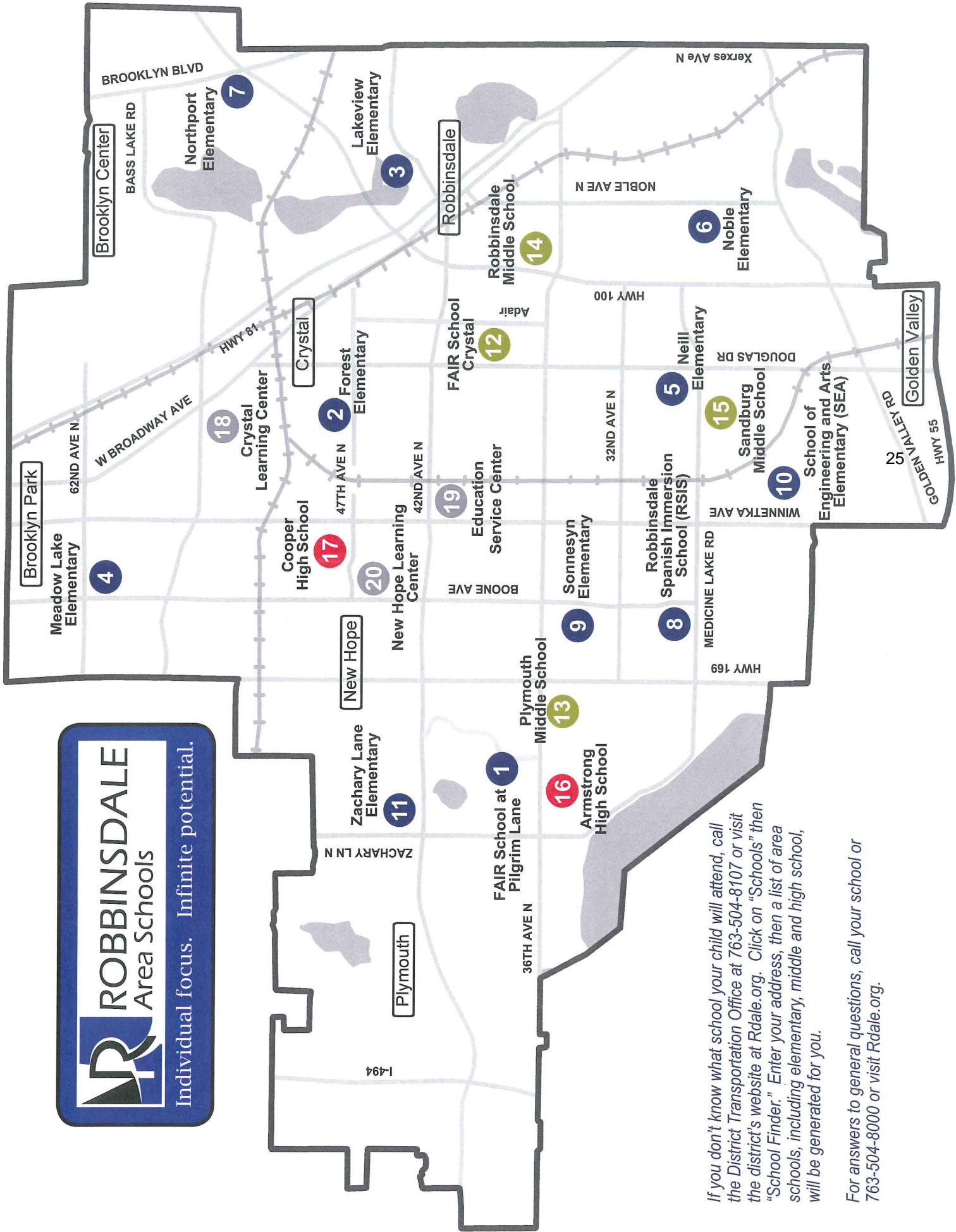
ADMINISTRATION

<u>Cabinet</u>	
Dr. Stephanie Burrage	Interim Superintendent
Marti Voight	Interim Assistant Superintendent
Amy O'Hern	Executive Director of Human Resources
Greg Hein	Executive Director of Finance
Toya Stewart Downey	Executive Director of Strategic Communications, Equity, and Inclusion
Dr. Kristine Wehrkamp	Executive Director of Community Education and Activities Director Supervisor
Lowell Holtz	Director of Operations and Safety
Jeffrey Connell	Executive Director of Facilities, Operations, and Transportation



ROBBINSDALE Area Schools

Individual focus. Infinite potential.



If you don't know what school your child will attend, call the District Transportation Office at 763-504-8107 or visit the district's website at Rdale.org. Click on "Schools" then "School Finder." Enter your address, then a list of area schools, including elementary, middle and high school, will be generated for you.

For answers to general questions, call your school or 763-504-8000 or visit Rdale.org.

Robbinsdale Area Schools

Elementary Schools

1. **FAIR School at Pilgrim Lane**
3725 Pilgrim Lane North
Plymouth MN 55441
763-504-8400
fair.rdale.org
2. **Forest Elementary**
6800 47th Avenue North
Crystal, MN 55428
763-504-7900
foe.rdale.org
3. **Lakeview Elementary**
4110 Lake Drive North
Robbinsdale, MN 55422
763-504-4100
lve.rdale.org
4. **Meadow Lake Elementary**
8525 62nd Avenue North
New Hope, MN 55428
763-504-7700
mle.rdale.org
5. **Neill Elementary**
6600 Medicine Lake Road
Crystal, MN 55427
763-504-7400
ene.rdale.org
6. **Noble Elementary**
2601 Noble Avenue North
Golden Valley, MN 55422
763-504-4000
noe.rdale.org
7. **Northport Elementary**
5421 Brooklyn Boulevard
Brooklyn Center, MN 55429
763-504-7800
npe.rdale.org
8. **Robbinsdale Spanish Immersion School (RSIS)**
8808 Medicine Lake Road
New Hope, MN 55427
763-504-4400
rsi.rdale.org
9. **Sonnexyn Elementary**
3421 Boone Avenue North
New Hope, MN 55427
763-504-7600
see.rdale.org
10. **School of Engineering and Arts Elementary (SEA)**
1751 Kelley Dr.
Golden Valley, MN 55427
763-504-7200
sea.rdale.org
11. **Zachary Lane Elementary**
4350 Zachary Lane N.
Plymouth, MN 55442
763-504-7300
zle.rdale.org

Revised 6-13-2018

Middle Schools

12. **FAIR School Crystal**
3915 Adair Ave N
Crystal, MN 55422
(763) 971-4500
fair.rdale.org
13. **Plymouth Middle School**
10011 36th Avenue North
Plymouth, MN 55441
763-504-7100
pms.rdale.org
14. **Robbinsdale Middle School**
Robbinsdale Area Learning Campus
3730 Toledo Avenue North
Robbinsdale, MN 55422
763-504-4800
rms.rdale.org
15. **Sandburg Middle School**
2400 Sandburg Lane
Golden Valley, MN 55427
763-504-8200
sms.rdale.org

High Schools

16. **Armstrong High School**
10635 36th Avenue North
Plymouth, MN 55441
763-504-8800
ahs.rdale.org
17. **Cooper High School**
8230 47th Avenue North
New Hope, MN 55428
763-504-8500
chs.rdale.org

Learning and Service Centers

18. **Crystal Learning Center**
305 Willow Bend
Crystal, MN 55428
763-504-8300
19. **Education Service Center**
4148 Winnetka Avenue North
New Hope, MN 55427
763-504-8000 (Main Switchboard)
763-504-8107 (Transportation)
20. **New Hope Learning Center**
8301 47th Avenue North
New Hope, MN 55428
763-504-4160



ROBBINSDALE
Area Schools

Individual focus. Infinite potential.



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**Independent School District 281 -
Robbinsdale Area Schools**

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

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



W. Edward Chabal

W. Edward Chabal
President

David J. Lewis

David J. Lewis
Executive Director

FINANCIAL SECTION



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 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, 2021, 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, 2021, 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.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2020 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 20, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 28, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 281

Management's Discussion and Analysis Fiscal Year Ended June 30, 2021

This section of Independent School District No. 281, Robbinsdale Area Schools' (the District) Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by \$34.6 million (deficit net position).
- Government-wide revenues totaled \$223.4 million and expenses were \$216.0 million, resulting in a \$7.4 million increase in the District's total net position during the year.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$10.9 million during the year, compared to a \$1.2 million increase projected in the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;
- MD&A;
- 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. Internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for its 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:

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 114,972,264	\$ 102,822,450
Capital assets, net of depreciation	<u>305,146,648</u>	<u>306,431,953</u>
Total assets	<u>\$ 420,118,912</u>	<u>\$ 409,254,403</u>
Deferred outflows of resources		
Pension plan deferments	<u>\$ 51,886,026</u>	<u>\$ 87,119,816</u>
Liabilities		
Current and other liabilities	\$ 17,072,212	\$ 21,548,644
Long-term liabilities, including due within one year	<u>328,713,800</u>	<u>312,191,032</u>
Total liabilities	<u>\$ 345,786,012</u>	<u>\$ 333,739,676</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 61,642,618	\$ 61,768,816
OPEB plan deferments	3,268,350	2,419,781
Pension plan deferments	<u>95,859,075</u>	<u>140,465,860</u>
Total deferred inflows of resources	<u>\$ 160,770,043</u>	<u>\$ 204,654,457</u>
Net position		
Net investment in capital assets	\$ 119,977,952	\$ 121,514,170
Restricted	13,711,368	8,831,552
Unrestricted	<u>(168,240,437)</u>	<u>(172,365,636)</u>
Total net position	<u>\$ (34,551,117)</u>	<u>\$ (42,019,914)</u>

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as 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.

The increase in current assets and the improvement in both the restricted and unrestricted components of net position, can mainly be attributed to the positive operating results across all of the District's governmental funds in the current year. Changes in the District's share of unfunded pension liabilities and related deferments reported for the state-wide Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the changes in long-term liabilities and deferred outflows/inflows of resources.

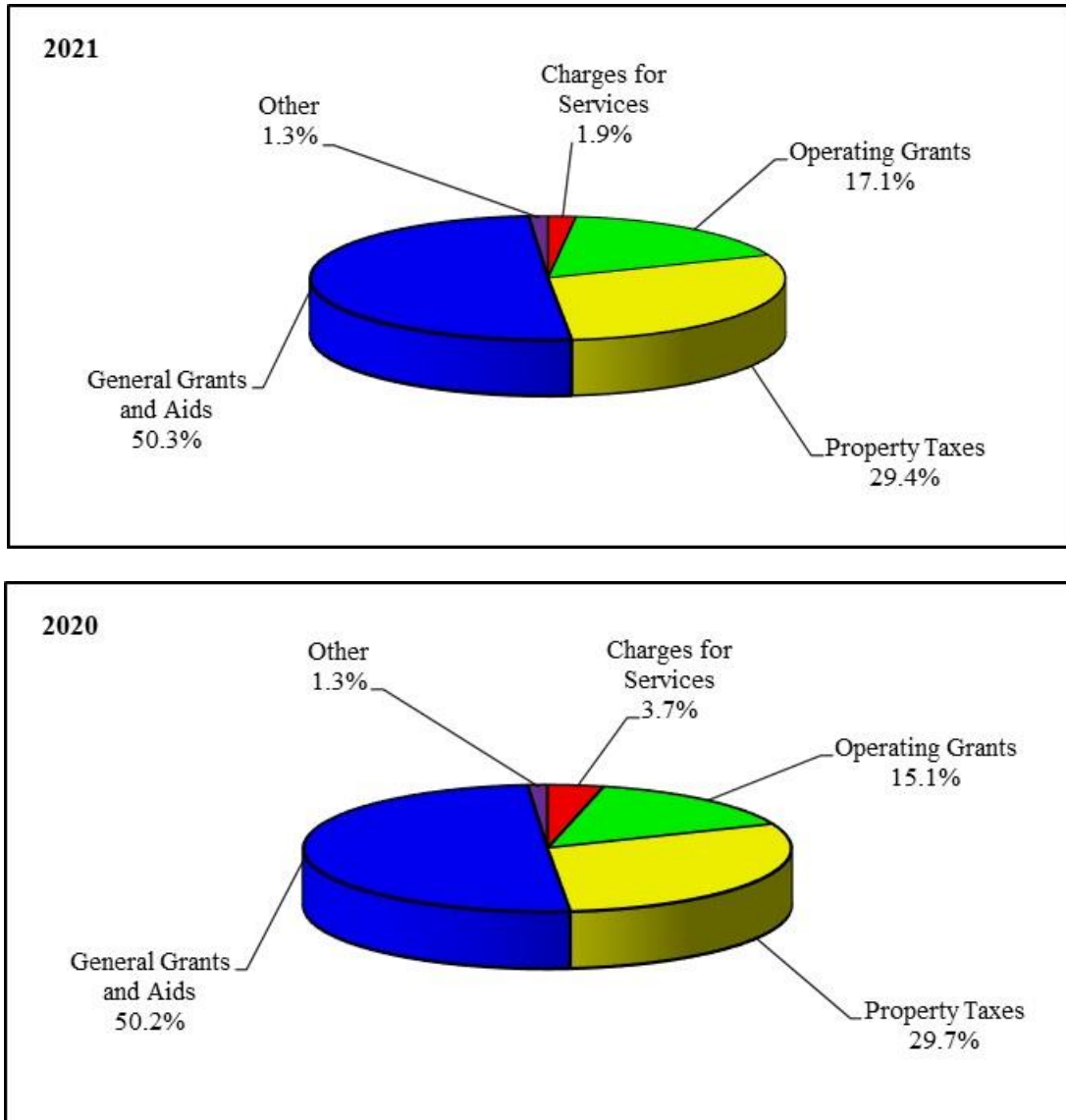
Table 2 presents a condensed version of the Change in Net Position of the District:

Table 2		
Change in Net Position		
for the Years Ended June 30, 2021 and 2020		
	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for services	\$ 4,166,195	\$ 8,019,047
Operating grants and contributions	38,111,519	33,198,955
General revenues		
Property taxes	65,708,821	65,122,224
General grants and aids	112,405,410	110,111,808
Other	3,030,886	2,925,751
Total revenues	<u>223,422,831</u>	<u>219,377,785</u>
Expenses		
Administration	7,849,512	7,322,496
District support services	7,689,450	5,842,366
Elementary and secondary regular instruction	82,065,296	84,979,649
Vocational education instruction	1,446,111	1,503,372
Special education instruction	34,249,305	35,301,076
Instructional support services	13,863,745	12,334,356
Pupil support services	12,908,795	18,825,428
Sites and buildings	34,801,921	34,675,198
Fiscal and other fixed cost programs	447,607	432,254
Food service	5,960,895	7,276,407
Community service	9,445,606	10,714,698
Interest and fiscal charges	5,225,791	5,092,272
Total expenses	<u>215,954,034</u>	<u>224,299,572</u>
Change in net position	7,468,797	(4,921,787)
Net position – beginning	<u>(42,019,914)</u>	<u>(37,098,127)</u>
Net position – ending	<u>\$ (34,551,117)</u>	<u>\$ (42,019,914)</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.

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

Figure A – Sources of Revenues for Fiscal Years 2021 and 2020

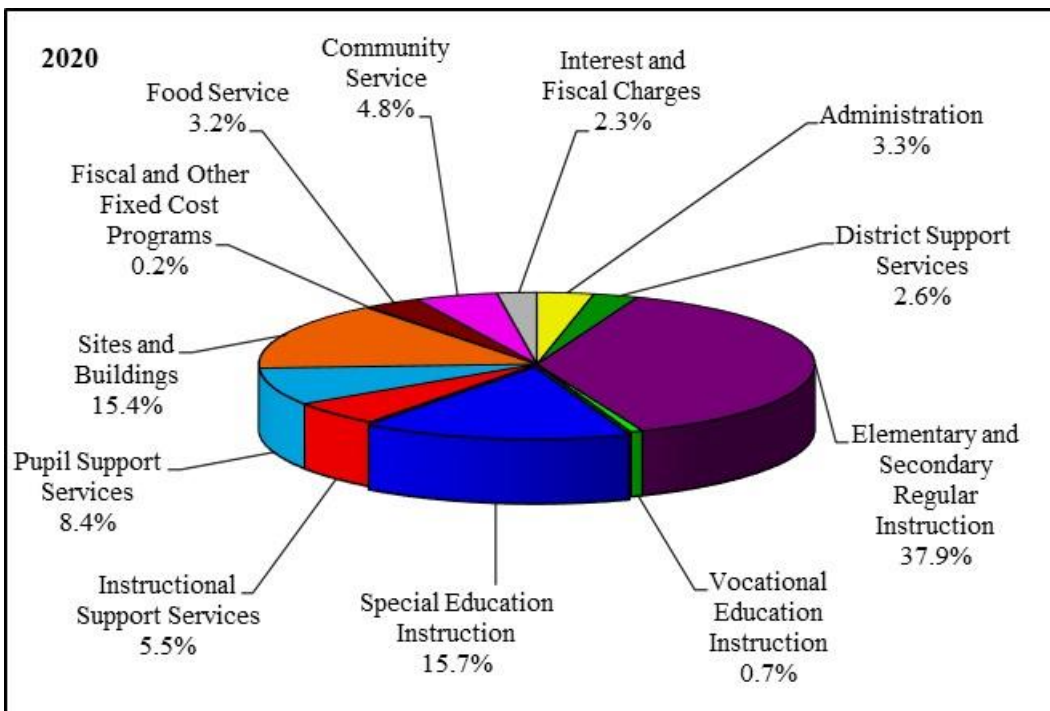
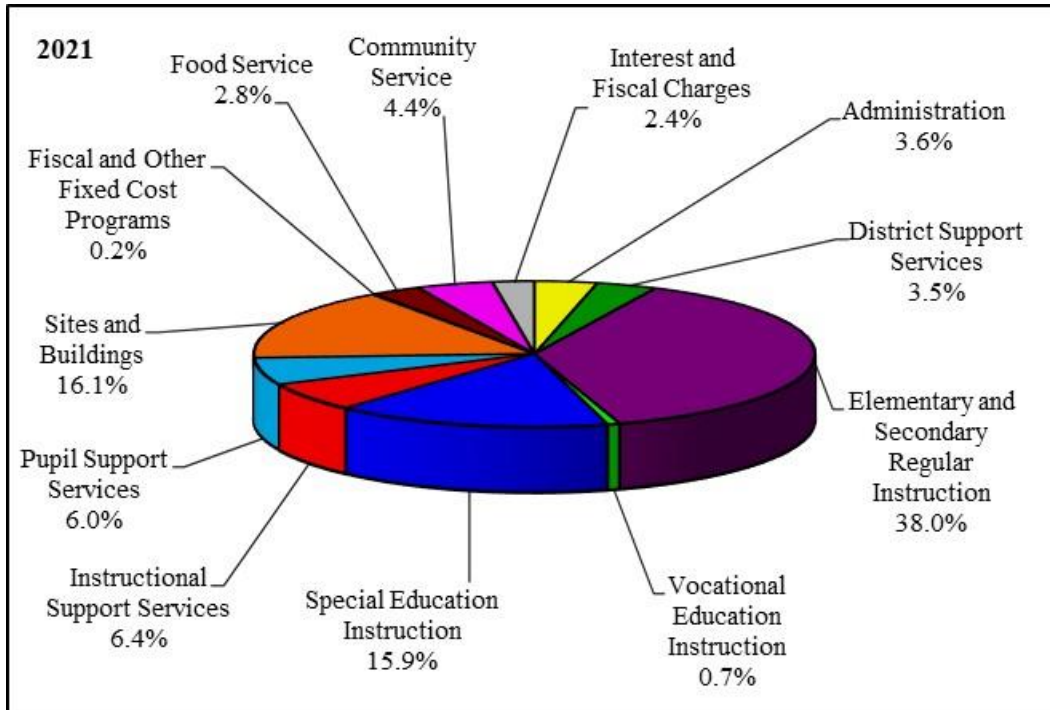


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

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.

The decrease in the proportion of revenue provided by charges for services is due to the effects of the COVID-19 pandemic, which reduced activity fees, tuition, and rental income in a number of program areas, including special education instruction, food service, and community service. The increase in general grants and aids is due to multiple new or increased federal grant awards related to COVID-19 relief available during the current year.

Figure B – Expenses for Fiscal Years 2021 and 2020



The District’s expenses prioritize the delivery of instruction to students. Programs, 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.

The year-to-year fluctuations in expenses incurred in several program areas were due to pandemic-related learning model changes, along with changes in the expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Major funds				
General	\$ 19,096,883	\$ 8,240,928	\$ 10,855,955	131.7%
Capital Projects – Building				
Construction	3,299,531	1,166,797	2,132,734	182.8%
Debt Service	2,954,298	2,866,254	88,044	3.1%
Nonmajor funds				
Food Service Special Revenue	2,177,912	1,102,274	1,075,638	97.6%
Community Service Special Revenue	1,535,374	1,006,548	528,826	52.5%
Total governmental funds	<u>\$ 29,063,998</u>	<u>\$ 14,382,801</u>	<u>\$ 14,681,197</u>	102.1%

Analysis of the General Fund

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

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 177,071,748</u>	<u>\$ 181,721,748</u>	<u>\$ 4,650,000</u>	<u>2.6%</u>
Expenditures	<u>\$ 175,884,924</u>	<u>\$ 180,534,524</u>	<u>\$ 4,649,600</u>	<u>2.6%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District 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:

	2021 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue	\$ 185,051,830	\$ 3,330,082	1.8%	\$ 3,336,942	1.8%
Expenditures	174,381,850	\$ (6,152,674)	(3.4%)	\$ (6,492,559)	(3.6%)
Other financing sources	<u>185,975</u>	\$ 185,975	–	\$ (619,577)	(76.9%)
Net change in fund balances	<u><u>\$ 10,855,955</u></u>				

General Fund total fund balances increased \$10,855,955 from fiscal 2021 operations, as compared to an increase of \$1,187,224 projected in the final budget. Revenues from state sources and other local sources such as activity fees, tuition, and donations, exceeded the District’s conservative budget, contributing to the positive variance of \$3,330,082 in total revenue. Expenses were under budget in several program areas, most notably district support services (\$4,458,097 under budget) and elementary and secondary regular instruction (\$5,543,455 under budget), due to a decline in enrollment, pandemic-related learning model changes, and conservative spending. Unassigned fund balance in the General Fund was \$7,502,120 as of June 30, 2021.

Approximately 68 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 mostly received through 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.

An increase in federal funding received for COVID-19 relief was the primary reason for the overall increase in General Fund revenue for fiscal 2021. This was partially offset by a decrease in general education state aid, due to lower enrollment.

Expenditures decreased 3.6 percent from the prior year. This was mainly caused by decreases in purchased services and capital expenditures of \$6,290,800 and \$3,071,376, respectively. The decrease in purchased services was primarily the result of lower transportation costs. The decrease in capital expenditures, compared to the prior year, was due to the timing of facilities maintenance projects. These decreases were partially offset by an increase in expenditures for supplies and materials of \$3,290,926, mainly in instructional software and supplies.

Capital Projects – Building Construction Fund

Capital Projects – Building Construction Fund revenues and other financing sources exceeded expenditures by \$2,132,734 in fiscal 2021, due to the progress on various improvement and facilities maintenance projects financed primarily with the proceeds of facilities maintenance bonds with a par value of \$16,760,000 issued this year. The District had fund balances of \$3,299,531 at year-end available for various capital purposes.

Debt Service Fund

Revenues and other financing sources exceeded expenditures and other financing uses by \$84,044 in the Debt Service Fund. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The District issued general obligation alternative facilities refunding bonds with a par value of \$13,270,000 during the year to refund the outstanding maturities of its Series 2011A and 2012A General Obligation Alternative Facilities Refunding Bonds, thereby reducing future debt service requirements by \$1,667,721. The ending fund balance of \$2,954,298 at June 30, 2021 is available for meeting future debt service obligations.

Nonmajor Funds

Revenues exceeded expenditures in the District's two nonmajor funds by \$1,604,464 in fiscal 2021.

The Food Service Special Revenue fund had an increase in fund balance of \$1,075,638, compared to a break-even budget, ending the year with a fund balance of \$2,177,912. Revenue increased slightly from the prior year and was over budget by \$1,233,458. Federal revenue increased \$1,508,134 from the prior year and was \$3,406,758 greater than budget, due to the District operating its child nutrition program as a COVID-19 – Summer Food Service Program for Children in the current year, which provides federally-funded free meals to all school-aged children. As a result of this program change, revenues from meal sales and state sources decreased from the prior year and were under budget by a combined \$2,172,743. Expenditures were \$157,820 over budget, mainly due to salaries not decreasing as much as expected from prior year levels.

