



Fridley Public Schools School Board Business Meeting Agenda

Tuesday, October 20, 2020 at 7:30 PM

Fridley Community Center

6085 7th Street NE

Fridley, MN 55432

A.	Call to Order, Pledge of Allegiance	
B.	Approval of Agenda with Suggested Motions and Resolutions	
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1.	Schools for Equity in Education Meeting held on September 18, 2020	

2. Association of Metropolitan School Districts (AMSD) Board Meeting held on October 2, 2020
3. NE Metro 916 Board Meeting held on October 7, 2020

I. **Important Future School Board Dates**

1. NE Metro 916 Board Meeting
November 4, 2020 at 6:00 PM
2. AMSD Board Meeting
November 6, 2020 at 7:00 AM
3. Fridley School Board - Special Meeting
Canvassing Election Results
November 13, 2020 at 7:15 AM
4. Schools for Equity in Education
November 13, 2020 at 9:00 AM
5. Fridley Public Schools Board Meeting
November 17, 2020
Work Session, 5:30 PM
Open Forum, 7:00 PM
Business Meeting, 7:30 PM
Fridley Community Center
6. Northwest Suburban Integration School District (NWSISD) Joint Powers Board Meeting
November 18, 2020 at 6:15 PM
7. Truth in Taxation Meeting
December 15, 2020
During the Public Forum time at 7:00PM
Fridley Community Center

J. **Adjournment**

Tuesday, October 20, 2020
School Board Business Meeting
Motions

A. Call to Order, Pledge of Allegiance

B. Approval of Agenda with Suggested Motions and Resolutions

1. Suggested Motions and Resolutions

Suggested Motion: Motion by _____, seconded by _____ to approve the agenda for October 20, 2020.

C. Spotlight on Recognition

D. Superintendent and Staff Reports

E. Business Action Items

1. Motion: Approval of the 2019-2020 Audit Report

Suggested Motion: Motion by _____, seconded by _____ to approve the 2019-2020 Audit Report.

2. RESOLUTION: Awarding the Sale, Determining the Form and Details, Authorizing the Execution, Delivery, and Registration, and Providing for the Payment of General Obligation School Building Refunding Bonds, Series 2020A

Suggested Motion: Motion by _____, seconded by _____ to awarding the sale, determining the form and details, authorizing the execution, delivery and registration, and providing for the payment of general obligation school building refunding bonds, Series 2020A.

ROLL CALL VOTE

3. RESOLUTION Accepting Gifts

WHEREAS, School Board Policy 706 establishes guidelines for the acceptance of gifts to the District; and

WHEREAS, Minnesota Statute 465.03 states the School Board may accept a gift, grant, or devise of real or personal property only by the adoption of a resolution approved by two-thirds of its members;

THEREFORE, BE IT RESOLVED, that the School Board of Fridley Public Schools accepts with appreciation the following gifts received by the School District:

- The following persons donated to **Fridley Public Schools:**
 - Fridley-Columbia Heights Rotary – dictionaries to all third grade students

- The following persons donated to **Fridley High School** supplies from their Amazon Wish List:
 - Jodie & Keith Hill
 - Katie Kozicky
 - Joanna Krueger
 - Rose Nordin

- The following persons donated to **Fridley Middle School** 75 face masks:
 - Cindy Huynh

- The following persons donated to **Stevenson Elementary School** 48 Kits for Kids:
 - Queen Esther Chapter #16

Suggested Motion: Motion by _____, seconded by _____, to accept the gifts and thank the donors for their contributions.

ROLL CALL VOTE

4. Motion: Second Reading and Adoption of Policies

- Policy 104 School District 14 Mission Statement
- Policy 105 Equity & Inclusion

Suggested Motion: Motion by _____, seconded by _____, to approve the Second Reading and Adoption of Policies 104 & 105.

F. Consent Agenda

Suggested Motion: Motion by _____, seconded by _____ to approve the consent agenda of routine action items including minutes of the regular School Board meeting, work session held on September 15, 2020 and the work session held on October 6, 2020; Monthly Financial Reports; New Contracts, Amendments, Lane Changes, Leaves of Absence, Terminations, Resignations and Retirements; Memorandum of Agreements with ISD 14 and the Fridley Education Association regarding building subs; and Statewide Health Improvement Program Agreement.

G. Written Information

H. Reports from School Board Members

I. Important Future School Board Dates

J. Adjournment

Suggested Motion: Motion by _____, seconded by _____, to adjourn at _____.



Employee of the Month

September 2020

**Employee of the Month for
September 2020:**

Linda Snyder



Linda Snyder
Employee of the Month – September 2020

September's employee of the month could not be more deserving. When I began my work in the Fridley District I was amazed by her involvement in meetings and the details she knew about the students she supported. The words I think of when I think of Linda are: hardworking, problem solver, multi-talented, and superhero. She has an additional responsibility added this year, she is our COVID coordinator. She is the best person for this because from what we have already heard from staff members is that she brings a sense of calm to everyone around and we feel safe knowing she is in this position. A staff member wrote: *Linda has been a constant support for the childcare department since March 15th. With no questions asked, she showed up. Her and her team partnered with us through the shut down, and she and I continued to stay in touch through the summer months to stay up to date as guidance changed, and to talk through decision tree scenarios that arose. We would not be where we are at during this time without the support of Linda. She is truly wonderful.*

- Laura Seifert-Hertling, Director of Special Services

**Independent School District No. 14
Fridley, Minnesota**

Communications Letter

June 30, 2020

Independent School District No. 14
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**Report on Matters Identified as a Result of
the Audit of the Financial Statements**

To the School Board and Management
Independent School District No. 14
Fridley, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is stated within this letter

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated October 9, 2020, on such statements.

This communication is intended solely for the information and use of management, the School Board, and others within the District and state oversight agencies is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV Ltd .

Minneapolis, Minnesota
October 9, 2020

Independent School District No. 14 Significant Deficiency

Lack of Segregation of Accounting Duties

The District has a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Accounts Payable Clerk enters invoices into the system and prepares the checks.
- The Accounting Supervisor has access to all areas of the accounting system.
- The Accounting Supervisor and Payroll Specialist have overlapping duties within the payroll process

This lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation but due to the number of accounting staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Independent School District No. 14 Required Communication

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, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Independent School District No. 14 Required Communication

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

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

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on 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 markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Independent School District No. 14 Required Communication

Qualitative Aspects of Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pension Activity, and Deferred Inflows of Resources Related to Pension Activity – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

We identified the following uncorrected misstatements of the financial statements. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Food service state receivable and revenue are understated
- In-kind State Contribution related to pensions

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Independent School District No. 14 Required Communication

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the District, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the 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.

With respect to the supplementary information accompanying the financial statements, 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.

Independent School District No. 14 Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State 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 ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2011	\$ 5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

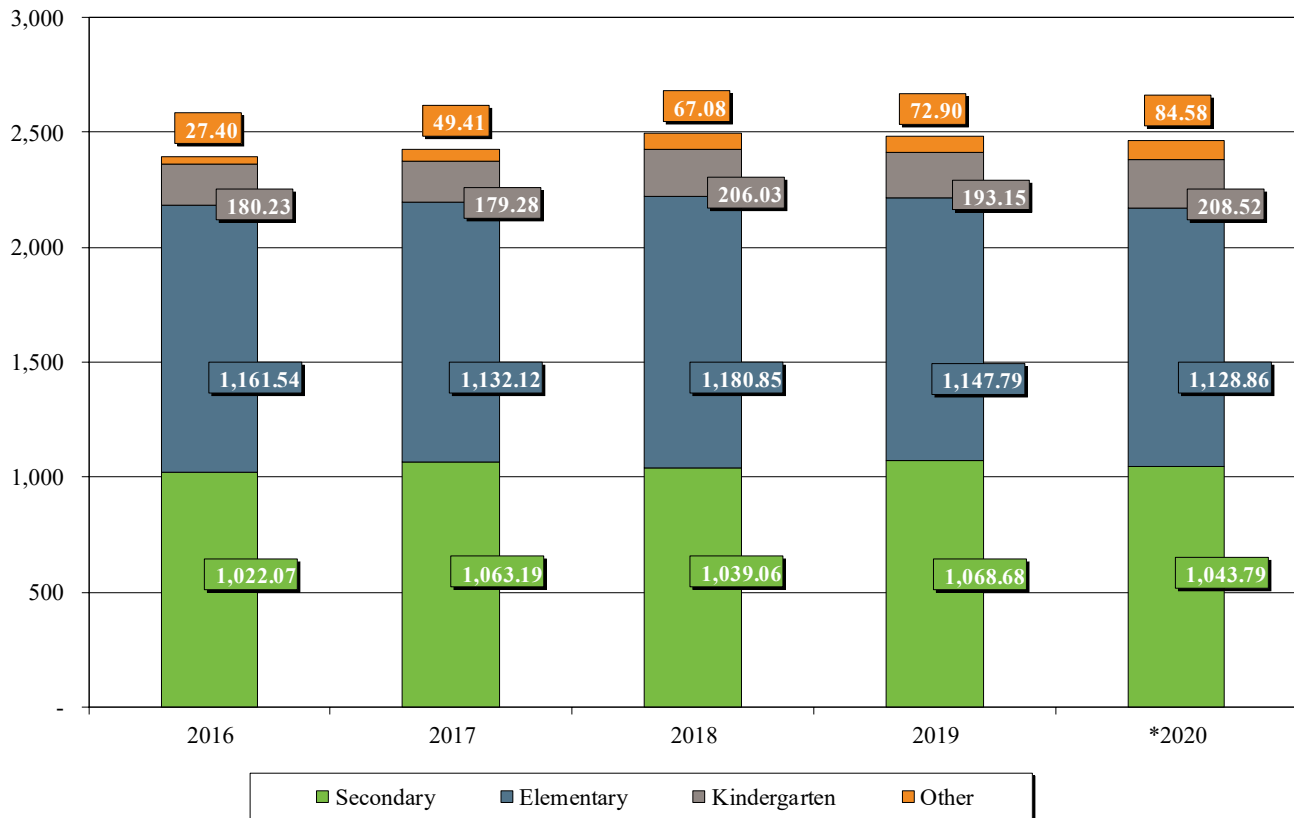
Independent School District No. 14 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

Approximately 79% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District over the past five years ended June 30.

Resident ADM	2016	2017	2018	2019	*2020
Other	27.40	49.41	67.08	72.90	84.58
Kindergarten	180.23	179.28	206.03	193.15	208.52
Elementary	1,161.54	1,132.12	1,180.85	1,147.79	1,128.86
Secondary	1,022.07	1,063.19	1,039.06	1,068.68	1,043.79
Total Resident ADM	2,391.24	2,424.00	2,493.02	2,482.52	2,465.75

Resident ADM



* Estimate

The chart and graph above show a decrease in resident ADM from 2019 to 2020 of 16.77 ADM, or 0.68%.

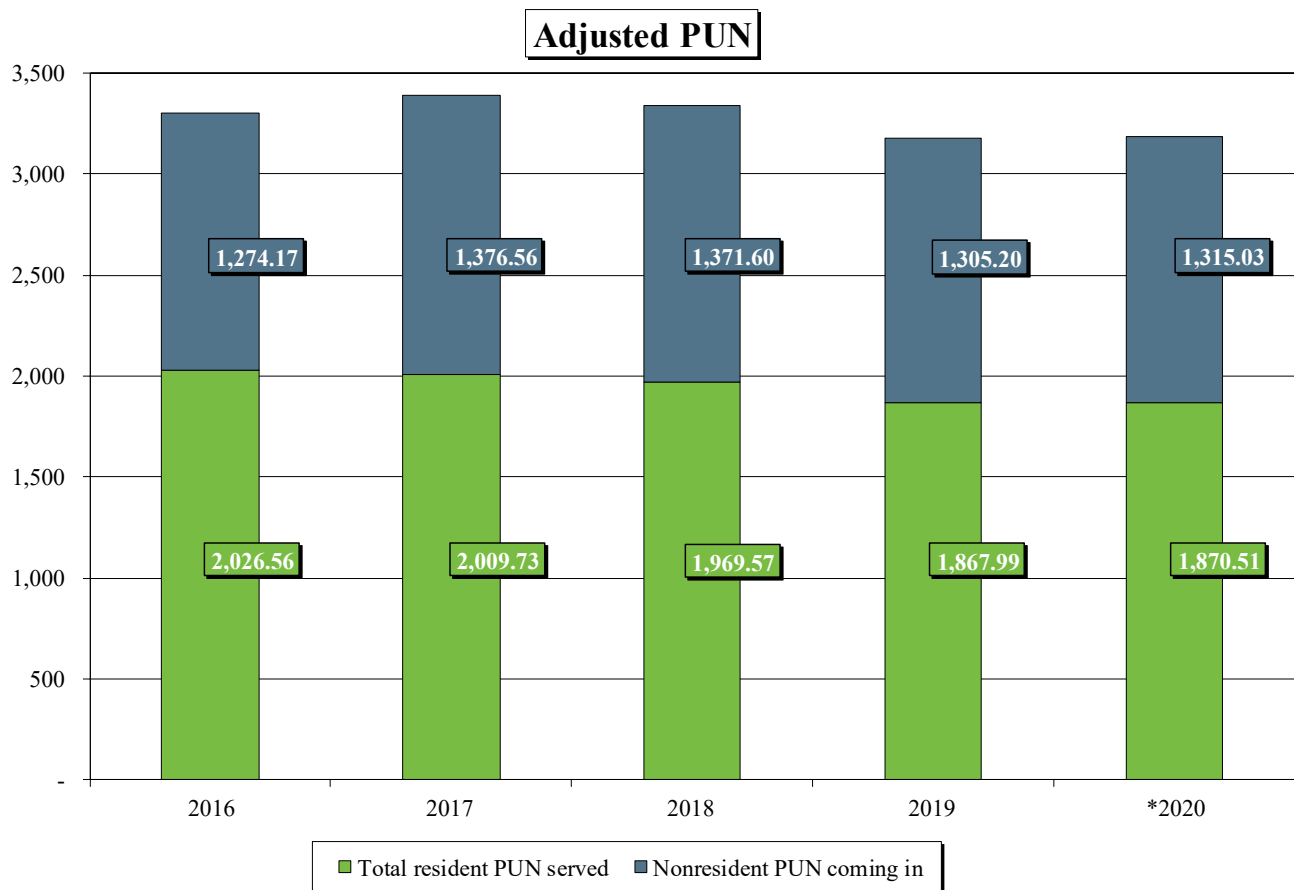
Independent School District No. 14 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten Half	Kindergarten Full	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
2016-2020	1.000	1.000	0.550	1.000	1.000	1.000	1.200

The PUN served table and graph below converts the resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

PUN	2016	2017	2018	2019	*2020
Residents	2,595.65	2,636.65	2,700.85	2,695.88	2,674.51
Resident PUN going elsewhere	(569.09)	(626.92)	(731.28)	(827.89)	(804.00)
Total resident PUN served	2,026.56	2,009.73	1,969.57	1,867.99	1,870.51
Nonresident PUN coming in	1,274.17	1,376.56	1,371.60	1,305.20	1,315.03
Total Adjusted PUN	3,300.73	3,386.29	3,341.17	3,173.19	3,185.54



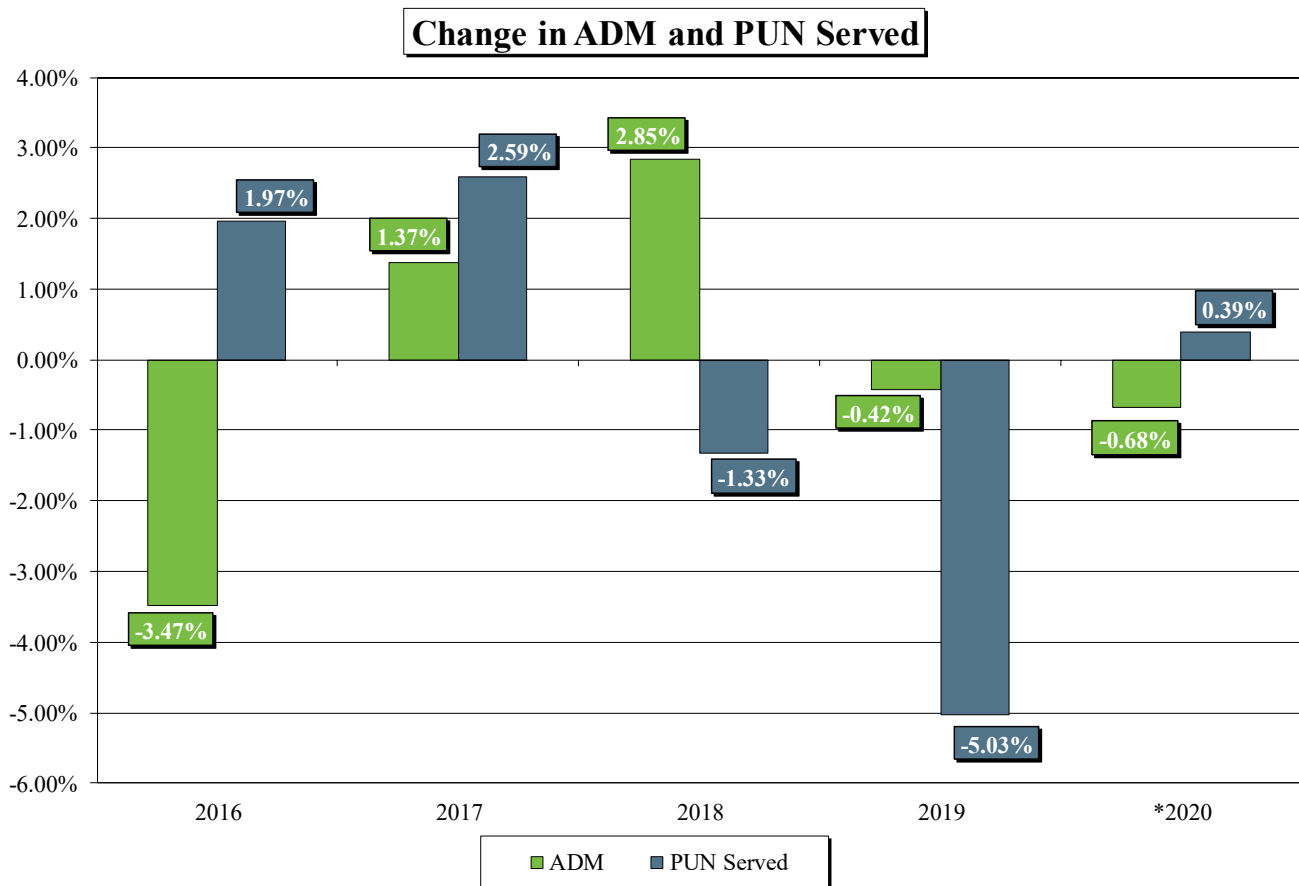
* Estimate

Independent School District No. 14 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

In 2020, resident PUN decreased 21.37, or 0.79%. PUN served increased 12.35 PUN or 0.39%, a result of a decrease in resident PUN going elsewhere and an increase in nonresident PUN coming into the District. Nonresident PUN make up 41.3% of PUN served.

The following graph illustrates the percentage change from year-to-year in resident ADM and PUN served.



* Estimate

**Independent School District No. 14
Financial Analysis**

General Fund Sources of Revenue

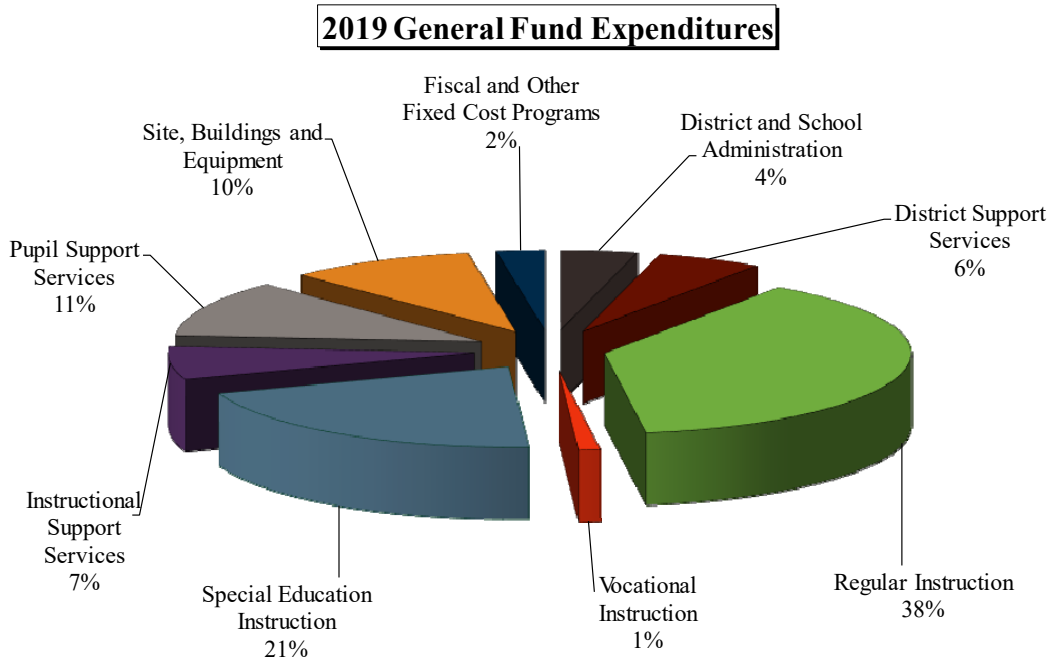
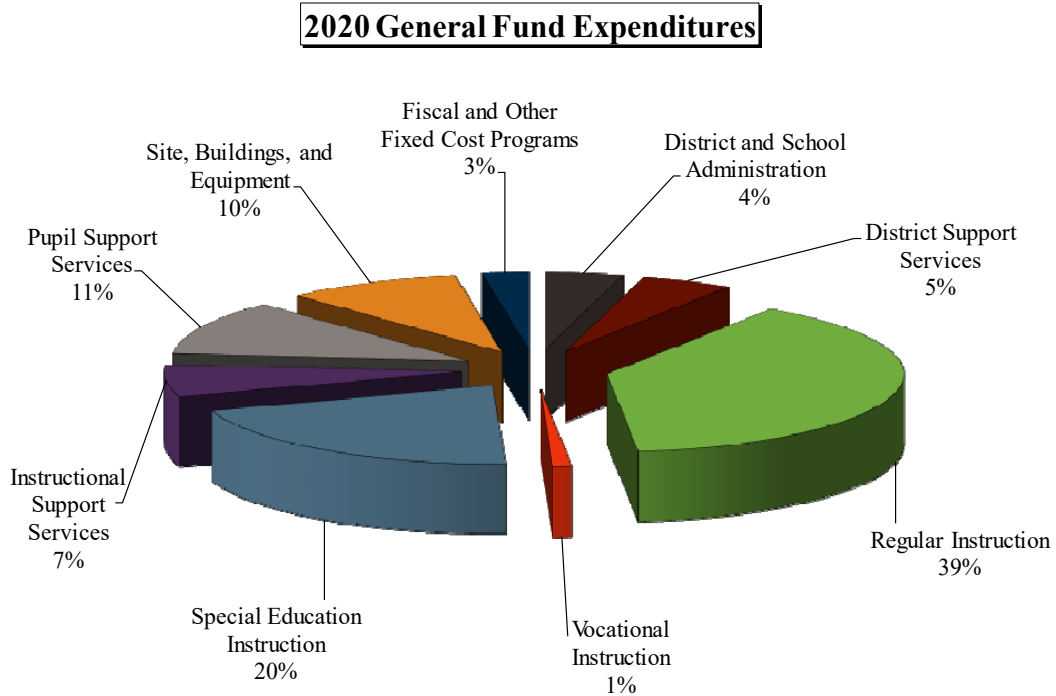
General Fund sources of revenue are summarized as follows:

	2016	2017	2018	2019	2020
Local property taxes	\$ 4,390,702	\$ 4,437,638	\$ 5,586,336	\$ 6,303,819	\$ 6,457,443
State sources	34,177,979	35,182,141	35,959,679	35,747,873	35,171,289
Other	2,703,908	2,372,596	2,453,741	2,732,712	2,765,323
Total	\$ 41,272,589	\$ 41,992,375	\$ 43,999,756	\$ 44,784,404	\$ 44,394,055

State sources are 79.2% of the total General Fund revenue, with local taxpayers contributing 14.6% of the funding and federal and other sources making up the remaining 6.2%. Total revenue for 2020 decreased \$390,349 from \$44,784,404 in 2019 to \$44,394,055 in 2020. This decrease can be attributed to the decrease in state sources revenue, specifically special education and basic skills aids. Property taxes and other revenues were consistent with the prior year.

Independent School District No. 14 Financial Analysis

General Fund Expenditures



The allocation of expenditures has remained fairly consistent from year-to-year as shown above. The three instruction categories, regular, vocational, and special education comprise 60% of the total expenditures for both 2020 and 2019.

**Independent School District No. 14
Financial Analysis**

General Fund

The following table presents comparative operating results for the District's General Fund:

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 41,272,589	\$ 41,992,375	\$ 43,999,756	\$ 44,784,404	\$ 44,394,055
Expenditures excluding OPEB	39,627,507	41,030,863	43,240,714	43,302,652	42,338,911
Excess of revenues over expenditures	1,645,082	961,512	759,042	1,481,752	2,055,144
Sale of capital assets	-	5,531	-	-	-
Proceeds from capital leases	280,212	34,265	566,843	-	268,015
Transfers out	(496,037)	(561,570)	(1,551,781)	(725,740)	(832,061)
Fund balance, July 1	3,484,192	4,913,449	5,353,187	5,127,291	5,883,303
Change in accounting principle	-	-	-	-	86,544
Fund Balance, June 30	\$ 4,913,449	\$ 5,353,187	\$ 5,127,291	\$ 5,883,303	\$ 7,460,945
Components					
Nonspendable	\$ 80,134	\$ 152,204	\$ 300,318	\$ 144,601	\$ 207,678
Restricted for					
Student activities	-	-	-	-	68,462
Health and safety	(206,747)	(136,755)	(1,179)	-	-
Capital projects levy	-	4,876	(2)	4,019	279,040
Safe schools - crime levy	47,166	53,251	68,167	87,714	193,069
Operating capital	232,107	266,547	176,644	537,547	425,933
Long term facilities maintenance	-	(327,235)	(289,308)	25,658	60,196
Medical assistance	-	72,125	294,904	294,904	715,356
Assigned	2,311,463	2,809,964	2,028,808	2,246,081	2,599,775
Unassigned	2,449,326	2,458,210	2,548,939	2,542,779	2,911,436
Total	\$ 4,913,449	\$ 5,353,187	\$ 5,127,291	\$ 5,883,303	\$ 7,460,945

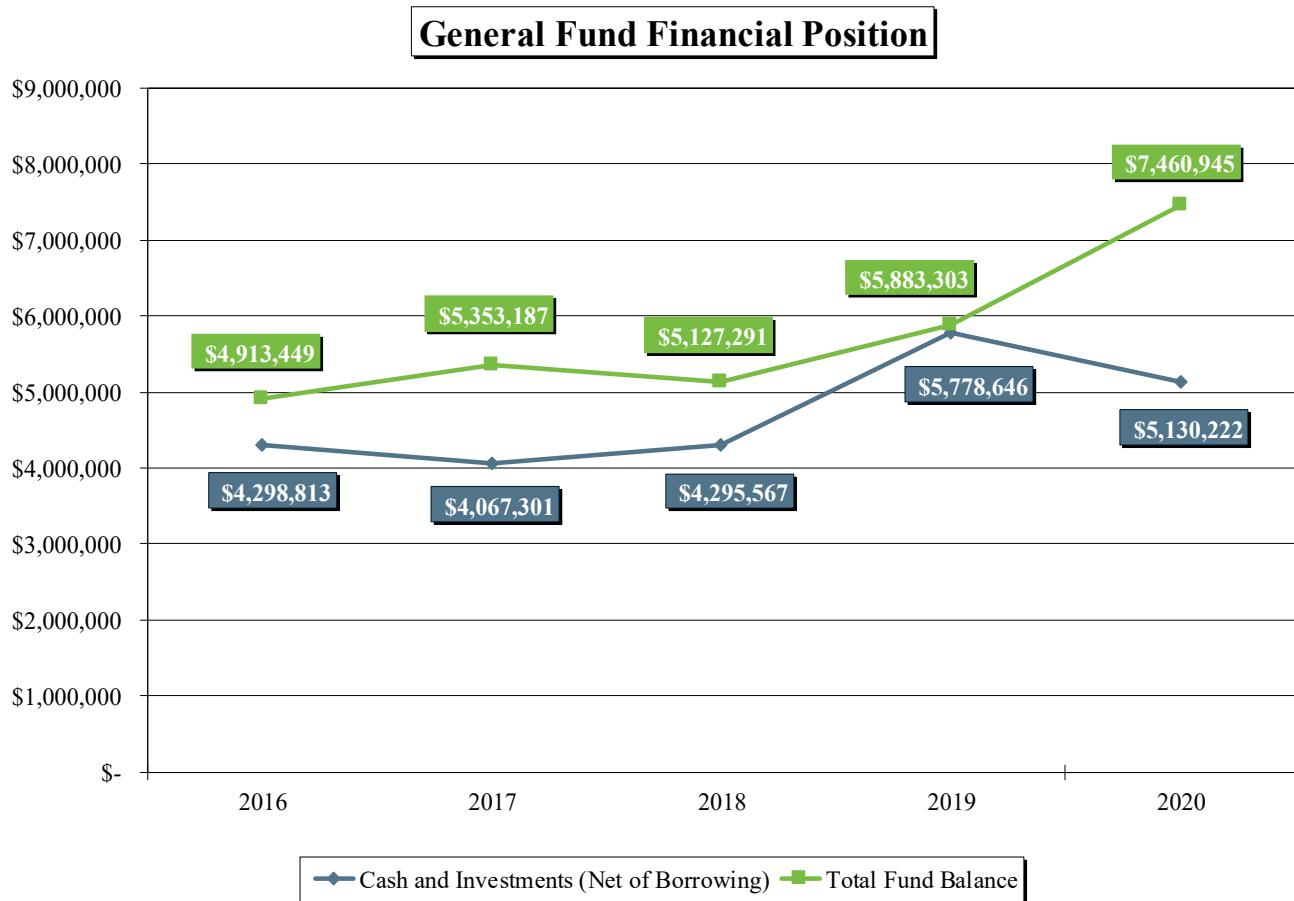
The District's General Fund revenues decreased \$390,349, or 0.9%, from the prior year, while expenditures decreased \$963,741, or 2.2%. District support service expenditures decreased \$278,397 due in large part to less technology equipment and dues expenditures when compared to the prior year. Special education instruction expenditures decreased \$275,336 as a result of not applying federal funds towards tuition along with less contracted services based on staffing, student needs, and the impact of COVID-19. The sites and buildings category also decreased \$210,754 due to less project activity in 2020 as compared to the prior year.