The June 30, 2021 fund balance of the Community Service Special Revenue Fund was \$1,535,374, an increase of \$528,826 from the prior year, compared to a budgeted decrease of \$772,277. Revenues were slightly over the prior year and over budget by \$2,420,486, mainly in federal sources. Expenditures were \$887,246 lower than last year, due to the continuing effects of COVID-19-related restrictions, but did not decrease as much as expected, ending the year \$1,119,383 greater than budget.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 1,218,930	\$ 1,218,930	\$ -
Construction in progress	3,591,622	10,924,239	(7,332,617)
Land improvements	9,212,209	8,954,700	257,509
Buildings	493,496,500	472,254,651	21,241,849
Furniture and equipment	35,356,580	31,574,472	3,782,108
Less accumulated depreciation	<u>(237,729,193)</u>	<u>(218,495,039)</u>	<u>(19,234,154)</u>
Total	<u>\$ 305,146,648</u>	<u>\$ 306,431,953</u>	<u>\$ (1,285,305)</u>
Depreciation expense	<u>\$ 19,234,154</u>	<u>\$ 18,035,219</u>	<u>\$ 1,198,935</u>

By the end of 2021, the District had net capital assets of \$305.1 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 \$19.2 million, as compared to \$18.0 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:

	2021	2020	Change
General obligation bonds	\$ 177,780,000	\$ 176,235,000	\$ 1,545,000
Certificates of participation	6,650,000	7,235,000	(585,000)
Unamortized premiums (discounts)	9,083,256	8,531,310	551,946
Capital leases	2,808,629	3,043,677	(235,048)
Compensated absences payable	1,561,281	1,598,751	(37,470)
Severance benefits payable	3,198,313	3,275,778	(77,465)
Net pension liability	127,632,321	112,271,516	15,360,805
Total	\$ 328,713,800	\$ 312,191,032	\$ 16,522,768

At year-end, the District had \$193.5 million in general obligation bonds and certificates of participation payable, including premiums and discounts. The District issued \$16.8 million in general obligation long-term facilities maintenance bonds, and \$13.3 million of general obligation alternative facilities refunding bonds during the year, as previously discussed. The District made scheduled principal payments of \$14.2 million on outstanding bonds, certificates of participation, and capital leases during the year, and refunded an additional \$15.1 million of outstanding bonds to attain a more favorable interest rate.

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):

District’s market value	\$ 11,273,477,275
Limit rate	15%
Legal debt limit	<u>\$ 1,691,021,591</u>

Additional details of the District’s capital assets and long-term liabilities activity can be found in the Notes 3 and 4 to basic financial statements, respectively.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$161, or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional \$135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

The COVID-19 pandemic caused numerous financial and operational challenges for school districts in fiscal 2021, including significantly impacting enrollment, and is expected to continue to have a significant impact in fiscal 2022 and possibly beyond.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This ACFR 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 ACFR or need additional financial information, contact the Finance 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, 2021
(With Partial Comparative Information as of June 30, 2020)

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	\$ 52,995,721	\$ 45,120,227
Receivables		
Current taxes	32,756,982	33,559,471
Delinquent taxes	625,816	526,993
Accounts and interest	385,162	786,015
Due from other governmental units	17,817,399	14,771,912
Due from post-employment benefits trust	488,138	443,570
Inventory	408,110	478,051
Prepaid items	960,246	321,818
Restricted assets – temporarily restricted		
Cash and investments for capital projects	1,799	1,799
Net OPEB asset	8,532,891	6,812,594
Capital assets		
Not depreciated	4,810,552	12,143,169
Depreciated, net of accumulated depreciation	300,336,096	294,288,784
Total capital assets, net of accumulated depreciation	<u>305,146,648</u>	<u>306,431,953</u>
Total assets	420,118,912	409,254,403
Deferred outflows of resources		
Pension plan deferments	<u>51,886,026</u>	<u>87,119,816</u>
Total assets and deferred outflows of resources	<u>\$ 472,004,938</u>	<u>\$ 496,374,219</u>
Liabilities		
Salaries payable	\$ 1,087,840	\$ 1,426,732
Accounts and contracts payable	12,200,301	13,194,338
Accrued interest payable	2,801,689	2,780,568
Due to other governmental units	441,331	1,337,352
Unearned revenue	541,051	2,809,654
Long-term liabilities		
Due within one year	16,618,254	16,353,799
Due in more than one year	312,095,546	295,837,233
Total long-term liabilities	<u>328,713,800</u>	<u>312,191,032</u>
Total liabilities	345,786,012	333,739,676
Deferred inflows of resources		
Property taxes levied for subsequent year	61,642,618	61,768,816
OPEB plan deferments	3,268,350	2,419,781
Pension plan deferments	95,859,075	140,465,860
Total deferred inflows of resources	<u>160,770,043</u>	<u>204,654,457</u>
Net position		
Net investment in capital assets	119,977,952	121,514,170
Restricted for		
Capital asset acquisition	6,420,128	5,142,373
Debt service	264,036	224,810
Food service	2,373,071	1,241,662
Community service	1,599,307	1,018,315
Other purposes (state funding restrictions)	3,054,826	1,204,392
Unrestricted	<u>(168,240,437)</u>	<u>(172,365,636)</u>
Total net position	<u>(34,551,117)</u>	<u>(42,019,914)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 472,004,938</u>	<u>\$ 496,374,219</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Activities
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

Functions/Programs	2021			2020	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
			Governmental Activities	Governmental Activities	
Governmental activities					
Administration	\$ 7,849,512	\$ -	\$ -	\$ (7,849,512)	\$ (7,322,496)
District support services	7,689,450	117,984	-	(7,571,466)	(5,721,681)
Elementary and secondary regular instruction	82,065,296	345,605	3,176,556	(78,543,135)	(81,313,931)
Vocational education instruction	1,446,111	-	21,130	(1,424,981)	(1,463,051)
Special education instruction	34,249,305	380,362	20,642,123	(13,226,820)	(15,965,698)
Instructional support services	13,863,745	3,722	194,314	(13,665,709)	(12,241,261)
Pupil support services	12,908,795	-	2,324,442	(10,584,353)	(16,483,122)
Sites and buildings	34,801,921	193,066	-	(34,608,855)	(33,920,881)
Fiscal and other fixed cost programs	447,607	-	-	(447,607)	(432,254)
Food service	5,960,895	384,656	6,954,581	1,378,342	(32,270)
Community service	9,445,606	2,740,800	4,798,373	(1,906,433)	(3,092,653)
Interest and fiscal charges	5,225,791	-	-	(5,225,791)	(5,092,272)
Total governmental activities	\$ 215,954,034	\$ 4,166,195	\$ 38,111,519	(173,676,320)	(183,081,570)
General revenues					
Taxes					
Property taxes, for general purposes				43,551,802	44,393,003
Property taxes, for community service				2,559,183	2,390,902
Property taxes, for debt service				19,597,836	18,338,319
General grants and aids				112,405,410	110,111,808
Other general revenues				2,964,792	2,463,613
Investment earnings				66,094	462,138
Total general revenues and special item				181,145,117	178,159,783
Change in net position				7,468,797	(4,921,787)
Net position – beginning				(42,019,914)	(37,098,127)
Net position – ending				\$ (34,551,117)	\$ (42,019,914)

INDEPENDENT SCHOOL DISTRICT NO. 281

Balance Sheet
 Governmental Funds
 as of June 30, 2021

(With Partial Comparative Information as of June 30, 2020)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 28,987,832	\$ 5,709,963	\$ 12,381,883
Cash and investments held by trustee	–	1,799	–
Receivables			
Current taxes	22,099,558	–	9,582,829
Delinquent taxes	412,102	–	190,438
Accounts and interest	132,280	–	–
Due from other governmental units	15,995,115	–	90,006
Due from other funds	488,138	–	–
Inventory	319,309	–	–
Prepaid items	899,307	356	–
	<u>69,333,641</u>	<u>5,712,118</u>	<u>22,245,156</u>
Total assets	\$ 69,333,641	\$ 5,712,118	\$ 22,245,156
Liabilities			
Salaries payable	\$ 917,535	\$ –	\$ –
Accounts and contracts payable	7,994,920	2,412,587	1,188
Due to other governmental units	440,809	–	–
Unearned revenue	326,480	–	–
	<u>9,679,744</u>	<u>2,412,587</u>	<u>1,188</u>
Total liabilities	9,679,744	2,412,587	1,188
Deferred inflows of resources			
Property taxes levied for subsequent year	40,313,773	–	19,178,243
Unavailable revenue – delinquent taxes	243,241	–	111,427
	<u>40,557,014</u>	<u>–</u>	<u>19,289,670</u>
Total deferred inflows of resources	40,557,014	–	19,289,670
Fund balances			
Nonspendable	1,218,616	356	–
Restricted	8,493,612	3,299,175	2,954,298
Assigned	1,882,535	–	–
Unassigned	7,502,120	–	–
	<u>19,096,883</u>	<u>3,299,531</u>	<u>2,954,298</u>
Total fund balances	19,096,883	3,299,531	2,954,298
Total liabilities, deferred inflows of resources, and fund balances	\$ 69,333,641	\$ 5,712,118	\$ 22,245,156

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 3,220,397	\$ 50,300,075	\$ 40,501,137
–	1,799	1,799
1,074,595	32,756,982	33,559,471
23,276	625,816	526,993
252,882	385,162	786,015
1,732,278	17,817,399	14,771,912
–	488,138	443,570
88,801	408,110	478,051
26,487	926,150	321,818
<u>\$ 6,418,716</u>	<u>\$ 103,709,631</u>	<u>\$ 91,390,766</u>
\$ 170,305	\$ 1,087,840	\$ 1,426,732
155,856	10,564,551	11,767,762
522	441,331	1,337,352
214,571	541,051	260,612
<u>541,254</u>	<u>12,634,773</u>	<u>14,792,458</u>
2,150,602	61,642,618	61,768,816
13,574	368,242	446,691
<u>2,164,176</u>	<u>62,010,860</u>	<u>62,215,507</u>
115,288	1,334,260	799,869
3,597,998	18,345,083	11,452,691
–	1,882,535	1,507,829
–	7,502,120	622,412
<u>3,713,286</u>	<u>29,063,998</u>	<u>14,382,801</u>
<u>\$ 6,418,716</u>	<u>\$ 103,709,631</u>	<u>\$ 91,390,766</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, 2021
(With Partial Comparative Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Total fund balances – governmental funds	\$ 29,063,998	\$ 14,382,801
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	542,875,841	524,926,992
Accumulated depreciation	(237,729,193)	(218,495,039)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(177,780,000)	(176,235,000)
Certificates of participation	(6,650,000)	(7,235,000)
Unamortized (premiums) discounts	(9,083,256)	(8,531,310)
Capital leases	(2,808,629)	(3,043,677)
Compensated absences payable	(1,561,281)	(1,598,751)
Severance benefits payable	(3,198,313)	(3,275,778)
Net pension liability	(127,632,321)	(112,271,516)
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.		
	8,532,891	6,812,594
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(2,801,689)	(2,780,568)
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.		
	1,093,992	643,472
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	51,886,026	87,119,816
Deferred inflows of resources – OPEB plan deferments	(3,268,350)	(2,419,781)
Deferred inflows of resources – pension plan deferments	(95,859,075)	(140,465,860)
Deferred inflows of resources – delinquent property taxes	368,242	446,691
Total net position – governmental activities	<u>\$ (34,551,117)</u>	<u>\$ (42,019,914)</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 43,600,567	\$ –	\$ 19,625,533
Investment earnings	19,916	32,758	9,238
Other	3,820,565	(1,009)	–
State sources	126,479,516	–	900,066
Federal sources	11,131,266	–	–
Total revenue	<u>185,051,830</u>	<u>31,749</u>	<u>20,534,837</u>
Expenditures			
Current			
Administration	7,699,766	–	–
District support services	7,179,027	–	–
Elementary and secondary regular instruction	77,205,908	–	–
Vocational education instruction	1,372,645	–	–
Special education instruction	33,070,419	–	–
Instructional support services	13,208,889	–	–
Pupil support services	12,626,379	–	–
Sites and buildings	15,925,083	–	–
Fiscal and other fixed cost programs	447,607	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	5,329,507	14,734,656	–
Debt service			
Principal	235,048	–	13,945,000
Interest and fiscal charges	81,572	502,153	6,637,539
Total expenditures	<u>174,381,850</u>	<u>15,236,809</u>	<u>20,582,539</u>
Excess (deficiency) of revenue over expenditures	10,669,980	(15,205,060)	(47,702)
Other financing sources (uses)			
Bonds and certificates of participation issued	–	16,760,000	–
Refunding bonds issued	–	–	13,270,000
Premiums on debt issued	–	577,794	1,990,746
Payment to refunded bond escrow agent	–	–	(15,125,000)
Capital lease issued	–	–	–
Sale of assets	–	–	–
Insurance recovery	185,975	–	–
Total other financing sources (uses)	<u>185,975</u>	<u>17,337,794</u>	<u>135,746</u>
Net change in fund balances	10,855,955	2,132,734	88,044
Fund balances			
Beginning of year	<u>8,240,928</u>	<u>1,166,797</u>	<u>2,866,254</u>
End of year	<u>\$ 19,096,883</u>	<u>\$ 3,299,531</u>	<u>\$ 2,954,298</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 2,561,170	\$ 65,787,270	\$ 65,064,028
1,931	63,843	437,945
3,125,456	6,945,012	9,734,221
3,052,037	130,431,619	131,780,536
8,700,917	19,832,183	11,485,723
<u>17,441,511</u>	<u>223,059,927</u>	<u>218,502,453</u>
–	7,699,766	6,901,168
–	7,179,027	5,766,813
–	77,205,908	78,653,904
–	1,372,645	1,419,272
–	33,070,419	33,233,639
–	13,208,889	11,539,653
–	12,626,379	18,481,931
–	15,925,083	15,709,234
–	447,607	432,254
6,120,818	6,120,818	7,098,859
9,544,358	9,544,358	10,437,784
171,871	20,236,034	28,476,722
–	14,180,048	13,538,285
–	7,221,264	6,569,414
<u>15,837,047</u>	<u>226,038,245</u>	<u>238,258,932</u>
1,604,464	(2,978,318)	(19,756,479)
–	16,760,000	16,605,000
–	13,270,000	10,330,000
–	2,568,540	2,580,174
–	(15,125,000)	(11,295,000)
–	–	57,113
–	–	6,050
–	185,975	742,389
<u>–</u>	<u>17,659,515</u>	<u>19,025,726</u>
1,604,464	14,681,197	(730,753)
<u>2,108,822</u>	<u>14,382,801</u>	<u>15,113,554</u>
<u>\$ 3,713,286</u>	<u>\$ 29,063,998</u>	<u>\$ 14,382,801</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, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Total net change in fund balances – governmental funds	\$ 14,681,197	\$ (730,753)
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	17,948,849	26,039,002
Depreciation expense	(19,234,154)	(18,035,219)
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	(30,030,000)	(26,935,000)
Capital leases issued	–	(57,113)
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	29,070,000	24,585,000
Capital leases	235,048	248,285
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	37,470	(162,005)
Severance benefits payable	77,465	129,489
Net pension liability	(15,360,805)	1,803,823
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.		
	1,720,297	487,410
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	(21,121)	(158,589)
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.		
	(551,946)	(482,759)
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.		
	450,520	1,172,605
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(35,233,790)	(43,979,578)
Deferred outflows of resources – deferred charges on refundings	–	(461,684)
Deferred inflows of resources – OPEB plan deferments	(848,569)	7,684
Deferred inflows of resources – pension plan deferments	44,606,785	31,549,419
Deferred inflows of resources – delinquent property taxes	(78,449)	58,196
Change in net position – governmental activities	<u>\$ 7,468,797</u>	<u>\$ (4,921,787)</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, 2021

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 43,317,980	\$ 43,317,980	\$ 43,600,567	\$ 282,587
Investment earnings	200,000	200,000	19,916	(180,084)
Other	1,668,000	1,468,000	3,820,565	2,352,565
State sources	126,121,619	124,321,619	126,479,516	2,157,897
Federal sources	5,764,149	12,414,149	11,131,266	(1,282,883)
Total revenue	<u>177,071,748</u>	<u>181,721,748</u>	<u>185,051,830</u>	<u>3,330,082</u>
Expenditures				
Current				
Administration	6,755,651	6,755,651	7,699,766	944,115
District support services	11,822,586	11,637,124	7,179,027	(4,458,097)
Elementary and secondary regular instruction	76,351,574	82,749,363	77,205,908	(5,543,455)
Vocational education instruction	1,074,588	1,074,588	1,372,645	298,057
Special education instruction	34,978,963	34,978,964	33,070,419	(1,908,545)
Instructional support services	13,069,651	13,069,651	13,208,889	139,238
Pupil support services	11,239,086	9,941,436	12,626,379	2,684,943
Sites and buildings	15,167,022	14,817,022	15,925,083	1,108,061
Fiscal and other fixed cost programs	—	—	447,607	447,607
Capital outlay	5,425,803	5,510,725	5,329,507	(181,218)
Debt service				
Principal	—	—	235,048	235,048
Interest and fiscal charges	—	—	81,572	81,572
Total expenditures	<u>175,884,924</u>	<u>180,534,524</u>	<u>174,381,850</u>	<u>(6,152,674)</u>
Excess of revenue over expenditures	1,186,824	1,187,224	10,669,980	9,482,756
Other financing sources				
Insurance recovery	—	—	185,975	185,975
Net change in fund balances	<u>\$ 1,186,824</u>	<u>\$ 1,187,224</u>	<u>10,855,955</u>	<u>\$ 9,668,731</u>
Fund balances				
Beginning of year			<u>8,240,928</u>	
End of year			<u>\$ 19,096,883</u>	

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Net Position
 Internal Service Funds
 as of June 30, 2021
 (With Partial Comparative Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and temporary investments	\$ 2,695,646	\$ 4,619,090
Prepaid items	34,096	-
Total current assets	<u>2,729,742</u>	<u>4,619,090</u>
Liabilities		
Current liabilities		
Claims payable	1,635,750	1,426,576
Unearned revenue	-	2,549,042
Total current liabilities	<u>1,635,750</u>	<u>3,975,618</u>
Net position		
Unrestricted	<u>\$ 1,093,992</u>	<u>\$ 643,472</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Revenue, Expenses, and Changes in Net Position
 Internal Service Funds
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 20,357,827	\$ 18,822,936
Operating expenses		
Dental benefit claims	1,412,700	1,161,937
Health benefit claims	<u>18,496,858</u>	<u>16,512,587</u>
Total operating expenses	<u>19,909,558</u>	<u>17,674,524</u>
Operating income	448,269	1,148,412
Nonoperating revenue		
Investment earnings	<u>2,251</u>	<u>24,193</u>
Change in net position	450,520	1,172,605
Net position		
Beginning of year	<u>643,472</u>	<u>(529,133)</u>
End of year	<u><u>\$ 1,093,992</u></u>	<u><u>\$ 643,472</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Cash Flows
 Internal Service Funds
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 17,774,689	\$ 18,907,971
Payments for dental claims	(1,424,218)	(1,149,465)
Payments for health claims	<u>(18,276,166)</u>	<u>(16,481,554)</u>
Net cash flows from operating activities	(1,925,695)	1,276,952
Cash flows from investing activities		
Investment income received	<u>2,251</u>	<u>24,193</u>
Net change in cash and cash equivalents	(1,923,444)	1,301,145
Cash and cash equivalents		
Beginning of year	<u>4,619,090</u>	<u>3,317,945</u>
End of year	<u>\$ 2,695,646</u>	<u>\$ 4,619,090</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 448,269	\$ 1,148,412
Adjustments to reconcile operating income to cash flows from operating activities		
Changes in assets and liabilities		
Prepaid items	(34,096)	-
Claims payable	209,174	43,505
Unearned revenue	<u>(2,549,042)</u>	<u>85,035</u>
Net cash flows from operating activities	<u>\$ (1,925,695)</u>	<u>\$ 1,276,952</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Statement of Fiduciary Net Position
Fiduciary Fund
as of June 30, 2021

	<u>Employee Benefit Trust Fund</u>
Assets	
Investments	
Mutual funds	\$ 16,897,305
Liabilities	
Due to other funds	<u>488,138</u>
Net position	
Held in trust for employee benefits	<u><u>\$ 16,409,167</u></u>

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2021

	<u>Employee Benefit Trust Fund</u>
Additions	
Investment earnings	\$ 2,205,391
Less investment expense	<u>(38,258)</u>
Net investment earnings	<u>2,167,133</u>
Deductions	
Retirement benefits	488,138
Administrative and other expenses	<u>5,577</u>
Total deductions	<u>493,715</u>
Change in net position	1,673,418
Net position	
Beginning of year	<u>14,735,749</u>
End of year	<u><u>\$ 16,409,167</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Notes to Basic Financial Statements
June 30, 2021

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 is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fiduciary funds are presented in the fiduciary fund financial statements by type. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 OPEB bond issues. 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 Fund

Employee Benefit Trust Fund – This fund is used to administer assets held in an irrevocable trust to fund post-employment benefits for eligible employees.

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 \$157,820 in the Food Service Special Revenue Fund and \$1,119,383 in the Community Service Special Revenue Fund. Revenue in excess of budget financed these variances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The investment of debt proceeds in the Capital Projects – Building Construction Fund and fiduciary 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.

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	\$	10,533,405
Due from federal government agencies		7,021,889
Due from other Minnesota school districts		93,360
Due from Hennepin County and others		<u>168,745</u>
Total	\$	<u><u>17,817,399</u></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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

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

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the 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 \$3,914,364 of the property tax levy collectible in 2021 as revenue in fiscal 2020–2021. The remaining portion of the taxes collectible in 2021 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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.

S. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation. The District carries commercial insurance for these risks. 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 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The plans 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 can be reasonably estimated. Liabilities include an estimate 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 consider 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>
2020	\$ 23,896	\$ 1,161,937	\$ 1,149,465	\$ 36,368
2021	\$ 36,368	\$ 1,412,700	\$ 1,424,218	\$ 24,850

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>
2020	\$ 1,359,175	\$ 16,512,587	\$ 16,481,554	\$ 1,390,208
2021	\$ 1,390,208	\$ 18,496,858	\$ 18,276,166	\$ 1,610,900

T. Net Position

In the government-wide, proprietary fund, and fiduciary 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

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	\$ 7,258,151
Investments	<u>62,636,674</u>
Total	<u>\$ 69,894,825</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 52,995,721
Restricted assets – temporarily restricted – cash and investments for capital projects	1,799
Statement of Fiduciary Net Position	
Investments – Employee Benefit Trust Fund	<u>16,897,305</u>
Total	<u>\$ 69,894,825</u>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the District’s deposits was \$7,258,151, while the balance on the bank records was \$8,171,313. At June 30, 2021, 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Rate Risk – Maturity Duration in Years		Total
	Rating	Agency		No Maturity Date	Less Than 1	
Negotiable certificates of deposit	Not Rated		Level 2	\$ –	\$ 226,285	\$ 226,285
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	\$ 37,512,578	\$ –	37,512,578
MNTrust Term Series	Not Rated		N/A	\$ –	\$ 8,000,000	8,000,000
Mutual funds	AAA	S&P	Level 2	\$ 16,897,811	\$ –	16,897,811
Total investments						<u>\$ 62,636,674</u>

N/A – Not Applicable

The MNTrust Investment Shares Portfolio and MNTrust Term Series are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District’s investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio. MNTrust Term Series Portfolios are intended to be held until maturity; a participant’s withdrawal prior to maturity will require seven-days’ notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the MNTrust Term Series Portfolio to recoup any associated penalties, charges, losses or other costs associated with the early redemption of the investments therein.

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	10,924,239	10,828,015	–	(18,160,632)	3,591,622
Total capital assets not depreciated	12,143,169	10,828,015	–	(18,160,632)	4,810,552
Capital assets, depreciated					
Land improvements	8,954,700	257,509	–	–	9,212,209
Buildings	472,254,651	3,081,217	–	18,160,632	493,496,500
Furniture and equipment	31,574,472	3,782,108	–	–	35,356,580
Total capital assets, depreciated	512,783,823	7,120,834	–	18,160,632	538,065,289
Less accumulated depreciation for					
Land improvements	(5,557,839)	(269,558)	–	–	(5,827,397)
Buildings	(188,517,712)	(17,700,660)	–	–	(206,218,372)
Furniture and equipment	(24,419,488)	(1,263,936)	–	–	(25,683,424)
Total accumulated depreciation	(218,495,039)	(19,234,154)	–	–	(237,729,193)
Net capital assets, depreciated	294,288,784	(12,113,320)	–	18,160,632	300,336,096
Total capital assets, net	<u>\$ 306,431,953</u>	<u>\$ (1,285,305)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 305,146,648</u>

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

Administration	\$ 658
District support services	730,992
Elementary and secondary regular instruction	59,705
Vocational education instruction	425
Special education instruction	1,805
Instructional support services	1,058
Pupil support services	12,048
Sites and buildings	18,369,897
Food service	53,558
Community service	4,008
Total depreciation expense	<u>\$ 19,234,154</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Face/Par Value</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
2012 Refunding Bonds	11/06/2012	2.00%–5.00%	\$ 24,610,000	02/01/2022	\$ 3,200,000
2013 Capital Facilities Bond	07/18/2013	2.00%–3.00%	\$ 3,200,000	02/01/2023	665,000
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	3,680,000
2015 Alternative Facilities Bonds	08/25/2015	3.00%–4.00%	\$ 17,100,000	02/01/2028	17,100,000
2016 Capital Facilities Bonds	03/10/2016	2.00%–4.00%	\$ 9,235,000	02/01/2031	8,910,000
2016 Refunding Bonds	06/01/2016	2.00%–5.00%	\$ 7,080,000	02/01/2027	4,655,000
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	9,045,000
2018 Facilities Maintenance Bonds	05/30/2018	3.00%–5.00%	\$ 14,200,000	02/01/2031	13,295,000
2018 Taxable OPEB Refunding Bonds	11/06/2018	3.00%–3.30%	\$ 9,910,000	02/01/2025	8,835,000
2019 Refunding Bonds	11/21/2019	5.00%	\$ 10,330,000	02/01/2024	8,015,000
2019 Facilities Maintenance Bonds	12/19/2019	3.00%–5.00%	\$ 16,605,000	02/01/2040	16,225,000
2020 Facilities Maintenance Bonds	11/19/2020	2.00%–4.00%	\$ 16,760,000	02/01/2041	16,760,000
2020 Alternative Facilities Refunding Bonds	11/19/2020	2.00%–5.00%	\$ 13,270,000	02/01/2032	13,270,000
Total general obligation bonds payable					<u>\$ 177,780,000</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.

In November 2020, the District issued \$13,270,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2020B. The proceeds of this issue were used to refund, in advance of their stated maturities, the remaining maturities of the District's General Obligation Refunding Bonds, Series 2011A and 2012A. This refunding reduced the District's total future debt service payments by \$1,667,721 and resulted in a present value savings of \$1,606,301. The difference between the carrying amount of the refunded debt and its reacquisition price was not material and was included in current year expense on the government-wide financial statements.

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.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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. If the District fails to make the rental payments specified in this agreement or otherwise defaults on the lease, the lessor may 1) enter the leased property and take possession without terminating the lease, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 2) exclude the District from possession of the property and attempt to sell or again lease the property, holding the District responsible for the rent due under this agreement until the property is sold or leased again, or 3) take legal action to force performance under the terms of the lease. The value of capital assets and accumulated depreciation at year-end related to the capital lease was \$1,942,000 and \$233,040, respectively. Net book value of \$1,708,960 is recorded as part of buildings.

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. If the District fails to make rental payments specified in the agreement or otherwise defaults on the lease, the lessor may 1) enter the leased property and take possession without terminating the lease, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 2) exclude the District from possession of the property and attempt to sell or again lease the property, holding the District responsible for the rent due under this agreement until the property is sold or leased again, or 3) take legal action to force performance under the terms of the lease. The value of capital assets and accumulated depreciation at year-end related to the capital lease was \$1,701,000 and \$204,120, respectively. Net book value of \$1,496,880 is recorded as part of buildings.

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, 2021:

<u>Pension Plans</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
PERA	\$ 23,939,860	\$ 2,740,142	\$ 2,279,377	\$ 140,320
TRA	103,692,461	49,145,884	93,579,698	15,365,332
Total	<u>\$ 127,632,321</u>	<u>\$ 51,886,026</u>	<u>\$ 95,859,075</u>	<u>\$ 15,505,652</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds	\$ 176,235,000	\$ 30,030,000	\$ 28,485,000	\$ 177,780,000	\$ 13,845,000
Certificates of participation	7,235,000	–	585,000	6,650,000	600,000
Unamortized premiums/discount	8,531,310	2,568,540	2,016,594	9,083,256	–
Capital leases	3,043,677	–	235,048	2,808,629	221,973
Compensated absences payable	1,598,751	1,561,281	1,598,751	1,561,281	1,561,281
Severance benefits payable	3,275,778	311,700	389,165	3,198,313	390,000
Net pension liability	112,271,516	25,636,303	10,275,498	127,632,321	–
	<u>\$ 312,191,032</u>	<u>\$ 60,107,824</u>	<u>\$ 43,585,056</u>	<u>\$ 328,713,800</u>	<u>\$ 16,618,254</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
2022	\$ 13,845,000	\$ 6,314,866	\$ 600,000	\$ 155,256	\$ 221,973	\$ 75,610
2023	14,650,000	5,573,011	610,000	143,256	228,102	69,482
2024	15,055,000	5,032,811	620,000	131,056	234,401	63,182
2025	15,935,000	4,469,481	645,000	106,256	240,876	56,707
2026	16,535,000	3,850,269	660,000	93,356	247,532	50,051
2027–2031	76,645,000	11,546,194	3,515,000	252,762	1,344,188	143,728
2032–2036	14,915,000	1,943,775	–	–	291,557	6,026
2037–2041	10,200,000	487,350	–	–	–	–
	<u>\$ 177,780,000</u>	<u>\$ 39,217,757</u>	<u>\$ 6,650,000</u>	<u>\$ 881,943</u>	<u>\$ 2,808,629</u>	<u>\$ 464,786</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. When applicable, certain restrictions with an accumulated deficit balance at June 30 are included in unassigned fund balance in the District’s financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A 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
Nonspendable					
Inventory	\$ 319,309	\$ –	\$ –	\$ 88,801	\$ 408,110
Prepaid items	899,307	356	–	26,487	926,150
Total nonspendable	1,218,616	356	–	115,288	1,334,260
Restricted					
Student activities	90,959	–	–	–	90,959
Scholarships	454,650	–	–	–	454,650
Capital projects levy	1,480,663	–	–	–	1,480,663
Operating capital	3,935,052	–	–	–	3,935,052
Basic skills	1,978,869	–	–	–	1,978,869
Safe schools levy	336,224	–	–	–	336,224
Projects funded by COP	–	261,494	–	–	261,494
Long-term facilities maintenance	23,071	3,037,681	–	–	3,060,752
Medical Assistance	194,124	–	–	–	194,124
Food service	–	–	–	2,076,735	2,076,735
Community education programs	–	–	–	637,326	637,326
Early childhood family education programs	–	–	–	429,860	429,860
School readiness	–	–	–	152,795	152,795
Adult basic education	–	–	–	285,294	285,294
Community service	–	–	–	15,988	15,988
Debt service	–	–	2,954,298	–	2,954,298
Total restricted	8,493,612	3,299,175	2,954,298	3,597,998	18,345,083
Assigned					
Building carryover	622,420	–	–	–	622,420
LCTS program	589,825	–	–	–	589,825
Telecom	220,529	–	–	–	220,529
Q Comp	449,761	–	–	–	449,761
Total assigned	1,882,535	–	–	–	1,882,535
Unassigned					
	7,502,120	–	–	–	7,502,120
Total	\$ 19,096,883	\$ 3,299,531	\$ 2,954,298	\$ 3,713,286	\$ 29,063,998

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, 2021, the unassigned fund balance of the General Fund was 4.2 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 Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
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 per year for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2021, were \$2,082,018. 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,					
	2019		2020		2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.71 %	11.00 %	11.92 %	11.00 %	12.13 %
Coordinated Plan	7.50 %	7.71 %	7.50 %	7.92 %	7.50 %	8.13 %

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2021, were \$6,610,498. 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 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 Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$ 425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct the TRA’s contributions not included in allocation	<u>(508)</u>
Total employer contributions	424,659
Total nonemployer contributions	<u>35,587</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 460,246</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, 2021, the District reported a liability of \$23,939,860 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$738,197. The net pension liability was measured as of June 30, 2020, 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 proportionate share of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.3993 percent at the end of the measurement period and 0.3937 percent for the beginning of the period.

District’s proportionate share of the net pension liability	\$ 23,939,860
State’s proportionate share of the net pension liability associated with the District	\$ 738,197

For the year ended June 30, 2021, the District recognized pension expense of \$76,074 for its proportionate share of the GERF’s pension expense. In addition, the District recognized \$64,246 as grant revenue for its proportionate share of the state of Minnesota’s pension expense for the annual \$16 million contribution.

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

At June 30, 2021, 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	\$ 216,095	\$ 90,577
Changes in actuarial assumptions	–	906,992
Net collective difference between projected and actual investment earnings	209,820	–
Changes in proportion	232,209	1,281,808
District’s contributions to the GERF subsequent to the measurement date	<u>2,082,018</u>	<u>–</u>
Total	<u>\$ 2,740,142</u>	<u>\$ 2,279,377</u>

The \$2,082,018 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ (2,185,846)
2023	\$ (545,859)
2024	\$ 532,058
2025	\$ 578,394

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$103,692,461 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2020, 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 1.4035 percent at the end of the measurement period and 1.4199 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	\$ 103,692,461
State’s proportionate share of the net pension liability associated with the District	\$ 8,689,629

For the year ended June 30, 2021, the District recognized pension expense of \$14,569,304. It also recognized \$796,028 as an increase to pension expense for the support provided by direct aid.

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

At June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,079,454	\$ 1,603,941
Changes in actuarial assumptions	38,442,943	88,974,140
Net difference between projected and actual investment earnings on pension plan investments	1,435,630	–
Changes in proportion	577,359	3,001,617
District’s contributions to the TRA subsequent to the measurement date	<u>6,610,498</u>	<u>–</u>
Total	<u>\$ 49,145,884</u>	<u>\$ 93,579,698</u>

A total of \$6,610,498 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, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 2,102,483
2023	\$ (32,967,807)
2024	\$ (22,458,154)
2025	\$ 2,021,889
2026	\$ 257,277

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary growth	3.00%	
Active member payroll growth		2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality Table for the GERF Plan and the RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2020 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

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

Actuarial assumptions used in the June 30, 2020 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- Employer contribution rate increased from 7.92 percent to 8.13 percent in July 2020.

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

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

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

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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	\$ 38,367,292	\$ 23,939,860	\$ 12,038,388
TRA discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the TRA net pension liability	\$ 158,752,060	\$ 103,692,461	\$ 58,326,134

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org.

Detailed information about the plan’s fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; 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 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 Employee Benefit 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.

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

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. Other employee groups receive a maximum benefit contribution based on a number of days per year of service times their rate of pay at retirement. 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. The District did not make any pay-as-you-go contributions to the plan in the current fiscal year.

D. Membership

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

Retirees and beneficiaries receiving benefits	90
Active plan members	<u>1,847</u>
Total members	<u><u>1,937</u></u>

E. Net OPEB Liability (Asset) of the District

The District's net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2020 (census date). The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 7,876,276
Plan fiduciary net position	<u>(16,409,167)</u>
District's net OPEB liability (asset)	<u><u>\$ (8,532,891)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	<u><u>208.3%</u></u>

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

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation with a measurement date of June 30, 2021, 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	2.40%
Inflation rate	2.50%
Payroll growth rate	Service graded table
Medical trend rate	6.50%, grading to 5.00% over 6 years, then to 4.00% over the next 48 years
Post-age 65 medical trend rate	4.00%

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. Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables for teachers with MP-2019 Generational Improvement Scale.

Changes in assumptions since the previous actuarial valuation include:

- The 20-year municipal bond yield was changed from 2.45 percent to 2.40 percent.
- Medical trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables with MP-2015 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The payroll growth rate was changed from a flat 3.00 percent to rates that vary by service and contract group.

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 7 – 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 Rate of Return
Domestic equity	20.00 %	7.26 %
International equity	10.00	7.91 %
Fixed income	70.00	4.51 %
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 14.71 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 at the prior measurement date was also 5.50 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, 2020	\$ 7,923,155	\$ 14,735,749	\$ (6,812,594)
Changes for the year			
Service cost	206,124	–	206,124
Interest	433,866	–	433,866
Changes of assumptions	(197,299)	–	(197,299)
Net investment income	–	2,167,133	(2,167,133)
Difference between expected and actual experience	(1,432)	–	(1,432)
Benefit payments from trust	(488,138)	(488,138)	–
Administrative expense	–	(5,577)	5,577
Total net changes	(46,879)	1,673,418	(1,720,297)
Ending balance – June 30, 2021	\$ 7,876,276	\$ 16,409,167	\$ (8,532,891)

NOTE 7 – 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>
Discount rate	4.50%	5.50%	6.50%
Net OPEB liability (asset)	\$ (8,215,045)	\$ (8,532,891)	\$ (8,839,038)

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 medical trend rates that are 1 percentage point lower or 1 percentage point higher than the current medical trend rates:

	<u>1% Decrease in Medical Trend Rate</u>	<u>Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rate</u>
Medical trend rate	5.50% grading to 4.00% then 3.00%	6.50% grading to 5.00% then 4.00%	7.50% grading to 6.00% then 5.00%
Net OPEB liability (asset)	\$ (8,930,634)	\$ (8,532,891)	\$ (8,085,882)

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

For the current year, the District recognized negative OPEB expense of \$871,728. 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>
Differences between expected and actual economic experience	\$ –	\$ 1,306,607
Changes in actuarial assumptions	–	633,874
Differences between projected and actual investment earnings	–	1,327,869
Total	<u>\$ –</u>	<u>\$ 3,268,350</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>
2022	\$ (706,475)
2023	\$ (765,814)
2024	\$ (713,536)
2025	\$ (647,760)
2026	\$ (375,480)
Thereafter	\$ (59,285)

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a “cafeteria plan” (the Plan) under § 125 of the IRC. 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 into a separate district account on a monthly basis. Payments are made 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 medical reimbursement and dependent care activity of the Plan is included in the financial statements of the General Fund. The Plan is administered by a third party that handles all record keeping duties.

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 9 – INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables at June 30, 2021:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental funds		
General Fund	\$ 488,138	\$ –
Fiduciary fund		
Employee Benefit Trust Fund	<u>–</u>	<u>488,138</u>
Total all funds	<u>\$ 488,138</u>	<u>\$ 488,138</u>

The 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 10 – STEWARDSHIP AND ACCOUNTABILITY

As of June 30, 2021, the District’s Health Benefits Self-Insurance Internal Service Fund had a deficit net position of \$285,133. This deficit is expected to be eliminated through future premiums paid from the District’s governmental funds.

NOTE 11 – 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, 2021, the remaining commitment under these contracts is \$6,503,514.

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 12 – SUBSEQUENT EVENTS

A. Future Bond Issues

In September 2021, the District approved the sale of \$21,200,000 of General Obligation Facilities Maintenance Bonds, Series 2021A, to finance various capital improvements. The bonds will bear annual interest rates ranging from 2.00–5.00 percent, and have a final maturity date of February 1, 2042.

B. COVID-19

The COVID-19 pandemic has caused numerous financial and operational challenges for school districts in fiscal 2021, and is expected to have a significant impact on fiscal 2022 and possibly beyond. Any potential effects it may have on the District's future operations and financial condition cannot be determined at this time and have not been reflected in these financial statements.

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, 2021

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 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%
06/30/2019	06/30/2018	0.4341%	\$ 24,082,088	\$ 789,866	\$ 24,871,954	\$ 29,158,626	82.59%	79.50%
06/30/2020	06/30/2019	0.3937%	\$ 21,766,792	\$ 676,471	\$ 22,443,263	\$ 27,844,660	78.17%	80.20%
06/30/2021	06/30/2020	0.3993%	\$ 23,939,860	\$ 738,197	\$ 24,678,057	\$ 28,476,086	84.07%	79.10%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2021

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%
06/30/2019	\$ 2,088,247	\$ 2,088,247	\$ -	\$ 27,844,660	7.50%
06/30/2020	\$ 2,135,477	\$ 2,135,477	\$ -	\$ 28,476,086	7.50%
06/30/2021	\$ 2,082,018	\$ 2,082,018	\$ -	\$ 27,760,306	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, 2021

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%
06/30/2019	06/30/2018	1.4328%	\$ 89,993,251	\$ 8,455,056	\$ 98,448,307	\$ 79,157,830	113.69%	78.07%
06/30/2020	06/30/2019	1.4199%	\$ 90,504,724	\$ 8,009,618	\$ 98,514,342	\$ 80,619,743	112.26%	78.21%
06/30/2021	06/30/2020	1.4035%	\$103,692,461	\$ 8,689,629	\$112,382,090	\$ 81,580,317	127.10%	75.48%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2021

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%
06/30/2019	\$ 6,215,604	\$ 6,215,604	\$ -	\$ 80,619,743	7.71%
06/30/2020	\$ 6,459,413	\$ 6,459,413	\$ -	\$ 81,580,317	7.92%
06/30/2021	\$ 6,610,498	\$ 6,610,498	\$ -	\$ 81,311,353	8.13%

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, 2021

	Year Ended June 30,				
	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 374,192	\$ 395,745	\$ 429,786	\$ 247,748	\$ 206,124
Interest	551,130	559,636	554,056	428,049	433,866
Differences between expected and actual experience	-	-	(2,065,851)	-	(1,432)
Changes of assumptions	-	(15,942)	(650,979)	(65,819)	(197,299)
Changes of benefit terms	-	-	186,435	-	-
Benefit payments	(1,014,169)	(583,727)	(681,324)	(443,570)	(488,138)
Net change in total OPEB liability	(88,847)	355,712	(2,227,877)	166,408	(46,879)
Total OPEB liability – beginning of year	9,717,759	9,628,912	9,984,624	7,756,747	7,923,155
Total OPEB liability – end of year	9,628,912	9,984,624	7,756,747	7,923,155	7,876,276
Plan fiduciary net position					
Contributions – paid from governmental funds	28,001	-	-	-	-
Net investment income	1,039,704	823,399	1,265,190	1,103,217	2,167,133
Benefit payments – paid from governmental funds	(28,001)	-	-	-	-
Benefit payments – paid from trust	(986,168)	(583,727)	(681,324)	(443,570)	(488,138)
Administrative expense	(7,007)	(86,547)	(6,296)	(5,829)	(5,577)
Other deductions – special item (Note 2)	-	-	(4,749,736)	-	-
Net change in plan fiduciary net position	46,529	153,125	(4,172,166)	653,818	1,673,418
Plan fiduciary net position – beginning of year	18,054,443	18,100,972	18,254,097	14,081,931	14,735,749
Plan fiduciary net position – end of year	18,100,972	18,254,097	14,081,931	14,735,749	16,409,167
Net OPEB liability (asset)	<u>\$ (8,472,060)</u>	<u>\$ (8,269,473)</u>	<u>\$ (6,325,184)</u>	<u>\$ (6,812,594)</u>	<u>\$ (8,532,891)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>187.99%</u>	<u>182.82%</u>	<u>181.54%</u>	<u>185.98%</u>	<u>208.34%</u>
Covered-employee payroll	<u>\$ 115,661,449</u>	<u>\$ 115,803,161</u>	<u>\$ 92,975,942</u>	<u>\$ 116,588,812</u>	<u>\$ 104,349,456</u>
Net OPEB liability (asset) as a percentage of covered-employee payroll	<u>(7.32%)</u>	<u>(7.14%)</u>	<u>(6.80%)</u>	<u>(5.84%)</u>	<u>(8.18%)</u>

Note 1: 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.

Note 2: In fiscal 2019, the District made a draw from the trust to reimburse the District for OPEB costs incurred since the trust was established (fiscal years 2009 through 2018) that had not previously been reimbursed.

INDEPENDENT SCHOOL DISTRICT NO. 281

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2021

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	5.76%
2018	4.11%
2019	6.93%
2020	7.84%
2021	14.71%

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, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Notes to Required Supplementary Information (continued)
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Notes to Required Supplementary Information (continued)
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Notes to Required Supplementary Information (continued)
June 30, 2021

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 281

Notes to Required Supplementary Information (continued)
June 30, 2021

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The 20-year municipal bond yield was changed from 2.45 percent to 2.40 percent.
- Medical trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables with MP-2015 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The payroll growth rate was changed from a flat 3.00 percent to rates that vary by service and contract group.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The 20-year municipal bond yield was changed from 3.13 percent to 2.45 percent.
- The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plans, due to its repeal.

2019 CHANGES IN PLAN PROVISIONS

- OPEB benefits were added for the child nutrition, office employees, program directors, and program assistant contract groups.
- Retiree premiums and district-provided contribution amounts were updated to current levels.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2019 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.
- Mortality and salary increase rates were updated to those used in the current PERA and TRA valuations.
- Retiree coverage elections were updated to reflect recent plan experience.
- The inflation rate was changed from 2.75 percent to 2.50 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare 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.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 281

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2021

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 994,559	\$ 2,225,838	\$ 3,220,397
Receivables			
Current taxes	–	1,074,595	1,074,595
Delinquent taxes	–	23,276	23,276
Accounts and interest	246,893	5,989	252,882
Due from other governmental units	1,134,066	598,212	1,732,278
Inventory	88,801	–	88,801
Prepaid items	12,376	14,111	26,487
	<u>2,476,695</u>	<u>3,942,021</u>	<u>6,418,716</u>
Total assets	<u>\$ 2,476,695</u>	<u>\$ 3,942,021</u>	<u>\$ 6,418,716</u>
Liabilities			
Salaries payable	\$ 25,506	\$ 144,799	\$ 170,305
Accounts and contracts payable	114,596	41,260	155,856
Due to other governmental units	–	522	522
Unearned revenue	158,681	55,890	214,571
Total liabilities	<u>298,783</u>	<u>242,471</u>	<u>541,254</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	–	2,150,602	2,150,602
Unavailable revenue – delinquent taxes	–	13,574	13,574
Total deferred inflows of resources	<u>–</u>	<u>2,164,176</u>	<u>2,164,176</u>
Fund balances			
Nonspendable	101,177	14,111	115,288
Restricted	2,076,735	1,521,263	3,597,998
Total fund balances	<u>2,177,912</u>	<u>1,535,374</u>	<u>3,713,286</u>
	<u>\$ 2,476,695</u>	<u>\$ 3,942,021</u>	<u>\$ 6,418,716</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,476,695</u>	<u>\$ 3,942,021</u>	<u>\$ 6,418,716</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2021

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 2,561,170	\$ 2,561,170
Investment earnings	466	1,465	1,931
Other	384,656	2,740,800	3,125,456
State sources	-	3,052,037	3,052,037
Federal sources	6,954,581	1,746,336	8,700,917
Total revenue	<u>7,339,703</u>	<u>10,101,808</u>	<u>17,441,511</u>
Expenditures			
Current			
Food service	6,120,818	-	6,120,818
Community service	-	9,544,358	9,544,358
Capital outlay	143,247	28,624	171,871
Total expenditures	<u>6,264,065</u>	<u>9,572,982</u>	<u>15,837,047</u>
Net change in fund balances	1,075,638	528,826	1,604,464
Fund balances			
Beginning of year	<u>1,102,274</u>	<u>1,006,548</u>	<u>2,108,822</u>
End of year	<u>\$ 2,177,912</u>	<u>\$ 1,535,374</u>	<u>\$ 3,713,286</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 28,987,832	\$ 19,447,076
Receivables		
Current taxes	22,099,558	22,176,591
Delinquent taxes	412,102	346,237
Accounts and interest	132,280	512,662
Due from other governmental units	15,995,115	13,120,169
Due from other funds	488,138	443,570
Inventory	319,309	391,697
Prepaid items	<u>899,307</u>	<u>321,818</u>
Total assets	<u>\$ 69,333,641</u>	<u>\$ 56,759,820</u>
Liabilities		
Salaries payable	\$ 917,535	\$ 1,149,780
Accounts and contracts payable	7,994,920	6,285,965
Due to other governmental units	440,809	1,258,058
Unearned revenue	<u>326,480</u>	<u>1,078</u>
Total liabilities	9,679,744	8,694,881
Deferred inflows of resources		
Property taxes levied for subsequent year	40,313,773	39,532,005
Unavailable revenue – delinquent taxes	<u>243,241</u>	<u>292,006</u>
Total deferred inflows of resources	40,557,014	39,824,011
Fund balances		
Nonspendable for inventory	319,309	391,697
Nonspendable for prepaid items	899,307	321,818
Restricted for student activities	90,959	92,997
Restricted for scholarships	454,650	450,170
Restricted for capital projects levy	1,480,663	805,991
Restricted for operating capital	3,935,052	3,195,733
Restricted for basic skills	1,978,869	626,401
Restricted for safe schools levy	336,224	34,824
Restricted for long-term facilities maintenance	23,071	191,056
Restricted for Medical Assistance	194,124	–
Assigned for building carryover	622,420	584,228
Assigned for LCTS program	589,825	645,937
Assigned for telecom	220,529	–
Assigned for Q comp	449,761	277,664
Unassigned	<u>7,502,120</u>	<u>622,412</u>
Total fund balances	<u>19,096,883</u>	<u>8,240,928</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 69,333,641</u>	<u>\$ 56,759,820</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 43,317,980	\$ 43,600,567	\$ 282,587	\$ 44,343,444
Investment earnings	200,000	19,916	(180,084)	145,485
Other	1,468,000	3,820,565	2,352,565	3,788,625
State sources	124,321,619	126,479,516	2,157,897	127,595,185
Federal sources	12,414,149	11,131,266	(1,282,883)	5,842,149
Total revenue	<u>181,721,748</u>	<u>185,051,830</u>	<u>3,330,082</u>	<u>181,714,888</u>
Expenditures				
Current				
Administration				
Salaries	5,132,900	5,713,872	580,972	5,048,589
Employee benefits	1,509,249	1,695,049	185,800	1,605,416
Purchased services	35,550	84,122	48,572	65,465
Supplies and materials	21,667	119,664	97,997	86,767
Capital expenditures	7,750	13,253	5,503	-
Other expenditures	56,285	87,059	30,774	94,931
Total administration	<u>6,763,401</u>	<u>7,713,019</u>	<u>949,618</u>	<u>6,901,168</u>
District support services				
Salaries	3,085,327	3,174,800	89,473	3,029,563
Employee benefits	776,073	954,685	178,612	928,758
Purchased services	352,711	856,892	504,181	822,085
Supplies and materials	1,025,410	739,527	(285,883)	1,093,366
Capital expenditures	3,479,876	2,668,462	(811,414)	3,767,161
Other expenditures	6,397,603	1,453,123	(4,944,480)	(106,959)
Total district support services	<u>15,117,000</u>	<u>9,847,489</u>	<u>(5,269,511)</u>	<u>9,533,974</u>
Elementary and secondary regular instruction				
Salaries	59,157,628	54,443,373	(4,714,255)	56,753,011
Employee benefits	16,905,832	17,486,851	581,019	16,581,347
Purchased services	3,575,718	2,761,937	(813,781)	3,291,239
Supplies and materials	2,689,232	1,936,038	(753,194)	1,219,305
Capital expenditures	470,282	823,689	353,407	1,070,787
Other expenditures	420,953	577,709	156,756	809,002
Total elementary and secondary regular instruction	<u>83,219,645</u>	<u>78,029,597</u>	<u>(5,190,048)</u>	<u>79,724,691</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	796,602	1,002,203	205,601	1,035,432
Employee benefits	245,041	274,976	29,935	278,285
Purchased services	750	69,020	68,270	81,874
Supplies and materials	2,250	19,601	17,351	18,835
Capital expenditures	—	2,746	2,746	—
Other expenditures	29,945	6,845	(23,100)	4,846
Total vocational education instruction	1,074,588	1,375,391	300,803	1,419,272
Special education instruction				
Salaries	23,157,274	23,522,350	365,076	23,573,223
Employee benefits	7,388,940	7,659,181	270,241	7,859,021
Purchased services	238,382	1,203,051	964,669	1,451,562
Supplies and materials	4,205,882	550,433	(3,655,449)	194,390
Capital expenditures	107,500	41,648	(65,852)	126,236
Other expenditures	(11,514)	135,404	146,918	155,443
Total special education instruction	35,086,464	33,112,067	(1,974,397)	33,359,875
Instructional support services				
Salaries	7,990,444	7,826,141	(164,303)	8,005,107
Employee benefits	2,170,995	2,336,983	165,988	2,354,221
Purchased services	263,255	290,779	27,524	430,314
Supplies and materials	2,626,550	2,682,913	56,363	674,328
Capital expenditures	(3,300)	685,445	688,745	24,917
Other expenditures	18,407	72,073	53,666	75,683
Total instructional support services	13,066,351	13,894,334	827,983	11,564,570
Pupil support services				
Salaries	5,133,806	5,111,377	(22,429)	5,079,195
Employee benefits	1,493,573	1,604,164	110,591	1,600,043
Purchased services	3,253,151	5,579,790	2,326,639	10,769,945
Supplies and materials	60,906	221,118	160,212	219,772
Capital expenditures	—	193,022	193,022	57,113
Other expenditures	—	109,930	109,930	812,976
Total pupil support services	9,941,436	12,819,401	2,877,965	18,539,044