The District's revenues exceeded expenditures by \$2,055,144 for 2020. The District transferred \$832,061 out to other funds for community education and capital project portions of the levy referendum.

Independent School District No. 14 Financial Analysis

General Fund Financial Position

Overall, the District's General Fund total fund balance increased \$1,577,642 in 2020. The District's unassigned portion of fund balance increased \$368,657 from 2019, ending the year with a balance of \$2,911,436.



Independent School District No. 14 Financial Analysis

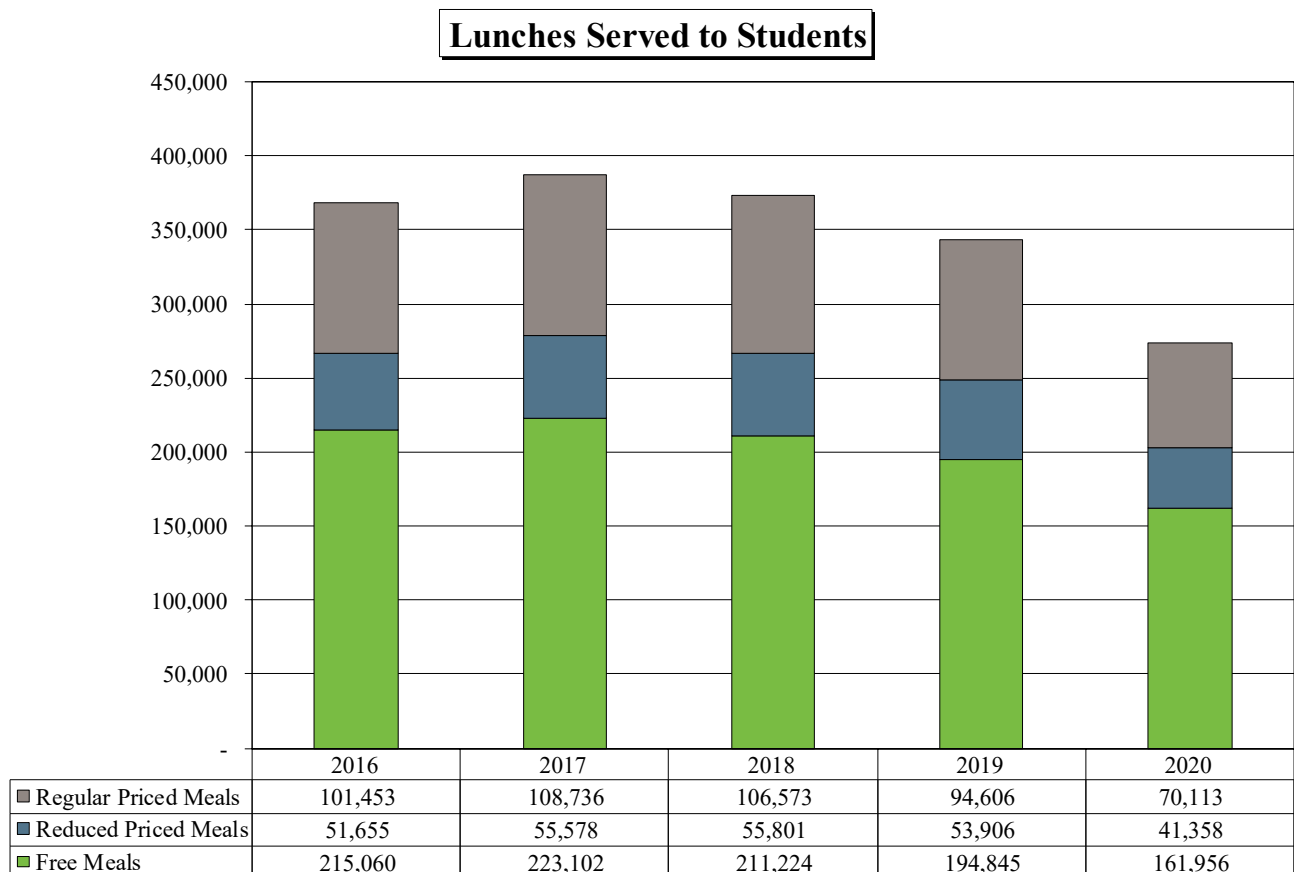
Food Service Fund

The following table presents five years of comparative operating results for the District's Food Service Fund.

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,023,553	\$ 2,130,199	\$ 2,045,007	\$ 2,200,263	\$ 1,799,299
Expenditures	1,790,549	2,125,132	2,141,389	2,092,615	1,749,648
Excess of revenues over (under) expenditures	233,004	5,067	(96,382)	107,648	49,651
Other financing sources	8,312	-	-	-	-
Fund balance, July 1	316,698	558,014	563,081	466,699	574,347
Fund Balance, June 30	\$ 558,014	\$ 563,081	\$ 466,699	\$ 574,347	\$ 623,998

For the current year, there was an increase in fund balance of \$49,651. Revenues decreased by \$400,964, or 18.2%, and expenditures decreased by \$342,967, or 16.4%. The fund balance represents just over three month's expenditures based on 2020 levels. The decreases in revenues and expenditures are largely attributed to the impact of COVID-19 and distance learning being in place towards latter portion of the school year, as there were less meals served. There were also less capital expenditure purchases for equipment in 2020 out of the Food Service Fund.

The following chart reflects the number and type of lunches served to students over the past five years:



**Independent School District No. 14
Financial Analysis**

Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund.

For the year ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,847,063	\$ 2,854,383	\$ 2,888,088	\$ 2,913,111	\$ 2,377,623
Expenditures	2,675,119	2,749,225	2,953,535	3,128,632	2,712,966
Excess of revenues over (under) expenditures	171,944	105,158	(65,447)	(215,521)	(335,343)
Other financing sources	100,445	101,587	103,616	216,343	284,989
Fund balance, July 1	(64,215)	208,174	414,919	453,088	453,910
Fund Balance, June 30	\$ 208,174	\$ 414,919	\$ 453,088	\$ 453,910	\$ 403,556

For the year ended June 30,	2016	2017	2018	2019	2020
Components					
Nonspendable	\$ 5,334	\$ 4,275	\$ -	\$ 6,765	\$ 5,040
Restricted for					
Community education	78,666	254,936	260,914	264,584	274,056
ECFE	50,069	69,774	78,187	65,849	4,906
School readiness	66,973	47,766	47,235	45,455	24,579
Community service	7,132	38,168	66,752	71,257	94,975
Total	\$ 208,174	\$ 414,919	\$ 453,088	\$ 453,910	\$ 403,556

Expenditures exceeded revenues by \$335,343 in 2020. Revenues decreased \$535,488, or 18.4%, from 2019 to 2020, while expenditures decreased \$415,666, or 13.3%. Revenues decreased due to the impact of COVID-19 on the community service program fees and facility rental fees. Expenditures also decreased in large part to the impact of COVID-19 on programming as salaries, benefits, purchased services, and supplies and materials all dropped off significantly. The District transferred a total of \$284,989 from the General Fund to the Community Service Fund to allocate operating referendum dollars, to allocate a portion of lease levy for adult basic education, and to make a one-time transfer in correspondence to the Governor executive order surrounding COVID-19.

Independent School District No. 14 Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

State Aid Appropriations

The formula allowance for 2020 General Education Aid was increased \$126 (2%) to \$6,438. For 2021, the formula allowance is set at \$6,567, which is an increase of \$129, or 2%.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Funding provided includes Governor's Emergency Education Relief (GEER) funding totaling \$38.1 million to MDE to be used for technology and summer school programming. Elementary and Secondary School Emergency Relief (ESSER) funding totaling \$140.1 million is 90% allocated based on 2020 Title I, part A allocations and 9.5% is allocated as grants, with the remaining 0.5% available for administration. Child Nutrition Grants to States funding totaled \$160.3 million.

Compensatory Revenue

A percentage of the total compensatory revenue must be used for extended time activities. This percentage was 5.5% for 2020. For 2021 and later, this restriction was eliminated.

Special Education

Beginning for 2020, cross subsidy reduction aid was established as a new component of the special education aid formula. Cross subsidy reduction aid is a percentage of each district's initial cross subsidy for the prior fiscal year – 2.6% for 2020 and 6.43% for 2021 and later. The tuition rate paid by the resident school district for open enrolled special education students served by another district or charter school was reduced from 90% to 85% of unfunded costs for 2020 and will be reduced to 80% for 2021 and later.

For 2020, the special education aid cap was increased to the greater of the current cap or the sum of 56% of current year special education program costs plus 100% of current year special education transportation cost plus the tuition adjustment. For 2021 and later, the cap is eliminated.

Beginning in 2021, the pupil-driven portion of the initial special education aid formula will reflect 2018 data.

The special education hold harmless guarantee was limited to the sum of 90% in 2020, and will be limited to 85% in 2021, 80% in 2022, and 75% in 2023 and later, of current year special education program costs plus 100% of special transportation costs plus the tuition adjustment. The annual inflation adjustment used in the calculation of the hold harmless will be reduced by 0.2% per year from 4.4% in 2021 until the inflation adjustment reaches 2.0%.

Formula Adjustments in Response to COVID-19

Special education 2020 expenditures for employees and contracted services that would have been eligible for state aid in the absence of school closures due to COVID-19 must be included as eligible expenditures for the calculation of special education aid and for tuition billing, regardless of whether special education services were actually provided during the closure. State aid savings due to lower meal counts for regular school food service programs are reallocated on a per meal served basis to school providing summer food service meals between March 16, 2020 and June 30, 2020.

Independent School District No. 14 Legislative Summary

Formula Adjustments in Response to COVID-19 (Continued)

MDE is authorized to adjust reimbursement rate for career and technical expenditures to ensure the full expected amount of funding is distributed to schools. Expenditures for individuals who were essential personnel prior to March 13, 2020 and would have been eligible to generate revenue in the absence of school closures due to COVID-19 may be included as eligible expenditures for the calculation of revenue, regardless of whether services were actually provided during the closure.

MDE may adjust 2020 transportation expenditures used to determine future aid to ensure the full amount of transportation aid, and interdistrict desegregation or integration transportation aid is equitable amount districts.

MDE may recalculate the contact hour reimbursement rate for 2021 or otherwise adjust the formula to fully spend the estimated adult basic education aid.

Tests administered during the 2019-2020 school year are excluded from the three-year averages used in computing literacy incentive aid for fiscal years 2021, 2022, and 2023, and allows the commissions to adjust formula rates for these years to ensure total aid does not fall below the amount estimated in the February 2020 forecast.

School age care revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, continues at its approved amounts. Program funds may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

After-school enrichment revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

Early childhood screening aid for fiscal years 2020 and 2021 will be calculated using the formula amounts set in statute for each age group and the 2018-2019 school year counts of children screened for each age group.

School districts may carry over any unspent achievement and integration funds from its approved budget for fiscal year 2020 into 2021. If spent for approved purposes in fiscal year 2021, the district would generate additional 2021 revenue over and above the regular formula limitations

Operating Referendum and Local Option Revenue (LOR) Simplification

For fiscal year 2021, the annual recalculation of referendum allowances approved before 2014 based on the amount of LOR a district opts to receive is eliminated. \$300 per pupil unit of referendum revenue is transferred to LOR and the board approved referendum is eliminated. To ensure there is no change in revenue, aid, or levy for any district, a two-tiered levy for LOR is created; Tier 1 of LOR replaces Tier 1 of the referendum. The referendum cap is reduced by \$300 to neutralize the impact of the \$300 transfer to LOR.

Independent School District No. 14 Legislative Summary

Fund Transfers

Emergency Executive Order allows a school district, charter school, or cooperative unit to make operating fund and account transfers for fiscal years 2020 and 2021 for certain costs related to care, transportation, technology, and for certain community service and food service salaries and benefits. Amounts transferred must not be already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law. Fund or account transfers must be neutral for the district and not affect aid or levy revenues. Board approval is required, and transfers must be made prior to the UFARS reporting deadline for the fiscal year.

Debt Service Relief

For fiscal year 2021, districts unable to make required debt service payments because of an anticipated delay in property tax receipts may apply for modified cash flow payments under Minnesota Statutes, section 127A.45. The Commissioner of Education may adjust the timing of IDEAS state aid payments.

Property Tax Bill

Effective for taxes payable in 2018, there will be a property tax credit on all property classified as agricultural. The credit will be equal to 40% of the tax on the property attributable to school district bonded debt levies. The credit is increased to 50% for taxes payable in 2020, 55% for taxes payable in 2021, 60% for taxes payable in 2022, and 70% for taxes payable in 2023 and thereafter. Estimated property tax relief totals \$10.9 million for pay 2020, \$18.2 million for pay 2021, and \$27.2 million for pay 2022.

Effective for 2021, the equalizing factor for tier 2 of the operating referendum was increased from \$510,000 to \$567,000. For 2021, property tax relief totals \$9.4 million.

Safe Schools Supplemental Aid

Funding is contingent based on the 2019 closing balance and will be up to \$30 million. The aid was allocated among districts and charter schools based on total adjusted ADMs for 2018. The one-time aid was paid out on the October 30, 2019, IDEAS payment. Aid must be used for the same purposes as the safe schools levy.

Voluntary Prekindergarten (VPK)/School Readiness Plus

For 2020 and 2021 only, the 4,000 seats currently expiring after 2019 will continue to be funded.

Pension Bill

Augmentation has been eliminated for TRA members after December 31, 2017, and early retirement subsidies have been phased out.

Post-retirement cost of living adjustments (COLAs) have been reduced –

- 1) TRA – lowers the COLA from 2% to 1% for five years; then the rate will increase by 0.1% each year until it reaches 1.5%
- 2) PERA – the increase will be 50% of the increase for Social Security announced January 1, but not less than 0.5% or more than 1.5%
- 3) Defers commencement of COLA for early retirees

Independent School District No. 14 Legislative Summary

Pension Bill

The rate of interest paid on refunds of employee contributions to former employees has been reduced from 4% to 3%. TRA required contributions have increased to 7.75% for employees effective for fiscal year 2024. Required employer contributions will increase 0.21% for fiscal year 2019 to fiscal year 2023 and 0.2% in fiscal year 2024 until a required contribution rate of 8.75% is reached. Pension adjustment revenue will increase to match the required contribution increases.

Independent School District No. 14 Emerging Issue

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and their applicability to your District.

Accounting Standard Update – GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying 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.

A short-term lease is 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.

Independent School District No. 14
Emerging Issue

Accounting Standard Update – GASB Statement No. 87 – *Leases (Continued)*

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**Independent School District No. 14
Fridley, Minnesota**

Financial Statements

June 30, 2020

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**Independent School District No. 14
Board of Education and Administration
June 30, 2020**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Donna Prewedo	Chair/Vice Chair	January 1, 2024
Carol Thornton	Clerk	January 1, 2022
Avonna Starck	Treasurer	January 1, 2022
Jason Karnopp	Director	January 1, 2024
Abdisalam Adam	Director	January 1, 2024
Vacant	Director	January 1, 2022
<u>Ex Officio Member</u>		
Dr. Kim Hiel	Superintendent	

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, 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. 14, Fridley, Minnesota, as of and for the year ended June 30, 2020, and the related notes to 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.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of June 30, 2020, and the respective changes in financial position 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.

Implementation of GASB 84

As discussed in Note 11 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information 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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

Other Matters (Continued)

Other Information (Continued)

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Bergan KDV Ltd.

Minneapolis, Minnesota
October 9, 2020

Independent School District No. 14 Management's Discussion and Analysis

This section of Independent School District No. 14 (the "District") annual financial report presents its Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Key Points of Interest

- The District's Governmental Funds Balance Sheet reflects an Unassigned General Fund balance of \$2,911,436. This is an increase from the prior year of \$368,657.
- The total General Fund balance of \$7,460,945 is an increase of \$1,577,642 from the prior year.
- The government-wide Statement of Activities shows an increase in net position of \$1,677,746.
- The net position value on the government-wide Statement of Net Position is a deficit of \$25,070,295. Net position value is similar to the Balance Sheet's Equity for Private Sector businesses.
- Total government wide long-term liabilities, excluding OPEB and pension liabilities, are \$56,586,902 and are comprised of \$52,627,810 in General Obligation (G.O.) Bonds, \$3,115,642 in capital leases and \$843,450 of severance and compensated absences payable.
- The District's investment in capital assets, net of depreciation, is \$51,463,735. The decrease from the prior year of \$2,611,827 is due to depreciation expense outpacing capital investment with the focus of summer projects on cleaning and preparing for the safe return of students in the fall. The G.O. bonds plus the capital leases (the debt related to investment in capital assets) exceeds the investment in capital assets by \$2,231,159.

Overview of the Financial Statements

This annual report consists of two parts: MD&A (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental fund statements tell how basic services such as regular and special education are financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

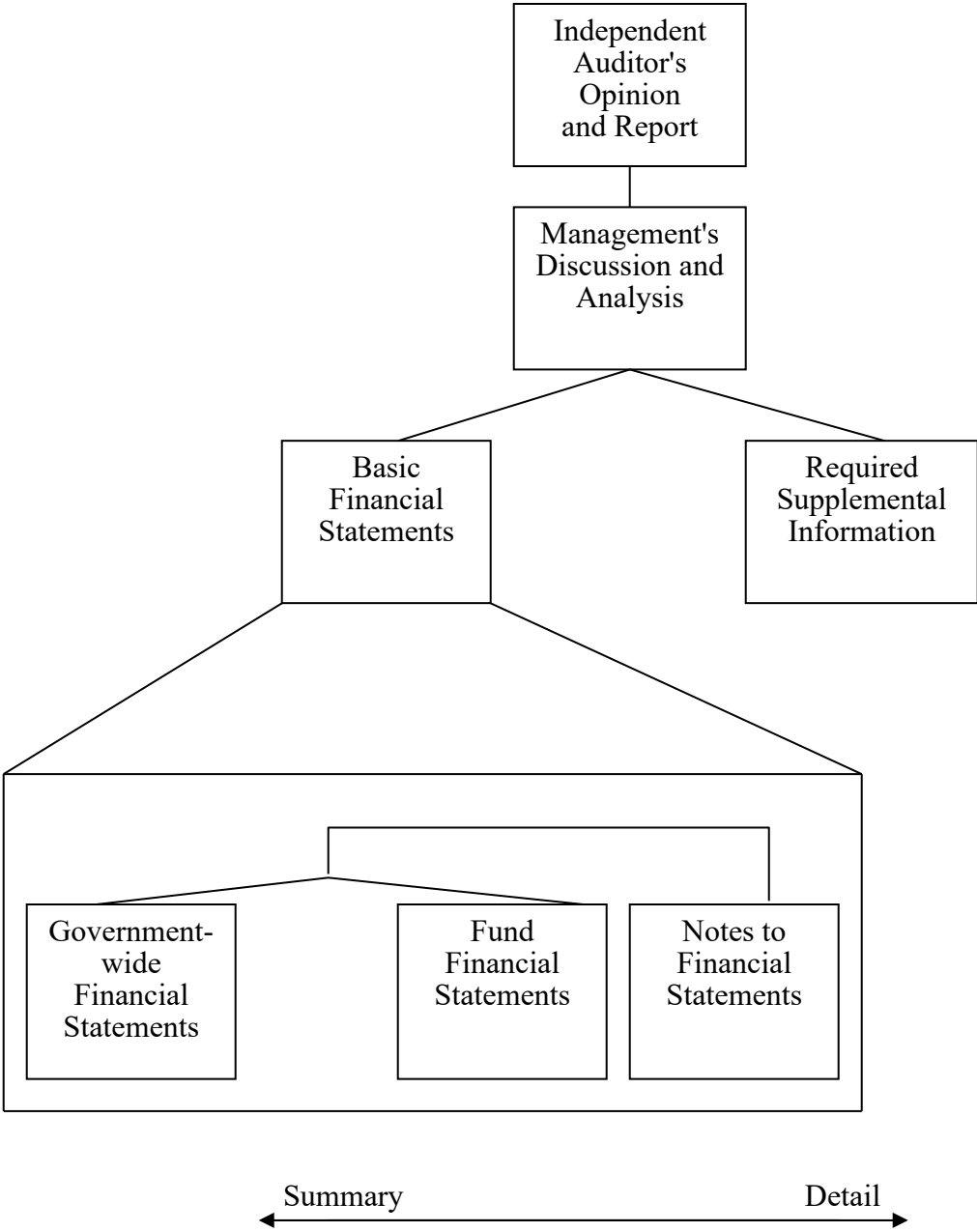
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 on the next page shows how the various parts of this annual report are arranged and related to one another.

**Independent School District No. 14
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

**Figure A-1
Organization of Independent School District No. 14 Annual Financial Report**



**Independent School District No. 14
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2			
Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Activities of the District operates similar to private business - Internal Service Fund
Required Financial Statements	- Statement of Net Position - Statement of Activiteis	- Balance Sheet - Statement of Revenues, Expenditures, and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenses and Changes in Fund Net Position - Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Independent School District No. 14 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Government-Wide Statements

The government-wide statements 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 statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, are one way to measure the District's financial health or position.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 funds statements provide a detailed short-term view that indicates whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and obligations.

Financial Analysis of the District as A Whole

The Statement of Net Position identifies current assets and liabilities from noncurrent assets and long-term debt, respectively. The ratio of these current assets of \$35.5 million to current liabilities of \$8.9 million is 4.0. A "current ratio" greater than 1.0 indicates that sufficient assets are available that can be converted to cash to meet District obligations payable over the next 12-month period.

The Statement of Net Position includes noncurrent assets not reported on the governmental funds balance sheet. These noncurrent assets include the total acquisition cost of the District's capital assets less accumulated depreciation. During the year, the District acquired \$1,064,355 of additional capital assets. The majority of this increase is comprised of work in progress related to stadium lighting replacements and HVAC controller upgrades. The remaining capital asset additions consist of purchases associated with the District's Long-Term Facilities Maintenance program. Depreciation expense for the year equaled \$3,675,580. The current year depreciation expense was greater than the increase in new investment in capital equipment resulting in a decrease in the net capital asset total to \$51,463,735 compared to \$54,075,562 for the prior year.

Independent School District No. 14 Management's Discussion and Analysis

Financial Analysis of the District as A Whole (Continued)

Related to the noncurrent assets are the general obligation bonds. On November 8, 2018, the District issued \$2,450,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018A. These bonds refunded the OPEB bond issued in 2009 to fund the districts obligation for retiree insurance benefits. On February 15, 2017, the District issued \$1,960,000 G.O. Tax Abatement Bonds, Series 2017A. The proceeds funded parking lot construction projects throughout the District. The District issued \$25,890,000 G.O. School Building bonds, Series 2016A in February of 2016. The voters of the District authorized the school building issue in November of 2015. Over the course of three years, the proceeds funded safety and security upgrades, deferred maintenance, building renovations, technology improvements, and building additions. The remaining liability on these bonds, net of unamortized premiums, as of June 30, 2020, is \$52.6 million. The capital asset additions and the amortization of the general obligation resulted in an increase of \$1,164,000 in the net investment in capital assets total compared to the prior year.

Additional long-term debt for severance pay (employee separation pay based on unused sick time) is \$0.4 million. This includes \$0.3 million owed to employees who have retired prior to June 30 and an estimate of \$0.1 million for employees who qualify or will qualify for retirement at a future date.

The District reported an OPEB liability of \$2,984,659, an increase of \$90,212 from the prior year.

Due to changes, primarily in actuarial assumptions used by the State of Minnesota's public pensions, the District reported a total net pension liability of \$26.0 million, a decrease of \$.6 million from the previous year.

Overall, the District's net position increased \$1,677,746 during the year from current year operations and total net position decreased to a deficit of \$25.1 million.

**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

**Figure A-3
Condensed Statement of Net Position (in Thousands of Dollars)**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Current and OPEB assets	\$ 35,451	\$ 32,623	8.7%
Capital assets	<u>51,464</u>	<u>54,076</u>	(4.8%)
Total assets	<u>86,915</u>	<u>86,699</u>	0.2%
Deferred outflows of resources	<u>23,075</u>	<u>33,495</u>	(31.1%)
Current liabilities	8,940	9,702	(7.9%)
Long-term liabilities	<u>81,345</u>	<u>85,899</u>	(5.3%)
Total liabilities	<u>90,285</u>	<u>95,601</u>	(5.6%)
Deferred inflows of resources	<u>44,775</u>	<u>51,427</u>	(12.9%)
Net investment in capital assets	(2,231)	(2,566)	13.1%
Restricted for debt service	218	20	(990.0%)
Restricted for other purposes	3,604	1,980	82.0%
Unrestricted net position	<u>(26,661)</u>	<u>(26,268)</u>	1.5%
Total net position	<u>\$ (25,070)</u>	<u>\$ (26,834)</u>	6.6%

**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

**Figure A-4
Changes in Net Position from Operating Results (in Thousands of Dollars)**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Revenues			
Program revenues			
Charges for services	\$ 2,014.7	\$ 2,750.8	(26.8%)
Operating grants and contributions	19,181.1	19,969.4	(3.9%)
Capital grants and contributions	604.6	610.2	(0.9%)
General revenues			
Property taxes	11,322.1	10,483.4	8.0%
State formula aid	20,472.8	19,035.0	7.6%
Other	283.9	417.6	(32.0%)
Total revenues	<u>53,879.2</u>	<u>53,266.4</u>	<u>1.2%</u>
Expenses			
Administration and district support	4,117.9	3,114.3	32.2%
Instruction, pupil support, student food, and transportation services	36,798.0	25,490.8	44.4%
Sites and buildings	3,171.4	2,949.7	7.5%
Community services	2,800.5	2,755.1	1.6%
Interest and fiscal charges on long-term debt	1,595.4	1,839.0	(13.2%)
Fiscal and other fixed cost programs	190.0	192.7	(1.4%)
Unallocated depreciation (buildings)	3,527.8	3,485.2	1.2%
Total expenses	<u>52,201.0</u>	<u>39,826.8</u>	<u>31.1%</u>
Increase (decrease) in net position	<u>\$ 1,678.2</u>	<u>\$ 13,439.6</u>	<u>(87.5%)</u>

The Statement of Activities is government-wide and, like the Statement of Net Position, the first year it was prepared was 2003. Figure A-4 illustrates that an increase in net position of \$1,677,746 is attributable to activity during the year.

The pie chart in Figure A-5 on the following page shows the sources of District revenues. Program revenues include operating grants and contributions which totals 35.6% of total revenue. Operating grants and contributions consist mostly of state and federal funding of special education and other state and federal categorical spending. Charges for services, comprised of mostly special education tuition billings, food service and community center receipts make up 3.7% of revenue. Capital Grants consisting of state aid for operating capital is 1.1% of revenue.

General revenues include the state aid formula which accounts for 38.0% of the District's total funding. Property taxes make up 21.0% of the total funding.