INDEPENDENT SCHOOL DISTRICT NO. 281

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	4,888,469	4,940,255	51,786	4,961,717
Employee benefits	1,610,435	1,764,769	154,334	1,753,826
Purchased services	7,386,133	7,642,187	256,054	7,869,497
Supplies and materials	700,500	1,418,128	717,628	889,733
Capital expenditures	1,448,617	901,242	(547,375)	3,354,669
Other expenditures	231,485	159,744	(71,741)	234,461
Total sites and buildings	16,265,639	16,826,325	560,686	19,063,903
Fiscal and other fixed cost programs				
Purchased services	—	435,657	435,657	432,254
Other expenditures	—	11,950	11,950	—
Total fiscal and other fixed cost programs	—	447,607	447,607	432,254
Debt service				
Principal	—	235,048	235,048	248,285
Interest and fiscal charges	—	81,572	81,572	87,373
Total debt service	—	316,620	316,620	335,658
Total expenditures	180,534,524	174,381,850	(6,152,674)	180,874,409
Excess of revenue over expenditures	1,187,224	10,669,980	9,482,756	840,479
Other financing sources				
Capital lease issued	—	—	—	57,113
Sale of assets	—	—	—	6,050
Insurance recovery	—	185,975	185,975	742,389
Total other financing sources	—	185,975	185,975	805,552
Net change in fund balances	\$ 1,187,224	10,855,955	\$ 9,668,731	1,646,031
Fund balances				
Beginning of year		8,240,928		6,594,897
End of year		\$ 19,096,883		\$ 8,240,928

INDEPENDENT SCHOOL DISTRICT NO. 281

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 994,559	\$ 5,021
Receivables		
Accounts and interest	246,893	232,403
Due from other governmental units	1,134,066	1,130,697
Inventory	88,801	86,354
Prepaid items	12,376	-
	<u>2,476,695</u>	<u>1,454,475</u>
Total assets	<u>\$ 2,476,695</u>	<u>\$ 1,454,475</u>
Liabilities		
Salaries payable	\$ 25,506	\$ 51,333
Accounts and contracts payable	114,596	100,397
Unearned revenue	158,681	200,471
Total liabilities	<u>298,783</u>	<u>352,201</u>
Fund balances		
Nonspendable for inventory	88,801	86,354
Nonspendable for prepaid items	12,376	-
Restricted for food service	2,076,735	1,015,920
Total fund balances	<u>2,177,912</u>	<u>1,102,274</u>
	<u>\$ 2,476,695</u>	<u>\$ 1,454,475</u>
Total liabilities and fund balances	<u>\$ 2,476,695</u>	<u>\$ 1,454,475</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings (charges)	\$ 1,023	\$ 466	\$ (557)	\$ (746)
Other – primarily meal sales	2,131,142	384,656	(1,746,486)	1,477,502
State sources	426,257	–	(426,257)	320,188
Federal sources	3,547,823	6,954,581	3,406,758	5,446,447
Total revenue	<u>6,106,245</u>	<u>7,339,703</u>	<u>1,233,458</u>	<u>7,243,391</u>
Expenditures				
Current				
Salaries	1,745,278	2,228,317	483,039	2,503,270
Employee benefits	1,032,292	924,095	(108,197)	983,486
Purchased services	291,000	108,984	(182,016)	169,747
Supplies and materials	2,957,675	2,832,486	(125,189)	3,410,437
Other expenditures	30,000	26,936	(3,064)	31,919
Capital outlay	50,000	143,247	93,247	56,659
Total expenditures	<u>6,106,245</u>	<u>6,264,065</u>	<u>157,820</u>	<u>7,155,518</u>
Net change in fund balances	<u>\$ –</u>	1,075,638	<u>\$ 1,075,638</u>	87,873
Fund balances				
Beginning of year		<u>1,102,274</u>		<u>1,014,401</u>
End of year		<u>\$ 2,177,912</u>		<u>\$ 1,102,274</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 2,225,838	\$ 2,249,344
Receivables		
Current taxes	1,074,595	1,312,010
Delinquent taxes	23,276	18,383
Accounts and interest	5,989	39,941
Due from other governmental units	598,212	431,039
Prepaid items	<u>14,111</u>	<u>—</u>
Total assets	<u>\$ 3,942,021</u>	<u>\$ 4,050,717</u>
Liabilities		
Salaries payable	\$ 144,799	\$ 224,840
Accounts and contracts payable	41,260	137,192
Due to other governmental units	522	44,461
Unearned revenue	<u>55,890</u>	<u>59,063</u>
Total liabilities	242,471	465,556
Deferred inflows of resources		
Property taxes levied for subsequent year	2,150,602	2,563,052
Unavailable revenue – delinquent taxes	<u>13,574</u>	<u>15,561</u>
Total deferred inflows of resources	2,164,176	2,578,613
Fund balances		
Nonspendable for prepaid items	14,111	—
Restricted for community education programs	637,326	125,667
Restricted for early childhood family education programs	429,860	375,011
Restricted for school readiness	152,795	279,577
Restricted for adult basic education	285,294	173,317
Restricted for community service	<u>15,988</u>	<u>52,976</u>
Total fund balances	<u>1,535,374</u>	<u>1,006,548</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,942,021</u>	<u>\$ 4,050,717</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 2,589,311	\$ 2,561,170	\$ (28,141)	\$ 2,388,215
Investment earnings	–	1,465	1,465	23,667
Other – primarily tuition and fees	2,032,183	2,740,800	708,617	4,468,094
State sources	2,859,119	3,052,037	192,918	2,956,824
Federal sources	200,709	1,746,336	1,545,627	197,127
Total revenue	<u>7,681,322</u>	<u>10,101,808</u>	<u>2,420,486</u>	<u>10,033,927</u>
Expenditures				
Current				
Salaries	5,559,275	6,878,468	1,319,193	7,089,478
Employee benefits	1,967,494	2,271,227	303,733	2,223,432
Purchased services	601,143	271,553	(329,590)	863,494
Supplies and materials	244,444	110,983	(133,461)	243,441
Other expenditures	26,117	12,127	(13,990)	17,939
Capital outlay	55,126	28,624	(26,502)	22,444
Total expenditures	<u>8,453,599</u>	<u>9,572,982</u>	<u>1,119,383</u>	<u>10,460,228</u>
Net change in fund balances	<u>\$ (772,277)</u>	528,826	<u>\$ 1,301,103</u>	(426,301)
Fund balances				
Beginning of year		<u>1,006,548</u>		<u>1,432,849</u>
End of year		<u>\$ 1,535,374</u>		<u>\$ 1,006,548</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 5,709,963	\$ 6,443,809
Cash and investments held by trustee	1,799	1,799
Receivables		
Accounts and interest	–	1,009
Prepaid items	<u>356</u>	<u>–</u>
Total assets	<u>\$ 5,712,118</u>	<u>\$ 6,446,617</u>
Liabilities		
Salaries payable	\$ –	\$ 779
Accounts and contracts payable	2,412,587	5,244,208
Due to other governmental units	–	<u>34,833</u>
Total liabilities	<u>2,412,587</u>	<u>5,279,820</u>
Fund balances		
Nonspendable for prepaid items	356	–
Restricted for projects funded by certificates of participation	261,494	261,494
Restricted for long-term facilities maintenance	<u>3,037,681</u>	<u>905,303</u>
Total fund balances	<u>3,299,531</u>	<u>1,166,797</u>
Total liabilities and fund balances	<u>\$ 5,712,118</u>	<u>\$ 6,446,617</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ –	\$ 32,758	\$ 32,758	\$ 142,894
Other (refunds)	–	(1,009)	(1,009)	–
Total revenue	–	31,749	31,749	142,894
Expenditures				
Capital outlay				
Salaries	–	82,936	82,936	113,180
Employee benefits	–	18,054	18,054	20,534
Purchased services	1,751,710	72,011	(1,679,699)	58,026
Supplies and materials	–	19,770	19,770	–
Capital expenditures	16,248,290	14,540,079	(1,708,211)	19,804,996
Other expenditures	–	1,806	1,806	–
Debt service				
Fiscal charges and other	–	502,153	502,153	145,724
Total expenditures	18,000,000	15,236,809	(2,763,191)	20,142,460
Excess (deficiency) of revenue over expenditures	(18,000,000)	(15,205,060)	2,794,940	(19,999,566)
Other financing sources				
Bonds issued	17,422,206	16,760,000	(662,206)	16,605,000
Premiums on bonds issued	577,794	577,794	–	1,536,211
Total other financing sources	18,000,000	17,337,794	(662,206)	18,141,211
Net change in fund balances	\$ –	2,132,734	\$ 2,132,734	(1,858,355)
Fund balances				
Beginning of year		1,166,797		3,025,152
End of year		\$ 3,299,531		\$ 1,166,797

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INDEPENDENT SCHOOL DISTRICT NO. 281

Debt Service Fund
 Balance Sheet by Account
 as of June 30, 2021
 (With Comparative Totals as of June 30, 2020)

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2021	2020
Assets				
Cash and temporary investments	\$ 10,740,662	\$ 1,641,221	\$ 12,381,883	\$ 12,355,887
Receivables				
Current taxes	8,285,614	1,297,215	9,582,829	10,070,870
Delinquent taxes	177,464	12,974	190,438	162,373
Due from other governmental units	90,006	–	90,006	90,007
Total assets	<u>\$ 19,293,746</u>	<u>\$ 2,951,410</u>	<u>\$ 22,245,156</u>	<u>\$ 22,679,137</u>
Liabilities				
Accounts payable	\$ 1,188	\$ –	\$ 1,188	\$ –
Deferred inflows of resources				
Property taxes levied for subsequent year	16,582,110	2,596,133	19,178,243	19,673,759
Unavailable revenue – delinquent taxes	104,519	6,908	111,427	139,124
Total deferred inflows of resources	<u>16,686,629</u>	<u>2,603,041</u>	<u>19,289,670</u>	<u>19,812,883</u>
Fund balances				
Restricted for debt service	<u>2,605,929</u>	<u>348,369</u>	<u>2,954,298</u>	<u>2,866,254</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,293,746</u>	<u>\$ 2,951,410</u>	<u>\$ 22,245,156</u>	<u>\$ 22,679,137</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			Total
	Budget	Regular Debt Service Account	Actual OPEB Debt Service Account	
Revenue				
Local sources				
Property taxes	\$ 21,470,922	\$ 18,208,880	\$ 1,416,653	\$ 19,625,533
Investment earnings	-	8,208	1,030	9,238
State sources	-	900,063	3	900,066
Total revenue	<u>21,470,922</u>	<u>19,117,151</u>	<u>1,417,686</u>	<u>20,534,837</u>
Expenditures				
Debt service				
Principal	14,575,941	12,870,000	1,075,000	13,945,000
Interest	6,819,981	6,165,630	316,193	6,481,823
Fiscal charges and other	75,000	155,316	400	155,716
Total expenditures	<u>21,470,922</u>	<u>19,190,946</u>	<u>1,391,593</u>	<u>20,582,539</u>
Excess (deficiency) of revenue over expenditures	-	(73,795)	26,093	(47,702)
Other financing sources (uses)				
Refunding bonds issued	-	13,270,000	-	13,270,000
Premiums on debt issued	-	1,990,746	-	1,990,746
Payment to refunded bond escrow agent	-	(15,125,000)	-	(15,125,000)
Total other financing sources (uses)	<u>-</u>	<u>135,746</u>	<u>-</u>	<u>135,746</u>
Net change in fund balances	<u>\$ -</u>	61,951	26,093	88,044
Fund balances				
Beginning of year		<u>2,543,978</u>	<u>322,276</u>	<u>2,866,254</u>
End of year		<u>\$ 2,605,929</u>	<u>\$ 348,369</u>	<u>\$ 2,954,298</u>

	2020
Over (Under) Budget	Actual
\$ (1,845,389)	\$ 18,332,369
9,238	126,645
900,066	908,339
<u>(936,085)</u>	<u>19,367,353</u>
(630,941)	13,290,000
(338,158)	6,238,462
80,716	97,855
<u>(888,383)</u>	<u>19,626,317</u>
(47,702)	(258,964)
13,270,000	10,330,000
1,990,746	1,043,963
<u>(15,125,000)</u>	<u>(11,295,000)</u>
<u>135,746</u>	<u>78,963</u>
<u>\$ 88,044</u>	(180,001)
	<u>3,046,255</u>
	<u>\$ 2,866,254</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2021
 (With Comparative Totals as of June 30, 2020)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2021	2020
Assets				
Cash and temporary investments	\$ 1,403,975	\$ 1,291,671	\$ 2,695,646	\$ 4,619,090
Prepaid items	–	34,096	34,096	–
Total current assets	<u>1,403,975</u>	<u>1,325,767</u>	<u>2,729,742</u>	<u>4,619,090</u>
Liabilities				
Current liabilities				
Claims payable	24,850	1,610,900	1,635,750	1,426,576
Unearned revenue	–	–	–	2,549,042
Total current liabilities	<u>24,850</u>	<u>1,610,900</u>	<u>1,635,750</u>	<u>3,975,618</u>
Net position				
Unrestricted	<u>\$ 1,379,125</u>	<u>\$ (285,133)</u>	<u>\$ 1,093,992</u>	<u>\$ 643,472</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2021
 (With Comparative Totals for the Year Ended June 30, 2020)

	Dental Self-Insurance	Health Benefits Self-Insurance	Totals	
			2021	2020
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 1,456,080	\$ 18,901,747	\$ 20,357,827	\$ 18,822,936
Operating expenses				
Dental benefit claims	1,412,700	-	1,412,700	1,161,937
Health benefit claims	-	18,496,858	18,496,858	16,512,587
Total operating expenses	<u>1,412,700</u>	<u>18,496,858</u>	<u>19,909,558</u>	<u>17,674,524</u>
Operating income	43,380	404,889	448,269	1,148,412
Nonoperating revenue				
Investment earnings	<u>849</u>	<u>1,402</u>	<u>2,251</u>	<u>24,193</u>
Change in net position	44,229	406,291	450,520	1,172,605
Net position				
Beginning of year	<u>1,334,896</u>	<u>(691,424)</u>	<u>643,472</u>	<u>(529,133)</u>
End of year	<u>\$ 1,379,125</u>	<u>\$ (285,133)</u>	<u>\$ 1,093,992</u>	<u>\$ 643,472</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2021
 (With Comparative Totals for the Year Ended June 30, 2020)

	Dental	Health Benefits	Totals	
	Self-Insurance	Self-Insurance	2021	2020
Cash flows from operating activities				
Contributions from governmental funds	\$ 1,314,562	\$ 16,460,127	\$ 17,774,689	\$ 18,907,971
Payments for dental claims	(1,424,218)	–	(1,424,218)	(1,149,465)
Payments for health claims	–	(18,276,166)	(18,276,166)	(16,481,554)
Net cash flows from operating activities	(109,656)	(1,816,039)	(1,925,695)	1,276,952
Cash flows from investing activities				
Investment income received	849	1,402	2,251	24,193
Net change in cash and cash equivalents	(108,807)	(1,814,637)	(1,923,444)	1,301,145
Cash and cash equivalents				
Beginning of year	1,512,782	3,106,308	4,619,090	3,317,945
End of year	\$ 1,403,975	\$ 1,291,671	\$ 2,695,646	\$ 4,619,090
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 43,380	\$ 404,889	\$ 448,269	\$ 1,148,412
Adjustments to reconcile operating income to cash flows from operating activities				
Changes in assets and liabilities				
Prepaid items	–	(34,096)	(34,096)	–
Claims payable	(11,518)	220,692	209,174	43,505
Unearned revenue	(141,518)	(2,407,524)	(2,549,042)	85,035
Net cash flows from operating activities	\$ (109,656)	\$ (1,816,039)	\$ (1,925,695)	\$ 1,276,952

**STATISTICAL SECTION
(UNAUDITED)**

**STATISTICAL SECTION
(UNAUDITED)**

This section of Independent School District No. 281, Robbinsdale Area Schools' (the District) Annual Comprehensive Financial Report (ACFR) 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 ACFR 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 ACFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	2012	2013	2014	Fiscal Year 2015
Governmental activities				
Net investment in capital assets	\$ 93,870,910	\$ 95,833,155	\$ 106,560,557	\$ 107,207,460
Restricted	18,157,806	14,265,052	4,501,991	5,848,970
Unrestricted	19,053,209	16,714,922	14,680,171	(83,516,985)
Total governmental activities	<u>\$ 131,081,925</u>	<u>\$ 126,813,129</u>	<u>\$ 125,742,719</u>	<u>\$ 29,539,445</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.

Note 3: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$0.5 million. Prior year amounts have not been restated.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 122,266,332	\$ 115,303,157	\$ 117,654,573	\$ 116,151,974	\$ 121,514,170	\$ 119,977,952
8,691,982	9,768,518	11,038,463	11,057,047	8,831,552	13,711,368
<u>(86,000,673)</u>	<u>(142,988,687)</u>	<u>(199,663,718)</u>	<u>(164,847,615)</u>	<u>(172,365,636)</u>	<u>(168,240,437)</u>
<u>\$ 44,957,641</u>	<u>\$ (17,917,012)</u>	<u>\$ (70,970,682)</u>	<u>\$ (37,638,594)</u>	<u>\$ (42,019,914)</u>	<u>\$ (34,551,117)</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities				
Expenses				
Administration	\$ 5,254,684	\$ 4,939,023	\$ 5,323,237	\$ 5,390,640
District support services	4,007,776	3,296,804	4,655,575	5,367,003
Elementary and secondary regular instruction	67,086,723	71,691,366	74,585,367	75,849,372
Vocational education instruction	3,257,103	2,454,349	1,891,133	1,928,738
Special education instruction	22,327,429	23,808,735	24,965,365	25,746,822
Instructional support services	7,210,665	8,280,859	8,669,006	11,497,919
Pupil support services	13,986,891	13,881,436	13,749,311	13,480,522
Sites and buildings	26,014,078	29,182,133	28,589,660	27,603,972
Fiscal and other fixed cost programs	467,751	501,766	396,227	533,245
Food service	6,441,276	6,615,100	6,482,286	7,054,514
Community service	8,081,600	8,167,201	8,449,009	8,295,446
Interest and fiscal charges on debt	7,174,191	8,588,804	5,792,505	5,644,096
Total expenses	<u>171,310,167</u>	<u>181,407,576</u>	<u>183,548,681</u>	<u>188,392,289</u>
Program revenues				
Charges for services				
Administration	-	-	800	165
District support services	250	-	14,161	162,582
Elementary and secondary regular instruction	2,012,918	1,151,548	1,410,509	1,101,536
Vocational education instruction	1,415	-	2,415	2,326
Special education instruction	11,222	9,568	147,548	208,893
Instructional support services	45,705	14,343	15,070	8,675
Pupil support services	63,398	56,462	22,363	47,177
Sites and buildings	1,512,452	287,425	2,037,673	282,482
Food service	2,541,098	2,304,145	2,226,066	2,217,047
Community service	3,396,561	3,596,651	4,199,608	3,894,381
Total charges for services	<u>9,585,019</u>	<u>7,420,142</u>	<u>10,076,213</u>	<u>7,925,264</u>
Operating grants and contributions	25,617,442	25,623,668	26,227,085	27,540,323
Capital grants and contributions	973,129	-	-	-
Total program revenues	<u>36,175,590</u>	<u>33,043,810</u>	<u>36,303,298</u>	<u>35,465,587</u>
Net (expense) revenue	(135,134,577)	(148,363,766)	(147,245,383)	(152,926,702)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	27,699,645	30,424,159	18,184,240	31,895,867
Property taxes, levied for community service	1,721,469	1,844,255	972,623	1,784,695
Property taxes, levied for building construction	6,084,113	3,252,849	2,320,542	2,540,747
Property taxes, levied for debt service	17,427,622	17,775,903	17,988,593	18,626,998
General grants and aids	86,221,137	88,456,839	104,689,723	99,826,289
Other general revenues	3,431,905	2,290,343	1,146,041	3,130,188
Gain on disposal of capital assets	-	-	859,894	-
Investment earnings	110,936	50,622	13,317	12,767
Special item – conveyance of FAIR School	-	-	-	-
Special item – OPEB trust draw	-	-	-	-
Total general revenues and other changes in net position	<u>142,696,827</u>	<u>144,094,970</u>	<u>146,174,973</u>	<u>157,817,551</u>
Change in net position	<u>\$ 7,562,250</u>	<u>\$ (4,268,796)</u>	<u>\$ (1,070,410)</u>	<u>\$ 4,890,849</u>

	2016	2017	2018	2019	2020	2021
\$	6,098,358	\$ 7,886,010	\$ 7,721,781	\$ 5,515,211	\$ 7,322,496	\$ 7,849,512
	7,218,076	8,291,512	7,836,267	9,766,522	5,842,366	7,689,450
	84,552,454	115,652,948	106,754,453	53,979,385	84,979,649	82,065,296
	1,794,043	2,284,209	1,986,611	773,463	1,503,372	1,446,111
	28,164,535	36,782,980	39,746,365	25,976,927	35,301,076	34,249,305
	10,769,418	17,235,990	19,570,243	9,105,680	12,334,356	13,863,745
	15,015,158	17,528,400	19,034,575	17,315,538	18,825,428	12,908,795
	25,787,522	34,887,431	30,324,113	33,669,988	34,675,198	34,801,921
	454,428	557,141	521,264	452,980	432,254	447,607
	7,822,574	8,429,759	8,020,908	7,706,006	7,276,407	5,960,895
	8,840,567	11,033,134	11,745,783	10,154,134	10,714,698	9,445,606
	6,107,024	6,758,127	5,864,901	5,636,378	5,092,272	5,225,791
	<u>202,624,157</u>	<u>267,327,641</u>	<u>259,127,264</u>	<u>180,052,212</u>	<u>224,299,572</u>	<u>215,954,034</u>
	652	625	330	330	—	—
	247,734	145,124	134,508	225,115	120,685	117,984
	1,119,601	1,264,788	1,182,309	940,917	485,766	345,605
	18	14	—	—	—	—
	195,777	267,964	483,254	400,456	709,428	380,362
	903	222	1,503	1,871	3,255	3,722
	38,486	—	2,768	166,538	—	—
	93,200	113,621	15,008	20,618	754,317	193,066
	2,172,672	2,052,382	2,101,585	2,104,594	1,477,502	384,656
	4,368,503	4,939,077	5,291,223	5,642,264	4,468,094	2,740,800
	<u>8,237,546</u>	<u>8,783,817</u>	<u>9,212,488</u>	<u>9,502,703</u>	<u>8,019,047</u>	<u>4,166,195</u>
	28,424,275	29,846,808	29,103,055	34,578,208	33,198,955	38,111,519
	—	—	—	—	—	—
	<u>36,661,821</u>	<u>38,630,625</u>	<u>38,315,543</u>	<u>44,080,911</u>	<u>41,218,002</u>	<u>42,277,714</u>
	(165,962,336)	(228,697,016)	(220,811,721)	(135,971,301)	(183,081,570)	(173,676,320)
	35,886,676	37,576,196	35,777,957	37,273,204	44,393,003	43,551,802
	1,690,354	1,729,633	1,841,325	2,044,276	2,390,902	2,559,183
	1,440,091	—	—	—	—	—
	18,175,924	18,800,718	19,973,568	20,827,352	18,338,319	19,597,836
	107,504,169	109,188,461	107,954,995	101,589,910	110,111,808	112,405,410
	1,914,060	1,512,981	1,701,133	1,960,668	2,463,613	2,964,792
	—	—	—	—	—	—
	106,758	377,622	509,073	858,243	462,138	66,094
	14,662,500	—	—	—	—	—
	—	—	—	4,749,736	—	—
	<u>181,380,532</u>	<u>169,185,611</u>	<u>167,758,051</u>	<u>169,303,389</u>	<u>178,159,783</u>	<u>181,145,117</u>
\$	<u>15,418,196</u>	<u>\$(59,511,405)</u>	<u>\$(53,053,670)</u>	<u>\$ 33,332,088</u>	<u>\$(4,921,787)</u>	<u>\$ 7,468,797</u>

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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	
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
2019	37,273,204	2,044,276	–	20,827,352	60,144,832
2020	44,393,003	2,390,902	–	18,338,319	65,122,224
2021	43,551,802	2,559,183	–	19,597,836	65,708,821

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal year 2014. This change was 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)

	2012	2013	2014	Fiscal Year 2015
General Fund				
Nonspendable	\$ 1,005,846	\$ 914,253	\$ 890,495	\$ 800,112
Restricted	3,486,453	1,158,322	1,560,153	1,506,725
Assigned	-	1,835,483	1,231,939	930,246
Unassigned	17,383,851	13,409,077	14,953,578	15,855,654
Total General Fund	<u>\$ 21,876,150</u>	<u>\$ 17,317,135</u>	<u>\$ 18,636,165</u>	<u>\$ 19,092,737</u>
All other governmental funds				
Nonspendable, reported in				
Special revenue funds	\$ 87,550	\$ 79,068	\$ 123,085	\$ 92,131
Capital Projects – Building				
Construction Fund	-	-	496	769
Debt Service Fund	-	-	-	-
Restricted, reported in				
Special revenue funds	2,916,759	2,995,585	3,245,474	3,198,194
Capital Projects – Building				
Construction Fund	16,886,988	11,072,844	8,274,406	-
Debt Service Fund	10,685,888	3,013,158	2,617,489	2,679,063
Unassigned, reported in				
Capital Projects – Building				
Construction Fund	-	-	-	(276,195)
Total all other governmental funds	<u>\$ 30,577,185</u>	<u>\$ 17,160,655</u>	<u>\$ 14,260,950</u>	<u>\$ 5,693,962</u>

2016	2017	2018	2019	2020	2021
\$ 552,260	\$ 375,117	\$ 486,096	\$ 264,546	\$ 713,515	\$ 1,218,616
2,265,076	4,348,161	5,813,165	4,994,822	5,397,172	8,493,612
1,839,081	873,292	–	1,210,419	1,507,829	1,882,535
13,580,091	7,963,180	(1,319,348)	(415,357)	622,412	7,502,120
<u>\$ 18,236,508</u>	<u>\$ 13,559,750</u>	<u>\$ 4,979,913</u>	<u>\$ 6,054,430</u>	<u>\$ 8,240,928</u>	<u>\$ 19,096,883</u>
\$ 71,158	\$ 102,859	\$ 81,060	\$ 66,365	\$ 86,354	\$ 115,288
–	–	–	–	–	356
900	1,350	1,500	–	–	–
3,325,652	2,883,772	2,336,296	2,380,885	2,022,468	3,597,998
47,102,855	12,695,833	12,386,151	3,025,152	1,166,797	3,299,175
11,408,622	2,303,961	2,426,303	3,046,255	2,866,254	2,954,298
–	–	–	–	–	–
<u>\$ 61,909,187</u>	<u>\$ 17,987,775</u>	<u>\$ 17,231,310</u>	<u>\$ 8,518,657</u>	<u>\$ 6,141,873</u>	<u>\$ 9,967,115</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

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

	Fiscal Year			
	2012	2013	2014	2015
Revenues				
Local sources				
Taxes	\$ 52,832,586	\$ 53,406,864	\$ 39,592,903	\$ 54,844,379
Investment earnings	106,565	48,062	13,317	12,767
Other	13,622,717	10,319,044	11,222,254	11,055,452
State sources	99,893,311	103,111,825	120,362,250	116,764,176
Federal sources	12,312,604	10,360,123	10,554,558	10,398,015
Total revenues	<u>178,767,783</u>	<u>177,245,918</u>	<u>181,745,282</u>	<u>193,074,789</u>
Expenditures				
Current				
Administration	4,948,012	4,928,293	5,352,963	5,457,327
District support services	3,247,017	3,073,635	3,955,195	3,996,042
Elementary and secondary regular instruction	63,837,775	68,702,102	71,812,151	75,446,692
Vocational education instruction	3,201,878	2,393,168	1,851,632	1,950,594
Special education instruction	21,918,570	23,296,305	24,373,242	25,753,766
Instructional support services	6,981,737	7,900,411	8,265,307	11,484,753
Pupil support services	13,263,280	13,284,375	13,181,909	13,018,795
Sites and buildings	12,026,127	13,296,728	13,546,358	13,427,858
Fiscal and other fixed cost programs	467,751	501,766	396,227	533,245
Food service	6,298,281	6,102,084	6,322,283	6,956,562
Community service	7,845,731	7,950,731	8,175,526	8,167,323
Capital outlay	18,049,095	27,099,007	25,252,839	16,241,393
Debt service				
Principal	11,038,778	11,545,312	12,465,481	12,492,199
Interest and fiscal charges	9,245,568	7,592,003	6,816,235	6,378,142
Total expenditures	<u>182,369,600</u>	<u>197,665,920</u>	<u>201,767,348</u>	<u>201,304,691</u>
Excess of revenues over (under) expenditures	(3,601,817)	(20,420,002)	(20,022,066)	(8,229,902)
Other financing sources (uses)				
Refunding debt issued	20,630,000	24,610,000	-	9,640,000
Debt issued	-	8,535,000	16,625,000	-
Premiums on debt issued	2,525,262	3,182,260	161,221	1,603,918
Payment to refunded bond escrow agent	(57,990,000)	(34,765,000)	-	(11,125,000)
Sale of capital assets and insurance recoveries	2,723	882,197	1,655,170	568
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Capital leases	783,216	-	-	-
Total other financing sources (uses)	<u>(34,048,799)</u>	<u>2,444,457</u>	<u>18,441,391</u>	<u>119,486</u>
Special item – OPEB trust draw	-	-	-	-
Net change in fund balances	<u>\$ (37,650,616)</u>	<u>\$ (17,975,545)</u>	<u>\$ (1,580,675)</u>	<u>\$ (8,110,416)</u>
Debt service as a percentage of noncapital expenditures	<u>12.0%</u>	<u>10.8%</u>	<u>10.6%</u>	<u>9.4%</u>

2016	2017	2018	2019	2020	2021
\$ 57,309,754	\$ 58,167,629	\$ 57,519,158	\$ 60,250,102	\$ 65,064,028	\$ 65,787,270
106,758	349,903	462,688	812,707	437,945	63,843
10,151,606	10,296,798	10,913,571	11,463,371	9,734,221	6,945,012
124,317,336	123,539,976	125,976,478	129,898,661	131,780,536	130,431,619
11,611,108	11,099,637	11,127,379	12,615,853	11,485,723	19,832,183
<u>203,496,562</u>	<u>203,453,943</u>	<u>205,999,274</u>	<u>215,040,694</u>	<u>218,502,453</u>	<u>223,059,927</u>
5,876,647	6,057,838	6,211,188	6,668,226	6,901,168	7,699,766
4,460,021	7,539,458	5,654,002	7,116,200	5,766,813	7,179,027
82,611,441	80,495,431	76,052,466	77,514,144	78,653,904	77,205,908
1,799,623	1,505,730	1,386,757	1,229,923	1,419,272	1,372,645
27,740,788	27,998,488	31,490,066	32,635,544	33,233,639	33,070,419
10,468,901	13,890,413	15,458,739	13,123,834	11,539,653	13,208,889
14,674,569	15,417,357	17,171,870	18,357,090	18,481,931	12,626,379
13,598,259	14,352,208	15,743,020	15,460,915	15,709,234	15,925,083
454,428	557,141	521,264	452,980	432,254	447,607
7,499,503	7,434,021	7,461,961	7,461,022	7,098,859	6,120,818
8,779,365	9,529,583	10,366,492	10,854,534	10,437,784	9,544,358
29,095,514	51,330,006	21,610,466	14,118,571	28,476,722	20,236,034
12,375,776	13,312,096	14,113,584	15,499,567	13,538,285	14,180,048
6,640,092	8,148,233	7,218,300	7,031,016	6,569,414	7,221,264
<u>226,074,927</u>	<u>257,568,003</u>	<u>230,460,175</u>	<u>227,523,566</u>	<u>238,258,932</u>	<u>226,038,245</u>
(22,578,365)	(54,114,060)	(24,460,901)	(12,482,872)	(19,756,479)	(2,978,318)
9,380,000	12,170,000	–	9,910,000	10,330,000	13,270,000
67,135,000	9,535,000	14,200,000	–	16,605,000	16,760,000
3,932,191	1,476,967	924,549	–	2,580,174	2,568,540
(2,515,000)	(21,309,077)	–	(9,815,000)	(11,295,000)	(15,125,000)
5,170	–	50	–	748,439	185,975
9,238	–	–	–	–	–
(9,238)	–	–	–	–	–
–	3,643,000	–	–	57,113	–
<u>77,937,361</u>	<u>5,515,890</u>	<u>15,124,599</u>	<u>95,000</u>	<u>19,025,726</u>	<u>17,659,515</u>
–	–	–	4,749,736	–	–
<u>\$ 55,358,996</u>	<u>\$ (48,598,170)</u>	<u>\$ (9,336,302)</u>	<u>\$ (7,638,136)</u>	<u>\$ (730,753)</u>	<u>\$ 14,681,197</u>
<u>9.5%</u>	<u>10.0%</u>	<u>10.1%</u>	<u>10.4%</u>	<u>9.5%</u>	<u>10.3%</u>

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		
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	
2019	37,343,094	2,046,923	–	20,860,085	60,250,102	
2020	44,343,444	2,388,215	–	18,332,369	65,064,028	
2021	43,600,567	2,561,170	–	19,625,533	65,787,270	

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal year 2014, which was 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
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%
2019	39,390,017 20.44%	128,966,425 66.91%	12,615,853 6.54%	11,786,123 6.11%	192,758,418 100.00%
2020	46,731,659 23.48%	130,872,197 65.77%	11,485,723 5.77%	9,902,627 4.98%	198,992,206 100.00%
2021	46,161,737 22.80%	129,531,553 63.97%	19,832,183 9.79%	6,967,868 3.44%	202,493,341 100.00%

(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
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%
2019	6,668,576 3.39%	9,682,414 4.93%	77,781,159 39.60%	1,251,339 0.64%	32,656,479 16.63%
2020	6,901,168 3.47%	9,533,974 4.80%	79,724,691 40.16%	1,419,272 0.72%	33,359,875 16.81%
2021	7,713,019 4.05%	9,847,489 5.18%	78,029,597 41.02%	1,375,391 0.72%	33,112,067 17.41%

- (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	Other	Total
\$ 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%
10,908,310 5.55%	13,123,859 6.68%	25,881,212 13.18%	16,945,081 8.63%	1,505,314 0.77%	196,403,743 100.00%
10,460,228 5.27%	11,564,570 5.83%	25,694,562 12.95%	19,063,903 9.60%	767,912 0.39%	198,490,155 100.00%
9,572,982 5.03%	13,894,334 7.30%	19,083,466 10.03%	16,826,325 8.85%	764,227 0.40%	190,218,897 100.00%

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
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
2019	440	111,522,449	(10,121,106)	17,069,047
2020	3,760	122,772,521	(10,522,700)	18,052,967
2021	3,940	129,689,663	(11,547,527)	18,490,328

Source: State of Minnesota School Tax Report

<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ (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
(3,747,880)	114,722,950	29.909	9,847,024,275	1.17
(4,793,813)	125,512,735	26.447	10,739,561,575	1.17
(5,141,194)	131,495,210	25.529	11,273,477,275	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

<u>Tax Collection Year</u>	<u>Sales Ratio</u>	<u>Taxable Net Tax Capacity</u>	<u>Estimated Market Value</u>	<u>Percent Total Tax Capacity of Estimated Market Value</u>	<u>Indicated Market Value (1)</u>
2012	100.3	\$ 88,415,930	\$ 7,681,019,073	1.15 %	\$ 7,658,044,938
2013	101.3	84,125,755	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
2019	94.4	114,722,950	9,847,024,275	1.17	10,431,169,783
2020	94.2	125,512,735	10,739,561,575	1.17	11,400,808,466
2021	93.5	131,495,210	11,273,477,275	1.17	12,057,194,947

(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
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
2019	29.909	71.860	52.695	48.771	53.780
2020	26.447	66.589	49.762	47.855	53.400
2021	25.529	66.260	47.129	49.507	52.596

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
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
2020	141.538	124.711	122.804	128.349	141.038
2021	137.090	117.959	120.337	123.426	134.770

- (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, Metro Transit, Three Rivers Park District, Park Museum, and 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
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
67.990	26.355	50.807	8.550	41.861
66.089	26.206	47.511	7.418	41.084
63.940	26.509	52.143	7.091	38.210

Plymouth Resident	Robbinsdale Resident	ISD No. 281 Market Value Base Tax (3)
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
101.155	122.460	0.25032
97.339	122.973	0.24121

INDEPENDENT SCHOOL DISTRICT NO. 281

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	2021			2012		
	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity
Bigos Management, Inc.	\$ 834,463	1	0.63 %	\$ 352,830	4	0.40 %
Abbott Laboratories	699,250	2	0.53	—	—	—
FW MN–Rockford Road, LLC	688,250	3	0.52	—	—	—
Crystal Shopping Center Association	584,050	4	0.44	389,250	2	0.44
Boom (Minnesota), LLC	582,250	5	0.44	—	—	—
Liberty Crossing Investment Partnership	545,088	6	0.41	324,522	5	0.37
Alatus New Hope I LLC	469,225	7	0.36	—	—	—
Individuals	407,325	8	0.31	—	—	—
Columbia II Rockridge Center	402,050	9	0.31	273,246	9	0.31
Plymouth Ponds, LLLP	397,050	10	0.30	—	—	—
United Health Care Services, Inc.	—	—	—	402,130	1	0.45
U.S. Retail Partners, LLC	—	—	—	384,810	3	0.44
Target Corporation	—	—	—	303,332	6	0.34
AGA Medical Corporation	—	—	—	279,144	7	0.32
Honeywell, Inc.	—	—	—	274,750	8	0.31
CRW Plymouth, LLC	—	—	—	262,692	10	0.30
Total	<u>\$ 5,609,001</u>		<u>4.27 %</u>	<u>\$ 3,246,706</u>		<u>3.67 %</u>
Total district tax capacity	<u>\$ 131,495,210</u>			<u>\$ 88,415,930</u>		

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 –		Debt Service Fund	OPEB Debt Service Fund	Total All Funds
			Building Construction Fund				
Levies (1)							
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
2019	44,154,574	2,400,734	–		18,197,604	231,021	64,983,933
2020	43,322,660	2,563,052	–		18,253,473	1,420,286	65,559,471
2021	44,228,137	2,150,602	–		16,582,110	2,596,133	65,556,982
Tax capacity rates							
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
2019	0.11698	0.02099	–		0.15910	0.00202	0.29909
2020	0.08991	0.02012	–		0.14329	0.01115	0.26447
2021	0.09394	0.01627	–		0.12544	0.01964	0.25529
Referendum market value tax rate (2)							
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
2019	0.00267	–	–		–	–	0.00267
2020	0.00250	–	–		–	–	0.00250
2021	0.00241	–	–		–	–	0.00241

(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.

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
2012	\$ 53,885,410	\$ 53,275,701	98.87 %	\$ 609,709	\$ 53,885,410	100.00 %
2013	52,954,093	52,537,173	99.21	416,920	52,954,093	100.00
2014	54,879,018	54,146,763	98.67	732,255	54,879,018	100.00
2015	56,782,094	55,931,584	98.50	807,968	56,739,552	99.93
2016	58,215,371	57,585,191	98.92	597,195	58,182,386	99.94
2017	57,678,971	57,085,020	98.97	593,951	57,678,971	100.00
2018	59,829,907	59,491,659	99.43	278,689	59,770,348	99.90
2019	64,983,933	64,690,177	99.55	181,837	64,872,014	99.83
2020	65,559,471	65,176,341	99.42	–	65,176,341	99.42
2021	65,556,982	32,800,000	50.03	–	32,800,000	50.03

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				Total Levy
	Local Spread	Fiscal Disparities	Homestead Market Value Credit Aid		
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
2019	55,482,277	9,501,656	—		64,983,933
2020	55,303,400	10,256,071	—		65,559,471
2021	56,041,674	9,515,308	—		65,556,982

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, 2021

Delinquent		Current	
Amount	Percent	Amount	Percent
\$ -	- %	\$ -	- %
-	-	-	-
-	-	-	-
38,223	0.07	-	-
32,985	0.06	-	-
-	-	-	-
59,559	0.10	-	-
111,919	0.45	-	-
383,130	0.45	-	-
-	-	<u>32,756,982</u>	49.97
<u>\$ 625,816</u>		<u>\$ 32,756,982</u>	

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INDEPENDENT SCHOOL DISTRICT NO. 281

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds (1)	Certificates of Participation (1)	Capital Leases			
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	196,769,592	9,079,612	3,643,000	209,492,204	0.24	2,010
2018	197,200,309	8,513,989	3,439,416	209,153,714	0.22	2,007
2019	181,230,185	7,938,366	3,234,849	192,403,400	0.20	1,846
2020	184,648,567	7,352,743	3,043,677	195,044,987	N/A	1,872
2021	186,756,137	6,757,119	2,808,629	196,321,885	N/A	1,804

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)
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	196,769,592	2,305,311	194,464,281	99,900,976	194.66	9,087,833,930
2018	197,200,309	2,427,803	194,772,506	107,329,763	181.47	9,758,372,137
2019	181,230,185	3,046,255	178,183,930	114,722,950	155.32	10,431,169,783
2020	184,648,567	2,866,254	181,782,313	125,512,735	144.83	11,400,808,466
2021	186,756,137	2,954,298	183,801,839	131,495,210	139.78	12,057,194,947

- (1) The gross bonded debt includes refunding issues. 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
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
2.14	8,497,124,725	2.29	104,207	1,866
2.00	9,160,183,925	2.13	104,207	1,869
1.71	9,847,024,275	1.81	104,207	1,710
1.59	10,739,561,575	1.69	104,207	1,744
1.52	11,273,477,275	1.63	108,821	1,689

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>
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
2019	14,730,000	6,748,249	21,478,249	227,523,566	9.44
2020	13,290,000	6,336,317	19,626,317	238,258,932	8.24
2021	13,945,000	6,637,539	20,582,539	226,038,245	9.11

(1) General expenditures include all governmental funds.

Note: Debt service expenditures included only general obligation bonds debt and do not include refundings.

INDEPENDENT SCHOOL DISTRICT NO. 281

Direct and Overlapping Debt
June 30, 2021

Governmental Unit	Tax Capacity	General Obligation Debt	Percent Allocable to ISD No. 281	Portion Allocable to ISD No. 281
ISD No. 281	<u>\$ 131,495,210</u>	\$ 177,780,000	100.00 %	\$ 177,780,000
Overlapping debt				
Hennepin County	\$ 2,261,068,019	1,017,430,000	5.80 %	59,010,940
City of Brooklyn Center	30,738,953	23,620,000	22.40 %	5,290,880
City of Brooklyn Park	102,673,807	39,780,000	5.10 %	2,028,780
City of Crystal	26,699,344	11,060,000	100.00 %	11,060,000
City of Golden Valley	49,736,593	56,855,000	43.90 %	24,959,345
City of New Hope	27,085,553	42,215,000	100.00 %	42,215,000
City of Plymouth	155,173,737	42,855,000	18.52 %	7,937,755
City of Robbinsdale	15,688,547	9,450,000	100.00 %	9,450,000
Hennepin County Regional				
Railroad Authority	2,261,068,019	94,705,000	5.80 %	5,492,890
Metropolitan Council	4,884,516,308	8,825,000	2.70 %	238,275
Three Rivers Park District	1,563,969,505	50,610,000	8.40 %	4,251,240
Metro Transit	<u>3,920,143,380</u>	182,200,000	3.49 %	<u>6,364,800</u>
Total overlapping debt	<u>\$ 15,298,561,765</u>			<u>178,299,905</u>
Total direct and overlapping debt				<u>\$ 356,079,905</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
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
2019	9,847,024,275	1,477,053,641	170,263,745	1,306,789,896	11.53
2020	10,739,561,575	1,610,934,236	173,368,746	1,437,565,490	10.76
2021	11,273,477,275	1,691,021,591	174,825,702	1,516,195,889	10.34

Legal Debt Margin Calculation for Fiscal Year 2021

Market value	<u>\$ 11,273,477,275</u>
Debt limit (15% of market value)	\$ 1,691,021,591
Debt applicable to limit	
General obligation bonds	177,780,000
Less amount set aside for repayment of general obligation debt	<u>2,954,298</u>
Total net debt applicable to limit	<u>174,825,702</u>
Legal debt margin	<u>\$ 1,516,195,889</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
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	89,070,239,384	71,141	36.2
2018	1,252,024	94,043,278,712	75,113	36.2
2019	1,259,428	96,411,732,256	76,552	36.5
2020	1,273,760	N/A	N/A	36.5
2021	1,281,565	N/A	N/A	36.5

N/A – Not Available

Sources:

- (1) Hennepin County
- (2) Estimated

ISD No. 281

Labor Force (1)	Unemployment Rate	Population (1)	School Enrollment
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
703,310	3.2	104,207 (2)	12,309
715,567	2.4	104,207 (2)	12,237
706,189	6.2	104,207 (2)	12,132
700,247	3.7	108,821	11,393

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INDEPENDENT SCHOOL DISTRICT NO. 281

Principal Employers
Current and Nine Years Prior

Employer	2021			2012		
	Approximate Number of Employees	Rank	Percent of Total (1) Employees	Approximate Number of Employees	Rank	Percent of Total (1) Employees
North Memorial Medical Center	5,100	1	36.7 %	5,000	1	36.4 %
Honeywell, Inc.	2,000	2	14.4	2,000	2	14.6
ISD No. 281	1,920	3	13.8	1,780	4	13.0
United Health Care Services, Inc.	1,000	4	7.2	1,800	3	13.1
Metro Building Company	1,000	4	7.2	1,000	5	7.3
North Ridge Care Center	720	6	5.2	–	–	–
All Around Taxi	620	7	4.5	400	8	2.9
US Food Service	550	8	4.0	350	10	2.5
St. Therese of New Hope	525	9	3.8	514	6	3.7
Courage Center	450	10	3.2	400	8	2.9
Trade Secret	–	–	–	501	7	3.6
Total	<u>13,885</u>		<u>100.0 %</u>	<u>13,745</u>		<u>100.0 %</u>

(1) Total employees for the area encompassed by district boundaries is not available. Percentages represent the proportion of the total for the 10 largest employers as presented above.