Independent School District No. 14 Management's Discussion and Analysis

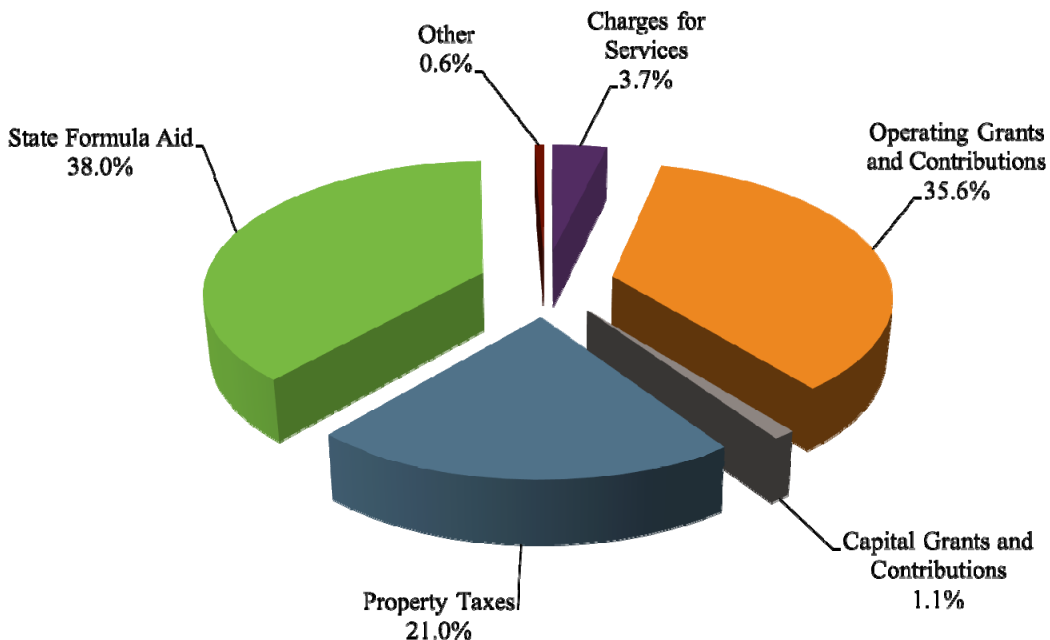
Financial Analysis of the District as A Whole (Continued)

Revenues for the year increased by \$612,800, or 1.2%. State categorical aids increased compared to the prior year by 7.6%, or \$1,437,800. Property tax levy revenues increased 8.0%, or \$838,700. The increase in state aids is due to an increase in enrollment, while property taxes increased due to an increase in the levy. Operating grants and contributions decreased \$788,300 due to a decrease in special education, offset slightly by an increase in integration/desegregation transportation revenue and supplemental safe schools supplemental aid received by the District.

Expenses for the year were \$12,374,200, or 31.1%, higher than the previous year. The largest factor in the increase in expenses was last years' reduction and adjustment in the District's net pension liability for its share of the State of Minnesota Pension Plans. Administration and district support increased 32.2% or \$1,003,600. Instruction, pupil support, student food, and transportation services increased 44.4%, or \$11,307,200.

The pie chart illustrated in Figure A-6 on the following page indicates the costs of the District's programs and services. The District's expenses predominantly related to instructing students and pupil support (including food service and student transportation) accounted for 70.5% of the government-wide expenditures, which is a slightly higher percentage of government-wide expenditures than in prior years. Sites and buildings were 6.1%, administration and district support services accounted for 7.9%, community services expenditures were 5.4% and less than 1% was spent on fiscal and other fixed programs. Interest expense on the District's outstanding long-term debt was 3.0% and 6.8% of expense was attributable to unallocated depreciation (buildings).

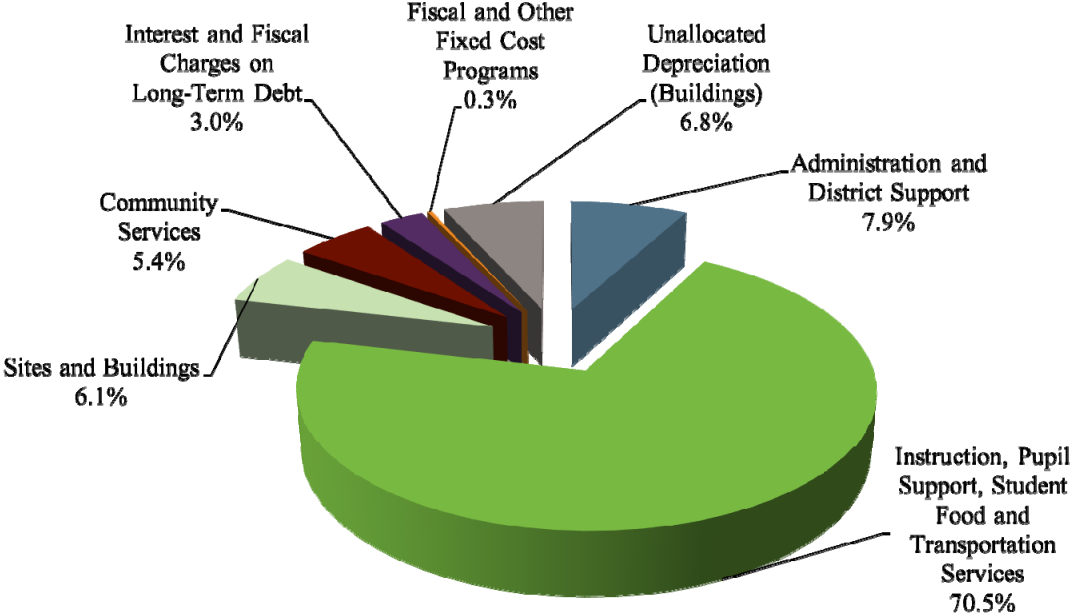
**Figure A-5
Sources of Revenue for Fiscal Year 2020**



**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

**Figure A-6
Expenses for Fiscal Year 2020**



**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

Figure A-7 presents the cost of the major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for the specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-7
Net Cost of Activities (in thousands of dollars)**

	Total Cost of Services			Net Cost of Services		
	2020	2019	Percent Change	2020	2019	Percent Change
Administration/district support	\$ 4,118	\$ 3,114	32.2%	\$ 4,104	\$ 3,102	32.3%
Regular instruction	17,572	10,355	69.7%	9,157	1,972	364.4%
Vocational instruction	464	311	49.2%	393	278	41.4%
Special instruction	9,095	6,322	43.9%	2,428	(1,106)	(319.5%)
Instructional support	2,984	2,258	32.2%	2,085	1,267	64.6%
Pupil support services	4,932	4,307	14.5%	3,626	3,238	12.0%
Sites and buildings	3,171	2,949	7.5%	2,556	2,327	9.8%
Fiscal and other fixed programs	190	192	(1.0%)	190	192	(1.0%)
Food service	1,752	1,939	(9.6%)	(48)	(262)	(81.7%)
Community services	2,800	2,755	1.6%	787	164	379.9%
Unallocated depreciation	3,528	3,485	1.2%	3,528	3,485	1.2%
Interest on long-term debt	1,595	1,839	(13.3%)	1,595	1,839	(13.3%)
Total	\$ 52,201	\$ 39,826	31.1%	\$ 30,401	\$ 16,496	84.3%

The cost of all District activities this year was \$52.2 million.

- Users of the District's programs financed some of the costs (\$2.0 million).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions (\$19.2 million).
- District and state taxpayers financed most of the District's activity, \$20.5 million from unrestricted state aid and \$11.3 million from property taxes.
- Investment and other income decreased slightly from the previous year and remains insignificant in comparison to other revenue sources.

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported a combined fund balance of \$10,219,113. This is an increase of \$1,986,372 from last year. This increase largely resides in the general fund with decreased spending resulting from the COVID-19 pandemic across wages and benefits and purchased services with programming reduced as mandated.

Independent School District No. 14 Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

The General Fund unassigned fund balance at June 30, 2020, increased \$368,657 to a balance of \$2,911,436. The assigned fund balance at June 30, 2020, was \$2,599,775. The assigned fund balance consists of funds for students, capital projects, separation and retirement benefits, medical assistance (pre 2016-2017), funds for curriculum adoption, and pandemic support to other funds. The restricted fund balance increased from the prior year due to the timing of expenditures as it relates to the District's Medical Assistance (post 2017-2018), long-term facilities maintenance ten-year plan and carry-forward of capital projects levy funds.

The Capital Projects Fund restricted fund balance at June 30, 2020 increased \$385,126 as a result of limited planning time and restricted building access for end-of-year projects.

General Fund Budgetary Points of Interest

General Fund revenues of \$44,394,055 were within 0.8% of budget overall. The District overbudgeted revenues from local property taxes by \$167,714, with delinquent taxes coming in higher than anticipated.

The revenue budget was amended \$292,396 to reflect an anticipated increase in property taxes and other county and local revenues.

General Fund expenditures of \$42,338,911 were under budget, with actual expenditures varying from budgeted expenditures by \$1,916,625. In total, the variance was 4.3%; however, there were variances within several functions of the District. The largest difference was in Elementary and Secondary Regular Instruction, which was under budget by \$907,536, or 5.3%, as a result of conservative budgeting due to an anticipated decline in enrollment, an unsettled teacher master contract and budgeting for extra teaching positions that were not filled. Special education expenditures were under budget by \$332,753 as the District elected to not use federal funds toward tuition billing in the current year as budgeted, and a decrease in purchased services related to the COVID-19 pandemic occurred. Sites and buildings capital outlay expenditures were under budget by \$453,281, or 57.0%, due to the delay of end-of-school year building projects resulting from the COVID-19 pandemic. A portion of the sites and buildings capital outlay budget variance is offset by the non-capital sites and buildings budget coming in over budget by \$350,608 due to how the budget and actual expenditures were classified.

The expenditure budget was amended \$240,369 to a final budget of \$44,255,536. This adjustment was made to reflect an increase in vocational enrollment and corresponding staffing and resources adjustments.

Capital Asset and Debt Administration

Capital Assets

Figure A-8 illustrates a comparison of capital assets between this year and last year. During the year, the District acquired a net \$1,055,331 of capital assets. The improvements category increased \$532,225 during the year due to the completion of Hayes parking lot improvements and the replacement of the High School stadium lights, both of which were in work in progress in the prior year. The Buildings category increased with the completion of the Middle School pool renovation and other various smaller building projects.

**Independent School District No. 14
Management's Discussion and Analysis**

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

Depreciation expense for the year was \$3,675,580, which remains consistent with the prior years' depreciation expense.

**Figure A-8
Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Land	\$ 657,500	\$ 657,500	- %
Work in progress	378,139	439,425	(13.9%)
Improvements	4,284,206	3,751,981	14.2%
Buildings	89,476,992	89,080,095	0.4%
Equipment	<u>3,412,971</u>	<u>3,225,476</u>	5.8%
Total before depreciation	<u>98,209,808</u>	<u>97,154,477</u>	1.1%
Accumulated depreciation	<u>(46,746,073)</u>	<u>(43,078,915)</u>	8.5%
Capital assets (net of accumulated depreciation)	<u>\$ 51,463,735</u>	<u>\$ 54,075,562</u>	(4.8%)

Long-Term Debt

At year-end, the District had \$60,392,227 in total long-term debt as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in the notes to financial statements.

**Figure A-9
Outstanding Long-Term Debt and Separation and Severance Payable**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
General Obligation Bonds, Leases and Notes	\$ 55,743,452	\$ 59,592,598	(6.5%)
Separation and Severance and Vacation Payable	<u>843,450</u>	<u>799,629</u>	5.5%
Total	<u>\$ 56,586,902</u>	<u>\$ 60,392,227</u>	(6.3%)

The decrease in General Obligation Bonds, Leases and Notes is primarily related to the principal payment of current debt outstanding. In 2018, the District issued \$2,450,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018A. These bonds refund the OPEB bond issued in 2009 to fund the districts obligation for retiree insurance benefits. In 2017, the District issued \$1,960,000 G.O. Abatement Bonds, Series 2017A for parking lot improvements throughout the District. The District issued \$25,890,000 G.O. School Building bonds, Series 2016A in the February of 2016. The voters of the District authorized the bond issue in November of 2015.

Independent School District No. 14 Management's Discussion and Analysis

Factor's Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of a number of existing circumstances that could significantly affect its financial health in the future:

- The Minnesota legislature determines education funding for each biennium. Future increases are uncertain at the time of issuance.
- The District's student enrollment increased to 2,915 students in FY 2019-20. This is a slight increase of 15 students or .55% from FY 2018-19. The District had experienced consistent enrollment growth until the past few years and the District was anticipating another decline in enrollment for FY 2019-20. The District had made it a priority to focus on retaining our resident students while continuing to promote opportunities for all students. In FY 2019-20, the District saw a decrease in the number of resident students enrolling in other districts and an increase in the number of open enrolled students coming to Fridley. Both of these shifts increasing enrollment are the direct result of the efforts made by District leadership and help provide stability for future years. The majority of school district funding has a direct relationship with enrollment. For example, state formula aid will increase or decrease with these changes. The direction of the District's enrollment will be a key factor for the District going forward.
- The District has a potential liability of several million dollars in post-retirement benefits (health insurance) to be paid to current and future retirees of the District. Because the District expects new retirements over the course of the next few years, payments for these benefits will continue for several years to come. Funding for these expenses will come from an OPEB trust established in 2010. The unfunded portion of this liability is reported in the District statements beginning with the fiscal year ended June 30, 2009, as required by GASB 43 and 45, and subsequently GASB 75.
- The single largest expenses for the District are staff salaries. All of the District bargaining groups have contracts in place through June 30, 2021.
- Historically, Fridley has had a relatively high number of open-enrolled and non-resident students. While our District is able to receive state aid for these students, it would put the District in a difficult financial position if these students chose not to attend our schools in future years.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Manager, Independent School District 14, 6000 West Moore Lake Drive, Fridley, Minnesota 55432.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 14
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and investments	\$ 19,671,822
Current property taxes receivable	8,680,219
Delinquent property taxes receivable	179,995
Accounts receivable, net of allowance	72,383
Interest receivable	197,990
Due from Department of Education	5,223,018
Due from Federal Government through Department of Education	1,104,465
Due from other Minnesota school districts	50,522
Due from other governmental units	26,464
Inventory	30,542
Prepaid items	213,368
Capital assets not being depreciated	
Land	657,500
Construction in progress	378,139
Capital assets net of accumulated depreciation	
Buildings	46,407,160
Land improvements	2,908,560
Furniture and equipment	1,112,376
Total assets	86,914,523
Deferred Outflows of Resources	
Deferred charges on refunding	48,558
Deferred outflows of resources related to OPEB	397,953
Deferred outflows of resources related to pensions	22,628,366
Total deferred outflows of resources	23,074,877
Total assets and deferred outflows of resources	\$ 109,989,400
Liabilities	
Accounts and contracts payable	\$ 386,002
Salaries and benefits payable	2,017,425
Incurred but not reported claims	218,475
Interest payable	817,283
Due to other Minnesota school districts	40,231
Due to other governmental units	11,995
Unearned revenue	1,178,425
Bond principal payable (net unamortized premium)	
Payable within one year	3,010,000
Payable after one year	49,617,810
Capital lease payable	
Payable within one year	766,379
Payable after one year	2,349,263
Vacation payable	
Payable within one year	422,316
Severance payable	
Payable within one year	70,960
Payable after one year	350,174
Net OPEB Liability	2,984,659
Net pension liability	26,043,479
Total liabilities	90,284,876
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,534,332
Deferred inflows of resources related to OPEB	564,749
Deferred inflows of resources related to pensions	32,675,738
Total deferred inflows of resources	44,774,819
Net Position	
Net investment in capital assets	(2,231,159)
Restricted for	
Debt service	217,509
Capital projects	829,228
Other purposes	2,774,688
Unrestricted	(26,660,561)
Total net position	(25,070,295)
Total liabilities, deferred inflows of resources, and net position	\$ 109,989,400

See notes to financial statements.

Independent School District No. 14
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 2,030,913	\$ -	\$ -	\$ -	\$ (2,030,913)
District support services	2,087,017	-	14,379	-	(2,072,638)
Elementary and secondary regular instruction	17,571,923	121,104	8,293,427	-	(9,157,392)
Vocational education instruction	463,672	-	70,836	-	(392,836)
Special education instruction	9,094,587	468,224	6,198,614	-	(2,427,749)
Instructional support services	2,984,084	-	898,764	-	(2,085,320)
Pupil support services	4,932,509	-	1,306,887	-	(3,625,622)
Sites and buildings	3,171,374	-	10,880	604,584	(2,555,910)
Fiscal and other fixed cost programs	189,989	-	-	-	(189,989)
Food service	1,751,679	250,770	1,548,529	-	47,620
Community education and services	2,800,457	1,174,562	838,758	-	(787,137)
Unallocated depreciation	3,527,811	-	-	-	(3,527,811)
Interest and fiscal charges on long-term debt	1,595,390	-	-	-	(1,595,390)
Total governmental activities	<u>\$ 52,201,405</u>	<u>\$ 2,014,660</u>	<u>\$ 19,181,074</u>	<u>\$ 604,584</u>	(30,401,087)
General revenues					
Taxes					
					6,515,361
					367,680
					4,439,063
					20,472,813
					283,916
					<u>32,078,833</u>
Change in net position					1,677,746
Net position - beginning					(26,834,585)
Change in accounting principle (See Note 11)					86,544
Net position - beginning, restated					<u>(26,748,041)</u>
Net position - ending					<u>\$ (25,070,295)</u>

Independent School District No. 14
Balance Sheet - Governmental Funds
June 30, 2020

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,130,222	\$ 1,797,435	\$ 829,228	\$ 1,349,250	\$ 9,106,135
Current property taxes receivable	5,228,209	2,786,972	-	665,038	8,680,219
Delinquent property taxes receivable	100,876	64,030	-	15,089	179,995
Accounts receivable, net of allowance	10,619	-	-	46,609	57,228
Interest receivable	65,177	-	-	-	65,177
Due from Department of Education	5,137,208	63,699	-	22,111	5,223,018
Due from Federal Government through Department of Education	1,049,320	-	-	55,145	1,104,465
Due from other Minnesota school districts	38,138	-	-	12,384	50,522
Due from other governmental units	24,059	-	-	2,405	26,464
Inventory	-	-	-	30,542	30,542
Prepaid items	207,678	-	-	5,690	213,368
	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>
Total assets					
	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>
Liabilities					
Accounts and contracts payable	\$ 300,076	\$ -	\$ -	\$ 12,520	\$ 312,596
Salaries and benefits payable	1,934,744	-	-	82,681	2,017,425
Due to other Minnesota school districts	40,231	-	-	-	40,231
Due to other governmental units	11,850	-	-	145	11,995
Unearned revenue	3,508	-	-	27,472	30,980
Severance payable	421,134	-	-	-	421,134
Total liabilities	<u>2,711,543</u>	<u>-</u>	<u>-</u>	<u>122,818</u>	<u>2,834,361</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	83,648	53,090	-	12,589	149,327
Property taxes levied for subsequent year's expenditures	6,735,370	3,871,186	-	927,776	11,534,332
Total deferred inflows of resources	<u>6,819,018</u>	<u>3,924,276</u>	<u>-</u>	<u>940,365</u>	<u>11,683,659</u>
Fund Balances					
Nonspendable	207,678	-	-	36,232	243,910
Restricted	1,742,056	787,860	829,228	1,104,848	4,463,992
Assigned	2,599,775	-	-	-	2,599,775
Unassigned	2,911,436	-	-	-	2,911,436
Total fund balances	<u>7,460,945</u>	<u>787,860</u>	<u>829,228</u>	<u>1,141,080</u>	<u>10,219,113</u>
	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>

**Independent School District No. 14
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2020**

Total fund balances - governmental funds	\$ 10,219,113
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore, are not reported as assets	
Cost of capital assets	98,209,808
Less accumulated depreciation	(46,746,073)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(48,605,000)
Capital lease payable	(3,115,642)
Compensated absences payable	(422,316)
Net discounts/premiums	(4,022,810)
Deferred refundings	48,558
Net OPEB liability	(2,984,659)
Net pension liability	(26,043,479)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	22,628,366
Deferred inflows of resources related to pensions	(32,675,738)
Deferred outflows of resources related to OPEB	397,953
Deferred inflows of resources related to OPEB	(564,749)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	149,327
The Internal Service Fund is used by management to charge the cost of the retiree benefit plan. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	4,771,281
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.	4,503,048
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	<u>(817,283)</u>
Total net position - governmental activities	<u><u>\$ (25,070,295)</u></u>

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2020

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 6,457,443	\$ 3,863,438	\$ -	\$ 897,463	\$ 11,218,344
Other local and county revenues	1,422,674	18,830	-	1,361,541	2,803,045
Revenue from state sources	35,171,289	585,815	-	760,720	36,517,824
Revenue from federal sources	1,334,896	-	-	1,443,441	2,778,337
Sales and other conversion of assets	7,753	-	-	250,770	258,523
Total revenues	<u>44,394,055</u>	<u>4,468,083</u>	<u>-</u>	<u>4,713,935</u>	<u>53,576,073</u>
Expenditures					
Current					
Administration	1,801,646	-	-	-	1,801,646
District support services	2,033,572	-	-	-	2,033,572
Elementary and secondary regular instruction	16,446,088	-	-	-	16,446,088
Vocational education instruction	428,749	-	-	-	428,749
Special education instruction	8,641,136	-	-	-	8,641,136
Instructional support services	2,567,525	-	-	-	2,567,525
Pupil support services	4,836,839	-	-	-	4,836,839
Sites and buildings	3,699,696	-	-	-	3,699,696
Fiscal and other fixed cost programs	189,989	-	-	-	189,989
Food service	-	-	-	1,736,002	1,736,002
Community education and services	-	-	-	2,712,714	2,712,714
Capital outlay					
District support services	100,612	-	-	-	100,612
Elementary and secondary regular instruction	77,342	-	-	-	77,342
Instructional support services	286,157	-	-	-	286,157
Sites and buildings	342,073	-	161,946	-	504,019
Food service	-	-	-	13,646	13,646
Community education and services	-	-	-	252	252
Debt service					
Principal	772,701	2,430,000	-	450,000	3,652,701
Interest and fiscal charges	114,786	1,917,350	-	96,895	2,129,031
Total expenditures	<u>42,338,911</u>	<u>4,347,350</u>	<u>161,946</u>	<u>5,009,509</u>	<u>51,857,716</u>
Excess of revenues over (under) expenditures	2,055,144	120,733	(161,946)	(295,574)	1,718,357
Other Financing Sources (Uses)					
Proceeds from capital leases	268,015	-	-	-	268,015
Transfers in	-	-	547,072	284,989	832,061
Transfers out	(832,061)	-	-	-	(832,061)
Total other financing sources (uses)	<u>(564,046)</u>	<u>-</u>	<u>547,072</u>	<u>284,989</u>	<u>268,015</u>
Net change in fund balances	1,491,098	120,733	385,126	(10,585)	1,986,372
Fund Balances					
Beginning of year	5,883,303	667,127	444,102	1,151,665	8,146,197
Change in accounting principle (See Note 11)	86,544	-	-	-	86,544
Beginning of year, restated	<u>5,969,847</u>	<u>667,127</u>	<u>444,102</u>	<u>1,151,665</u>	<u>8,232,741</u>
End of year	<u>\$ 7,460,945</u>	<u>\$ 787,860</u>	<u>\$ 829,228</u>	<u>\$ 1,141,080</u>	<u>\$ 10,219,113</u>

Independent School District No. 14
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities -
Governmental Funds
Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ 1,986,372

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	1,064,355
Depreciation expense	(3,675,580)
Loss on disposal of capital assets	(602)

Compensated absences and severance are recognized as they are paid in the governmental funds but are recognized as the expense is incurred in the Statement of Activities.

44,493

Net post employment benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

45,143

Governmental Funds recognize pension contributions as expenditures at the time of payments in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

(2,460,008)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.

3,652,701

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however interest expense is recognized as the interest accrues, regardless of when it is due.

77,625

Governmental funds report the effect of bond discounts, premiums and deferred refundings when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

456,016

Proceeds from the sale of bonds and issuance of capital leases are recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.

Capital lease payable	(268,015)
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The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents the change in assets available to fund the liabilities.

(42,714)

The Internal Service Fund is used by management to charge the costs of the retiree health insurance plan. The net gain is reported within the governmental activities in the Statement of Activities.

694,200

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

103,760

Change in net position - governmental activities

\$ 1,677,746

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 6,441,723	\$ 6,625,157	\$ 6,457,443	\$ (167,714)
Other local and county revenues	1,318,974	1,428,974	1,422,674	(6,300)
Revenue from state sources	35,303,641	35,253,963	35,171,289	(82,674)
Revenue from federal sources	1,390,336	1,438,976	1,334,896	(104,080)
Sales and other conversion of assets	9,600	9,600	7,753	(1,847)
Total revenues	<u>44,464,274</u>	<u>44,756,670</u>	<u>44,394,055</u>	<u>(362,615)</u>
Expenditures				
Current				
Administration	1,811,614	1,878,264	1,801,646	(76,618)
District support services	2,207,459	2,259,708	2,033,572	(226,136)
Elementary and secondary regular instruction	17,232,103	17,353,624	16,446,088	(907,536)
Vocational education instruction	343,981	492,313	428,749	(63,564)
Special education instruction	9,212,550	8,973,889	8,641,136	(332,753)
Instructional support services	2,719,575	2,728,664	2,567,525	(161,139)
Pupil support services	4,841,500	4,871,554	4,836,839	(34,715)
Sites and buildings	3,349,088	3,349,088	3,699,696	350,608
Fiscal and other fixed cost programs	191,854	191,854	189,989	(1,865)
Capital outlay				
Administration	5,000	5,000	-	(5,000)
District support services	9,775	9,775	100,612	90,837
Elementary and secondary regular instruction	94,791	94,791	77,342	(17,449)
Special education instruction	9,000	9,000	-	(9,000)
Instructional support services	315,726	315,726	286,157	(29,569)
Sites and buildings	744,219	795,354	342,073	(453,281)
Debt service				
Principal	823,494	823,494	772,701	(50,793)
Interest and fiscal charges	103,438	103,438	114,786	11,348
Total expenditures	<u>44,015,167</u>	<u>44,255,536</u>	<u>42,338,911</u>	<u>(1,916,625)</u>
Excess of revenues over expenditures	449,107	501,134	2,055,144	1,554,010
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,000	2,000	-	(2,000)
Proceeds from capital leases	86,400	86,400	268,015	181,615
Transfers out	(610,630)	(610,630)	(832,061)	(221,431)
Total other financing sources (uses)	<u>(522,230)</u>	<u>(522,230)</u>	<u>(564,046)</u>	<u>(41,816)</u>
Net change in fund balances	<u>\$ (73,123)</u>	<u>\$ (21,096)</u>	1,491,098	<u>\$ 1,512,194</u>
Fund Balance				
Beginning of year			5,883,303	
Change in accounting principle (See Note 11)			86,544	
Beginning of year, restated			<u>5,969,847</u>	
End of year			<u>\$ 7,460,945</u>	

Independent School District No. 14
Statement of Net Position - Proprietary Funds
June 30, 2020

	<u>Total Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ 6,769,513
Investments	3,796,174
Accounts receivable	15,155
Interest receivable	<u>132,813</u>
Total assets	<u><u>\$ 10,713,655</u></u>
Liabilities	
Accounts payable	\$ 73,406
Incurred but not reported claims	218,475
Unearned revenue	<u>1,147,445</u>
Total liabilities	<u>1,439,326</u>
Net Position	
Unrestricted	<u>9,274,329</u>
Total liabilities and net position	<u><u>\$ 10,713,655</u></u>

Independent School District No. 14
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2020

	Total Internal Service Funds
Operating Revenues	
Charges for services	\$ 6,228,518
Operating Expense	
Insurance	5,056,999
Administrative	566,905
Total operating expenses	5,623,904
Operating income	604,614
Nonoperating Revenues	
Investment income	46,872
Change in net position	651,486
Net Position	
Beginning of year	8,622,843
End of year	\$ 9,274,329

Independent School District No. 14
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2020

	<u>Total Internal Service Funds</u>
Cash Flows - Operating Activities	
Receipts from district contribution	\$ 220,681
Receipts from employees	5,992,254
Payments to vendors	<u>(5,593,884)</u>
Net cash flows - operating activities	619,051
Cash Flows - Investing Activities	
Net sale/(purchase) of investments	325,662
Interest received	<u>59,355</u>
Net cash flows - investing activities	<u>385,017</u>
Net change in cash and cash equivalents	1,004,068
Cash and Cash Equivalents	
Beginning of year	<u>5,765,445</u>
End of year	<u><u>\$ 6,769,513</u></u>
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ 604,614
Adjustments to reconcile operating income to net cash flows - operating activities	
Change in assets and liabilities	
Accounts receivable	5,149
Unearned revenue	(20,732)
Accounts payable	<u>30,020</u>
Net cash flows - operating activities	<u><u>\$ 619,051</u></u>

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Independent School District No. 14 Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District, as of July 1, 2019, have been taken under board control and will not be reported separately.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds and the proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

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 revenues of the Internal Service Fund are employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting this definition are reposted as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed, in the order of committed, assigned, and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest and related costs.

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

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education or other similar services.

Post Employment Benefits Debt Service Fund – This fund is used to account for levy proceeds and the payment of G.O. taxable OPEB Bonds principal, interest, and related costs.

Proprietary Funds:

Self Insurance Internal Service Fund – This fund is used to account for operations of the District's self – insured insurance plans. Premiums collected from employees are collected from other governmental funds and insurance claims are paid by this fund.

Post Employment Benefits Revocable Trust Internal Service Fund – This fund is used to account for the accumulation of resources to fund post employment benefits.

D. Cash and Investments

Cash and investments balances from all funds (except a portion of the Post Employment Benefits Revocable Trust Internal Service Fund) 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 individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

Cash and investments at June 30, 2020, were comprised of deposits, certificates of deposit and shares in the Minnesota Trust (MNTrust) Securities. MNTrust securities are valued at amortized cost, which approximates fair value.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2019, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2020. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Anoka County is the collecting agency for the levy and remits the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position, and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items, which qualify for reporting in this category. The first item, 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. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is 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. Deferred inflows of resources related to pensions and OPEB are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

1. Vacation

Teachers are eligible for vacation of 2 days per year which can be accumulated to 7 days. Other employees qualify for vacation ranging from 5 to 45 days per year which are generally accumulated at year-end and payable during the ensuing year. Vacation is accrued for these employees in the Statement of Net Position since it is deemed to be payable at year-end.

2. Sick Leave

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

N. Severance Payable

The District maintains severance payment plans for certain employee groups. Each employee group plan contains requirements for lump sum payments based on employment date, years of service and/or minimum age requirements. Benefits are calculated based on various formulas converting accrued sick leave into a lump sum payment. No employee can receive payments exceeding one year's salary. For employees retiring on or before June 30, 2020, who are entitled to receive payments, an accrual is made in the governmental fund incurring the liability.

The amount of severance payment that is based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and when it becomes probable that it will vest at some point in the future.

O. Pensions

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 Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District 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, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Q. Risk Management

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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2020.

R. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include, but are not limited to, inventories and prepaid items.
- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.
- Assigned Fund Balances – The School Board by majority vote may assign fund balances to be used for specific purposes. The board also delegated power to assign fund balances to the Superintendent and Director of Finance.
- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 7% and 10% of total unrestricted expenditures. The fund balance shall be defined as the sum of the undesignated/unreserved fund balance. It shall not include funds reserved for operating capital, health and safety, basic skills, or any other new reserve created by the School Board, state, or federal guidelines.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
4. Budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: This is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District's policy states funds may not be invested in an institution that does not agree to provide the required collateral as noted.

As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

Independent School District No. 14
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

At June 30, 2020, the District had the following deposits:

Pooled		
Cash	\$	(107,225)
Certificates of deposit		<u>5,442,400</u>
Total pooled deposits	\$	<u>5,335,175</u>
Non-pooled		
OPEB Revocable Trust Fund		
Certificates of deposit		<u>\$ 3,039,400</u>

B. Investments

As of June 30, 2020, the District had the following investments:

Investment	Maturities	Fair Value	Percent of Total		
Pooled					
MNTrust investment shares	6/30/20	<u>\$ 9,843,651</u>	100.00%		
Investment	Maturities	Fair Value	Percent of Total	Type	Credit Rating
OPEB Revocable Trust Fund non-pooled					
MNTRUST Investment Shares	6/30/20	\$ 696,422	47.92%	MMA	Aam
Summit TXB D Var Purp	12/1/20	203,142	13.98%	SEC	Aa1
Avondale B REF TXBL	7/1/21	101,295	6.97%	SEC	AAA
Axle ISD REF TXBL	2/15/22	230,465	15.86%	SEC	Aa3
Oklahoma City TXBL	3/1/24	<u>221,872</u>	15.27%	SEC	Aaa
Total OPEB Revocable Trust Fund non-pooled investments		<u>\$ 1,453,196</u>	100.00%		

MNTrust is an external investment pool not registered with the SEC and invests according to *Minnesota Statutes*. The fair value position in the pool is the same as the value of the pooled shares.

Credit Risk: This is the risk an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits its investments to those allowed by state statutes. Additionally, investment in commercial paper is limited to those rated in the highest classifications by at least two of the four nationally recognized rating services.

Independent School District No. 14
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states investment maturities shall be scheduled to coincide with projected District cash flow needs.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District will limit investments to avoid over concentration in securities from a specific issuer or business sector. As of June 30, 2020, the District was exposed to concentration of credit risk as more than 5% of its total investments were invested in individual investments as indicated by the table on the previous pages.

Custodial Credit Risk – Investments: This is the risk in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires all investments be held in third party safekeeping by an institution designated as a custodial agent and all investments shall be fully collateralized.

The District has the following recurring fair value measurements as of June 30, 2020:

- \$756,774 of investments are significant other observable inputs (Level 2 inputs)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2020:

Petty cash	\$ 400
Deposits (Note 3.A.)	
Pooled	5,335,175
Non-pooled	3,039,400
Investments (Note 3.B.)	
Pooled	9,843,651
Non-pooled	<u>1,453,196</u>
Total deposits and investments	<u><u>\$ 19,671,822</u></u>

Cash, deposits, and investments are presented in the June 30, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 19,671,822</u></u>

Independent School District No. 14
Notes to Financial Statements

NOTE 3 – INTERFUND ACTIVITY

A. Transfers

	Transfers In		Total
	Capital Project Fund	Other Nonmajor Funds	
Transfers out			
General Fund	\$ 547,072	\$ 284,989	\$ 832,061

These transfers were performed to distribute levy dollars dedicated to specific funds in accordance with bond documents. Transfers were also made to offset deficits incurred by Community Education from lost revenues due to covid-19.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 657,500	\$ -	\$ -	\$ 657,500
Work in progress	439,425	840,522	901,808	378,139
Total capital assets not being depreciated	1,096,925	840,522	901,808	1,035,639
Capital assets being depreciated				
Buildings	89,080,095	396,897	-	89,476,992
Land improvements	3,751,981	532,225	-	4,284,206
Furniture and equipment	3,225,476	196,519	9,024	3,412,971
Total capital assets being being depreciated	96,057,552	1,125,641	9,024	97,174,169
Less accumulated depreciation for				
Buildings	39,741,653	3,328,179	-	43,069,832
Land improvements	1,189,808	185,838	-	1,375,646
Furniture and equipment	2,147,454	161,563	8,422	2,300,595
Total accumulated depreciation	43,078,915	3,675,580	8,422	46,746,073
Total capital assets being depreciated, net	52,978,637	(2,549,939)	602	50,428,096
Governmental activities, capital assets, net	\$ 54,075,562	\$ (1,709,417)	\$ 902,410	\$ 51,463,735

Independent School District No. 14
Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$3,675,580 for the year ended June 30, 2020, was charged to the following governmental functions:

District support services	\$ 7,948
Regular instruction	3,518
Vocational Instruction	597
Special education instruction	3,622
Instructional support services	64,177
Food service	36,611
Community education and services	31,898
Unallocated	<u>3,527,209</u>
 Total depreciation expense	 <u><u>\$ 3,675,580</u></u>

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

Long-term liabilities as of June 30, 2020, consisted of the following:

	Interest Rate	Maturity Date	Original Issue	Balance	Due Within One Year
G.O. School Building Refunding Bonds	2.00%-3.00%	02/01/26	\$ 11,240,000	\$ 5,990,000	\$ 905,000
G.O. School Building Bonds Series 2016A	3.00%-5.00%	02/01/35	25,890,000	25,465,000	190,000
G.O. Alternative Facilities Bonds Series 2016B	4.00%-5.00%	02/01/28	16,740,000	13,590,000	1,235,000
G.O. Abatement Bonds Series 2017A	3.00%	02/01/27	1,960,000	1,560,000	205,000
G.O. Taxable OPEB Refunding Bonds Series 2018A	2.95%-3.40%	02/01/24	2,450,000	2,000,000	475,000
Unamortized bond discounts and premiums, net				4,022,810	-
Total G.O. bonds (net of unamortized premium)				52,627,810	3,010,000
Energy loan capital lease	4.15%	07/31/22	3,142,381	693,735	361,382
Elementary additions capital lease	2.75%	02/01/28	3,400,000	1,976,166	224,062
Technology Lease	3.072%	12/31/20	34,265	2,571	2,571
Technology Lease	4.00%	02/24/22	204,299	63,254	48,011
Technology Lease	4.00%	02/24/23	82,748	34,622	16,184
Technology Lease	4.22%	02/24/21	25,391	2,074	2,074
Technology Lease	4.69%	08/31/22	102,850	56,687	22,231
Technology Lease	4.65%	08/31/22	34,080	18,548	7,493
Technology Lease	4.70%	08/31/22	117,475	64,003	25,790
Technology Lease	3.65%	08/31/23	92,270	70,232	19,431
Technology Lease	3.56%	02/28/24	175,745	133,750	37,150
Vacation payable				422,316	422,316
Severance payable				421,134	70,960
Total all long-term liabilities				<u>\$ 56,586,902</u>	<u>\$ 4,269,655</u>

The long-term bond and lease liabilities listed above were issued to finance the acquisition and construction, or improvements of capital facilities, or to refinance (refund) previous bond issues. Other liabilities are typically liquidated through the General Fund.

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

Year Ending, June 30,	G.O. Bonds		
	Principal	Interest	Total
2021	\$ 3,010,000	\$ 1,871,680	\$ 4,881,680
2022	3,145,000	1,743,355	4,888,355
2023	3,265,000	1,618,315	4,883,315
2024	3,395,000	1,487,950	4,882,950
2025	3,555,000	1,351,800	4,906,800
2026-2030	16,855,000	4,411,500	21,266,500
2031-2035	15,380,000	1,441,750	16,821,750
Total	<u>\$ 48,605,000</u>	<u>\$ 13,926,350</u>	<u>\$ 62,531,350</u>

C. Changes in Long-Term Liabilities

	Beginning Balance, Restated	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 51,485,000	\$ -	\$ 2,880,000	\$ 48,605,000
Unamortized discount and premium, net	4,487,270	-	464,460	4,022,810
Capital lease	3,620,328	268,015	772,701	3,115,642
Vacation payable	381,034	539,322	498,040	422,316
Severance benefits payable	418,595	6,664	4,125	421,134
Total long-term liabilities	<u>\$ 60,392,227</u>	<u>\$ 814,001</u>	<u>\$ 4,619,326</u>	<u>\$ 56,586,902</u>

D. Capital Lease Obligations

On November 30, 2016, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$34,265. The capital lease agreement includes annual principal and interest payments ranging from \$2,654 to \$8,369.

On August 3, 2017, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$204,299. The capital lease agreement includes annual principal and interest payments ranging from \$15,811 to \$50,588.

On August 3, 2017, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$82,748. The capital lease agreement includes annual principal and interest payments ranging from \$1,722 to \$17,443.

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

On August 4, 2017, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$25,391. The capital lease agreement includes annual principal and interest payments ranging from \$2,149 to \$8,162.

On May 16, 2018, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$102,850. The capital lease agreement includes annual principal and interest payments ranging from \$11,649 to \$24,949.

On May 16, 2018, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$34,080. The capital lease agreement includes annual principal and interest payments ranging from \$3,344 to \$8,383.

On June 11, 2018, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$117,475. The capital lease agreement includes annual principal and interest payments ranging from \$11,675 to \$22,863.

On August 1, 2019, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$92,270. The capital lease agreement includes annual principal and interest payments ranging from \$10,108 to \$22,038.

On February 28, 2020, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$175,745. The capital lease agreement includes annual principal and interest payments ranging from \$18,872 to \$41,995.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,		
2021	\$	862,504
2022		707,238
2023		442,243
2024		305,857
2025		276,876
2026-2028		857,578
Total minimum lease payments		3,452,296
Less amount representing interest		(336,654)
Present value of net minimum lease payments		\$ 3,115,642

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

The assets purchased with the 2013 leases are classified as buildings and totaled \$3,211,356. The associated accumulated depreciation for these assets is \$449,590 for a net value of \$2,761,766. The assets added through the 2013 leases are less than the leases issued due to expenditures that did not meet the criteria for capitalization.

The assets purchased through the fiscal year 2017 leases did not meet the threshold for capitalization and are not included in capital assets, therefore there is no depreciation or net value to report.

The assets purchased with the 2018 leases are classified as equipment and totaled \$59,699. The associated accumulated depreciation for these assets is \$35,819 for a net value of \$23,880. The assets added through the 2018 leases are less than the leases issued due to expenditures that did not meet the criteria for capitalization.

The assets purchased through the fiscal year 2020 leases did not meet the threshold for capitalization and are not included in capital assets, therefore there is no depreciation or net value to report.

NOTE 6 – FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Independent School District No. 14
Notes to Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable					
Inventories	\$ -	\$ -	\$ -	\$ 30,542	\$ 30,542
Prepaid items	207,678	-	-	5,690	213,368
Total nonspendable	<u>207,678</u>	<u>-</u>	<u>-</u>	<u>36,232</u>	<u>243,910</u>
Restricted/reserved for					
Student Activities	68,462	-	-	-	68,462
Safe Schools	193,069	-	-	-	193,069
Operating Capital	425,933	-	-	-	425,933
Medical Assistance	715,356	-	-	-	715,356
Long Term Facilities Maintenance	60,196	-	-	-	60,196
Community Education	-	-	-	274,056	274,056
ECFE	-	-	-	4,906	4,906
School Readiness	-	-	-	24,579	24,579
Capital Projects Levy	279,040	-	829,228	-	1,108,268
Debt Service	-	787,860	-	113,526	901,386
Food Service	-	-	-	592,806	592,806
Community Service	-	-	-	94,975	94,975
Total Restricted/reserved	<u>1,742,056</u>	<u>787,860</u>	<u>829,228</u>	<u>1,104,848</u>	<u>4,463,992</u>
Assigned for					
Students	152,661	-	-	-	152,661
Capital Project	1,000,000	-	-	-	1,000,000
Separation/Retirement Benefits	55,089	-	-	-	55,089
Medical Assistance Pre 2016-2017	742,025	-	-	-	742,025
Pandemic support to other funds	400,000	-	-	-	400,000
Curriculum adoption	250,000	-	-	-	250,000
Total assigned	<u>2,599,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,599,775</u>
Unassigned	<u>2,911,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,911,436</u>
Total fund balance	<u>\$ 7,460,945</u>	<u>\$ 787,860</u>	<u>\$ 829,228</u>	<u>\$ 1,141,080</u>	<u>\$ 10,219,113</u>

Nonspendable for Inventories and Prepaid Items – A portion of the fund balance has been spent on inventory and prepaid expenses and is not available for other uses.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Safe Schools – Crime Levy – The unspent resources available from the levy must be reserved in this account for future use.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Independent School District No. 14
Notes to Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund not set aside in other restrictions.

Assigned for Students – This balance represents resources set aside for each building based on fundraising done by students and donations for various programs.

Assigned for Capital Projects – This balance represents resources set aside for future capital projects.

Assigned for Separation/Retirement Benefits – This balance represents resources set aside for future separation and retirement obligations.

Assigned for Medical Assistance Revenue – This balance represents medical assistance revenues that have been received but not yet spent and are available for future obligations.

Assigned for pandemic support to other funds – This balance represents resources set aside for pandemic support to other funds.

Independent School District No. 14
Notes to Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Assigned for curriculum adoption – This balance represents resources set aside for curriculum adoption.

Net position restricted for other purposes is comprised of the positive General Fund and total Special Revenue Funds restricted balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2020, was \$4,567,313. The components of pension expense are noted in the following plan summaries.

The General Fund, Food Service Fund, and Community Service Funds typically liquidate the liability related to pensions.

Teachers' Retirement Association

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. 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. TRA is a separate statutory entity and administered by a Board of Trustees. The Board 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 TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

B. Benefits Provided

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 Statute* 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 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.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. 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 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.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2018, June 30, 2019, and June 30, 2020, were:

	June 30, 2018		June 30, 2019		June 30, 2020	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.5%	11.0%	11.71%	11.0%	11.92%
Coordinated	7.5%	7.5%	7.5%	7.71%	7.5%	7.92%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300
Deduct employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 437,714</u></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. TRA has rounded percentage amounts to the nearest ten thousandths.

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2019
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension 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 pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
	<hr/>	
Total	100 %	
	<hr/> <hr/>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% 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 July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2020, the District reported a liability of \$20,868,545 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.3274% at the end of the measurement period and 0.3409% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to 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 net pension liability	\$ 20,868,545
State's proportionate share of the net pension liability associated with the District	1,846,938

For the year ended June 30, 2020, the District recognized pension expense of \$3,975,067. It also recognized \$140,389 as an increase to this pension expense for the support provided by direct aid.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2020, 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 experience	\$ 2,733	\$ 509,352
Net difference between projected and actual earnings on plan investments	-	1,831,968
Changes in assumptions	16,780,596	28,621,699
Changes in proportion	3,741,352	706,605
District's contributions subsequent to measurement date	1,460,200	-
Total	\$ 21,984,881	\$ 31,669,624

\$1,460,200 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2021	\$ 1,517,834
2022	279,857
2023	(7,240,427)
2024	(5,522,198)
2025	(180,009)
Total	\$ (11,144,943)

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease (6.5%)	Current (7.5%)	1% increase (8.5%)
\$ 33,269,563	\$ 20,868,545	\$ 10,644,088

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. 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.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan 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 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 annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. 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.

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were \$494,659. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2020, the District reported a liability of \$5,174,934 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 to the fund in 2019. The State of Minnesota is considered a non-employer 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 \$160,993. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0936% at the end of the measurement period and 0.0940% for the beginning of the period.

District's proportionate share of net pension liability	\$ 5,174,934
State's proportionate share of the net pension liability associated with the District	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">160,993</div>
Total	<div style="border-top: 3px double black; display: inline-block; width: 100%;">\$ 5,335,927</div>

For the year ended June 30, 2020, the District recognized pension expense of \$592,246 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$12,057 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2020, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 144,766	\$ -
Changes in actuarial assumptions	-	410,347
Difference between projected and actual investments earnings	-	531,243
Change in proportion	4,060	64,524
Contributions paid to PERA subsequent to the measurement date	494,659	-
Total	\$ 643,485	\$ 1,006,114

\$494,659 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2021	\$ (305,096)
2022	(450,922)
2023	(109,608)
2024	8,338
Total	\$ (857,288)

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

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

General Employees Fund Pension Costs (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

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

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	<u>100 %</u>	

F. Discount Rates

The discount rate used to measure the total pension liability in 2019 was 7.5%. 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 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.

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:

	1% Decrease in Discount Rate <u>6.5%</u>	Discount Rate <u>7.5%</u>	1% Increase in Discount Rate <u>8.5%</u>
District's proportionate share of the PERA net pension liability	\$ 8,507,313	\$ 5,174,934	\$ 2,423,393

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Paid

The District provides post employment retirement benefits to pay health and life insurance premiums for certain retired District personnel. Benefits are paid on behalf of retired administrative personnel to Medicare eligibility and other qualified staff to Medicare eligibility at which time benefits cease. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of June 30, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>427</u>
Total	<u><u>449</u></u>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2020, the District contributed \$347,921 to the plan.

**Independent School District No. 14
Notes to Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.10%
Expected Return	n/a
Inflation	2.50%
Healthcare cost trend increases	6.25% in 2020, grading to 5.00% over 5 years
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on scale MP- 2017, and other adjustments

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

Assumption Changes:

- The discount rate changing from 3.50% to 3.10%.

The discount rate used to measure the total OPEB liability was 3.10%.

F. Total OPEB Liability

The District's total OPEB liability of \$2,984,659 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Independent School District No. 14
Notes to Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2019	\$ 2,894,447
Changes for the year	
Service cost	285,365
Interest	105,136
Differences between expected and actual economic experience	-
Changes in assumptions	54,604
Employer contributions	-
Plan changes	-
Benefit payments	(354,893)
Administrative expense	-
Other charges	-
Net changes	<u>90,212</u>
Balances at July 1, 2020	<u>\$ 2,984,659</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 3.10% in 2020.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.10% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (2.10%)	Current (3.10%)	1% increase (4.10%)
Total OPEB liability (asset)	\$ 3,169,025	\$ 2,984,659	\$ 2,810,170

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25 decreasing to 6.0%)
Total OPEB liability (asset)	\$ 2,696,567 100	\$ 2,984,659	\$ 3,333,112

**Independent School District No. 14
Notes to Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2020, the District recognized OPEB expense of \$285,998. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Liability Gains	-	564,749
Changes of assumptions	50,032	-
Contributions made subsequent to the measurement date	347,921	-
Total	\$ 397,953	\$ 564,749

\$347,921 reported as a deferred outflow of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The remaining balances will be recognized in future years as follows:

Year Ended June 30,	Total
2021	\$ (104,503)
2022	(104,503)
2023	(104,503)
2024	(104,503)
2025	(104,503)
Thereafter	7,798
Total	(514,717)

NOTE 9 – RISK MANAGEMENT

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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2020.

**Independent School District No. 14
Notes to Financial Statements**

NOTE 10 – RISK MANAGEMENT (CONTINUED)

On July 1, 2006, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of \$2,000 of benefit per covered person per calendar year. The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the dental insurance plan recorded in the General Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Self-Insured Dental Benefits Internal Service Fund includes a reserve of \$265,351 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2019, is \$3,005 and include amounts for known claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

On July 1, 2015, the District began to self-insure for health insurance. A stop-loss policy was purchased that limits the District's loss to \$100,000 of claims per person at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 115% of the current year's total expected annual claims at which point the reinsurance coverage is available.

The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the Self-Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self-Insured Medical Benefits Internal Service Fund includes a reserve of \$4,505,929 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2019, is \$288,876 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2017-2018	\$ 167,967	\$ 4,812,473	\$ (4,489,305)	\$ 491,135
2018-2019	491,135	4,743,049	(4,972,323)	261,861
2019-2020	261,861	5,314,371	(5,284,351)	291,881

Independent School District No. 14
Notes to Financial Statements

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2020, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The student activity accounts of the District, as of July 1, 2019, have been taken under board control and will not be reported separately. These adjustments affected beginning fund balance for the General Fund and beginning net position for governmental activities in the amount of \$86,544.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. This statement will be effective for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 14
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability			
Service cost	\$ 268,733	\$ 261,627	\$ 285,365
Interest	117,244	120,305	105,136
Differenced between expected and actual experience	-	(790,649)	-
Changes of assumptions	-	4,521	54,604
Plan changes	-	159,928	-
Benefit payments	(303,571)	(273,818)	(354,893)
Other changes	-	-	-
Net change in total OPEB liability	<u>82,406</u>	<u>(518,086)</u>	<u>90,212</u>
Beginning of year	<u>3,330,127</u>	<u>3,412,533</u>	<u>2,894,447</u>
End of year	<u>\$ 3,412,533</u>	<u>\$ 2,894,447</u>	<u>\$ 2,984,659</u>
Covered payroll	\$ 21,815,879	\$ 22,997,695	\$ 23,687,626
Total OPEB liability as a percentage of covered-employee payroll	15.64%	12.59%	12.60%

Independent School District No. 14
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and 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 (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1101%	\$ 5,171,946	\$ -	\$ 5,171,946	\$ 5,778,869	89.5%	78.7%
2015	0.0986%	5,109,964	-	5,109,964	5,696,880	89.7%	76.8%
2016	0.0953%	7,737,887	101,013	7,838,900	5,910,760	130.9%	68.9%
2017	0.0955%	6,096,657	76,662	6,173,319	6,152,440	99.1%	75.9%
2018	0.0940%	5,214,735	171,082	5,385,817	6,317,693	82.5%	79.5%
2019	0.0936%	5,174,934	160,993	5,335,927	6,627,653	78.1%	80.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and 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 (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3144%	\$ 14,487,326	\$ 1,019,111	\$ 15,506,437	\$ 14,351,614	100.9%	81.5%
2015	0.3011%	18,626,013	2,284,436	20,910,449	15,281,867	121.9%	76.8%
2016	0.3130%	74,657,968	7,493,341	82,151,309	16,280,760	458.6%	44.9%
2017	0.3287%	65,614,483	6,343,192	71,957,675	17,693,453	370.8%	51.6%
2018	0.3409%	21,411,711	2,011,542	23,423,253	18,836,973	113.7%	78.1%
2019	0.3274%	20,868,545	1,846,938	22,715,483	18,586,874	112.3%	78.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Independent School District No. 14
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 418,968	\$ 418,968	\$ -	\$ 5,778,869	7.25%
2015	427,266	427,266	-	5,696,880	7.50%
2016	443,307	443,307	-	5,910,760	7.50%
2017	461,433	461,433	-	6,152,440	7.50%
2018	473,827	473,827	-	6,317,693	7.50%
2019	497,074	497,074	-	6,627,653	7.50%
2020	494,659	494,659	-	6,595,453	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of District Contributions
TRA Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,004,613	\$ 1,004,613	\$ -	\$ 14,351,614	7.0%
2015	1,146,140	1,146,140	-	15,281,867	7.5%
2016	1,221,057	1,221,057	-	16,280,760	7.5%
2017	1,327,009	1,327,009	-	17,693,453	7.5%
2018	1,412,773	1,412,773	-	18,836,973	7.5%
2019	1,433,048	1,433,048	-	18,586,874	7.7%
2020	1,460,200	1,460,200	-	18,483,544	7.9%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 14
Notes to the Required Supplementary Information

TRA Retirement Fund

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% 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 July 1, 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 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.