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>2011–2012</u>	<u>2012–2013</u>	<u>2013–2014</u>	<u>2014–2015</u>	<u>2015–2016</u>
Superintendent	1.00	1.00	1.00	1.00	1.00
Cabinet	7.00	7.00	7.00	7.00	7.00
Principals	13.00	14.00	14.00	14.00	15.00
Assistant principals	12.00	13.00	13.00	13.00	20.00
Program directors	37.00	36.00	36.00	36.00	34.00
Program assistants	91.98	88.83	96.33	103.00	96.00
Teachers	761.68	776.97	779.97	735.00	759.00
Counselors	17.00	18.00	20.00	20.00	17.00
Social workers	13.70	14.30	14.30	14.30	17.00
Psychologists	10.80	11.80	11.80	11.80	12.00
Nurses	9.30	9.40	9.40	9.40	12.00
Special assignments	51.10	57.80	60.80	60.80	77.00
Education assistants	324.91	329.50	335.60	328.00	287.00
Bus monitor	13.50	6.00	6.00	6.00	6.00
Custodians	102.00	104.25	104.25	92.00	81.00
Custodial/bus drivers	27.00	21.00	18.00	13.00	9.00
Mechanics	5.00	–	–	–	–
Transportation part-time	45.00	–	–	–	–
Community education	78.68	81.00	85.00	85.00	72.00
Office employees	70.27	73.25	73.25	72.00	53.00
Food service	88.18	92.00	92.00	93.00	95.00
Total	<u>1,780.10</u>	<u>1,755.10</u>	<u>1,777.70</u>	<u>1,714.30</u>	<u>1,670.00</u>

Source: The District's Human Resources Department

<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
1.00	1.00	1.00	1.00	1.00
7.00	6.00	6.00	6.00	6.00
16.00	17.00	18.00	19.00	18.00
21.00	22.00	22.00	24.00	22.00
32.00	31.00	32.00	33.00	39.87
75.00	100.00	70.00	126.00	103.58
757.00	750.47	781.00	772.10	803.11
17.00	16.20	17.00	20.20	19.84
17.00	16.80	17.00	20.50	22.90
13.00	12.20	13.00	12.60	16.60
10.00	8.60	9.00	9.00	12.00
63.00	57.40	88.00	79.65	72.59
342.00	342.70	318.00	346.70	278.54
6.00	6.38	6.00	3.35	3.33
102.00	74.50	74.00	72.00	65.89
10.00	10.00	8.00	7.40	7.00
-	-	-	-	-
-	-	-	-	-
80.00	52.73	50.00	47.45	43.98
65.00	58.80	70.00	63.55	61.73
96.00	88.00	92.00	91.30	77.70
<u>1,730.00</u>	<u>1,671.78</u>	<u>1,692.00</u>	<u>1,754.80</u>	<u>1,675.66</u>

INDEPENDENT SCHOOL DISTRICT NO. 281

Physical Plant Characteristics
as of June 30, 2021

Facility	Grades Housed	Year Built	Year of Major Additions	Acreage	Total Square Footage	Actual Enrollment
Cooper	9-12	1964	2000	40	293,816	1,620
Armstrong	9-12	1970	1997	52	328,600	1,859
Plymouth	6-8	1968	1990	22	180,500	1,002
Robbinsdale	6-8	1956	1976	18.34	269,107	778
FAIR School – Crystal	5-8	2000	–	9.89	106,427	224
Forest	K-5	2005	–	14	75,870	490
Lakeview	K-5	1964	–	5.75	55,648	395
Meadow Lake	K-5	1961	1965	15	79,860	484
Neill	K-5	1957	1968 and 2000	14	71,037	350
Noble	K-5	1954	1956, 2000, and 2006	10	56,800	281
Northport	K-5	1956	1957 and 1984	14	65,300	489
Pilgrim Lane	K-5	1966	–	11.5	58,168	359
SEA School at Olson	K-5	1971	–	9.2	44,000	436
Sonnesyn	K-5	1962	1968	15	76,187	359
RSI at Sunny Hollow	K-5	1960	1965	14	74,564	718
Zachary Lane	K-5	1969	1993	14	73,596	437
<u>Multi-Purpose Facilities</u>						
Sandburg	Various	1959	–	36	174,939	575
New Hope	Various	1960	–	14	55,902	93
Highview, TASC RTC	Various	N/A	–	–	–	336
Transportation		1966	–	10.5	48,843	–
Administration		1968	–	3.32	41,412	–
Out of district tuition						108
Totals					<u>2,230,576</u>	<u>11,393</u>

N/A: Not Applicable

Source: The District's Buildings and Grounds Department

INDEPENDENT SCHOOL DISTRICT NO. 281

Miscellaneous Statistical Facts
as of June 30, 2021

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	4
Number of elementary schools	11
Number of auxiliary buildings	6
Number of communities served	7
Staffing ratio	
Elementary school	18–31
Middle school	25.22
High school	28.1
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, 2021

Type of Coverage	Amount of Coverage
Property coverage	
Real and personal property (all locations)	\$ 604,330,163
Demolition cost	1,000,000
Increased cost of construction	1,000,000
Exterior signs	60,000
Supplementary accounts receivable	100,000
Supplementary valuable papers and records	100,000
Boiler and machinery coverage	100,000,000
Flood and furnace (each)	250,000
Environmental insurance (Robbinsdale Middle School– Expired 06/01/2021)	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	850,000
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	350,000
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	5,100,000
Law Enforcement	1,000,000
Cyber liability coverage	1,500,000
Source: District Finance Department	

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	
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	368.80	764.98	5,442.00	5,732.89	12,308.67	13,453.48
2019	396.47	770.35	5,384.57	5,685.23	12,236.62	13,371.94
2020	392.64	790.80	5,145.32	5,803.45	12,132.21	13,291.27
2021	335.43	649.86	4,747.87	5,659.43	11,392.59	12,524.21

* 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 2012 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2021	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, 2021
 (With Comparative Amounts for the Year Ended June 30, 2020)

	State Average	Metro Average	ISD No. 281	
	2020	2020	2020	2021
Expenditures (1) per student (ADM) (2)				
General Fund				
Administration and district support	\$ 1,093	\$ 1,100	\$ 1,034	\$ 1,302
Elementary and secondary				
regular instruction	5,881	6,231	6,420	6,758
Vocational education instruction	186	171	116	120
Special education instruction	2,481	2,626	2,713	2,895
Instructional support services	683	787	942	1,156
Pupil support services	1,203	1,316	1,508	1,105
Sites and buildings and other	952	910	1,345	1,461
Total General Fund expenditures	<u>\$ 12,479</u>	<u>\$ 13,141</u>	<u>\$ 14,078</u>	<u>\$ 14,797</u>
ADM used per profile model format			<u>12,252</u>	<u>11,425</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

Management Report
for
Independent School District No. 281
New Hope, Minnesota
June 30, 2021

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PRINCIPALS

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

To the School Board and Management of
Independent School District No. 281
New Hope, Minnesota

We have prepared this management report in conjunction with our audit of Independent School District No. 281, Robbinsdale Area Schools' (the District) financial statements for the year ended June 30, 2021. We have organized this report into the following sections:

- Audit Summary
- Funding Public Education in Minnesota
- Financial Trends of Your District
- Legislative Summary
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the District, management, and those with responsibility for oversight of the District's financial reporting process comments resulting from our audit and information relevant to school district financing in Minnesota. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
December 28, 2021

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AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the School Board, administration, or those charged with governance of the District.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Based on our audit of the District's financial statements for the year ended June 30, 2021:

- We have issued an unmodified opinion on the District's basic financial statements.
- We reported one deficiency in the District's internal control over financial reporting that we considered to be a significant deficiency. During our audit, we noted that, due to turnover in the Business Services Department, the monthly cash reconciliation process was not being completed in a timely manner.
- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards*.
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the District has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported one deficiency in the District's internal controls over compliance that we considered to be a significant deficiency with the types of compliance requirements that could have a direct and material effect on each of its major federal programs. The District's controls over compliance with federal allowable costs and period of performance were not sufficient to ensure that all costs charged to the federal Coronavirus State and Local Fiscal Recovery Funds program (ALN 21.027) were incurred during the period of performance specified for this award, as required to meet the allowable cost standards as defined by 2 CFR § 200.403.

- We reported two findings based on our testing of the District’s compliance with Minnesota laws and regulations.
 - Minnesota Statutes require unclaimed property held for more than three years (or one year for unpaid compensation) be reported and paid or delivered to the state Commissioner of Commerce each year. This requirement was not met for the current year.
 - Minnesota Statutes require prompt payment of claims by local governments within a standard payment period of 35 days from receipt. We noted 2 of 25 claims tested that were not paid within the statutory timeline.

FOLLOW-UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS

As a part of our audit of the District’s financial statements for the year ended June 30, 2021, we performed procedures to follow-up on any findings and recommendations that resulted from our prior year audit. We reported the following findings that were corrected by the District in the current year:

- 2020-001 Significant Deficiency in Internal Control Over Compliance With Federal Suspension and Debarment Requirements – Child Nutrition Cluster Federal Programs. The District documented the required verifications that vendors from which purchases over \$25,000 were made in the current fiscal year were not suspended or debarred prior to contracting with the vendor.
- 2020-003 Minnesota Legal Compliance – Timely Reporting of Financial Data. The District complied with the statutory deadlines for submitting its audited fund balance data and audited financial statements to the Minnesota Department of Education (MDE) for fiscal year ended June 30, 2021.

OTHER COMMENTS AND RECOMMENDATIONS

Uniform Guidance Written Controls and Micro-Purchase Threshold

Federal Uniform Guidance requires that nonfederal entities must have and use documented procurement procedures consistent with 2 CFR § 200.317-320 for the acquisition of property or services required under a federal award or subaward. Effective August 31, 2020, the federal micro-purchase threshold, which is the threshold that allows for procurements without soliciting competitive price or rate quotations given certain conditions, was increased from \$3,500 to \$10,000 in the Federal Acquisition Regulations (FAR).

Effective November 12, 2020, the Uniform Guidance was also revised to allow nonfederal entities to establish a micro-purchase threshold higher than the \$10,000 threshold established in the FAR under certain circumstances. The nonfederal entity may self-certify a micro-purchase threshold up to \$50,000 if the requirements in 2 CFR § 200.320(a)(1)(iv) are followed. Requirements include an *annual* self-certification and clear documentation of the justification to support the increase in the threshold. Acceptable reasons for justification must meet *one* of the following criteria:

- A qualification as a low-risk auditee, in accordance with the criteria in § 200.520 for the most recent audit,
- An annual internal institutional risk assessment to identify, mitigate, and manage financial risks, or,
- A higher threshold consistent with state law.

This flexibility would allow Minnesota local governments to increase and align their federal procurement procedures, specifically the micro-purchase threshold, with state law, which allows for procurements below \$25,000 to be made without competitive price or rate quotations.

We recommend that the District review its current federal procurement policy. If the micro-purchase threshold in your currently adopted policy is below the allowable FAR limit of \$10,000, you would need to make a one-time amendment to the policy to adopt the \$10,000 FAR limit before using it. If you prefer to increase your federal micro-purchase threshold to \$25,000 to align it with state law, in addition to amending your federal procurement policy, you would need to annually certify the higher threshold and the justification for using the higher threshold.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 of the notes to basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2021.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a state-wide database—MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for the current fiscal year is not finalized until after the District has closed its financial records. General education revenue and certain other revenues are computed using preliminary information on the number of students served in the resident district and also utilizing some estimates, particularly in the area of enrollment options.

Special education state aid includes an adjustment related to tuition billings to and from other school districts for special education services, which are computed using formulas derived by the MDE. Because of the timing of the calculations, this adjustment for the current fiscal year is not finalized until after the District has closed its financial records. The impact of this adjustment on the receivable and revenue recorded for state special education aid is calculated using preliminary information available to the District.

The District has recorded a liability in the Statement of Net Position for severance benefits payable for which it is probable employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), the potential use of accumulated sick leave prior to termination, and the age at which such employees are likely to retire.

The District has recorded activity for other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies primarily described in GASB Statement Nos. 68, 74, and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

The depreciation of capital assets involves estimates pertaining to useful lives.

The District's self-insured activities require the recording of liabilities for claims incurred, but not yet reported, which are based on estimates.

We evaluated the key factors and assumptions used by management to develop the estimates discussed above in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures included in the notes to the basic financial statements related to OPEB and pension benefits are particularly sensitive due to the materiality of the liabilities, and the large and complex estimates involved in determining the disclosures.

The financial statement disclosures are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated December 28, 2021.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis and the pension and OPEB-related required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental information accompanying the financial statements, and the separately issued Schedule of Expenditures of Federal Awards and the Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements, but are not RSI. Such information has 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 it.

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FUNDING PUBLIC EDUCATION IN MINNESOTA

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this report. A summary of legislative changes affecting school districts included later in this report gives an indication of how complicated the funding system is. This section provides selected state-wide funding and financial trend information.

BASIC GENERAL EDUCATION REVENUE

The largest single funding source for Minnesota school districts is basic general education aid. Each year, the Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to average daily membership (ADM). Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

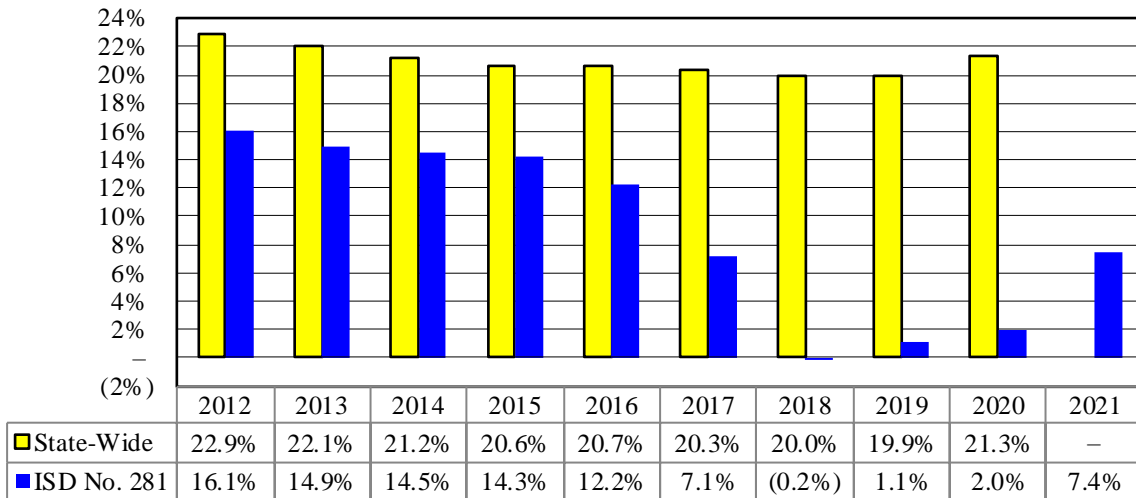
The table below presents a summary of the formula allowance for the past decade and as approved for the next two fiscal years. The 2021 Legislature approved per pupil increases of \$161 for fiscal 2022 and \$135 for fiscal 2023. The amount of the formula allowance and the percentage change from year-to-year excludes temporary funding changes, the “roll-in” of aids that were previously funded separately, and changes that may vary dependent on actions taken by individual districts. The \$529 increase in 2015 was offset by changes to pupil weightings and the general education aid formula that resulted in an increase equivalent to approximately \$105, or 2.0 percent, state-wide.

Fiscal Year Ended June 30,	Formula Allowance	
	Amount	Percent Increase
2012	\$ 5,174	1.00 %
2013	\$ 5,224	1.00 %
2014	\$ 5,302	1.50 %
2015	\$ 5,831	2.00 %
2016	\$ 5,948	2.00 %
2017	\$ 6,067	2.00 %
2018	\$ 6,188	2.00 %
2019	\$ 6,312	2.00 %
2020	\$ 6,438	2.00 %
2021	\$ 6,567	2.00 %
2022	\$ 6,728	2.45 %
2023	\$ 6,863	2.00 %

STATE-WIDE SCHOOL DISTRICT FINANCIAL HEALTH

One of the most common and comparable statistics used to evaluate school district financial health is the unrestricted operating fund balance as a percentage of operating expenditures.

State-Wide Unrestricted Operating Fund Balance
as a Percentage of Operating Expenditures



Note: State-wide information is not available for fiscal 2021.

The calculation above reflects only the unrestricted fund balance of the General Fund, and the corresponding expenditures, which is the same method the state uses for the calculation of statutory operating debt. We have also included the comparable percentages for your district.

The average unrestricted fund balance as a percentage of operating expenditures maintained by Minnesota school districts decreased gradually from 22.9 percent at the end of fiscal 2012 to 19.9 percent at the end of fiscal 2019, a period of relative stability in the state’s economic condition and school funding. This ratio increased back up to 21.3 percent at the end of fiscal 2020, the highest level since 2014.

The District’s unrestricted operating fund balance as a percentage of operating expenditures was 7.4 percent at the end of the current year, as compared to 2.0 percent at June 30, 2020.

Having an appropriate fund balance is an important factor in assessing the District’s financial health because a government, like any organization, requires a certain amount of equity to operate. It is important to review fund balance levels on an ongoing basis to ensure a sufficient equity reserve is available to support programs and cash flow of the District.

The table below shows a comparison of governmental fund revenue per ADM received by Minnesota school districts and your district. Revenues for all governmental funds are included, except for the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds. Other financing sources, such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers, are also excluded.

Governmental Funds Revenue per Student (ADM) Served							
	State-Wide		Metro Area		ISD No. 281 – Robbinsdale Area Schools		
	2019	2020	2019	2020	2019	2020	2021
General Fund							
Property taxes	\$ 2,140	\$ 2,345	\$ 2,796	\$ 3,100	\$ 3,016	\$ 3,619	\$ 3,816
Other local sources	556	538	454	417	321	321	336
State	9,883	10,144	9,885	10,127	10,147	10,414	11,070
Federal	475	480	499	499	593	477	974
Total General Fund	<u>13,054</u>	<u>13,507</u>	<u>13,634</u>	<u>14,143</u>	<u>14,077</u>	<u>14,831</u>	<u>16,196</u>
Special revenue funds							
Food Service	559	554	556	539	609	591	642
Community Service	676	632	797	732	881	819	884
Debt Service Fund	<u>1,229</u>	<u>1,322</u>	<u>1,287</u>	<u>1,385</u>	<u>1,618</u>	<u>1,562</u>	<u>1,673</u>
Total revenue	<u>\$ 15,518</u>	<u>\$ 16,015</u>	<u>\$ 16,274</u>	<u>\$ 16,799</u>	<u>\$ 17,185</u>	<u>\$ 17,803</u>	<u>\$ 19,395</u>
ADM served per MDE School District Profiles Report (current year estimated)					<u>12,382</u>	<u>12,252</u>	<u>11,425</u>
Note: Excludes the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds.							
Source of state-wide and metro area data: School District Profiles Report published by the MDE							

ADM used in the table above is based on enrollments consistent with those used in the MDE School District Profiles Report, which include extended time ADM, and may differ from ADM reported in other tables.

The mix of local and state revenues vary from year to year primarily based on funding formulas and the state’s financial condition. The mix of revenue components from district to district varies, due to factors such as the strength of property values, mix of property types, operating and bond referendums, enrollment trends, density of population, types of programs offered, and countless other criteria. Changes in enrollment also impact comparisons in the table above and on the next page when revenue and expenditures are based on fixed costs, such as debt levies and principal and interest on outstanding indebtedness.

The District earned approximately \$221.6 million in the governmental funds reflected above in fiscal 2021, an increase of \$3.5 million (1.6 percent) from the prior year, or \$1,592 per ADM served. The increase is skewed higher on a per ADM basis, due to a significant decrease in District enrollment in the current year.

General Fund revenue from federal sources increased by \$5.3 million, or \$497 per ADM, due to new or increased federal COVID-19 relief funding available. Revenue in the Food Service and Community Service Special Revenue Funds increased \$51 per ADM and \$65 per ADM, respectively, both also due to federal COVID-19 relief funding sources.

The following table reflects similar comparative data available from the MDE for all governmental fund expenditures, excluding the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds. Other financing uses, such as bond refundings and transfers, are also excluded.

Governmental Funds Expenditures per Student (ADM) Served							
	State-Wide		Metro Area		ISD No. 281 – Robbinsdale Area Schools		
	2019	2020	2019	2020	2019	2020	2021
General Fund							
Administration and district support	\$ 1,065	\$ 1,093	\$ 1,078	\$ 1,100	\$ 1,113	\$ 1,034	\$ 1,302
Elementary and secondary							
regular instruction	5,787	5,881	6,112	6,231	6,260	6,420	6,758
Vocational education instruction	180	186	165	171	99	116	120
Special education instruction	2,380	2,481	2,505	2,626	2,636	2,713	2,895
Instructional support services	669	683	751	787	1,060	942	1,156
Pupil support services	1,178	1,203	1,282	1,316	1,483	1,508	1,105
Sites and buildings and other	960	952	907	910	1,370	1,345	1,461
Total General Fund – noncapital	12,219	12,479	12,800	13,141	14,021	14,078	14,797
General Fund capital expenditures	721	748	675	717	353	686	466
Total General Fund	12,940	13,227	13,475	13,858	14,374	14,764	15,263
Special revenue funds							
Food Service	561	556	556	548	607	584	548
Community Service	675	661	799	774	881	854	838
Debt Service Fund	1,313	1,360	1,308	1,379	1,574	1,570	1,680
Total expenditures	<u>\$ 15,489</u>	<u>\$ 15,804</u>	<u>\$ 16,138</u>	<u>\$ 16,559</u>	<u>\$ 17,436</u>	<u>\$ 17,772</u>	<u>\$ 18,329</u>
ADM served per MDE School District Profiles Report (current year estimated)					<u>12,382</u>	<u>12,252</u>	<u>11,425</u>
Note: Excludes the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds.							
Source of state-wide and metro area data: School District Profiles Report published by the MDE							

Expenditure patterns also vary from district to district for various reasons. Factors affecting the comparison include the growth cycle or maturity of the District, average employee experience, availability of funding, population density, and even methods of allocating costs.

The District spent approximately \$209.4 million in the governmental funds reflected above in fiscal 2021, a decrease of \$8.3 million (3.8 percent) from the prior year. Due to the decrease in ADM, this translated to an increase of \$557 per ADM served.

General Fund current expenditures decreased by about \$3.4 million from last year, mainly in pupil support services, due to lower transportation costs. General Fund capital expenditures decreased by \$3.1 million (\$220 per ADM) from the prior year, due to a decrease in improvement and facilities maintenance projects. Food Service and Community Service Special Revenue Fund expenditures were \$891,453 and \$887,246 lower than last year, respectively, due to program changes related to the COVID-19 pandemic.

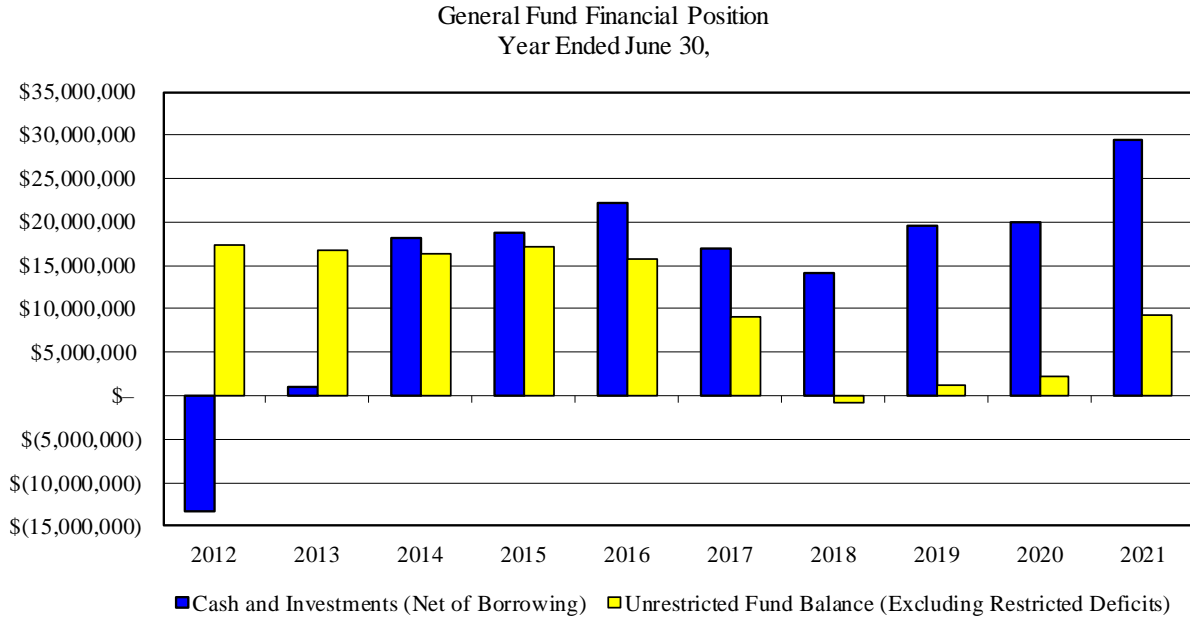
SUMMARY

The COVID-19 pandemic caused numerous financial and operational challenges for districts in fiscal 2021; creating instability in student populations, requiring numerous shifts in the delivery of educational services, and resulting in substantial new and unfamiliar federal revenue streams, to name a few. Such challenges are expected to continue into the foreseeable future, as districts strive to provide a safe and effective learning experience for their students in this uncertain and unprecedented environment.

FINANCIAL TRENDS OF YOUR DISTRICT

GENERAL FUND FINANCIAL POSITION

The following graph displays the District’s General Fund trends of financial position and changes in the volume of financial activity. Unrestricted fund balance and cash balance are two indicators of financial health, while annual expenditures are often used to measure the size of the operation.



The District ended fiscal year 2021 with a General Fund cash balance, net of interfund borrowing, of \$29,475,970, an increase of \$9,585,324 from the previous year.

Total fund balance at year-end was \$19,096,883, an increase of \$10,855,955 from current year operations, as compared to a budgeted increase of \$1,187,224. Year-end unrestricted fund balances, as shown above (consisting of assigned and unassigned fund balances), totaled \$9,384,655 at year-end, an increase of \$7,254,414 from the previous year.

Legislatively-approved changes in the metering of state aid payments to school districts and in the tax shift significantly impacted cash and investment balances in certain years presented in the above graph.

The following table presents the components of the General Fund balance for the past five years:

	June 30,				
	2017	2018	2019	2020	2021
Nonspendable fund balances	\$ 375,117	\$ 486,096	\$ 264,546	\$ 713,515	\$ 1,218,616
Restricted fund balances (1)	4,030,044	5,271,636	4,579,465	5,397,172	8,493,612
Unrestricted fund balances					
Assigned	873,292	-	1,210,419	1,507,829	1,882,535
Unassigned	8,281,297	(777,819)	-	622,412	7,502,120
 Total fund balance	 <u>\$ 13,559,750</u>	 <u>\$ 4,979,913</u>	 <u>\$ 6,054,430</u>	 <u>\$ 8,240,928</u>	 <u>\$ 19,096,883</u>
 Unrestricted fund balances as a percentage of expenditures	 <u>5.4%</u>	 <u>(0.4%)</u>	 <u>0.7%</u>	 <u>1.2%</u>	 <u>5.4%</u>
 Unassigned fund balances as a percentage of expenditures	 <u>4.9%</u>	 <u>(0.4%)</u>	 <u>-</u>	 <u>0.3%</u>	 <u>4.3%</u>
 (1) Includes any deficits in restricted fund balance accounts allowed to accumulate deficits under UFARS, which are part of unassigned fund balance on the accounting principles generally accepted in the United States of America-based financial statements.					

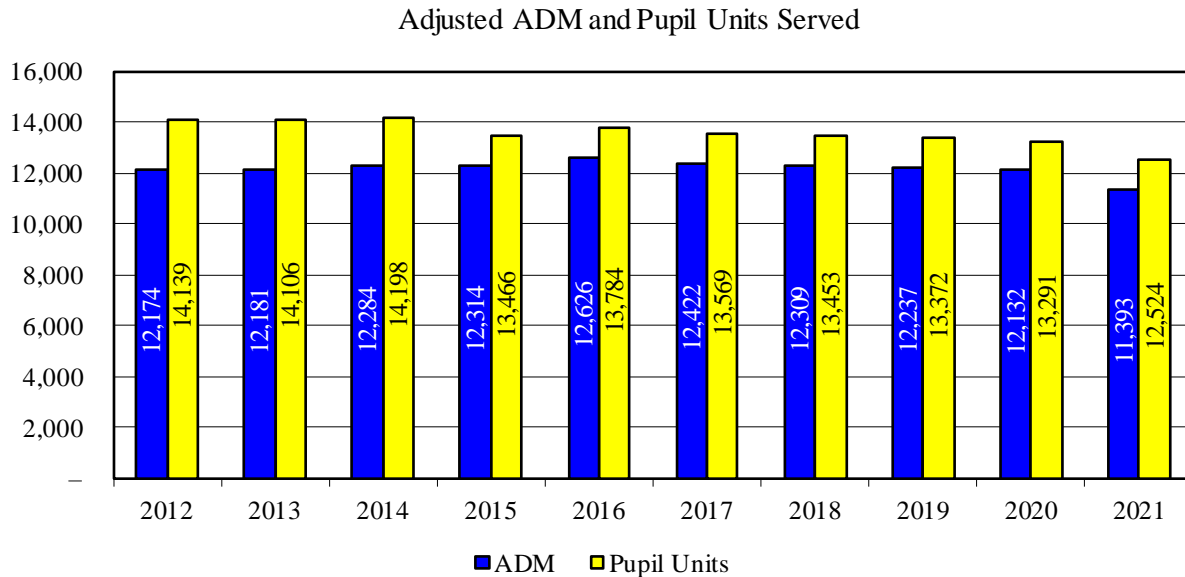
The table above reflects the total General Fund unrestricted fund balance and percentages, which differs from those used in the previous discussion of state-wide fund balances, which are based on a state formula. The resources represented by this fund balance are critical to a district's ability to maintain adequate cash flow throughout the year, to retain its programs, and to cushion against the impact of unexpected costs or funding shortfalls.

Increases in several state-mandated fund balance purpose restrictions, most notably for capital projects levy, operating capital, basic skills, safe schools levy, and Medical Assistance, contributed to the significant increase in restricted fund balances shown above.

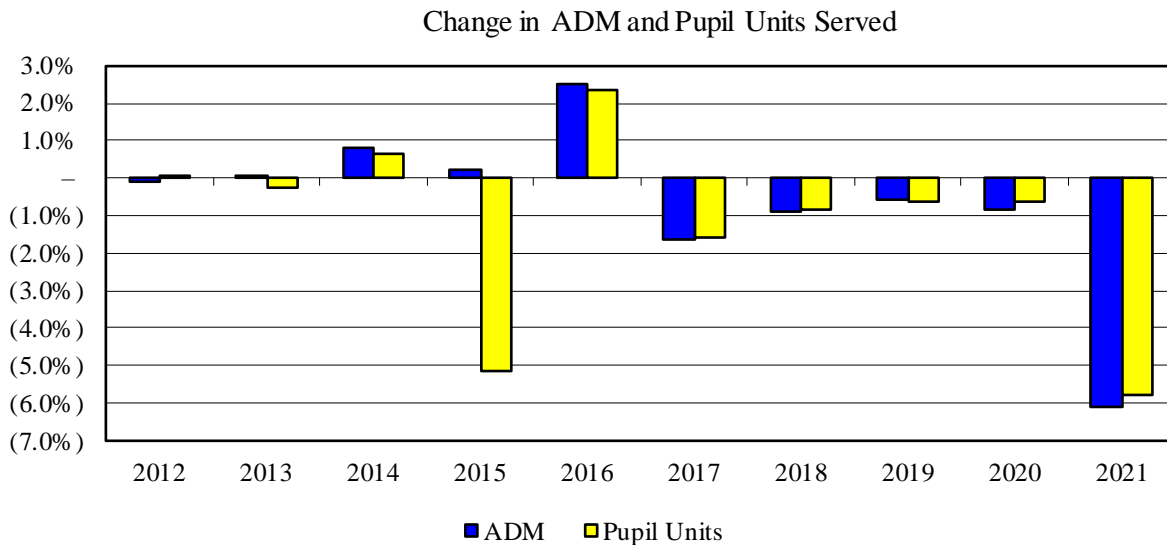
At June 30, 2021, unrestricted fund balances in the General Fund, as shown above, represented 5.4 percent of annual expenditures, or about 3 weeks of operations assuming level spending throughout the year. The improvement in this fund balance category relates to the positive overall operating results in the General Fund for the current fiscal year.

AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

The following graph presents the District's adjusted ADM and pupil units served for the past 10 years:



The following graph shows the rate of change in ADM served by the District from year to year, along with the change in the resulting pupil units:



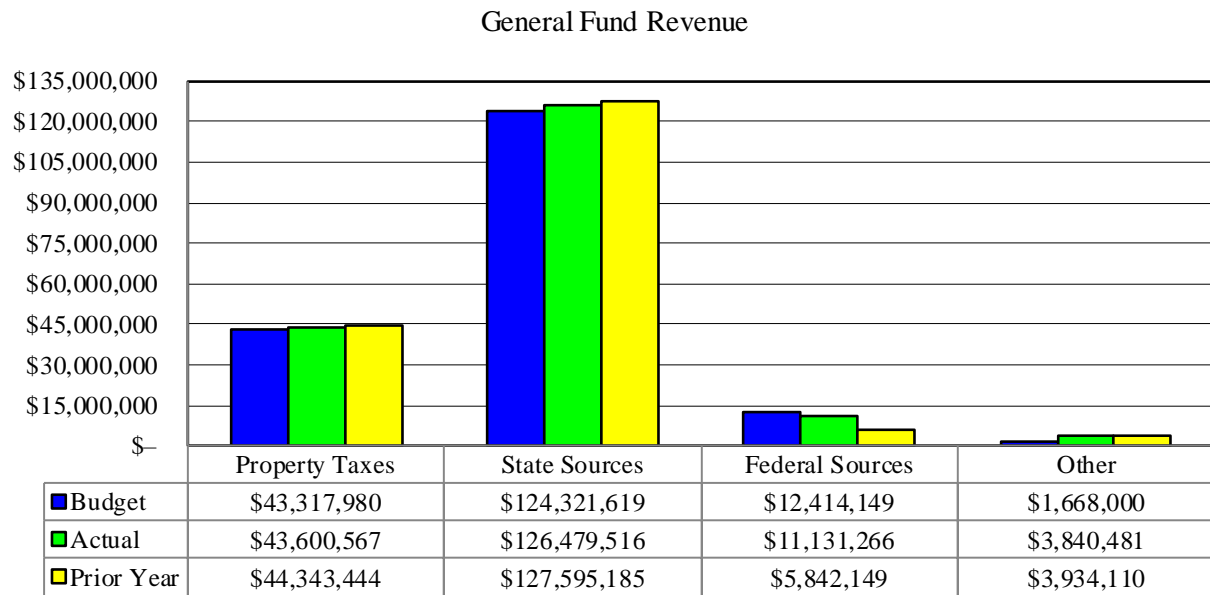
The change in pupil units for 2015 includes the effect of legislative reductions to pupil units.

ADM is a measure of students attending class, which is then converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts are not finalized until around January of the following year. When viewing revenue budget variances, one needs to consider these ADM changes, the impact of the prior year final adjustments which affect this year's revenue, and also the final adjustments caused by open enrollment gains and losses.

The District served an estimated adjusted ADM of 11,393 in 2021, a decrease of 739 from the previous year. The number of pupil units served by the District for fiscal 2021 was 12,524, a decrease of 767 (5.8 percent) from the prior year.

GENERAL FUND REVENUE

The following graph summarizes the District's General Fund revenue for 2021:

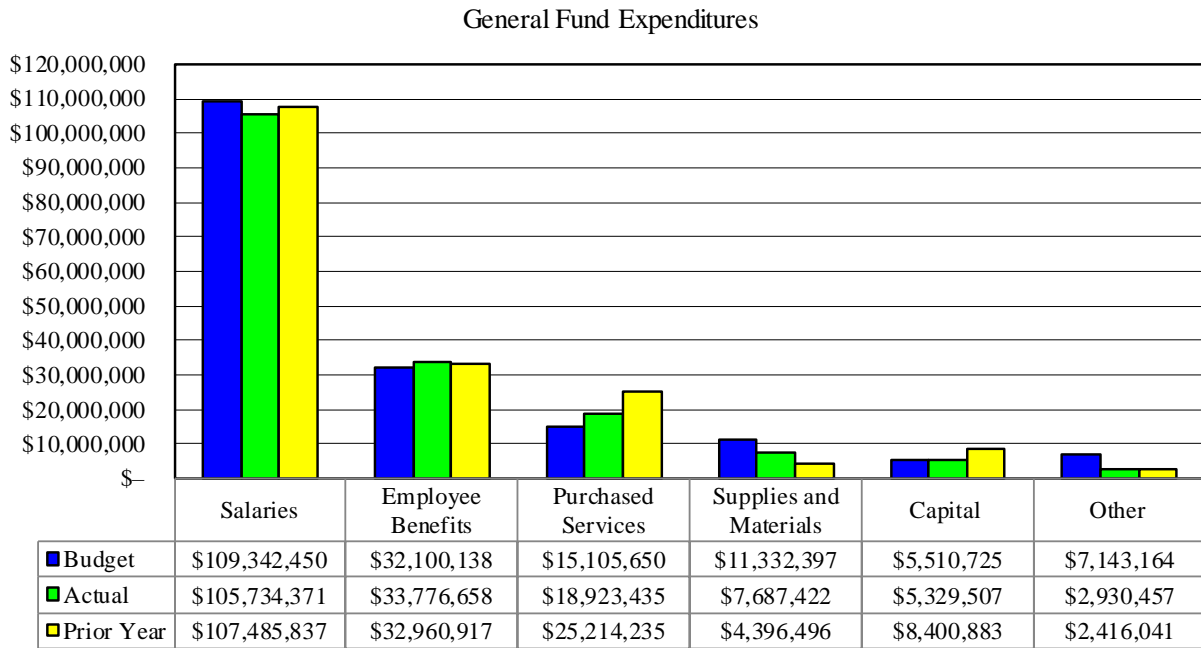


Total General Fund revenues were \$185,051,830 for the year ended June 30, 2021, which was \$3,330,082 (1.8 percent) over the final budget. Property taxes were over budget by \$282,587, due to lower cancellations and abatements than allowed for in the budget. Revenue from state sources was \$2,157,897 over budget, primarily from higher than anticipated special education state aid, and pass-through pension contributions not included in the budget. Revenue from federal sources was \$1,282,883 under budget, due to the budget being based on the full federal entitlements available, some of which were carried over to the next fiscal year. Revenue from other local sources, such as gifts, bequests, tuition, interest, and rental income, which are difficult to predict from year to year and therefore budgeted conservatively, was \$2,172,481 over budget.

General Fund total revenues were \$3,336,942 (1.8 percent) higher than the previous year. The overall increase was caused by an increase of \$5,289,117 in revenue from federal sources, due to the use of new federal funding made available for COVID-19 pandemic relief. Revenue from property taxes decreased \$742,877, due to a decrease in the levy. Revenue from state sources was \$1,115,669 lower than the prior year, as general education aid was lower a result of the decline in the number of students served. Revenue from other local sources (including gifts, bequests, tuition, interest, and rental income) decreased by \$93,629, mainly due to a decrease in investment earnings.

GENERAL FUND EXPENDITURES

The following graph presents the District's General Fund expenditures for 2021:

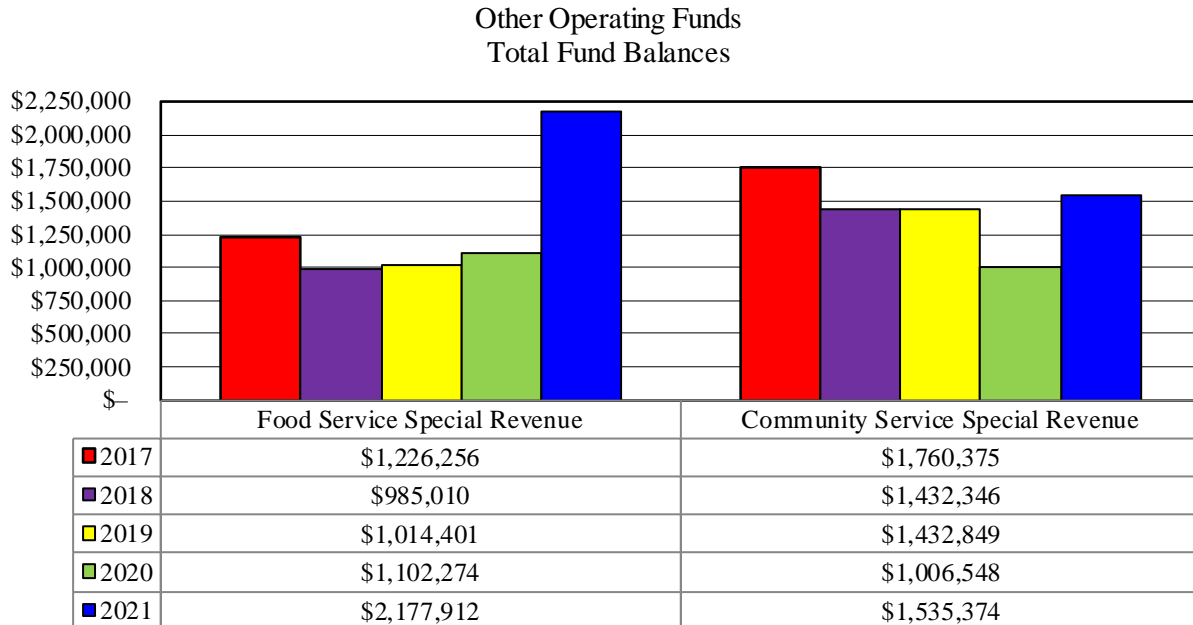


Total General Fund expenditures were \$174,381,850 for the year ended June 30, 2021, which was \$6,152,674 (3.4 percent) under the final budget. Salaries and employee benefits were under budget by \$1,931,559 (1.4 percent), mainly in elementary and secondary regular instruction, due to the decrease in enrollment. Purchased services were \$3,817,785 over budget, primarily in special education and pupil support (transportation) services. Supplies and materials were \$3,644,975 under budget, mainly in special education instruction and elementary and secondary regular instruction, due to lower than projected purchases in curriculum and individualized instruction materials. Other expenditures were under budget by \$4,212,707, with the majority relating to an unused contingency budget in district support services.

Total General Fund expenditures were \$6,492,559 (3.6 percent) less than the prior year. Salaries and benefits were \$935,725 lower than the previous year, due to a decrease in staff related to the enrollment decline. Purchased services were \$6,290,800 lower than last year, mainly in pupil support (transportation) services due to distance learning. Supplies and materials were \$3,290,926 higher than the previous year, due to the purchase of instructional software and supplies to facilitate distance learning. Capital expenditures decreased by \$3,071,376 from the previous year, largely due to the timing of various construction and facilities maintenance projects taking place throughout the District.

OTHER FUNDS OF THE DISTRICT

The following graph shows what is referred to as the other operating funds. The remaining nonoperating funds are only included in narrative form below, since their level of fund balance can fluctuate significantly, due to such things as issuing and spending the proceeds of refunding or building bonds and, therefore, the trend of fund balance levels is not necessarily a key indicator of financial health. It does not mean that these funds cannot experience financial trouble or that their fund balances are unimportant.



Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended fiscal 2021 with a fund balance increase of \$1,075,638, compared to a break-even budget. Food service revenue of \$7,339,703 was over budget by \$1,233,458. The District changed its child nutrition program to operate as a Summer Food Service Program for Children in the current year, which provides federally funded free meals to all school-age children, and resulted in a significant revenue shift with an increase in federal revenue and decreases in state aid and regular lunch sales. The reimbursement rate under this program was also higher than the pre-COVID school breakfast and lunch programs previously operated by the District. Expenditures of \$6,264,065 were over budget by \$157,820, mainly in salaries. The year-end fund balance of \$2,177,912 is equal to 34.8 percent of current year expenditures.

Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended fiscal 2021 with a fund balance increase of \$528,826, compared to a budgeted decrease of \$772,277. Revenue of \$10,101,808 was over budget by \$2,420,486, mainly in federal sources, due to COVID-19 relief grants. Expenditures of \$9,572,982 were over budget by \$1,119,383, entirely in salaries and benefits. The year-end fund balance of \$1,535,374 represents 16.0 percent of current year expenditures.

Over the years, we have emphasized to our clients that food service and community service operations should be self-sustaining, and should not become an additional burden on general education funds. The District has been able to maintain healthy, relatively stable fund balances in both funds.

Capital Projects – Building Construction Fund

This fund reported a fund balance increase of \$2,132,734 in fiscal 2021, compared to a break-even budget. The budget variance was mainly due to timing of anticipated construction projects. The District issued general obligation facilities maintenance bonds with a par value of \$16,760,000 during fiscal 2021 to finance its ongoing long-term facilities maintenance program. The ending fund balance for fiscal 2021 was \$3,299,531, which is available for future capital improvements of various types.

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan, and the resources of the Debt Service Fund are dedicated to the payment of outstanding debt obligations of the District. The District issued \$13,270,000 of the General Obligation Refunding Bonds, Series 2020B during fiscal 2021, the proceeds of which were used to redeem two outstanding bond issues, resulting in a reduction in future debt service payments of \$1,667,721. As of June 30, 2021, the District has \$2,954,298 available for future debt service.

Internal Service Funds

The District maintains two internal service funds established to finance the costs of its self-insured dental benefits and health benefits.

At June 30, 2021, the Self-Insured Dental Benefits Internal Service Fund had a net position of \$1,379,125 available to pay future dental benefits for the participating members of the District, including estimated claims payable of \$24,850 accrued at year-end. The cost of these benefits for fiscal 2021 was \$1,412,700.

At June 30, 2021, the Self-Insured Health Benefits Internal Service Fund had a deficit net position of \$285,133, an improvement of \$406,291 from the previous year, including estimated claims payable of \$1,610,900 accrued at year-end.

Employee Benefit Trust Fund

The District's Employee Benefit Trust Fund ended the year with cash and investments (net of interfund payables) and a net position of \$16.4 million available to pay future OPEB. The assets in this fund represent the proceeds from the District's 2009 Taxable OPEB Bonds, which were contributed to an irrevocable trust the District established to finance its OPEB liabilities, and can only be used to pay future OPEB costs, which were estimated to be approximately \$7.9 million at year-end.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's financial statements include fund-based information that focuses on budgetary compliance, and the sufficiency of the District's current assets to finance its current liabilities. The governmental reporting model also requires the inclusion of two government-wide financial statements designed to present a clear picture of the District as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering educational services, including capital assets and long-term liabilities.

Theoretically, net position represents district resources available for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, this statement divides net position into three components: net investment in capital assets, restricted, and unrestricted. The following table presents a summarized reconciliation of the District's governmental fund balances to net position, and the separate components of net position for the last two years:

	June 30,		Change
	2021	2020	
Net position – governmental activities			
Total fund balances – governmental funds	\$ 29,063,998	\$ 14,382,801	\$ 14,681,197
Total capital assets, net of depreciation	305,146,648	306,431,953	(1,285,305)
OPEB asset, net of deferments	5,264,541	4,392,813	871,728
Bonds, certificates of participation, and capital leases	(196,321,885)	(195,044,987)	(1,276,898)
PERA and TRA pensions, net of deferments	(171,605,370)	(165,617,560)	(5,987,810)
Other adjustments	(6,099,049)	(6,564,934)	465,885
Total net position – governmental activities	\$ (34,551,117)	\$ (42,019,914)	\$ 7,468,797
Net position			
Net investment in capital assets	\$ 119,977,952	\$ 121,514,170	\$ (1,536,218)
Restricted	13,711,368	8,831,552	4,879,816
Unrestricted	(168,240,437)	(172,365,636)	4,125,199
Total net position	\$ (34,551,117)	\$ (42,019,914)	\$ 7,468,797

Some of the District's fund balances translate into restricted net position by virtue of external restrictions (statutory restrictions) or by the nature of the fund they are in (e.g., Food Service Special Revenue Fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unrestricted fund balances, offset against noncapital long-term obligations, such as vacation payable, severance payable, net pension, and net OPEB liabilities.

Total net position increased \$7,468,797 in fiscal 2021. The District's net investment in capital assets decreased \$1,536,218 this year. The change in this category of net position typically depends on the relationship of the rate at which the District is adding additional capital assets, the rate capital assets are being depreciated, and how that relates to the rate at which the District is repaying the debt issued to purchase or construct those assets. The restricted portion of the District's net position increased \$4,879,816 in 2021, due to positive operating results across all of the District governmental funds, and increases in several state funding restrictions in the General Fund, as previously discussed. The positive operating results in the General Fund was the primary reason for the improvement in the unrestricted component of net position, partially offset by the change in the District's proportionate share of the Public Employees Retirement Association's (PERA) and the Teachers Retirement Association's (TRA) state-wide pension liabilities.

LEGISLATIVE SUMMARY

In a typical year, the primary focus of the 2021 Minnesota legislative session would have been the development of the state's fiscal year (FY) 2022–2023 biennial budget. However, given the significant events of the preceding year, including the COVID-19 pandemic and death of George Floyd while in police custody, the focus of the regular session shifted to legislation responding to the pressing issues that resulted from these events. The business of setting a biennial budget and passing an education finance bill were ultimately not addressed until a June special session.

There was positive news on the state's budget outlook entering the session. A May 2020 special pandemic budget projection had predicted the state would finish the FY 2020–2021 biennium with a \$2.4 billion shortfall. By the regular budget and economic forecast in February 2021, the state's fiscal outlook had improved, projecting a positive budgetary variance of \$940 million at the end of the biennium, reducing the threat of potential funding cuts to local government programs. The resulting education finance bill passed and signed by the Governor on June 30, 2021, included appropriation increases of approximately \$554 billion for the FY 2022–2023 biennium, and \$669 billion for the FY 2024–2025 biennium.

The following is a brief summary of specific legislative changes from the 2021 Legislature impacting Minnesota school districts in future years.

General Education Revenue – The Legislature approved annual increases of 2.45 percent and 2.00 percent to the basic general education formula allowance for the FY 2022–2023 biennium. The per pupil allowance will increase \$161 to \$6,728 for FY 2022, and another \$135 to \$6,863 for FY 2023.

English Learner Cross Subsidy Aid – Approved annual appropriations of \$2 million to provide English learner cross-subsidy aid for FY 2022 through FY 2025. This new funding will be allocated annually to school districts and charter schools based on their proportionate share of English learner and concentration revenue from the preceding fiscal year, and must be used and accounted for within the basic skills program.

Special Education Revenue – The Legislature had previously approved enhancements to special education funding designed to hold the state average cross-subsidy per pupil constant at the FY 2019 level of \$82 per ADM for FY 2021, which included establishing a new component of the state special education funding formula, known as cross-subsidy reduction aid. Cross subsidy reduction aid will equal a percentage of each district's "initial cross-subsidy" for the prior fiscal year, with the percentages set at 6.43 percent for 2021. Initial cross-subsidy is defined as the district's nonfederal special education costs, including transportation, less state special education aid after tuition adjustments and general education aid attributable to students receiving special education services outside of the regular classroom for at least 60.00 percent of the school day. The 2021 Legislature approved an additional appropriation of \$10.425 million to fund a one-time increase to cross-subsidy for FY 2022, which is estimated to increase the percentage funded by 1.24 percent to a total of 7.67 percent. Charter schools are not eligible for cross-subsidy reduction aid.

Voluntary Pre-Kindergarten (VPK) and School Readiness Plus (SRP) – The Legislature approved continued funding for FY 2022 and FY 2023 to maintain 4,000 state-wide VPK and SRP seats set to expire after FY 2021. The Local Optional Revenue (LOR) second tier equalization factor was increased for FY 2023 only to offset the state-wide impact of levy changes for the VPK/SRP continuation, which should result in a levy increase for VPK/SRP districts and a levy decrease for most other districts.