Independent School District No. 14
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years, and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 14
Notes to the Required Supplementary Information

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changes prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

Independent School District No. 14
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

SUPPLEMENTARY INFORMATION

Independent School District No. 14
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue		Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Post Employment Benefits Debt Service	
Assets				
Cash and investments	\$ 587,127	\$ 497,339	\$ 264,784	\$ 1,349,250
Current property taxes receivable	-	277,294	387,744	665,038
Delinquent property taxes receivable	-	6,107	8,982	15,089
Accounts receivable, net of allowance	-	46,609	-	46,609
Due from Department of Education	-	22,111	-	22,111
Due from other Minnesota school districts	-	12,384	-	12,384
Due from federal government through Department of Education	55,145	-	-	55,145
Due from other governmental units	-	2,405	-	2,405
Inventory	30,542	-	-	30,542
Prepaid items	650	5,040	-	5,690
Total assets	\$ 673,464	\$ 869,289	\$ 661,510	\$ 2,204,263
Liabilities				
Accounts payable	\$ 2,696	\$ 9,824	\$ -	\$ 12,520
Salaries and benefits payable	24,746	57,935	-	82,681
Due to other governmental units	-	145	-	145
Unearned revenue	22,024	5,448	-	27,472
Total liabilities	49,466	73,352	-	122,818
Deferred Outflows of Resources				
Unavailable revenue - delinquent property taxes	-	5,078	7,511	12,589
Property taxes levied for subsequent year's expenditures	-	387,303	540,473	927,776
Total deferred inflows of resources	-	392,381	547,984	940,365
Fund Balances				
Nonspendable	31,192	5,040	-	36,232
Restricted	592,806	398,516	113,526	1,104,848
Total fund balances	623,998	403,556	113,526	1,141,080
Total liabilities, deferred inflows of resources, and fund balances	\$ 673,464	\$ 869,289	\$ 661,510	\$ 2,204,263

Independent School District No. 14
Combining Statement of Revenues, Expenditures, and Changes
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue		Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Post Employment Benefits Debt Service	
Revenues				
Local property taxes	\$ -	\$ 364,303	\$ 533,160	\$ 897,463
Other local and county revenues	7,995	1,349,693	3,853	1,361,541
Revenue from state sources	97,093	663,627	-	760,720
Revenue from federal sources	1,443,441	-	-	1,443,441
Sales and other conversion of assets	250,770	-	-	250,770
Total revenues	<u>1,799,299</u>	<u>2,377,623</u>	<u>537,013</u>	<u>4,713,935</u>
Expenditures				
Current				
Food service	1,736,002	-	-	1,736,002
Community education and services	-	2,712,714	-	2,712,714
Capital outlay				
Food service	13,646	-	-	13,646
Community education and services	-	252	-	252
Debt service				
Principal	-	-	450,000	450,000
Interest and fiscal charges	-	-	96,895	96,895
Total expenditures	<u>1,749,648</u>	<u>2,712,966</u>	<u>546,895</u>	<u>5,009,509</u>
Excess of revenues over (under) expenditures	49,651	(335,343)	(9,882)	(295,574)
Other Financing Sources				
Transfers in	-	284,989	-	284,989
Net change in fund balances	49,651	(50,354)	(9,882)	(10,585)
Fund Balances				
Beginning of year	<u>574,347</u>	<u>453,910</u>	<u>123,408</u>	<u>1,151,665</u>
End of year	<u>\$ 623,998</u>	<u>\$ 403,556</u>	<u>\$ 113,526</u>	<u>\$ 1,141,080</u>

Independent School District No. 14
Combining Statement of Net Position - Internal Service Funds
June 30, 2020

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Assets			
Cash and cash equivalents	\$ 6,210,607	\$ 558,906	\$ 6,769,513
Investments	-	3,796,174	3,796,174
Accounts receivable	-	15,155	15,155
Interest receivable	-	132,813	132,813
	<u>\$ 6,210,607</u>	<u>\$ 4,503,048</u>	<u>\$ 10,713,655</u>
Liabilities			
Accounts payable	\$ 73,406	\$ -	\$ 73,406
Incurred but not reported claims	218,475	-	218,475
Unearned revenue	1,147,445	-	1,147,445
	<u>1,439,326</u>	<u>-</u>	<u>1,439,326</u>
Net Position			
Unrestricted	4,771,281	4,503,048	9,274,329
	<u>\$ 6,210,607</u>	<u>\$ 4,503,048</u>	<u>\$ 10,713,655</u>
Total liabilities and net position	<u>\$ 6,210,607</u>	<u>\$ 4,503,048</u>	<u>\$ 10,713,655</u>

Independent School District No. 14
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2020

	<u>Self Insurance</u>	<u>OPEB Revocable Trust</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Charges for services	\$ 6,008,570	\$ 219,948	\$ 6,228,518
Operating Expense			
Insurance	4,747,465	309,534	5,056,999
Administrative	566,905	-	566,905
Total operating expenses	<u>5,314,370</u>	<u>309,534</u>	<u>5,623,904</u>
Operating income (loss)	694,200	(89,586)	604,614
Nonoperating Revenues			
Investment income	<u>-</u>	<u>46,872</u>	<u>46,872</u>
Change in net position	694,200	(42,714)	651,486
Net Position			
Beginning of year	<u>4,077,081</u>	<u>4,545,762</u>	<u>8,622,843</u>
End of year	<u>\$ 4,771,281</u>	<u>\$ 4,503,048</u>	<u>\$ 9,274,329</u>

Independent School District No. 14
Combining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2020

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Cash Flows - Operating Activities			
Receipts from district contribution	\$ -	\$ 220,681	\$ 220,681
Receipts from employees	5,992,254	-	5,992,254
Payments to vendors	(5,284,350)	(309,534)	(5,593,884)
Net cash flows - operating activities	<u>707,904</u>	<u>(88,853)</u>	<u>619,051</u>
Cash Flows - Investing Activities			
Net sale/(purchase) of investments	-	325,662	325,662
Interest received	-	59,355	59,355
Net cash flows - investing activities	<u>-</u>	<u>385,017</u>	<u>385,017</u>
Net change in cash and cash equivalents	707,904	296,164	1,004,068
Cash and Cash Equivalents			
Beginning of year	<u>5,502,703</u>	<u>262,742</u>	<u>5,765,445</u>
End of year	<u>\$ 6,210,607</u>	<u>\$ 558,906</u>	<u>\$ 6,769,513</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ 694,200	\$ (89,586)	\$ 604,614
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Accounts receivable	4,416	733	5,149
Unearned revenue	(20,732)	-	(20,732)
Accounts payable	30,020	-	30,020
Net cash flows - operating activities	<u>\$ 707,904</u>	<u>\$ (88,853)</u>	<u>\$ 619,051</u>

Independent School District No. 14
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2020

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 44,394,055	\$ 44,394,053	\$ 2	Total revenue	\$ -	\$ -	\$ -
Total expenditures	42,338,911	42,338,915	(4)	Total expenditures	161,946	161,946	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	207,678	207,678	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	68,462	68,462	-	4.07 Capital Projects Levy	829,228	829,228	-
4.02 Scholarships	-	-	-	4.13 Building Projects funded by COP	-	-	-
4.06 Health And Safety	-	-	-	4.67 Long-term Facilities Maintenance	-	-	-
4.07 Capital Projects Levy	279,040	279,040	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	-	-	-
4.13 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.24 Operating Capital	425,933	425,933	-	Total revenue	\$ 4,468,083	\$ 4,468,083	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	4,347,350	4,347,350	-
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refunding	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.38 Gifted And Talented	-	1	(1)	4.51 QZAB payments	-	-	-
4.41 Basic Skills Programs	-	-	-	4.67 LTFM	-	-	-
4.45 Career Technical Programs	-	-	-	<i>Restricted:</i>			
4.48 Achievement And Integration Revenue	-	-	-	4.64 Restricted fund balance	787,860	787,860	-
4.49 Safe School Crime	193,069	193,069	-	<i>Unassigned:</i>			
4.51 QZAB Payments	-	-	-	4.63 Unassigned fund balance	-	-	-
4.52 Opeb Liabilities Not Held In Trust	-	-	-				
4.53 Unfunded Severance And Retirement Levy	-	-	-	08 TRUST FUND			
4.59 Basic Skills Extended Time	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.67 Long-term Facilities Maintenance	60,196	60,196	-	Total expenditures	-	-	-
4.72 Medical Assistance	715,356	715,356	-	<i>Unassigned:</i>			
4.64 Restricted Fund Balance	-	-	-	4.01 Student Activities	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.02 Scholarships	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.22 Net position	-	-	-
<i>Restricted:</i>				18 CUSTODIAL			
4.64 Restricted fund balance	-	-	-	Total revenue	-	-	-
<i>Committed:</i>				Total expenditures	-	-	-
4.18 Committed for separation	-	-	-	<i>Restricted/Reserved:</i>			
4.61 Committed	-	-	-	4.01 Student Activities	-	-	-
<i>Assigned:</i>				4.02 Scholarships	-	-	-
4.62 Assigned fund balance	2,599,775	2,599,776	(1)	4.48 Achievement and Integration	-	-	-
<i>Unassigned:</i>				4.64 Restricted	-	-	-
4.22 Unassigned fund balance	2,911,436	2,911,433	3				
02 FOOD SERVICES FUND				20 INTERNAL SERVICE FUND			
Total revenue	\$ 1,799,299	\$ 1,799,298	\$ 1	Total revenue	\$ 6,008,570	\$ 6,008,570	\$ -
Total expenditures	1,749,648	1,749,649	(1)	Total expenditures	5,314,370	5,314,371	(1)
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable fund balance	31,192	31,192	-	4.22 Net position	4,771,281	4,771,280	1
See notes to required supplementary information.				25 OPEB REVOCABLE TRUST			
452 OPEB Liabilities not Held in Trust	-	-	-	Total revenue	\$ 266,820	\$ 266,820	\$ -
<i>Restricted:</i>				Total expenditures	309,534	309,533	1
464 Restricted fund balance	592,806	592,805	1	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.22 Net position	4,503,048	4,503,048	-
463 Unassigned fund balance	-	-	-				
04 COMMUNITY SERVICE FUND				45 OPEB IRREVOCABLE TRUST			
Total revenue	\$ 2,377,623	\$ 2,377,624	\$ (1)	Total expenditures	\$ -	\$ -	\$ -
Total expenditures	2,712,966	2,712,965	1	Total revenue	-	-	-
<i>Nonspendable:</i>				4.22 Net position	-	-	-
460 Nonspendable fund balance	5,040	5,040	-	47 OPEB DEBT SERVICE			
<i>Restricted/reserved:</i>				Total revenue	\$ 537,013	\$ 537,014	\$ (1)
426 \$25 taconite	-	-	-	Total expenditures	546,895	546,895	-
431 Community Education	274,056	274,056	-	<i>Nonspendable:</i>			
432 ECFE	4,906	4,906	-	4.60 Nonspendable fund balance	-	-	-
444 School Readiness	24,579	24,579	-	<i>Restricted:</i>			
447 Adult Basic Education	-	-	-	4.25 Bond refundings	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-	4.64 Restricted fund balance	113,526	113,526	-
<i>Restricted:</i>				<i>Unassigned:</i>			
464 Restricted fund balance	94,975	94,975	-	4.63 Unassigned fund balance	-	-	-
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-				

Independent School District No. 14
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	\$ 129,645
School Breakfast	10.553	314,645
National School Lunch	10.555	628,669
Summer Food Service	10.559	219,850
Total Child Nutrition Cluster		<u>1,292,809</u>
Child and Adult Care Food Program	10.558	131,637
Fresh Fruit and Vegetables	10.582	18,995
Total U.S. Department of Agriculture		<u>1,443,441</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	454,726
Title II, Part A - Improving Teacher Quality	84.367	144,947
Title III, Part A - English Language Acquisition	84.365	51,357
Title III, Part A - Immigrant Grant	84.365	8,268
Special Education Cluster		
Special Education	84.027	409,473
IDEA, Part B Section 611 Mandatory Coordinated Early Intervening Services	84.027	108,514
Special Education - Preschool Grant	84.173	15,663
Total Special Education Cluster		<u>533,650</u>
Infants and Toddlers	84.181	17,616
Carl Perkins	84.048A	2,768
Through Northwest Suburban Integration District:		
Global Studies Magnet Grant	84.165A	121,275
Total U.S. Department of Education		<u>1,334,607</u>
U.S. Department of the Interior		
Through Minnesota Chippewa Tribe		
Johnson-O'Malley Indian Education Assistance to Schools	15.130	296
Total federal expenditures		<u>\$ 2,778,344</u>

Independent School District No. 14
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

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

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ending June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, described as Audit Finding 2020-001.

Compliance and Other Matters

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

District's Response to the Findings

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

Purpose of this Report

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



Minneapolis, Minnesota
October 9, 2020

**Report on Compliance for Each Major
Federal Program and on Internal Control over
Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 14, Fridley, Minnesota, compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs, in Accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 14 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

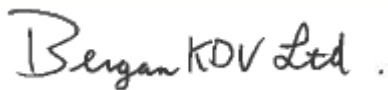
Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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



Minneapolis, Minnesota
October 9, 2020

**Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? 	<p>No</p> <p>Yes, Audit Finding 2020-001</p>
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? 	<p>No</p> <p>No</p>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No.:	10.553, 10.555, 10.556, and 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

**Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended June 30, 2020, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Accounts Payable Clerk enters invoices into the system and prepares the checks.
- The Accounting Supervisor has access to all areas of the accounting system.
- The Accounting Supervisor and Payroll Specialist have overlapping duties within the payroll process

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
 - a. As a mitigating control, the Accounting Supervisor receives a system report of checks prior to the preparation of checks for review. In addition, the Accounting Supervisor reviews the edit to the check register to verify that the edit was not changed after review.

**Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

CORRECTIVE ACTION PLAN (CAP):

2. Actions Planned in Response to Finding (Continued)
 - b. The Accounting Supervisor has access to all areas of the accounting system. Segregation will be reviewed to determine whether access can feasibly be limited.
 - c. Payroll responsibilities will be reviewed once the HRIS system is fully built out and functional.
3. Official Responsible for Ensuring CAP

Barbra Roessler, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP

The planned completion date for the CAP is June 30, 2021.
5. Plan to Monitor Completion of CAP

The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There are no prior year federal award findings or questioned costs.

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, and have issued our report thereon dated October 9, 2020.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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



Minneapolis, Minnesota
October 9, 2020



DO
MORE.

Independent School District
No. 14
Fridley, Minnesota

Financial Statements

October 20, 2020

bergankDV

Independent Audit's Report

- Financial statements are management's responsibility; auditor's responsibility to express an opinion on them.
- Unmodified opinion on the basic financial statements

Audit Communications

- Report in Accordance with *Government Auditing Standards*
 - Internal Control Findings
 - Lack of segregation of accounting duties
- Report on Compliance in Accordance with The Uniform Guidance
 - Unmodified opinion on compliance with requirements of major federal programs
 - Child nutrition cluster
- Report on Minnesota Legal Compliance
 - No findings on compliance with legal provisions contained in the *Minnesota Legal Compliance Audit Guide for Local Governments*

General Fund

Budget to Actual

- Revenue Budgeted at \$44.8 million
- Expenditures Budgeted at \$44.3 million
- Net Other Sources/(Uses) including Transfers - (\$522 thousand)
- \$21 thousand decrease in fund balance budgeted

General Fund

Budget to Actual

- Actual Revenue was \$44.4 million; \$363 thousand under budget
- Actual Expenditures were \$42.3 million; \$1.9 million under budget
- Net other financing uses \$564 thousand; \$42 thousand over budgeted amount
- \$1.5 million increase in total fund balance

Average Daily Membership and Pupil Units

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2011	\$ 5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Average Daily Membership and Pupil Units – Resident ADM

Resident ADM	2016	2017	2018	2019	*2020
Other	27.40	49.41	67.08	72.90	84.58
Kindergarten	180.23	179.28	206.03	193.15	208.52
Elementary	1,161.54	1,132.12	1,180.85	1,147.79	1,128.86
Secondary	1,022.07	1,063.19	1,039.06	1,068.68	1,043.79
Total Resident ADM	2,391.24	2,424.00	2,493.02	2,482.52	2,465.75

Average Daily Membership and Pupil Units – Resident ADM

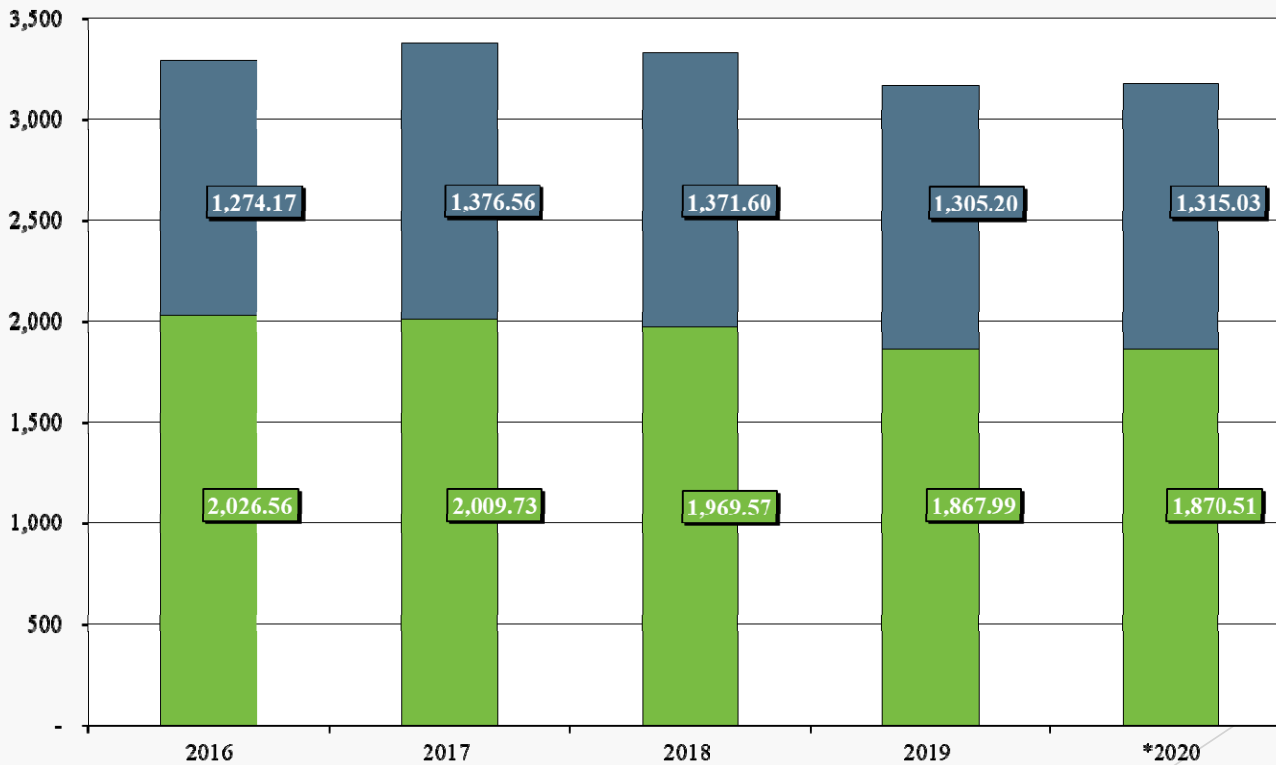


Average Daily Membership and Pupil Units – PUN Served

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten Half	Kindergarten Full	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
2016-2020	1.000	1.000	0.550	1.000	1.000	1.000	1.200

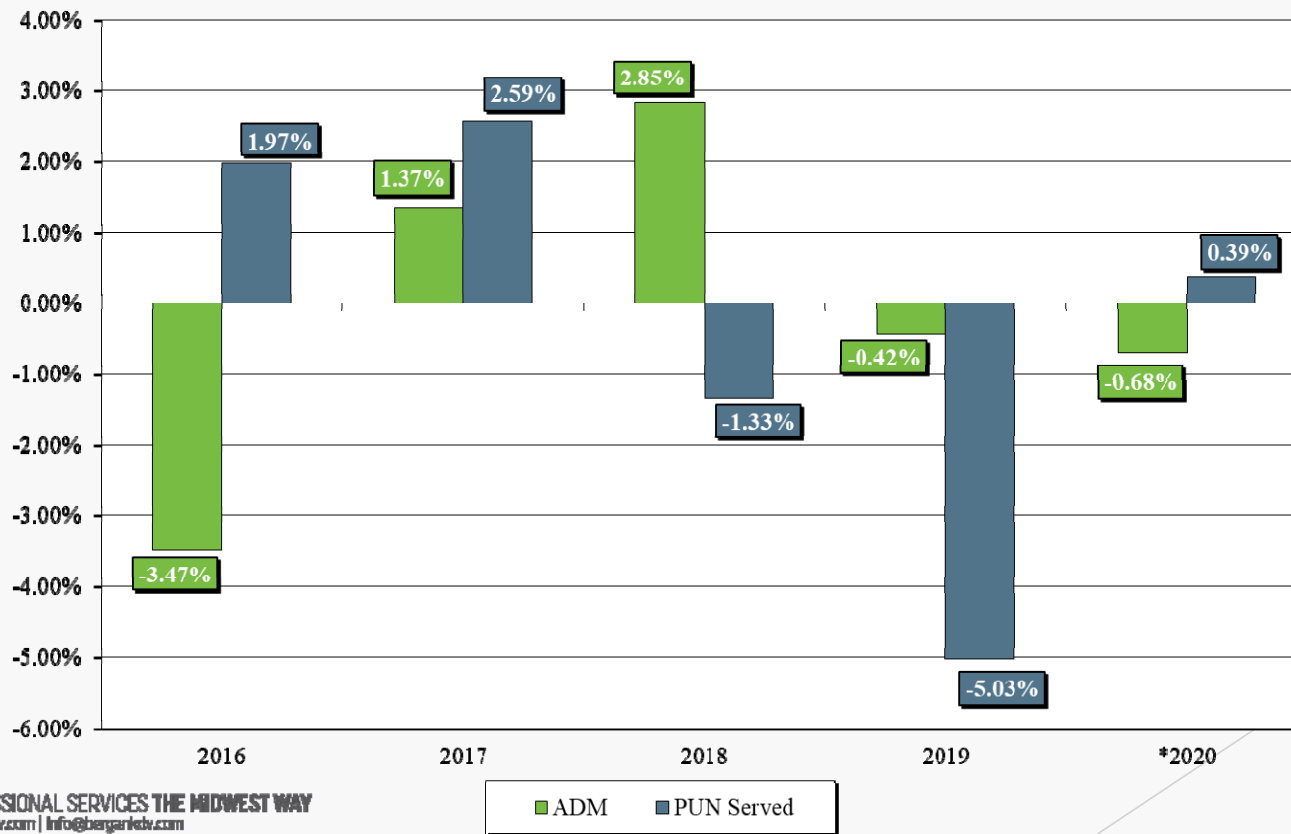
PUN	2016	2017	2018	2019	*2020
Residents	2,595.65	2,636.65	2,700.85	2,695.88	2,674.51
Resident PUN going elsewhere	(569.09)	(626.92)	(731.28)	(827.89)	(804.00)
Total resident PUN served	2,026.56	2,009.73	1,969.57	1,867.99	1,870.51
Nonresident PUN coming in	1,274.17	1,376.56	1,371.60	1,305.20	1,315.03
Total Adjusted PUN	3,300.73	3,386.29	3,341.17	3,173.19	3,185.54

Average Daily Membership and Pupil Units – Adjusted PUN



Average Daily Membership

and Pupil Units – Change in ADM and PUN Served

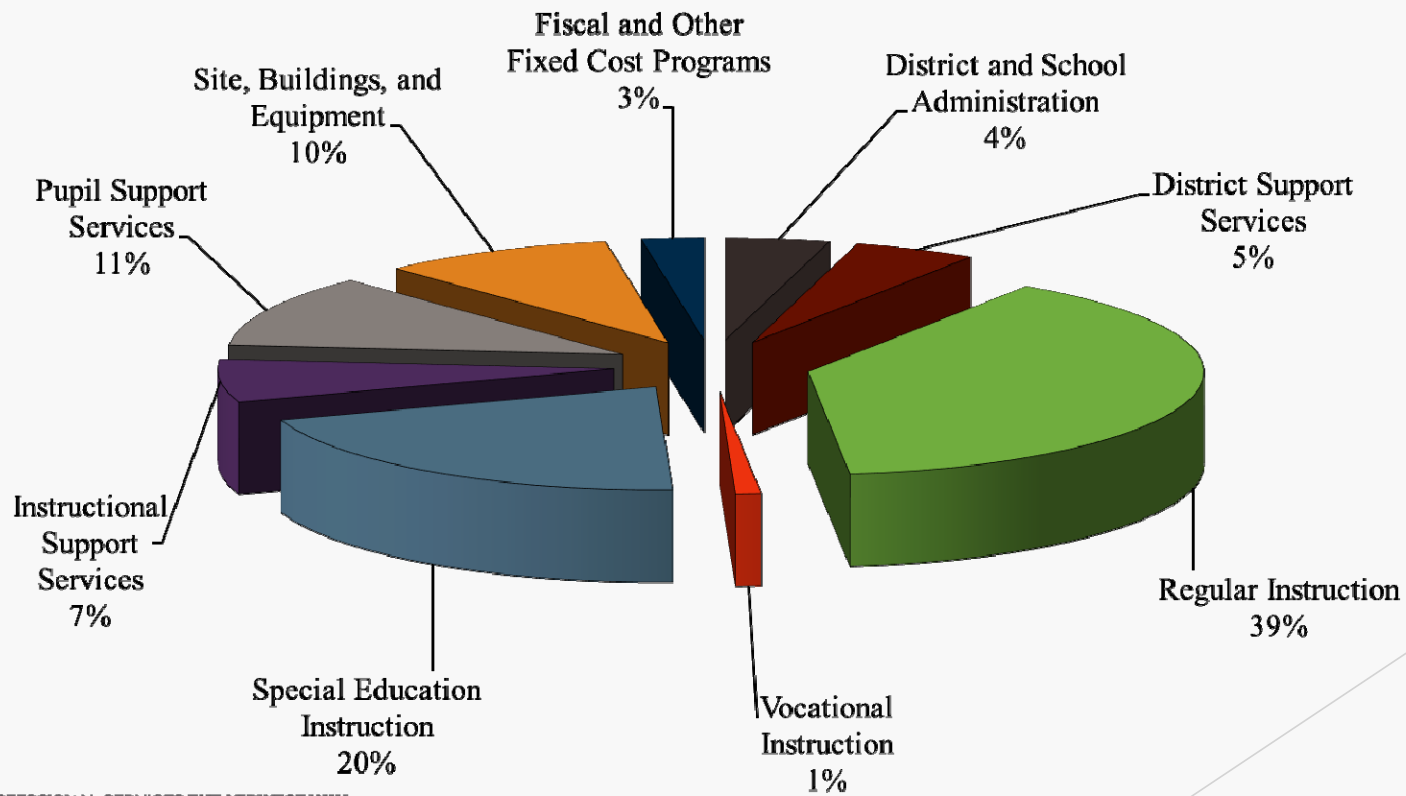


General Fund

Sources of Revenue

	2016	2017	2018	2019	2020
Local property taxes	\$ 4,390,702	\$ 4,437,638	\$ 5,586,336	\$ 6,303,819	\$ 6,457,443
State sources	34,177,979	35,182,141	35,959,679	35,747,873	35,171,289
Other	2,703,908	2,372,596	2,453,741	2,732,712	2,765,323
Total	\$ 41,272,589	\$ 41,992,375	\$ 43,999,756	\$ 44,784,404	\$ 44,394,055

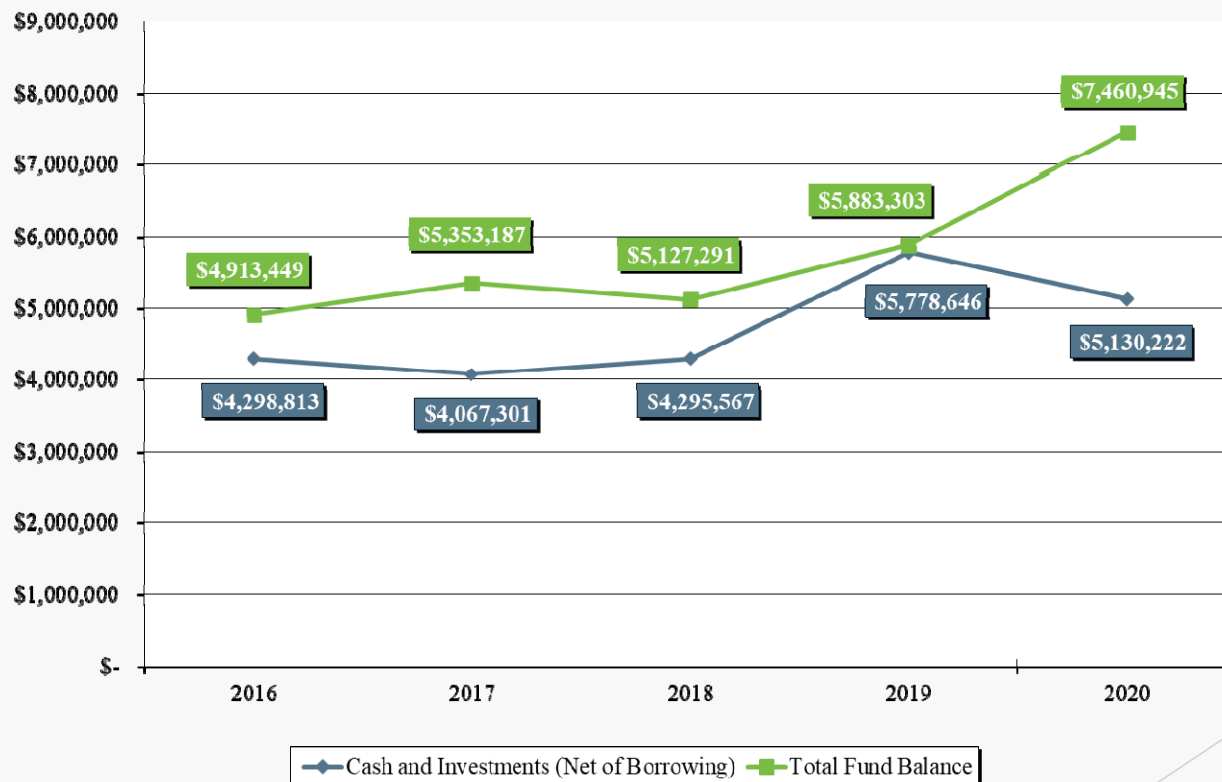
General Fund 2020 Expenditures



General Fund

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 41,272,589	\$ 41,992,375	\$ 43,999,756	\$ 44,784,404	\$ 44,394,055
Expenditures excluding OPEB	39,627,507	41,030,863	43,240,714	43,302,652	42,338,911
Excess of revenues over expenditures	1,645,082	961,512	759,042	1,481,752	2,055,144
Sale of capital assets	-	5,531	-	-	-
Proceeds from capital leases	280,212	34,265	566,843	-	268,015
Transfers out	(496,037)	(561,570)	(1,551,781)	(725,740)	(832,061)
Fund balance, July 1	3,484,192	4,913,449	5,353,187	5,127,291	5,883,303
Change in accounting principle	-	-	-	-	86,544
Fund Balance, June 30	\$ 4,913,449	\$ 5,353,187	\$ 5,127,291	\$ 5,883,303	\$ 7,460,945
Components					
Nonspendable	\$ 80,134	\$ 152,204	\$ 300,318	\$ 144,601	\$ 207,678
Restricted for					
Student activities	-	-	-	-	68,462
Health and safety	(206,747)	(136,755)	(1,179)	-	-
Capital projects levy	-	4,876	(2)	4,019	279,040
Safe schools - crime levy	47,166	53,251	68,167	87,714	193,069
Operating capital	232,107	266,547	176,644	537,547	425,933
Long term facilities maintenance	-	(327,235)	(289,308)	25,658	60,196
Medical assistance	-	72,125	294,904	294,904	715,356
Assigned	2,311,463	2,809,964	2,028,808	2,246,081	2,599,775
Unassigned	2,449,326	2,458,210	2,548,939	2,542,779	2,911,436
Total	\$ 4,913,449	\$ 5,353,187	\$ 5,127,291	\$ 5,883,303	\$ 7,460,945

General Fund Financial Position

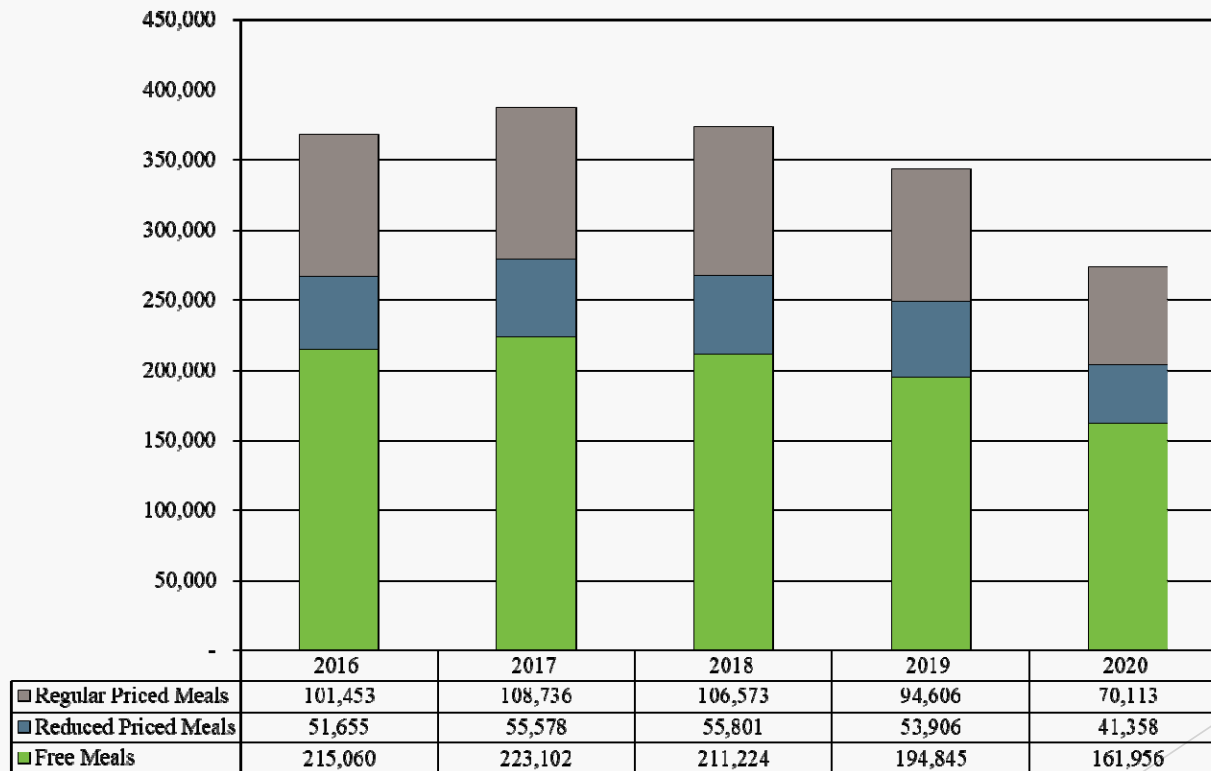


Food Service Fund

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,023,553	\$ 2,130,199	\$ 2,045,007	\$ 2,200,263	\$ 1,799,299
Expenditures	1,790,549	2,125,132	2,141,389	2,092,615	1,749,648
Excess of revenues over (under) expenditures	233,004	5,067	(96,382)	107,648	49,651
Other financing sources	8,312	-	-	-	-
Fund balance, July 1	316,698	558,014	563,081	466,699	574,347
Fund Balance, June 30	\$ 558,014	\$ 563,081	\$ 466,699	\$ 574,347	\$ 623,998

Food Service Fund

Lunches Served to Students



Community Service Fund

For the year ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,847,063	\$ 2,854,383	\$ 2,888,088	\$ 2,913,111	\$ 2,377,623
Expenditures	2,675,119	2,749,225	2,953,535	3,128,632	2,712,966
Excess of revenues over (under) expenditures	171,944	105,158	(65,447)	(215,521)	(335,343)
Other financing sources	100,445	101,587	103,616	216,343	284,989
Fund balance, July 1	(64,215)	208,174	414,919	453,088	453,910
Fund Balance, June 30	\$ 208,174	\$ 414,919	\$ 453,088	\$ 453,910	\$ 403,556

For the year ended June 30,	2016	2017	2018	2019	2020
Components					
Nonspendable	\$ 5,334	\$ 4,275	\$ -	\$ 6,765	\$ 5,040
Restricted for					
Community education	78,666	254,936	260,914	264,584	274,056
ECFE	50,069	69,774	78,187	65,849	4,906
School readiness	66,973	47,766	47,235	45,455	24,579
Community service	7,132	38,168	66,752	71,257	94,975
Total	\$ 208,174	\$ 414,919	\$ 453,088	\$ 453,910	\$ 403,556

Questions?

Janel Bitzan

320.650.0225

janel.bitzan@berganKDV.com

DO
MORE.



THANK
LET'S DO MORE, TOGETHER.
YOU

LET'S DO MORE, TOGETHER.

YOU

PASSION LED US HERE

BerganKDV is a leading professional services firm with a contagious culture; where growth is fostered and making a difference means something. Our values drive our decisions, and our passion is empowering people and creating a wow experience for our clients.

We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can...

DO MORE.



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October 20, 2020

SALE DAY REPORT FOR:

Independent School District No. 14 (Fridley Public Schools), Minnesota

\$4,475,000 General Obligation School Building Refunding Bonds, Series 2020A



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, MN 55113

Shelby McQuay,
Senior Municipal Advisor

Matthew Hammer,
Municipal Advisor

BUILDING COMMUNITIES. IT'S WHAT WE DO.

COMPETITIVE SALE RESULTS

Purpose: To finance a current refunding of the 2022 through 2026 maturities of the District's \$11,240,000 General Obligation School Building Bonds, Series 2012B.

Rating: **MN Credit Enhancement Rating:** Moody's Investor's Service "Aa2"
Underlying Rating: Moody's Investor's Service "A1"

Number of Bids: 4

Low Bidder: Piper Sandler & Co., Minneapolis, Minnesota

Comparison from Lowest to Highest Bid: (TIC as bid)

Low Bid* 0.4564%

High Bid 0.8958%

Interest Difference **\$68,841**

Summary of Sale Results:	
Principal Amount*:	\$4,475,000
Underwriter's Discount:	\$4,168
Reoffering Premium:	\$671,183
True Interest Cost*:	0.4584%
Costs of Issuance:	\$52,266
Yield:	0.25%-0.55%
Future Value Savings:	\$337,827
Present Value Savings:	\$332,844
Savings Percentage:	6.081%
Total Net P&I:	\$5,210,973

**The winning bidder submitted a bid with a premium price (a price greater than the par amount of the bonds) that was higher than the estimates in the Pre-Sale Report. As a result, the principal amount of the bonds was decreased from \$4,835,000 (in the Pre-Sale Report and Preliminary Official Statement) to \$4,475,000. This also caused a change in the True Interest Cost.*

Notes: The True Interest Cost of 0.45% is lower than 0.95% estimated in the Pre-Sale Report. This resulted in an increase in the future value savings of the refunding \$94,460, from \$243,365 in the Pre-Sale Report to \$337,827. This will reduce the property tax levy for taxes payable in 2021 through 2025 by an average of approximately \$69,700.

Closing Date: November 12, 2020

School Board Action: Adopt the resolution awarding the sale of \$4,475,000 General Obligation School Building Refunding Bonds, Series 2020A.

Supplementary Attachments

- ✓ Bid Tabulation
- ✓ Updated Sources and Uses
- ✓ Prior Debt Service Schedule - Callable Portion of 2012B Bonds
- ✓ Updated Debt Service Schedule for Proposed Bonds
- ✓ Updated Debt Service Comparison/Refunding Savings Analysis
- ✓ Resolution Awarding Sale of 2020A Refunding Bonds (Distributed Separately)

BID TABULATION

\$4,835,000* General Obligation School Building Refunding Bonds, Series 2020A

Independent School District No. 14 (Fridley Public Schools), Minnesota

SALE: October 20, 2020

AWARD: PIPER SANDLER & CO.

MN Credit Enhancement Rating: Moody's Investor's Service "Aa2"

Underlying Rating: Moody's Investor's Service "A1"

Tax Exempt - Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
PIPER SANDLER & CO. Minneapolis, Minnesota	2022	5.000%	0.250%	\$5,546,639.00	\$79,411.69	0.4564%
	2023	5.000%	0.300%			
	2024	5.000%	0.350%			
	2025	5.000%	0.450%			
	2026	5.000%	0.550%			
BAIRD Milwaukee, Wisconsin				\$5,516,098.75	\$109,951.94	0.6343%
NORTHLAND SECURITIES, INC. Minneapolis, Minnesota				\$5,042,833.50	\$108,586.78	0.6668%
STIFEL, NICOLAUS Birmingham, Alabama				\$5,161,377.30	\$148,253.12	0.8958%

* Subsequent to bid opening the issue size was decreased to \$4,475,000.

Adjusted Price - \$5,142,014.79 Adjusted Net Interest Cost - \$74,835.90 Adjusted TIC - 0.4584%

I.S.D. No. 14 (Fridley), MN

\$4,475,000 General Obligation School Building Refundings Bonds, Series 2020A

Dated: November 12, 2020 - Current Refunding of

\$11,240,000 General Obligation School Building Refunding Bonds, Series 2012B

Sources & Uses

Dated 11/12/2020 | Delivered 11/12/2020

Sources Of Funds

Par Amount of Bonds	\$4,475,000.00
Reoffering Premium	671,182.65
Total Sources	\$5,146,182.65

Uses Of Funds

Total Underwriter's Discount (0.093%)	4,167.86
Costs of Issuance	52,266.00
Deposit to Current Refunding Fund	5,085,000.00
Rounding Amount	4,748.79
Total Uses	\$5,146,182.65

I.S.D. No. 14 (Fridley), MN

\$11,240,000 General Obligation School Building Refunding Bonds, Series 2012B

Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/01/2021	-	-	-	-	-
08/01/2021	-	-	76,275.00	76,275.00	-
02/01/2022	955,000.00	3.000%	76,275.00	1,031,275.00	1,107,550.00
08/01/2022	-	-	61,950.00	61,950.00	-
02/01/2023	1,000,000.00	3.000%	61,950.00	1,061,950.00	1,123,900.00
08/01/2023	-	-	46,950.00	46,950.00	-
02/01/2024	1,040,000.00	3.000%	46,950.00	1,086,950.00	1,133,900.00
08/01/2024	-	-	31,350.00	31,350.00	-
02/01/2025	1,065,000.00	3.000%	31,350.00	1,096,350.00	1,127,700.00
08/01/2025	-	-	15,375.00	15,375.00	-
02/01/2026	1,025,000.00	3.000%	15,375.00	1,040,375.00	1,055,750.00
Total	\$5,085,000.00	-	\$463,800.00	\$5,548,800.00	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/12/2020
Average Life	3.260 Years
Average Coupon	3.0000000%
Weighted Average Maturity (Par Basis)	3.260 Years
Weighted Average Maturity (Original Price Basis)	3.260 Years

Refunding Bond Information

Refunding Dated Date	11/12/2020
Refunding Delivery Date	11/12/2020

I.S.D. No. 14 (Fridley), MN

\$4,475,000 General Obligation School Building Refundings Bonds, Series 2020A

Dated: November 12, 2020 - Current Refunding of

\$11,240,000 General Obligation School Building Refunding Bonds, Series 2012B

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/12/2020	-	-	-	-	-
08/01/2021	-	-	160,975.69	160,975.69	-
02/01/2022	770,000.00	5.000%	111,875.00	881,875.00	1,042,850.69
08/01/2022	-	-	92,625.00	92,625.00	-
02/01/2023	875,000.00	5.000%	92,625.00	967,625.00	1,060,250.00
08/01/2023	-	-	70,750.00	70,750.00	-
02/01/2024	925,000.00	5.000%	70,750.00	995,750.00	1,066,500.00
08/01/2024	-	-	47,625.00	47,625.00	-
02/01/2025	965,000.00	5.000%	47,625.00	1,012,625.00	1,060,250.00
08/01/2025	-	-	23,500.00	23,500.00	-
02/01/2026	940,000.00	5.000%	23,500.00	963,500.00	987,000.00
Total	\$4,475,000.00	-	\$741,850.69	\$5,216,850.69	-

Yield Statistics

Bond Year Dollars	\$14,837.01
Average Life	3.316 Years
Average Coupon	5.0000000%
Net Interest Cost (NIC)	0.5043865%
True Interest Cost (TIC)	0.4584268%
Bond Yield for Arbitrage Purposes	0.4326568%
All Inclusive Cost (AIC)	0.7840284%

IRS Form 8038

Net Interest Cost	0.4054135%
Weighted Average Maturity	3.387 Years

I.S.D. No. 14 (Fridley), MN

\$4,475,000 General Obligation School Building Refundings Bonds, Series 2020A

Dated: November 12, 2020 - Current Refunding of

\$11,240,000 General Obligation School Building Refunding Bonds, Series 2012B

Debt Service Comparison

Date	Total P+I	Estimated Inv. Earnings	Net New D/S	Old Net D/S	Savings
02/01/2021	-	(1,128.45)	(5,877.24)	-	5,877.24
02/01/2022	1,042,850.69	-	1,042,850.69	1,107,550.00	64,699.31
02/01/2023	1,060,250.00	-	1,060,250.00	1,123,900.00	63,650.00
02/01/2024	1,066,500.00	-	1,066,500.00	1,133,900.00	67,400.00
02/01/2025	1,060,250.00	-	1,060,250.00	1,127,700.00	67,450.00
02/01/2026	987,000.00	-	987,000.00	1,055,750.00	68,750.00
Total	\$5,216,850.69	(1,128.45)	\$5,210,973.45	\$5,548,800.00	\$337,826.55

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	326,967.39
Effects of Primary Purpose Earnings.....	1,127.38
Net PV Cashflow Savings @ 0.433%(Bond Yield).....	328,094.77
Contingency or Rounding Amount.....	4,748.79
Net Present Value Benefit	\$332,843.56
Net PV Benefit / \$5,473,150.04 PV Refunded Debt Service	6.081%
Net PV Benefit / \$5,085,000 Refunded Principal...	6.546%
Net PV Benefit / \$4,475,000 Refunding Principal..	7.438%

Refunding Bond Information

Refunding Dated Date	11/12/2020
Refunding Delivery Date	11/12/2020

Rating Action: Moody's assigns UND A1/ENH Aa2 to Fridley ISD 14, MN's GO bonds

16 Oct 2020

New York, October 16, 2020 -- Moody's Investors Service, has assigned an underlying A1 rating and an enhanced Aa2 rating to Fridley Independent School District 14, MN's \$4.8 million General Obligation School Building Refunding Bonds, Series 2020A. We maintain the A1 rating on the district's outstanding general obligation unlimited tax (GOULT) debt. Following the upcoming sale, the district will have \$48.4 million of GOULT debt outstanding.

RATINGS RATIONALE

The underlying A1 GOULT rating reflects the district's favorable location in the Twin Cities metro area, giving it access to diverse employment opportunities, and improved reserves and liquidity, which have been bolstered by recent voter approved property tax levies, as well as tax base appreciation. The district's enrollment has remained relatively stable, with preliminary fiscal 2021 numbers trending better than budgeted. The rating also incorporates the district's above average debt burden, elevated pension liabilities and high reliance on state aid for operating revenue.

The enhanced rating on the current bonds reflects the additional security provided by the State of Minnesota's School District Credit Enhancement Program. The Aa2 enhanced programmatic rating is notched once from the State of Minnesota's Aa1 general obligation unlimited tax (GOULT) rating and the enhancement program carries a stable outlook, reflecting the stable outlook on the State of Minnesota. The enhanced rating reflects sound program mechanics and the State of Minnesota's pledge of an unlimited appropriation from its General Fund should the district be unable to meet debt service requirements. The program's mechanics include a provision for third party notification of pending deficiency. If the school district does not transfer funds necessary to pay debt to the paying agent at least three days prior to the payment due date, the state will appropriate the payment to the paying agent directly. Moody's has received a copy of the signed program applications.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Fridley ISD 14. The district ended fiscal 2020 with a \$1.5 million increase in general fund balance driven by higher than budgeted enrollment and coronavirus related expenditure savings. The fiscal 2021 budget reflects a \$180,000 surplus in the general fund, and management reports finances are on target with budget. However, the situation surrounding coronavirus is rapidly evolving and the longer-term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the district changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

Outlooks are typically not assigned to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO A UPGRADE OF THE RATINGS

- Sustained growth in reserves and liquidity
- Significant tax base expansion and diversification
- Upward movement in State of Minnesota's underlying GOULT rating (enhanced)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Decrease in reserves or liquidity
- Increase in the debt or pension burdens
- Downward movement in the State of Minnesota's underlying GOULT rating (enhanced)

- Weakening of the credit enhancement program mechanics (enhanced)

LEGAL SECURITY

The Series 2020A bonds, are secured by the district's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. The security benefits from a statutory lien.

The Series 2020A bonds are additionally secured by the State of Minnesota's School District Credit Enhancement Program which provides for an unlimited advance from the state's General Fund should the district be unable to meet debt service requirements.

USE OF PROCEEDS

Proceeds of the 2020A bonds will refund the district's outstanding General Obligation School Refunding Bonds, Series 2012B (maturities 2022 through 2026) for interest cost savings. The Series 2012B Bonds (which refunded the 2004A Bonds) and were originally issued in 1996 to finance construction, renovation and additions to the district's facilities.

PROFILE

Fridley ISD 14 is located approximately 10 miles north of Minneapolis (Aa1 stable) and comprises 4.7 square miles. Its population was estimated at 15,600, and district enrollment totaled 2,804 in the 2020- 2021 school year.

METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in July 2020 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings published in December 2017 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1067422. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of these methodologies.

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CREDIT OPINION

3 February 2020

 Rate this Research

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Fridley Independent School District 14, MN

Update following upgrade to A1

Summary

[Fridley Independent School District 14's](#) (A1) local economy benefits from close proximity to [Minneapolis](#) (Aa1 stable), which provides residents with a diverse range of employment opportunities. Its favorable location will likely continue the trend of solid appreciation of its moderately sized tax base. Wealth and income levels in the district are about average. Reserves and liquidity are adequate and expected to remain stable based on recent voter approved property tax levies. While the district is significantly reliant on state aid for operating revenue, its enrollment has been stable and has gained a significant student population through open enrollment. The district's debt and pension burdens are above average, although it has no plans for additional debt over the next few years.

On February 3, 2019, we upgraded the district's outstanding general obligation unlimited tax (GOULT) bonds to A1 from A2.

Credit strengths

- » Proximity to the Twin Cities metro has supported notable tax base growth
- » Recent voter approval of additional levy revenue that will help to bolster reserves
- » Relatively stable total enrollment with net gains from open enrollment

Credit challenges

- » Reserves that are adequate but still trail sector medians
- » Highly dependent on state aid for operating revenue
- » Elevated debt and pension burdens compared to tax base values

Rating outlook

Outlooks are generally not assigned to local government credits with this amount of debt.

Factors that could lead to an upgrade

- » Sustained growth in reserves and liquidity
- » Significant tax base expansion and diversification

Factors that could lead to a downgrade

- » Decrease in reserves or liquidity

» Increase in the debt or pension burdens

Key indicators

Exhibit 1

Fridley Independent School District 14, MN	2015	2016	2017	2018	2019
Economy/Tax Base					
Total Full Value (\$000)	\$1,084,222	\$1,150,447	\$1,204,413	\$1,346,623	\$1,494,335
Population	15,240	14,425	14,812	14,812	14,812
Full Value Per Capita	\$71,143	\$79,754	\$81,313	\$90,914	\$100,887
Median Family Income (% of US Median)	93.2%	93.3%	94.6%	94.6%	94.6%
Finances					
Operating Revenue (\$000)	\$44,218	\$47,886	\$49,554	\$51,284	\$52,289
Fund Balance (\$000)	\$3,600	\$5,678	\$6,270	\$5,798	\$6,652
Cash Balance (\$000)	\$4,521	\$26,912	\$7,466	\$7,918	\$9,003
Fund Balance as a % of Revenues	8.1%	11.9%	12.7%	11.3%	12.7%
Cash Balance as a % of Revenues	10.2%	56.2%	15.1%	15.4%	17.2%
Debt/Pensions					
Net Direct Debt (\$000)	\$40,689	\$80,995	\$60,827	\$58,524	\$55,105
3-Year Average of Moody's ANPL (\$000)	\$79,214	\$77,455	\$91,343	\$103,647	\$107,966
Net Direct Debt / Full Value (%)	3.8%	7.0%	5.1%	4.3%	3.7%
Net Direct Debt / Operating Revenues (x)	0.9x	1.7x	1.2x	1.1x	1.1x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	7.3%	6.7%	7.6%	7.7%	7.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.8x	1.6x	1.8x	2.0x	2.1x

Source: audited financial statements, US Census Bureau, Moody's Investors Service

Profile

The district and is located approximately 10 miles north of Minneapolis and comprises 10.2 square miles. Its population was estimated at 14,812 in 2017 and district enrollment totaled 2,900 in the 2019-2020 school year.

Detailed credit considerations

Economy and tax base: moderately sized tax base near Twin Cities

The district's modestly sized tax base is likely to grow over the next few years, driven largely by appreciation of existing property given the district's mostly built out status. Its location near Minneapolis provides district residents a diverse range of employment opportunities throughout the metro area. Full value was \$1.5 billion in 2019, exceeding its previous peak in 2008 of \$1.3 billion. The tax base is fairly diverse, with the Top 10 taxpayers accounting for 14% of total net tax capacity in fiscal 2019 and led by residential apartment complexes.

Incomes are about average in the district with median family income in 2016 at 93.3% of the US while full value per capita is somewhat above average at \$93,353 in 2018. Unemployment in [Anoka County](#) (Aa1) was a low 2.7% compared to the state (2.9%) and nation (3.3%) in November 2019.

Fridley ISD's stable enrollment of 2,900 students will support its financial operations as revenue for Minnesota school districts is based largely on enrollment. The district also gains students from neighboring districts through open enrollment, providing a net gain of 400 students or a solid 14% of total enrollment.

Financial operations and reserves: adequate and growing reserves

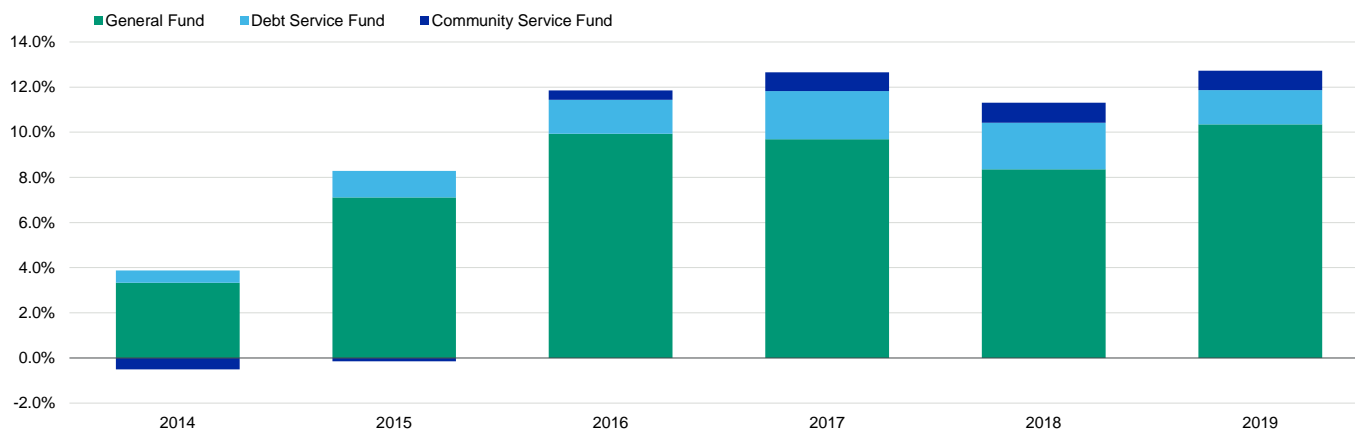
While available reserves remain below sector medians, solid general fund growth should continue given conservative budgeting practices and a recent voter approved levy increase. At the end of fiscal 2019, the district had \$6.7 million in available operating fund reserves, equal to an adequate 12.7% of revenue (including general, debt service and community service funds). This was a major improvement from prior years, including in 2014 when available reserves were \$1.6 million or a low 3.9% of revenue. Improvements

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

in the district's financial position are supported by its conservative budgeting practices. The district typically outperforms budget forecasts, including in fiscal 2019, when the district performed above expectations and added \$900,000 more to fund balance than originally budgeted.

Exhibit 2

Solid growth in available reserves since 2014
(Operating reserves as % revenue)



Change in financial reporting practices resulted in one-time reduction in fiscal 2018 fund balance as self-insurance premiums moved to internal service funds from the general fund.
Source: Audited financial statements

For fiscal 2020, management anticipates adding a moderate \$200,000 to fund balance. The district remains in teacher union negotiations, which could alter these projections as increases beyond budget would apply retroactively for the year. The district does not yet have a fiscal 2021 budget, although the board is committed to compliance with its minimum fund balance policy of 7% of expenditures in unassigned reserves. The fiscal 2021 budget will benefit from a new voter approved property tax levy, which is estimated to produce an additional \$1 million per year or a little over 2% of revenue. Property taxes make up 21% of operating revenue while state aid contributes a much larger 74% of operating revenue.

LIQUIDITY

Net operating fund cash was \$9.0 million at the end of fiscal 2019, or a healthy 17.2% of revenue. Cash is reported higher than fund balance as the district defers property tax receipts into the following fiscal year.

Debt, pensions and OPEB: above average debt and pension burden

The district's leverage compared to its tax base will continue to moderate because of tax base appreciation and a lack of major borrowing plans. At the end of fiscal 2019, the district had \$55.1 million in outstanding debt, equal to an above average 3.7% of full value and 1.1x operating revenue. The district's adjusted net pension liability (ANPL), based on a 4.14% discount rate, totals \$89 million while the three-year average totals \$108 million, equal to an elevated 7.2% of full value and 2.1x operating revenue.

The district's fixed costs, inclusive of debt service, pension contributions and other post-employment benefit (OPEB) costs, totaled a moderate 15% of operating revenue in fiscal 2019.

DEBT STRUCTURE

All of the district's debt outstanding is fixed-rate and long-term. Principal amortization is moderate with 69% scheduled to be repaid within 10 years. The district's GOULT bonds are secured by its full faith and credit and pledge to levy unlimited ad valorem property taxes. The bonds benefits from a statutory lien, but there is no lockbox structure.

DEBT-RELATED DERIVATIVES

The district is not party to any derivative agreements.

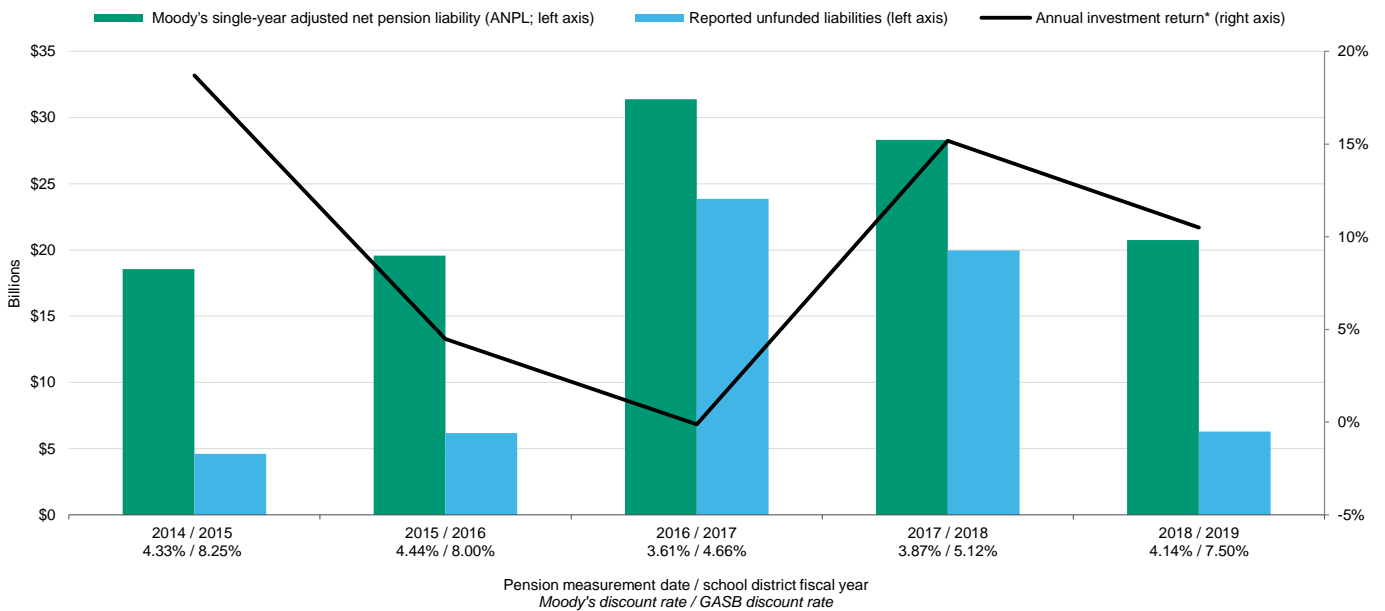
PENSIONS AND OPEB

The district participates in two multiple-employer cost-sharing plans, the General Employees Retirement Fund (GERF) and the Teachers Retirement Association of Minnesota (TRA). Most its unfunded liabilities are attributable to the TRA. Whether measured on a reported basis or using our standard balance sheet adjustments, the plan's unfunded liabilities increased significantly between 2010 and 2016. Between 2014 and 2016, the ANPL for TRA increased by nearly 70%, driven by weak contributions, falling market discount rates and low investment returns in 2015 and 2016. The spike in TRA's reported Net Pension Liability (NPL) in 2016 and 2017 was largely driven by plan depletion projections, which in turn require the use of a lower discount rate under governmental accounting standards for pensions.