Hiring Bonuses – Districts or schools are authorized to offer a hiring or retention bonus of \$2,500–\$5,000 to attract teachers who are American Indians or persons of color, or \$4,000–\$8,000 to meet staffing needs in shortage areas and to attract teachers who are American Indians or persons of color.

Sales Tax Exemption – A previous sales tax exemption for sales made by school-associated student groups for funding extracurricular student activities, that was eliminated by the 2019 omnibus education bill, was restored.

Staff Development – Teacher mentorship was added as an eligible use of general education aid restricted for staff development as part of a mandate for districts to develop teacher mentoring programs.

Lunch Shaming Prohibited – Students approved for free or reduced-price meal status must be served reimbursable meals irrespective of any outstanding individual student lunch account debt. Districts are required to post this policy.

ACCOUNTING AND AUDITING UPDATES

The following is a summary of GASB standards expected to be implemented in the next few years. Due to the COVID-19 pandemic, the GASB has delayed the original implementation dates of these and other standards as described below.

GASB STATEMENT NO. 87, *LEASES*

A lease is a contract that transfers control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Governments enter into leases for many types of assets. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of the four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar nonlease financing transactions.

The goal of this statement is to better meet the information needs of users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for fiscal years beginning after June 15, 2021.

GASB STATEMENT NO. 92, *OMNIBUS 2020*

The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other post-employment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for post-employment benefits

- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to post-employment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.

GASB STATEMENT NO. 96, *SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS*

This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.

This statement provides an exception for short-term SBITAs with a maximum possible term under the SBITA contract of 12 months, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB STATEMENT NO. 97, CERTAIN COMPONENT UNIT CRITERIA, AND ACCOUNTING AND FINANCIAL REPORTING FOR INTERNAL REVENUE CODE SECTION 457 DEFERRED COMPENSATION PLANS—AN AMENDMENT OF GASB STATEMENT NO. 14 AND NO. 84, AND A SUPERSESSION OF GASB STATEMENT NO. 32

The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this statement that (1) exempt primary governments that perform the duties that a government board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement.

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INDEPENDENT SCHOOL DISTRICT NO. 281 ROBBINSDALE, MINNESOTA

Audit Report
Year Ended June 30, 2021

- **Opinions on Financial Statements**
 - **District Financial Statement Audit**
 - **“Single Audit” of Federal Awards Expenditures**
- **Internal Controls and Compliance**
 - **Financial Statement Audit**
 - **Federal “Single Audit”**
 - **State Laws and Regulations**



AUDIT RESULTS

FINANCIAL STATEMENT AUDIT

- **Unmodified Opinion on Financial Statements**
- **Internal Controls over Financial Reporting**
 - **Timeliness of Monthly Cash Reconciliations**
- **Compliance over Financial Reporting**
 - **No findings reported for the current year**
- **Compliance with Minnesota Laws and Regulations**
 - **Unclaimed property report**
 - **Timely payment of claims**



AUDIT RESULTS

FEDERAL SINGLE AUDIT

- **SEFA Fairly Stated in Relation to Basic Financial Statements**
- **Significant Deficiency in Internal Controls Over Federal Compliance**
 - **Coronavirus State and Local Fiscal Recovery Funds**
 - Controls over period of performance and allowable costs
 - Expenditures claimed for reimbursement incurred outside of the period of performance specified for this award
- **Noncompliance with Federal Requirements**
 - No reportable non-compliance

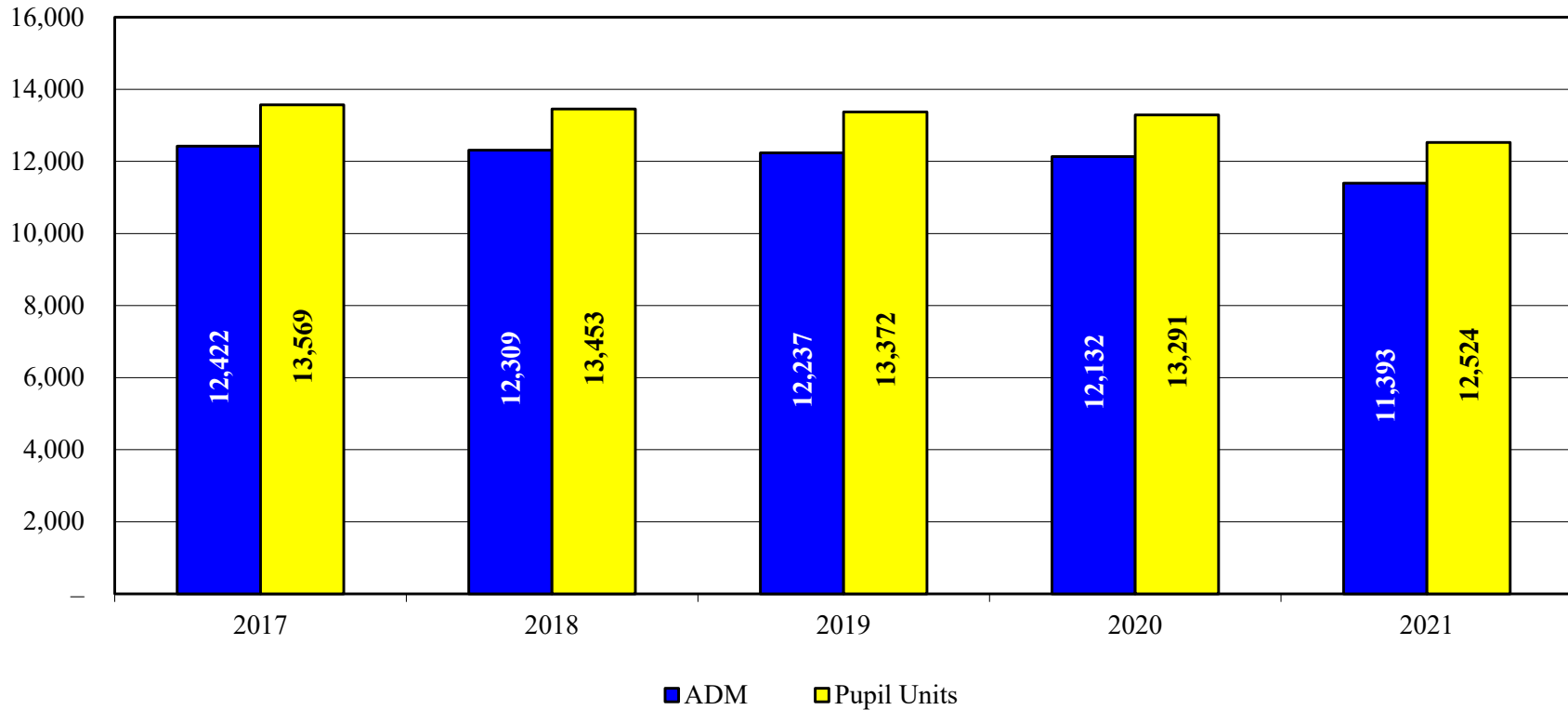


AUDIT RESULTS FOLLOW-UP ON 2020 FINDINGS

- **The Following Findings Resulting From The District's Fiscal 2020 Audit Were Corrected in Fiscal 2021:**
 - **Federal I/C Deficiency – Child Nutrition Cluster of Federal Programs – Suspension and Debarment**
 - Appropriate verification of vendor eligibility to participate in contracts paid with federal awards was documented for all vendors tested in fiscal 2021
 - **Minnesota Legal Compliance – Timely Submission of Financial Data:**
 - The District submitted audited fund balance data and audited financial statements for fiscal 2021 by the respective state reporting deadlines

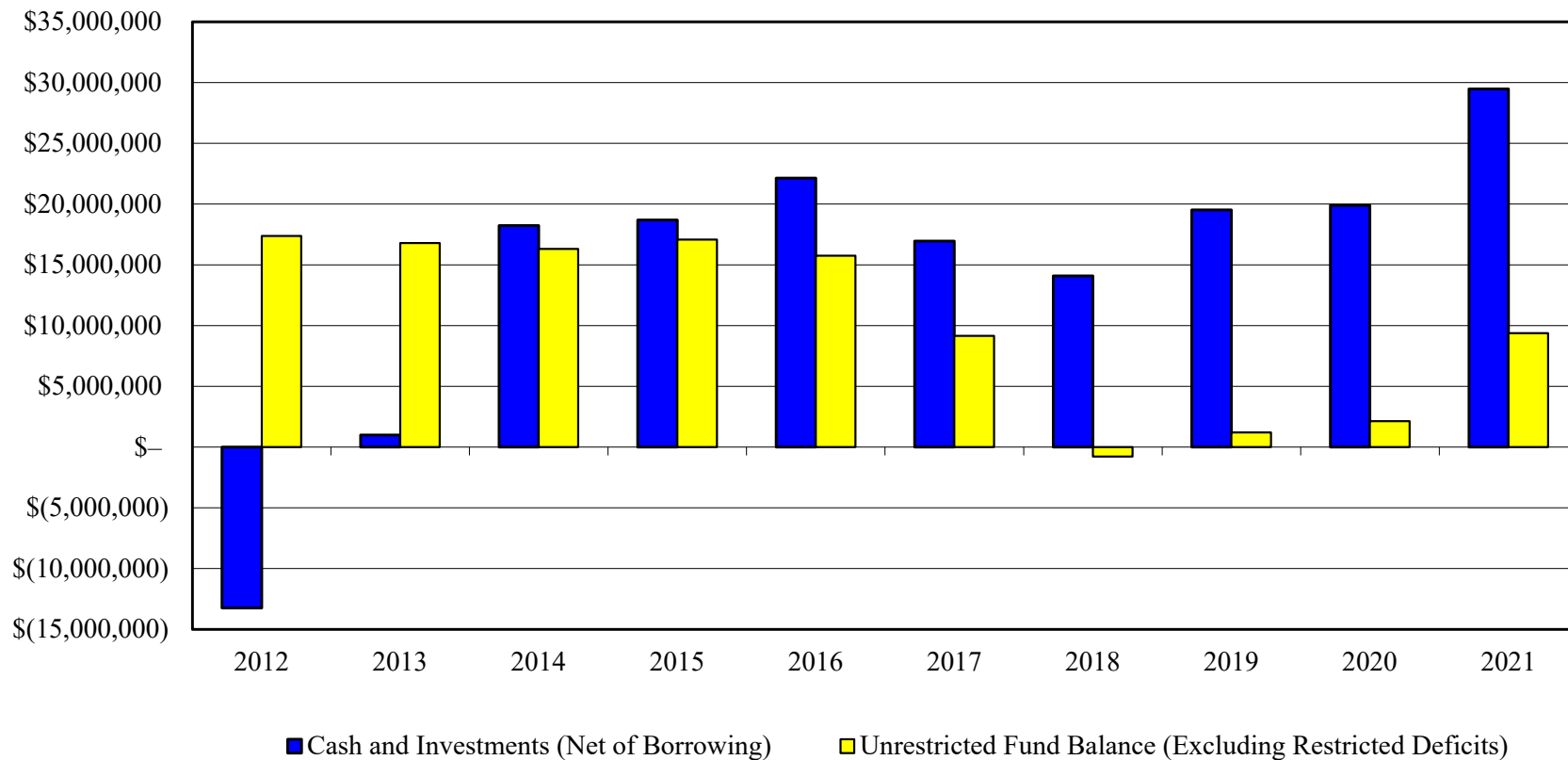
ADJUSTED ADM AND PUPIL UNITS SERVED

Adjusted ADM and Pupil Units Served



GENERAL FUND FINANCIAL POSITION

General Fund Financial Position
 Year Ended June 30,

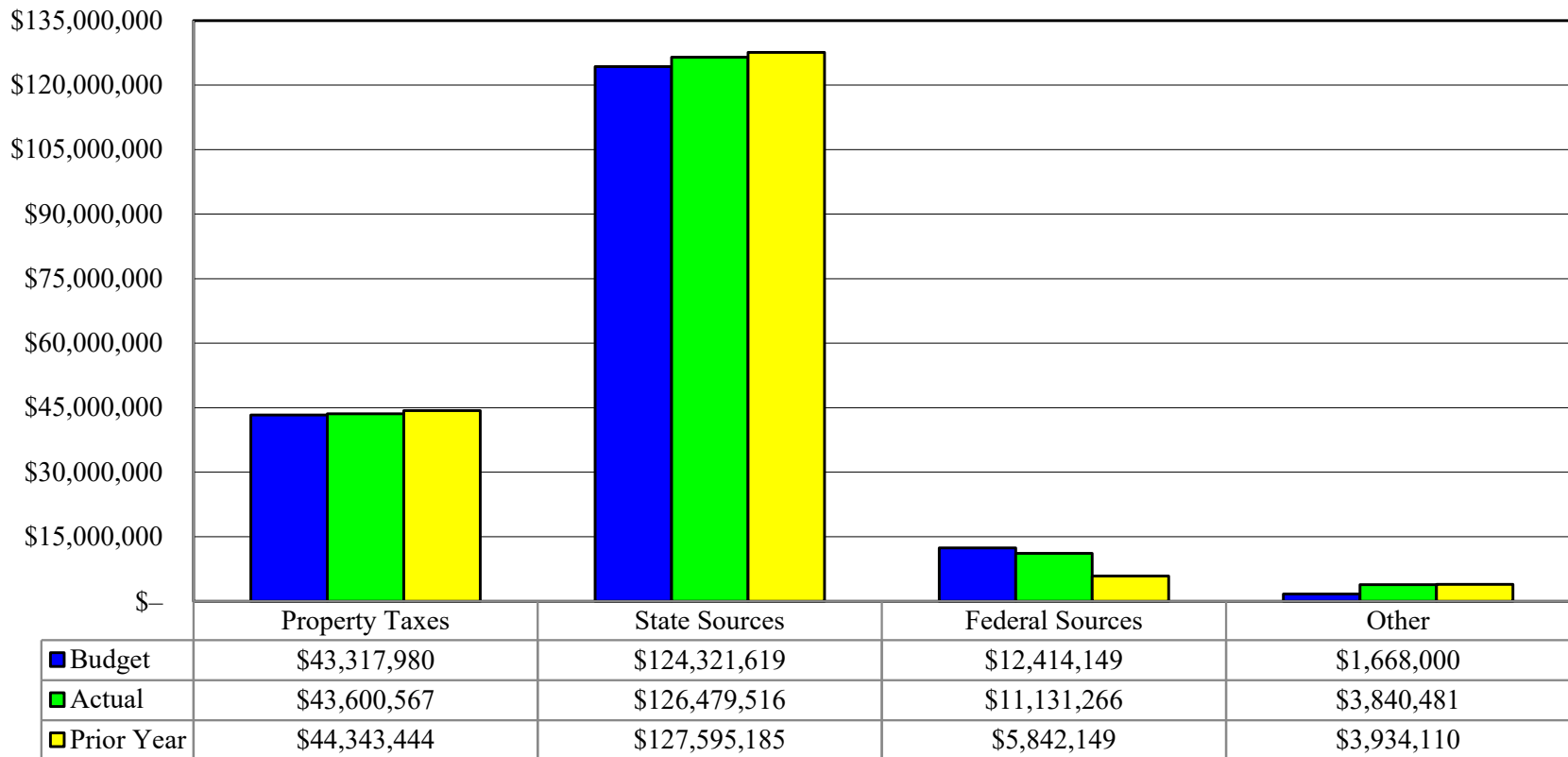


GENERAL FUND FINANCIAL POSITION – UFARS BASIS

	June 30,		
	2019	2020	2021
Nonspendable fund balances	\$ 264,546	\$ 713,515	\$ 1,218,616
Restricted fund balances	4,579,465	5,397,172	8,493,612
Unrestricted fund balances			
Assigned	1,210,419	1,507,829	1,882,535
Unassigned	—	622,412	7,502,120
Total fund balance	\$ 6,054,430	\$ 8,240,928	\$ 19,096,883
Unrestricted fund balances as a percentage of expenditures	<u>0.7%</u>	<u>1.2%</u>	<u>5.4%</u>
Unassigned fund balances as a percentage of expenditures	<u>—</u>	<u>0.3%</u>	<u>4.3%</u>

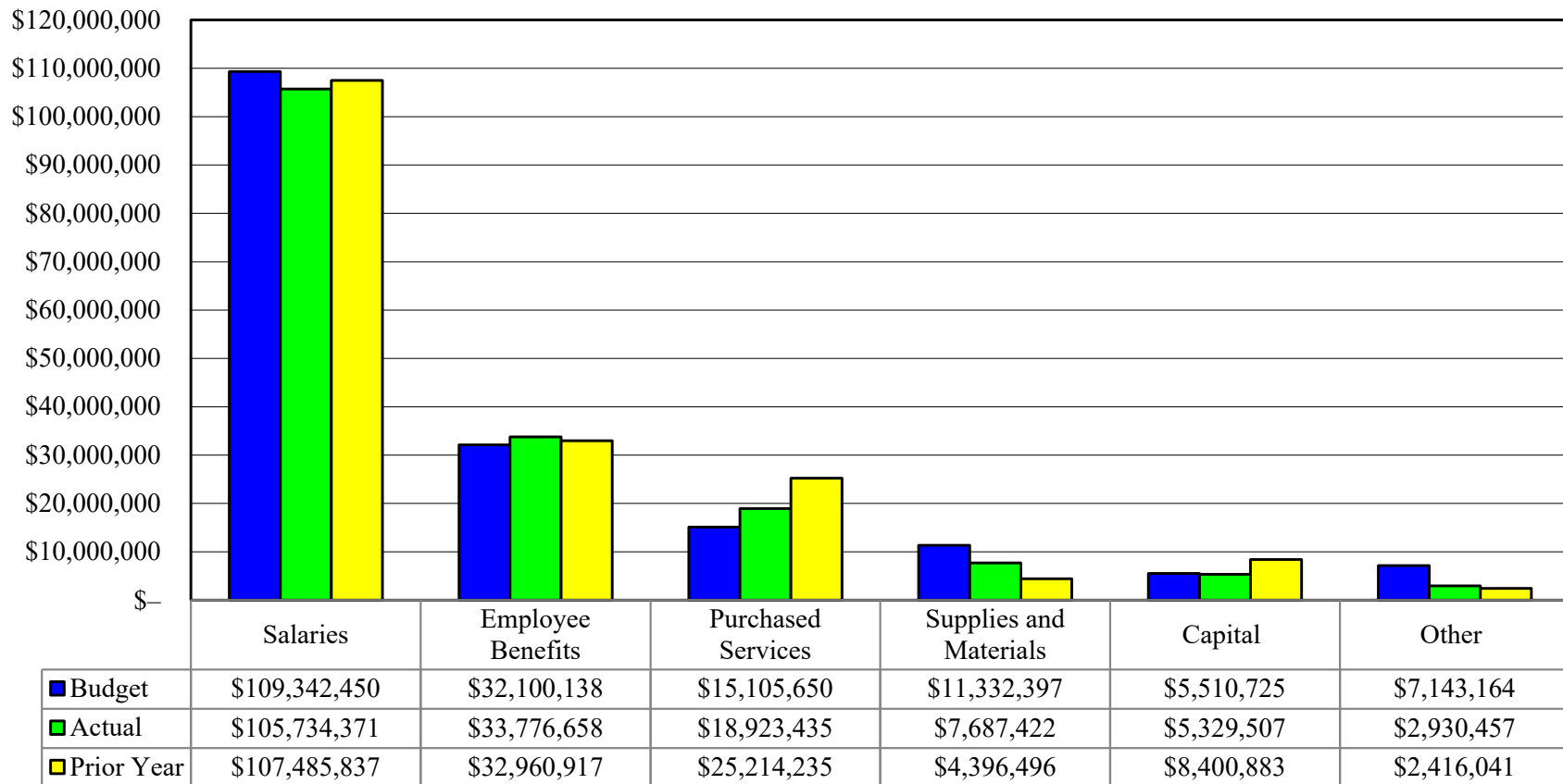
GENERAL FUND REVENUE

General Fund Revenue



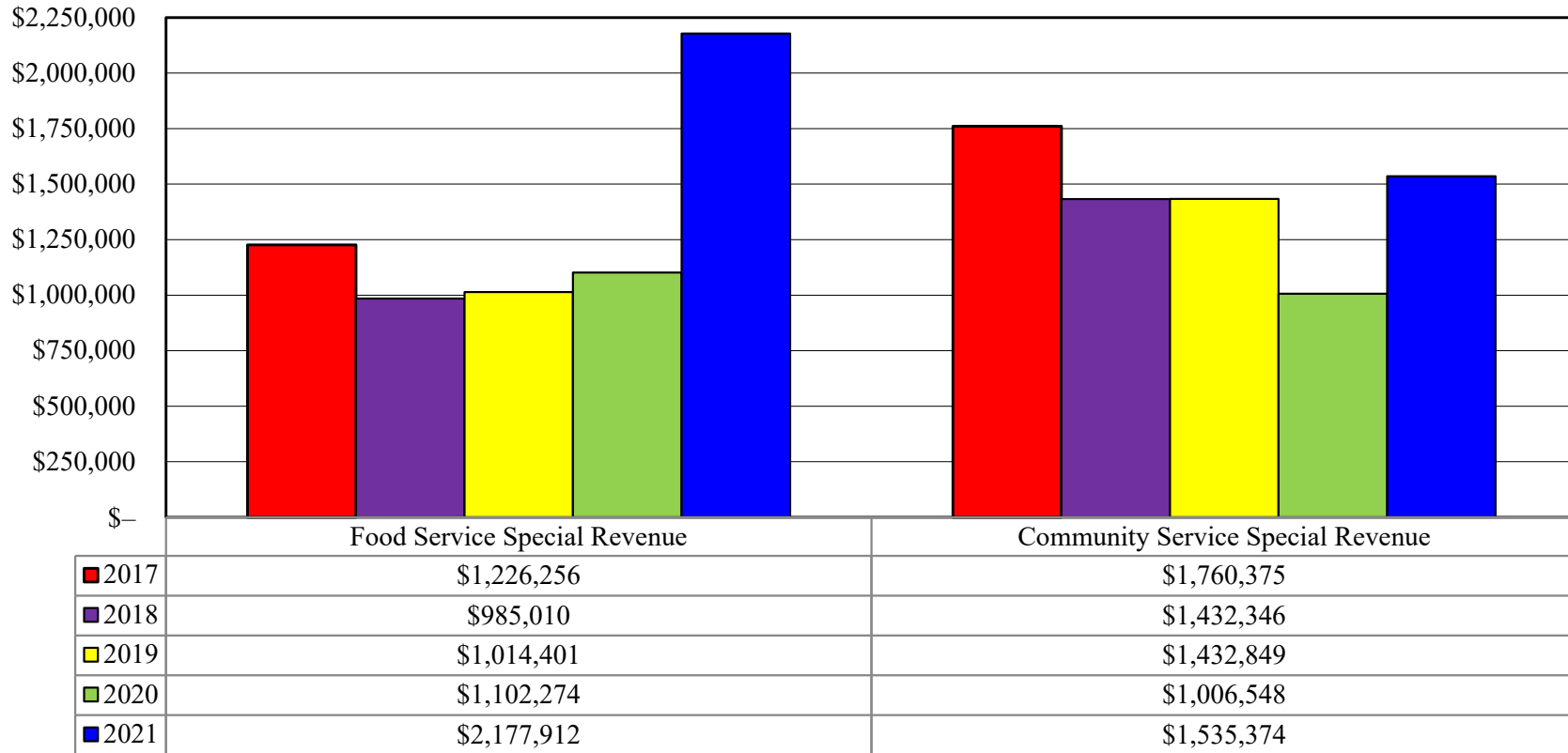
GENERAL FUND EXPENDITURES

General Fund Expenditures



OTHER OPERATING FUNDS FUND BALANCES

Other Operating Funds
 Total Fund Balances



SELF-INSURANCE INTERNAL SERVICE FUNDS

	<u>Self-Insured Dental Benefits</u>	<u>Self-Insured Health Benefits</u>
Change in net position		
Operating revenue – contributions	\$ 1,456,080	\$ 18,901,747
Operating expenses – benefits	1,412,700	18,496,858
Operating income (loss)	43,380	404,889
Nonoperating income	849	1,402
Change in net position	44,229	406,291
Net position – Beginning of Year	1,334,896	(691,424)
Net position – End of Year	<u>\$ 1,379,125</u>	<u>\$ (285,133)</u>



DISTRICT-WIDE STATEMENT OF NET POSITION

	June 30,		Change
	2021	2020	
Net position – governmental activities			
Total fund balances – governmental funds	\$ 29,063,998	\$ 14,382,801	\$ 14,681,197
Total capital assets, net of depreciation	305,146,648	306,431,953	(1,285,305)
Bonds, certificates of participation, and capital leases	(196,321,885)	(195,044,987)	(1,276,898)
OPEB asset, net of deferments	5,264,541	4,392,813	871,728
PERA and TRA pensions, net of deferments	(171,605,370)	(165,617,560)	(5,987,810)
Other adjustments	(6,099,049)	(6,564,934)	465,885
	<u>\$ (34,551,117)</u>	<u>\$ (42,019,914)</u>	<u>\$ 7,468,797</u>
Net position			
Net investment in capital assets	\$ 119,977,952	\$ 121,514,170	\$ (1,536,218)
Restricted	13,711,368	8,831,552	4,879,816
Unrestricted	<u>(168,240,437)</u>	<u>(172,365,636)</u>	<u>4,125,199</u>
	<u>\$ (34,551,117)</u>	<u>\$ (42,019,914)</u>	<u>\$ 7,468,797</u>