The [State of Minnesota](#) (Aa1) approved legislation in 2018 that modified benefits and modestly increased contributions to TRA. The legislative reform coupled with strong investment performance and rising market interest rates between 2016 and 2018 led to consecutive declines in our ANPL for TRA. The most recent 27% decline in 2018 is reflected in our fiscal 2019 ANPLs for school districts (see exhibit).

Exhibit 3

**Following a sharp increase, legislative reform coupled with strong investment returns lowering pension burden for Minnesota schools
Minnesota Teachers Retirement Association (TRA)**



*Annual money-weighted rates of return net of investment expense
Source: TRA comprehensive annual financial reports (CAFRs)

Contributions to TRA from all participating governments in aggregate amounted to only 78% of the plan's "tread water" indicator in 2019.¹As a part of the state's 2018 pension legislation, school districts will modestly increase TRA contributions to 8.75% of payroll in 2024 from the previous rate of 7.5% in 2018. The state is increasing aid to school districts to offset the increased costs of their required employer contributions.

OPEB obligations do not represent a material credit risk for the district. The district operates a single-employer retiree medical plan. The district made a pay-as-you-go contribution of \$372,000 in fiscal 2019, equal to less than 1% of operating revenue. The district's reported net OPEB liability currently totals \$2.9 million while our adjusted net OPEB liability for the district, based on the use of a different discount rate, similarly totals \$2.9 million. The district issued OPEB obligation bonds in 2009 but has retained these funds, \$4.4 million in fiscal 2019, in a revocable trust and therefore the assets are not reported as an offset against its OPEB liability.

Management and governance: moderate institutional framework

Minnesota school districts have an Institutional Framework score of "A," which is moderate. Schools are highly dependent on state aid, averaging 70% of general fund revenue. State aid is moderately predictable and is based on a per pupil funding formula, with some adjustments for wealth and need. Schools have moderate revenue raising ability and can increase operating levies through board or voter approval. The standard referendum cap increases annually with inflation and currently totals just under \$2,000 per pupil. Unpredictable revenue fluctuations tend to be moderate. Across the sector, fixed and mandated costs are generally moderate. Expenditures are highly predictable with personnel and benefits representing the largest costs.

The district benefits from strong voter support for levies, including a successful November 2019 levy that raised the voter approved referendum levy to \$500 per pupil from \$187 per pupil. The district will seek renewal of a 5.47% capital projects levy in 2020. The district maintains a 10-year capital improvement plan and five-year budget forecast, which are solid management practices. The district's minimum fund balance policy of 7% of general fund expenditures in unassigned reserves is not as strong.

Rating methodology and scorecard factors

The [US Local Government General Obligation Debt](#) methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 4

Fridley Independent School District 14, MN

Rating Factors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$1,494,335	Aa
Full Value Per Capita	\$100,887	Aa
Median Family Income (% of US Median)	94.6%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	12.7%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	9.6%	A
Cash Balance as a % of Revenues	17.2%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	13.1%	Aa
Management (20%)		
Institutional Framework	A	A
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	3.7%	A
Net Direct Debt / Operating Revenues (x)	1.1x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	7.2%	Baa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	2.1x	A
Notching Factors: ^[2]		
Standardized Adjustments [3]: Unusually strong or weak security features: Secured by statute		Up
	Scorecard-Indicated Outcome	Aa3
	Assigned Rating	A1

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the [GO Methodology Scorecard Inputs for 2019](#) publication.

Source: Audited financial statements, US Census Bureau, Moody's Investors Service

Endnotes

- Employer contributions that tread water equal the sum of current year service cost and interest on reported net pension liabilities at the start of the year, using reported assumptions. If plan assumptions are met exactly, contributions equal to the tread water indicator will prevent the reported net pension liabilities from growing.

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Fridley School Board
October 20th, 2020

Get Ready Staff Here Today



**Patrick
Milton**

Get Ready
Director



**Lucia
Mendez**

Get Ready
Program
Supervisor



**Matt
Kiefer**

FHS Get Ready
Coordinator

The Get Ready Program



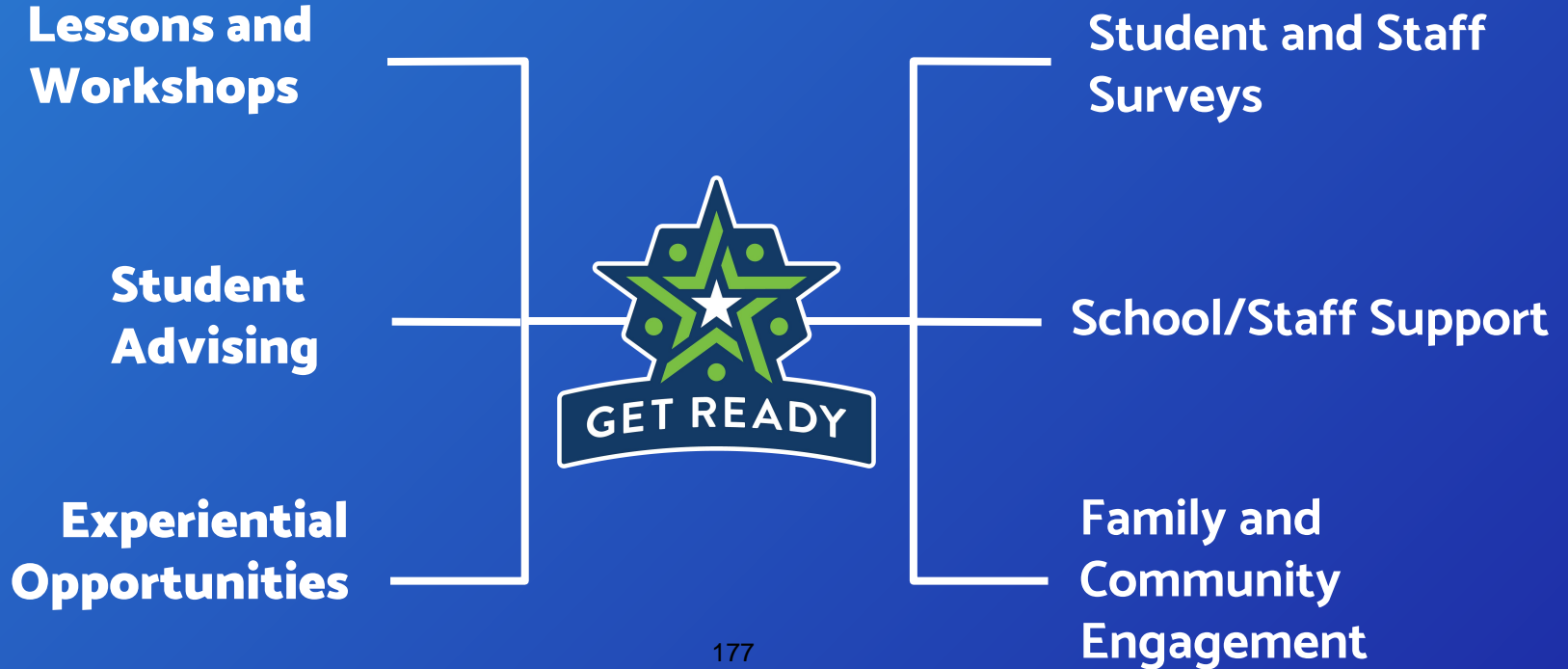
- ❑ Get Ready/ GEAR UP College and Career Readiness Program
- ❑ Funded through the U.S. Department of Education/GEAR UP Grant
- ❑ The program is administered through the MN Office of Higher Education
- ❑ Partner with Middle and High Schools throughout the State of Minnesota

Get Ready and Fridley Public Schools: The Partnership

- ❑ Began during the 2018-19 school year at Fridley Middle School. Now at both sites. Entering 2nd year at Fridley High School.
- ❑ Year 3 of a 7-year grant
- ❑ Get Ready staff member is housed at FMS and FHS.



Get Ready Program: Services Provided



Lessons and Workshops

College and Career Knowledge



Soft-Skills/ Tech Literacy Training



Fun and Engaging Content





Student Advising

In-person and virtual
advising of students





Experiential Opportunities



Lessons/Experiential Opportunities: Middle School

- ❑ Black History Month Presentation with Aloda Sims
- ❑ Work with College and Career Readiness Class
- ❑ Field Trip to Medtronic for 8th Graders
- ❑ 6th and 7th Grade Girls Group



School and Staff Support

- ❑ Work with Student Support Services Team at FHS
- ❑ Member of CTE Team
- ❑ Postsecondary Readiness Leadership Team
- ❑ Staff Professional Development
- ❑ Get Ready Equity Manager Tobias Leuthner's work with district staff



Student and Staff Surveys

- ❑ Student Survey
 - ❑ Cohort students
 - ❑ Postsecondary aspirations and expectations, postsecondary knowledge, etc.
- ❑ Staff Survey
 - ❑ Staff postsecondary knowledge, expectations for students, etc.
- ❑ Present data to school administration and Postsecondary Readiness Leadership Team to inform future decisions



Family and Community Engagement

- ❑ Get Ready has purchased:
 - ❑ Chrome cart/chromebooks for the Middle School
 - ❑ Headphones during the last spring/summer for the community
- ❑ FAFSA completion help for families with 12th graders
- ❑ Collaboration between Get Ready and Fridley's Equity and Inclusion Team
- ❑ Family Engagement Committee
 - ❑ Family Nights

Equity and Inclusion Team

Hope Osifuye- Stevenson Elementary

Yusuf Mahamud- Hayes Elementary

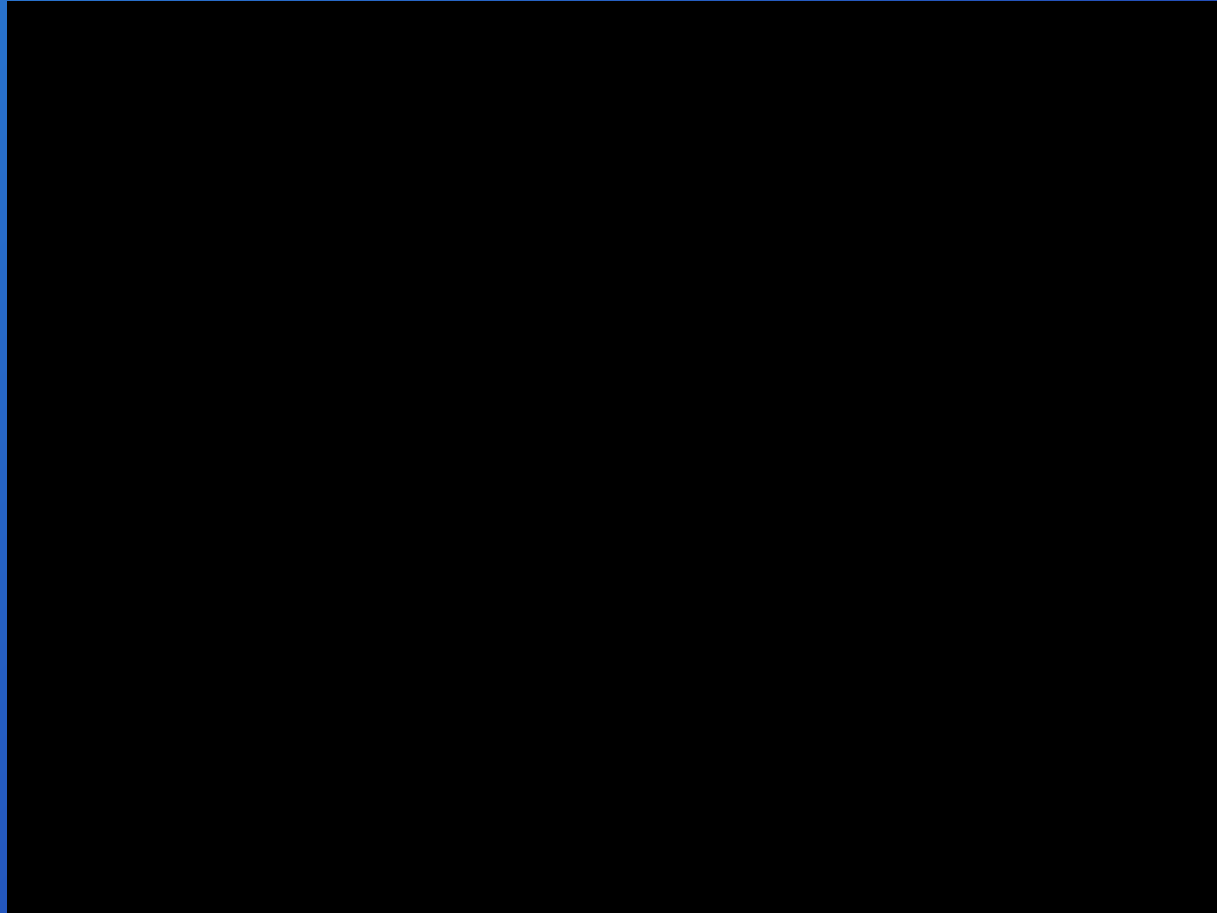
Aloda Sims - Middle School

Justin Reese- High School

Xong Yang - Community Center



Family Engagement Committee Introduction



Family Engagement Accomplishments

Family Engagement (Hmong, Arabic, Spanish, Somali and Oromo)



(Somali, Oromo and District ¹⁸⁷wide needed to be postponed)

Equity & Inclusion...

African American Parent Involvement Day



188



Stay Connected

Supporting our students and families with resources and information during the COVID-19 school closure.

June 5, 2020

*If images are NOT showing up for you, please click here to [View in Browser](#)

نرحب بلغتكم الأم للتواصل مع مدارس فرديلي الحكومية و إذا أردتم المساعدة لترجمة هذه المعلومات
الرجاء لإتصل بنا

Suzan Samaha at 612-276-2465

[Hmong] Nyob zoo, ntawm nov yog Fridley Public Schools. Yog koj xav tau kev pab los txhais cov lus hauv tsab ntawv no, thov hu rau tus xov tooj (612) 430-9858. Chang Vang los Xong Yang yuav pab tau koj.

[Soomaalida] Waalidiinta waan idin salaamnay waa xiriir ka socda Fridley Public Schools haddii aad jeceshihiin in la idiin tarjumo fadlan soo wac numberkaan. Yusuf Mohamud 612-440-7370 or Nura Hussein 484-532-3005

[Español] ¡Saludos! Es una comunicación de las Escuelas Públicas de Fridley (Fridley Public Schools). Si le gustaría apoyo traducir la información, por favor llame Hope Osifuye a (623) 562-0906.

Future of Family Engagement

- Continue to hear from all families
- Create more opportunities for families
- Have office hours for families to call Equity and Inclusion team
- Planning a 3-year family engagement plan for the district

The background is a solid blue color. In the top-right and bottom-left corners, there are decorative clusters of hexagons in various shades of blue and teal, some with small white dots around them. A large, white, stylized bracket shape frames the central text.

Thank you for your time!

**Independent School District No. 14
Fridley, Minnesota**

Communications Letter

June 30, 2020

Independent School District No. 14
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Report on Matters Identified as a Result of the Audit of the Financial Statements

To the School Board and Management
Independent School District No. 14
Fridley, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is stated within this letter

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated October 9, 2020, on such statements.

This communication is intended solely for the information and use of management, the School Board, and others within the District and state oversight agencies is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV Ltd .

Minneapolis, Minnesota
October 9, 2020

Independent School District No. 14 Significant Deficiency

Lack of Segregation of Accounting Duties

The District has a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Accounts Payable Clerk enters invoices into the system and prepares the checks.
- The Accounting Supervisor has access to all areas of the accounting system.
- The Accounting Supervisor and Payroll Specialist have overlapping duties within the payroll process

This lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation but due to the number of accounting staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Independent School District No. 14 Required Communication

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, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Independent School District No. 14 Required Communication

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

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

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on 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 markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Independent School District No. 14 Required Communication

Qualitative Aspects of Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pension Activity, and Deferred Inflows of Resources Related to Pension Activity – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

We identified the following uncorrected misstatements of the financial statements. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Food service state receivable and revenue are understated
- In-kind State Contribution related to pensions

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Independent School District No. 14 Required Communication

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the District, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the 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.

With respect to the supplementary information accompanying the financial statements, 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.

Independent School District No. 14 Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State 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 ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2011	\$ 5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

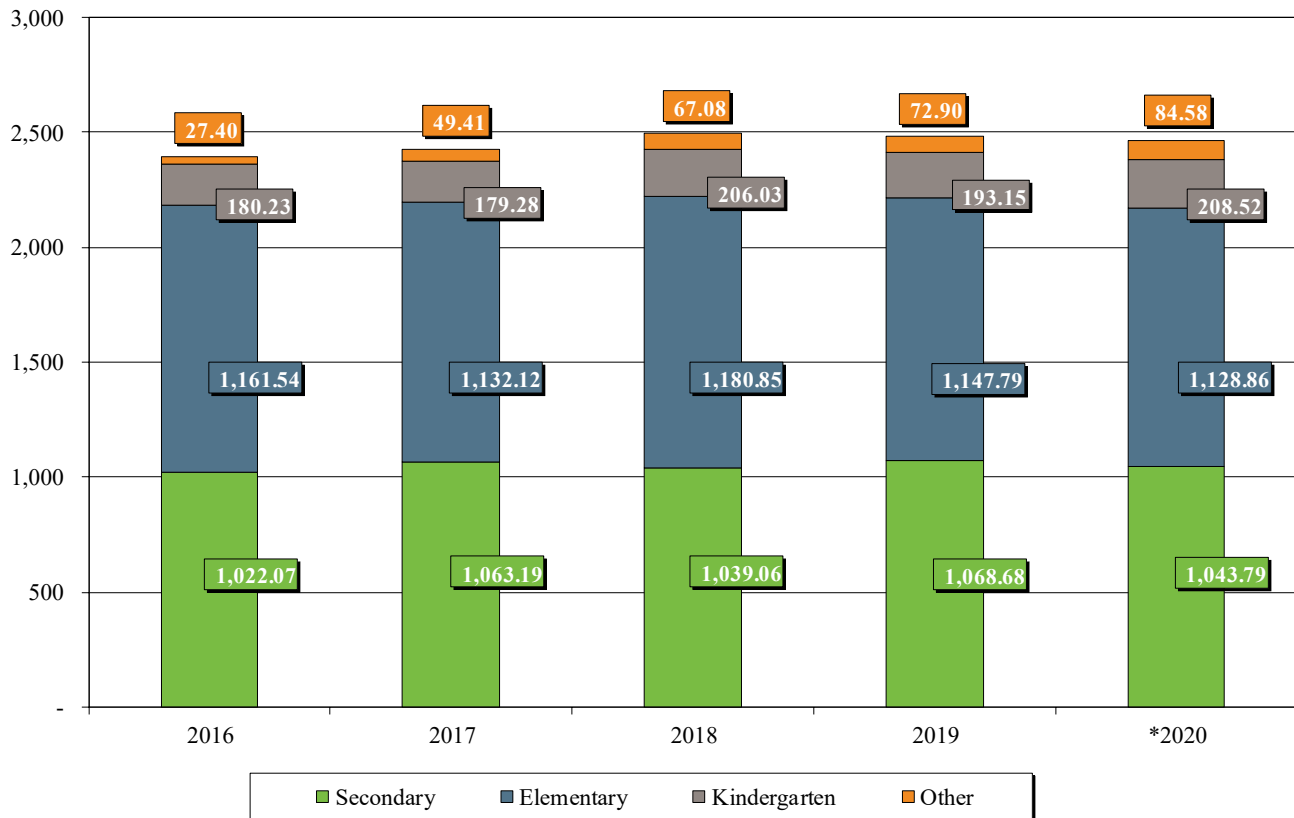
Independent School District No. 14 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

Approximately 79% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District over the past five years ended June 30.

Resident ADM	2016	2017	2018	2019	*2020
Other	27.40	49.41	67.08	72.90	84.58
Kindergarten	180.23	179.28	206.03	193.15	208.52
Elementary	1,161.54	1,132.12	1,180.85	1,147.79	1,128.86
Secondary	1,022.07	1,063.19	1,039.06	1,068.68	1,043.79
Total Resident ADM	2,391.24	2,424.00	2,493.02	2,482.52	2,465.75

Resident ADM



* Estimate

The chart and graph above show a decrease in resident ADM from 2019 to 2020 of 16.77 ADM, or 0.68%.

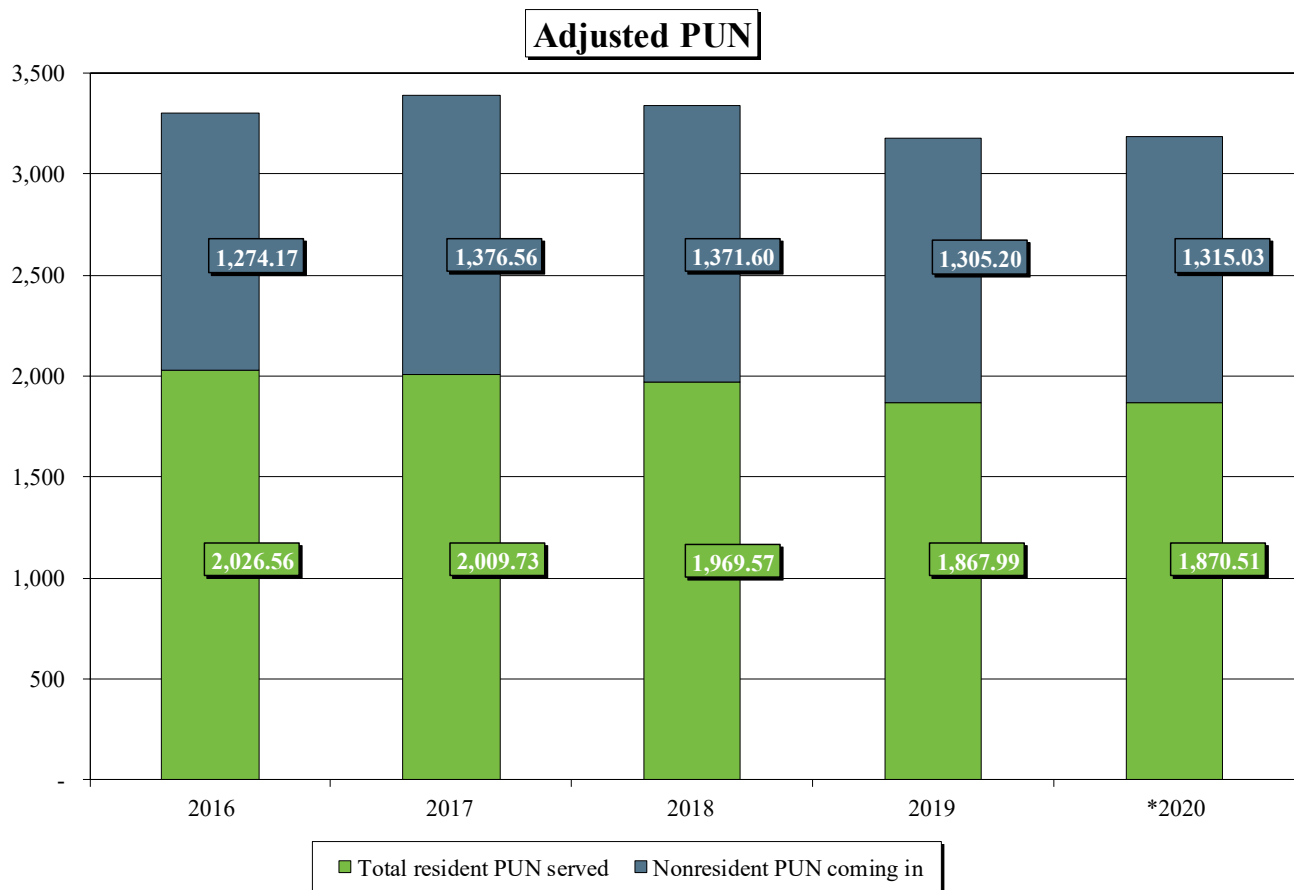
Independent School District No. 14 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten Half	Kindergarten Full	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
2016-2020	1.000	1.000	0.550	1.000	1.000	1.000	1.200

The PUN served table and graph below converts the resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

PUN	2016	2017	2018	2019	*2020
Residents	2,595.65	2,636.65	2,700.85	2,695.88	2,674.51
Resident PUN going elsewhere	(569.09)	(626.92)	(731.28)	(827.89)	(804.00)
Total resident PUN served	2,026.56	2,009.73	1,969.57	1,867.99	1,870.51
Nonresident PUN coming in	1,274.17	1,376.56	1,371.60	1,305.20	1,315.03
Total Adjusted PUN	3,300.73	3,386.29	3,341.17	3,173.19	3,185.54



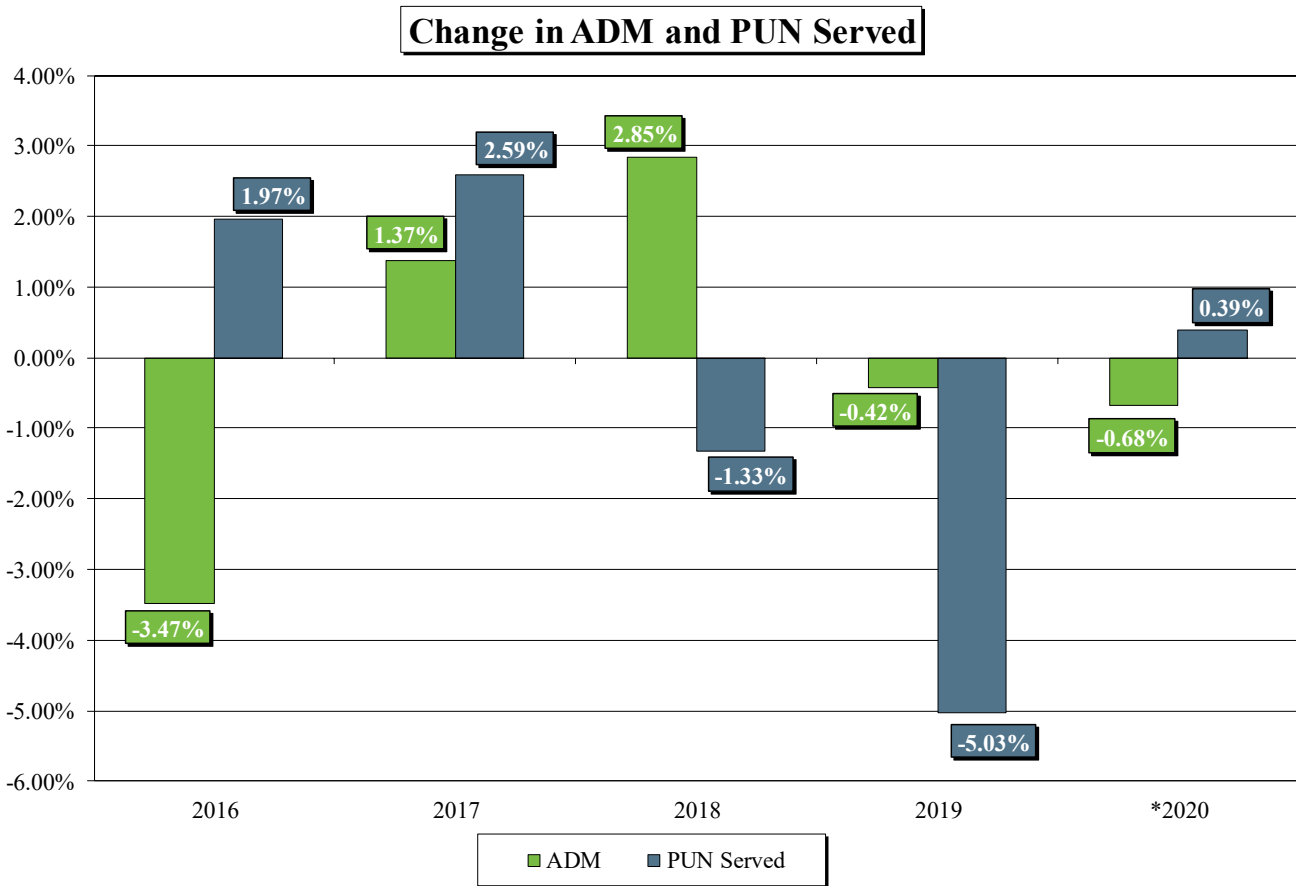
* Estimate

Independent School District No. 14 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

In 2020, resident PUN decreased 21.37, or 0.79%. PUN served increased 12.35 PUN or 0.39%, a result of a decrease in resident PUN going elsewhere and an increase in nonresident PUN coming into the District. Nonresident PUN make up 41.3% of PUN served.

The following graph illustrates the percentage change from year-to-year in resident ADM and PUN served.



* Estimate

**Independent School District No. 14
Financial Analysis**

General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

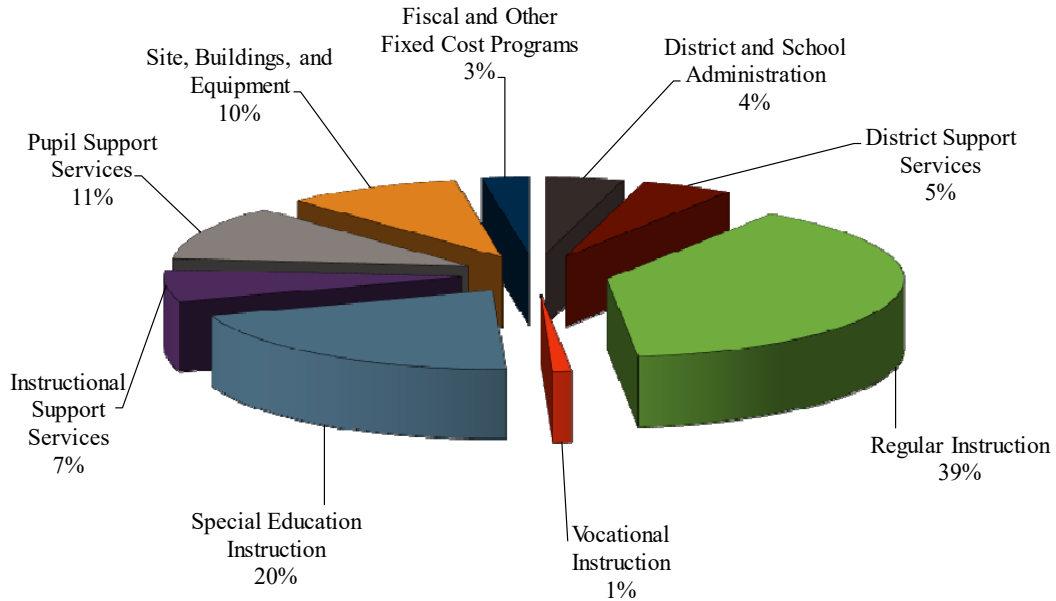
	2016	2017	2018	2019	2020
Local property taxes	\$ 4,390,702	\$ 4,437,638	\$ 5,586,336	\$ 6,303,819	\$ 6,457,443
State sources	34,177,979	35,182,141	35,959,679	35,747,873	35,171,289
Other	2,703,908	2,372,596	2,453,741	2,732,712	2,765,323
Total	\$ 41,272,589	\$ 41,992,375	\$ 43,999,756	\$ 44,784,404	\$ 44,394,055

State sources are 79.2% of the total General Fund revenue, with local taxpayers contributing 14.6% of the funding and federal and other sources making up the remaining 6.2%. Total revenue for 2020 decreased \$390,349 from \$44,784,404 in 2019 to \$44,394,055 in 2020. This decrease can be attributed to the decrease in state sources revenue, specifically special education and basic skills aids. Property taxes and other revenues were consistent with the prior year.

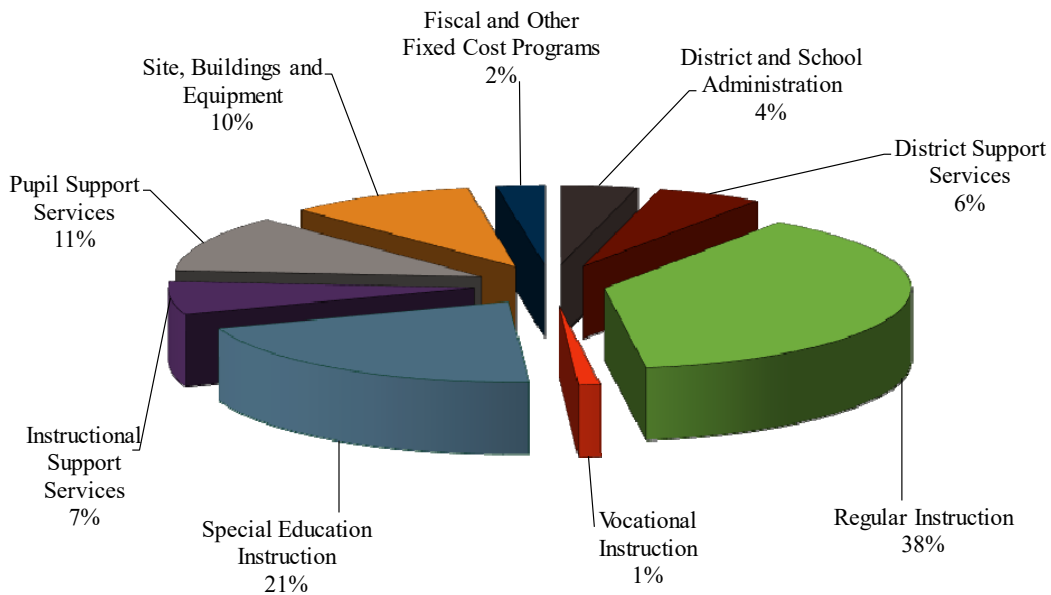
Independent School District No. 14 Financial Analysis

General Fund Expenditures

2020 General Fund Expenditures



2019 General Fund Expenditures



The allocation of expenditures has remained fairly consistent from year-to-year as shown above. The three instruction categories, regular, vocational, and special education comprise 60% of the total expenditures for both 2020 and 2019.

**Independent School District No. 14
Financial Analysis**

General Fund

The following table presents comparative operating results for the District's General Fund:

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 41,272,589	\$ 41,992,375	\$ 43,999,756	\$ 44,784,404	\$ 44,394,055
Expenditures excluding OPEB	39,627,507	41,030,863	43,240,714	43,302,652	42,338,911
Excess of revenues over expenditures	1,645,082	961,512	759,042	1,481,752	2,055,144
Sale of capital assets	-	5,531	-	-	-
Proceeds from capital leases	280,212	34,265	566,843	-	268,015
Transfers out	(496,037)	(561,570)	(1,551,781)	(725,740)	(832,061)
Fund balance, July 1	3,484,192	4,913,449	5,353,187	5,127,291	5,883,303
Change in accounting principle	-	-	-	-	86,544
Fund Balance, June 30	\$ 4,913,449	\$ 5,353,187	\$ 5,127,291	\$ 5,883,303	\$ 7,460,945
Components					
Nonspendable	\$ 80,134	\$ 152,204	\$ 300,318	\$ 144,601	\$ 207,678
Restricted for					
Student activities	-	-	-	-	68,462
Health and safety	(206,747)	(136,755)	(1,179)	-	-
Capital projects levy	-	4,876	(2)	4,019	279,040
Safe schools - crime levy	47,166	53,251	68,167	87,714	193,069
Operating capital	232,107	266,547	176,644	537,547	425,933
Long term facilities maintenance	-	(327,235)	(289,308)	25,658	60,196
Medical assistance	-	72,125	294,904	294,904	715,356
Assigned	2,311,463	2,809,964	2,028,808	2,246,081	2,599,775
Unassigned	2,449,326	2,458,210	2,548,939	2,542,779	2,911,436
Total	\$ 4,913,449	\$ 5,353,187	\$ 5,127,291	\$ 5,883,303	\$ 7,460,945

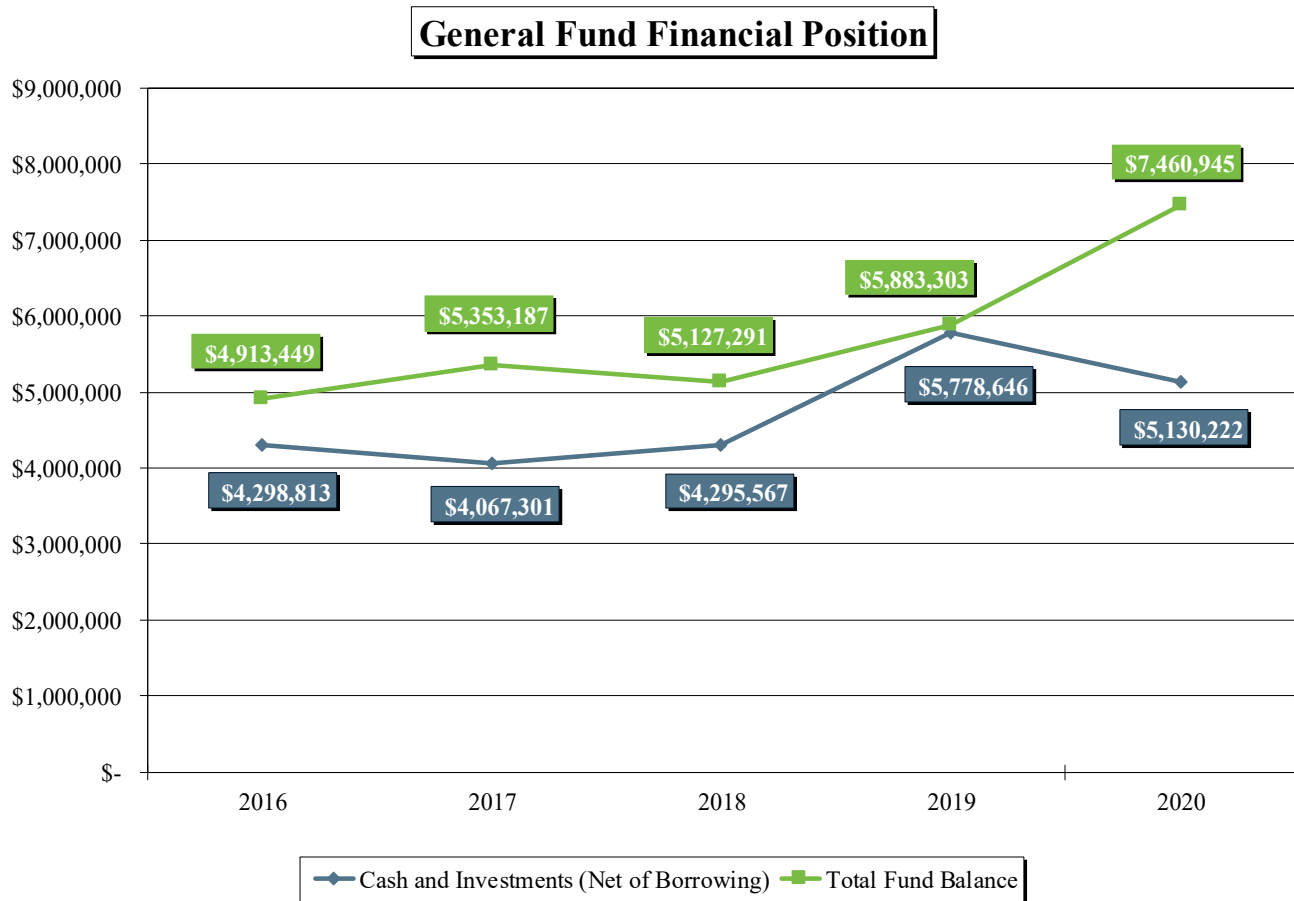
The District's General Fund revenues decreased \$390,349, or 0.9%, from the prior year, while expenditures decreased \$963,741, or 2.2%. District support service expenditures decreased \$278,397 due in large part to less technology equipment and dues expenditures when compared to the prior year. Special education instruction expenditures decreased \$275,336 as a result of not applying federal funds towards tuition along with less contracted services based on staffing, student needs, and the impact of COVID-19. The sites and buildings category also decreased \$210,754 due to less project activity in 2020 as compared to the prior year.

The District's revenues exceeded expenditures by \$2,055,144 for 2020. The District transferred \$832,061 out to other funds for community education and capital project portions of the levy referendum.

Independent School District No. 14 Financial Analysis

General Fund Financial Position

Overall, the District's General Fund total fund balance increased \$1,577,642 in 2020. The District's unassigned portion of fund balance increased \$368,657 from 2019, ending the year with a balance of \$2,911,436.



Independent School District No. 14 Financial Analysis

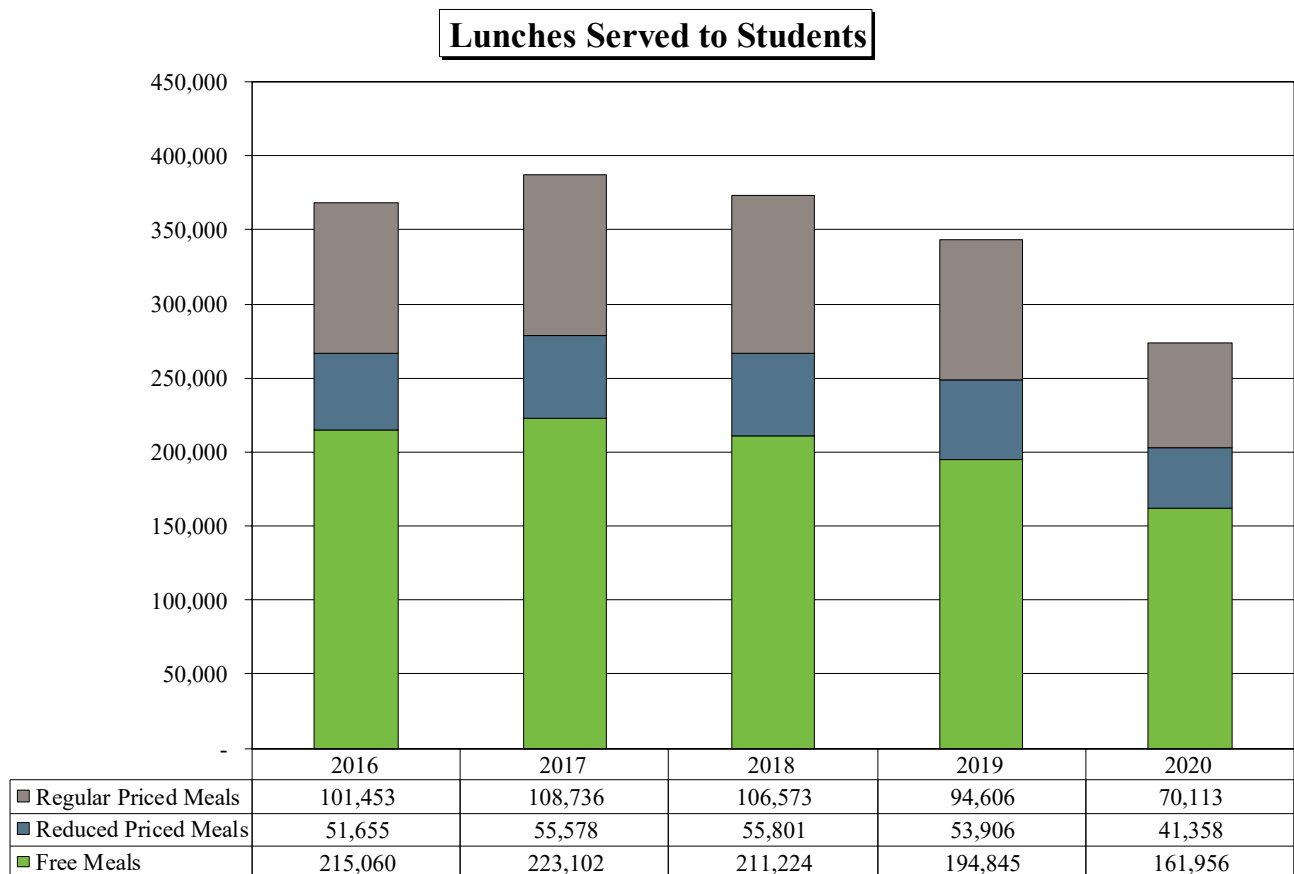
Food Service Fund

The following table presents five years of comparative operating results for the District's Food Service Fund.

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,023,553	\$ 2,130,199	\$ 2,045,007	\$ 2,200,263	\$ 1,799,299
Expenditures	1,790,549	2,125,132	2,141,389	2,092,615	1,749,648
Excess of revenues over (under) expenditures	233,004	5,067	(96,382)	107,648	49,651
Other financing sources	8,312	-	-	-	-
Fund balance, July 1	316,698	558,014	563,081	466,699	574,347
Fund Balance, June 30	\$ 558,014	\$ 563,081	\$ 466,699	\$ 574,347	\$ 623,998

For the current year, there was an increase in fund balance of \$49,651. Revenues decreased by \$400,964, or 18.2%, and expenditures decreased by \$342,967, or 16.4%. The fund balance represents just over three month's expenditures based on 2020 levels. The decreases in revenues and expenditures are largely attributed to the impact of COVID-19 and distance learning being in place towards latter portion of the school year, as there were less meals served. There were also less capital expenditure purchases for equipment in 2020 out of the Food Service Fund.

The following chart reflects the number and type of lunches served to students over the past five years:



**Independent School District No. 14
Financial Analysis**

Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund.

For the year ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,847,063	\$ 2,854,383	\$ 2,888,088	\$ 2,913,111	\$ 2,377,623
Expenditures	2,675,119	2,749,225	2,953,535	3,128,632	2,712,966
Excess of revenues over (under) expenditures	171,944	105,158	(65,447)	(215,521)	(335,343)
Other financing sources	100,445	101,587	103,616	216,343	284,989
Fund balance, July 1	(64,215)	208,174	414,919	453,088	453,910
Fund Balance, June 30	\$ 208,174	\$ 414,919	\$ 453,088	\$ 453,910	\$ 403,556

For the year ended June 30,	2016	2017	2018	2019	2020
Components					
Nonspendable	\$ 5,334	\$ 4,275	\$ -	\$ 6,765	\$ 5,040
Restricted for					
Community education	78,666	254,936	260,914	264,584	274,056
ECFE	50,069	69,774	78,187	65,849	4,906
School readiness	66,973	47,766	47,235	45,455	24,579
Community service	7,132	38,168	66,752	71,257	94,975
Total	\$ 208,174	\$ 414,919	\$ 453,088	\$ 453,910	\$ 403,556

Expenditures exceeded revenues by \$335,343 in 2020. Revenues decreased \$535,488, or 18.4%, from 2019 to 2020, while expenditures decreased \$415,666, or 13.3%. Revenues decreased due to the impact of COVID-19 on the community service program fees and facility rental fees. Expenditures also decreased in large part to the impact of COVID-19 on programming as salaries, benefits, purchased services, and supplies and materials all dropped off significantly. The District transferred a total of \$284,989 from the General Fund to the Community Service Fund to allocate operating referendum dollars, to allocate a portion of lease levy for adult basic education, and to make a one-time transfer in correspondence to the Governor executive order surrounding COVID-19.

Independent School District No. 14 Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

State Aid Appropriations

The formula allowance for 2020 General Education Aid was increased \$126 (2%) to \$6,438. For 2021, the formula allowance is set at \$6,567, which is an increase of \$129, or 2%.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Funding provided includes Governor's Emergency Education Relief (GEER) funding totaling \$38.1 million to MDE to be used for technology and summer school programming. Elementary and Secondary School Emergency Relief (ESSER) funding totaling \$140.1 million is 90% allocated based on 2020 Title I, part A allocations and 9.5% is allocated as grants, with the remaining 0.5% available for administration. Child Nutrition Grants to States funding totaled \$160.3 million.

Compensatory Revenue

A percentage of the total compensatory revenue must be used for extended time activities. This percentage was 5.5% for 2020. For 2021 and later, this restriction was eliminated.

Special Education

Beginning for 2020, cross subsidy reduction aid was established as a new component of the special education aid formula. Cross subsidy reduction aid is a percentage of each district's initial cross subsidy for the prior fiscal year – 2.6% for 2020 and 6.43% for 2021 and later. The tuition rate paid by the resident school district for open enrolled special education students served by another district or charter school was reduced from 90% to 85% of unfunded costs for 2020 and will be reduced to 80% for 2021 and later.

For 2020, the special education aid cap was increased to the greater of the current cap or the sum of 56% of current year special education program costs plus 100% of current year special education transportation cost plus the tuition adjustment. For 2021 and later, the cap is eliminated.

Beginning in 2021, the pupil-driven portion of the initial special education aid formula will reflect 2018 data.

The special education hold harmless guarantee was limited to the sum of 90% in 2020, and will be limited to 85% in 2021, 80% in 2022, and 75% in 2023 and later, of current year special education program costs plus 100% of special transportation costs plus the tuition adjustment. The annual inflation adjustment used in the calculation of the hold harmless will be reduced by 0.2% per year from 4.4% in 2021 until the inflation adjustment reaches 2.0%.

Formula Adjustments in Response to COVID-19

Special education 2020 expenditures for employees and contracted services that would have been eligible for state aid in the absence of school closures due to COVID-19 must be included as eligible expenditures for the calculation of special education aid and for tuition billing, regardless of whether special education services were actually provided during the closure. State aid savings due to lower meal counts for regular school food service programs are reallocated on a per meal served basis to school providing summer food service meals between March 16, 2020 and June 30, 2020.

Independent School District No. 14 Legislative Summary

Formula Adjustments in Response to COVID-19 (Continued)

MDE is authorized to adjust reimbursement rate for career and technical expenditures to ensure the full expected amount of funding is distributed to schools. Expenditures for individuals who were essential personnel prior to March 13, 2020 and would have been eligible to generate revenue in the absence of school closures due to COVID-19 may be included as eligible expenditures for the calculation of revenue, regardless of whether services were actually provided during the closure.

MDE may adjust 2020 transportation expenditures used to determine future aid to ensure the full amount of transportation aid, and interdistrict desegregation or integration transportation aid is equitable amount districts.

MDE may recalculate the contact hour reimbursement rate for 2021 or otherwise adjust the formula to fully spend the estimated adult basic education aid.

Tests administered during the 2019-2020 school year are excluded from the three-year averages used in computing literacy incentive aid for fiscal years 2021, 2022, and 2023, and allows the commissions to adjust formula rates for these years to ensure total aid does not fall below the amount estimated in the February 2020 forecast.

School age care revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, continues at its approved amounts. Program funds may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

After-school enrichment revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

Early childhood screening aid for fiscal years 2020 and 2021 will be calculated using the formula amounts set in statute for each age group and the 2018-2019 school year counts of children screened for each age group.

School districts may carry over any unspent achievement and integration funds from its approved budget for fiscal year 2020 into 2021. If spent for approved purposes in fiscal year 2021, the district would generate additional 2021 revenue over and above the regular formula limitations

Operating Referendum and Local Option Revenue (LOR) Simplification

For fiscal year 2021, the annual recalculation of referendum allowances approved before 2014 based on the amount of LOR a district opts to receive is eliminated. \$300 per pupil unit of referendum revenue is transferred to LOR and the board approved referendum is eliminated. To ensure there is no change in revenue, aid, or levy for any district, a two-tiered levy for LOR is created; Tier 1 of LOR replaces Tier 1 of the referendum. The referendum cap is reduced by \$300 to neutralize the impact of the \$300 transfer to LOR.

Independent School District No. 14 Legislative Summary

Fund Transfers

Emergency Executive Order allows a school district, charter school, or cooperative unit to make operating fund and account transfers for fiscal years 2020 and 2021 for certain costs related to care, transportation, technology, and for certain community service and food service salaries and benefits. Amounts transferred must not be already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law. Fund or account transfers must be neutral for the district and not affect aid or levy revenues. Board approval is required, and transfers must be made prior to the UFARS reporting deadline for the fiscal year.

Debt Service Relief

For fiscal year 2021, districts unable to make required debt service payments because of an anticipated delay in property tax receipts may apply for modified cash flow payments under Minnesota Statutes, section 127A.45. The Commissioner of Education may adjust the timing of IDEAS state aid payments.

Property Tax Bill

Effective for taxes payable in 2018, there will be a property tax credit on all property classified as agricultural. The credit will be equal to 40% of the tax on the property attributable to school district bonded debt levies. The credit is increased to 50% for taxes payable in 2020, 55% for taxes payable in 2021, 60% for taxes payable in 2022, and 70% for taxes payable in 2023 and thereafter. Estimated property tax relief totals \$10.9 million for pay 2020, \$18.2 million for pay 2021, and \$27.2 million for pay 2022.

Effective for 2021, the equalizing factor for tier 2 of the operating referendum was increased from \$510,000 to \$567,000. For 2021, property tax relief totals \$9.4 million.

Safe Schools Supplemental Aid

Funding is contingent based on the 2019 closing balance and will be up to \$30 million. The aid was allocated among districts and charter schools based on total adjusted ADMs for 2018. The one-time aid was paid out on the October 30, 2019, IDEAS payment. Aid must be used for the same purposes as the safe schools levy.

Voluntary Prekindergarten (VPK)/School Readiness Plus

For 2020 and 2021 only, the 4,000 seats currently expiring after 2019 will continue to be funded.

Pension Bill

Augmentation has been eliminated for TRA members after December 31, 2017, and early retirement subsidies have been phased out.

Post-retirement cost of living adjustments (COLAs) have been reduced –

- 1) TRA – lowers the COLA from 2% to 1% for five years; then the rate will increase by 0.1% each year until it reaches 1.5%
- 2) PERA – the increase will be 50% of the increase for Social Security announced January 1, but not less than 0.5% or more than 1.5%
- 3) Defers commencement of COLA for early retirees

**Independent School District No. 14
Legislative Summary**

Pension Bill

The rate of interest paid on refunds of employee contributions to former employees has been reduced from 4% to 3%. TRA required contributions have increased to 7.75% for employees effective for fiscal year 2024. Required employer contributions will increase 0.21% for fiscal year 2019 to fiscal year 2023 and 0.2% in fiscal year 2024 until a required contribution rate of 8.75% is reached. Pension adjustment revenue will increase to match the required contribution increases.

Independent School District No. 14 Emerging Issue

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and their applicability to your District.

Accounting Standard Update – GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying 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.

A short-term lease is 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.

Independent School District No. 14
Emerging Issue

Accounting Standard Update – GASB Statement No. 87 – *Leases (Continued)*

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**Independent School District No. 14
Fridley, Minnesota**

Financial Statements

June 30, 2020

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**Independent School District No. 14
Board of Education and Administration
June 30, 2020**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Donna Prewedo	Chair/Vice Chair	January 1, 2024
Carol Thornton	Clerk	January 1, 2022
Avonna Starck	Treasurer	January 1, 2022
Jason Karnopp	Director	January 1, 2024
Abdisalam Adam	Director	January 1, 2024
Vacant	Director	January 1, 2022
<u>Ex Officio Member</u>		
Dr. Kim Hiel	Superintendent	

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, 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. 14, Fridley, Minnesota, as of and for the year ended June 30, 2020, and the related notes to 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.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of June 30, 2020, and the respective changes in financial position 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.

Implementation of GASB 84

As discussed in Note 11 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information 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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

Other Matters (Continued)

Other Information (Continued)

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Bergan KDV Ltd.

Minneapolis, Minnesota
October 9, 2020

Independent School District No. 14 Management's Discussion and Analysis

This section of Independent School District No. 14 (the "District") annual financial report presents its Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Key Points of Interest

- The District's Governmental Funds Balance Sheet reflects an Unassigned General Fund balance of \$2,911,436. This is an increase from the prior year of \$368,657.
- The total General Fund balance of \$7,460,945 is an increase of \$1,577,642 from the prior year.
- The government-wide Statement of Activities shows an increase in net position of \$1,677,746.
- The net position value on the government-wide Statement of Net Position is a deficit of \$25,070,295. Net position value is similar to the Balance Sheet's Equity for Private Sector businesses.
- Total government wide long-term liabilities, excluding OPEB and pension liabilities, are \$56,586,902 and are comprised of \$52,627,810 in General Obligation (G.O.) Bonds, \$3,115,642 in capital leases and \$843,450 of severance and compensated absences payable.
- The District's investment in capital assets, net of depreciation, is \$51,463,735. The decrease from the prior year of \$2,611,827 is due to depreciation expense outpacing capital investment with the focus of summer projects on cleaning and preparing for the safe return of students in the fall. The G.O. bonds plus the capital leases (the debt related to investment in capital assets) exceeds the investment in capital assets by \$2,231,159.

Overview of the Financial Statements

This annual report consists of two parts: MD&A (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental fund statements tell how basic services such as regular and special education are financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

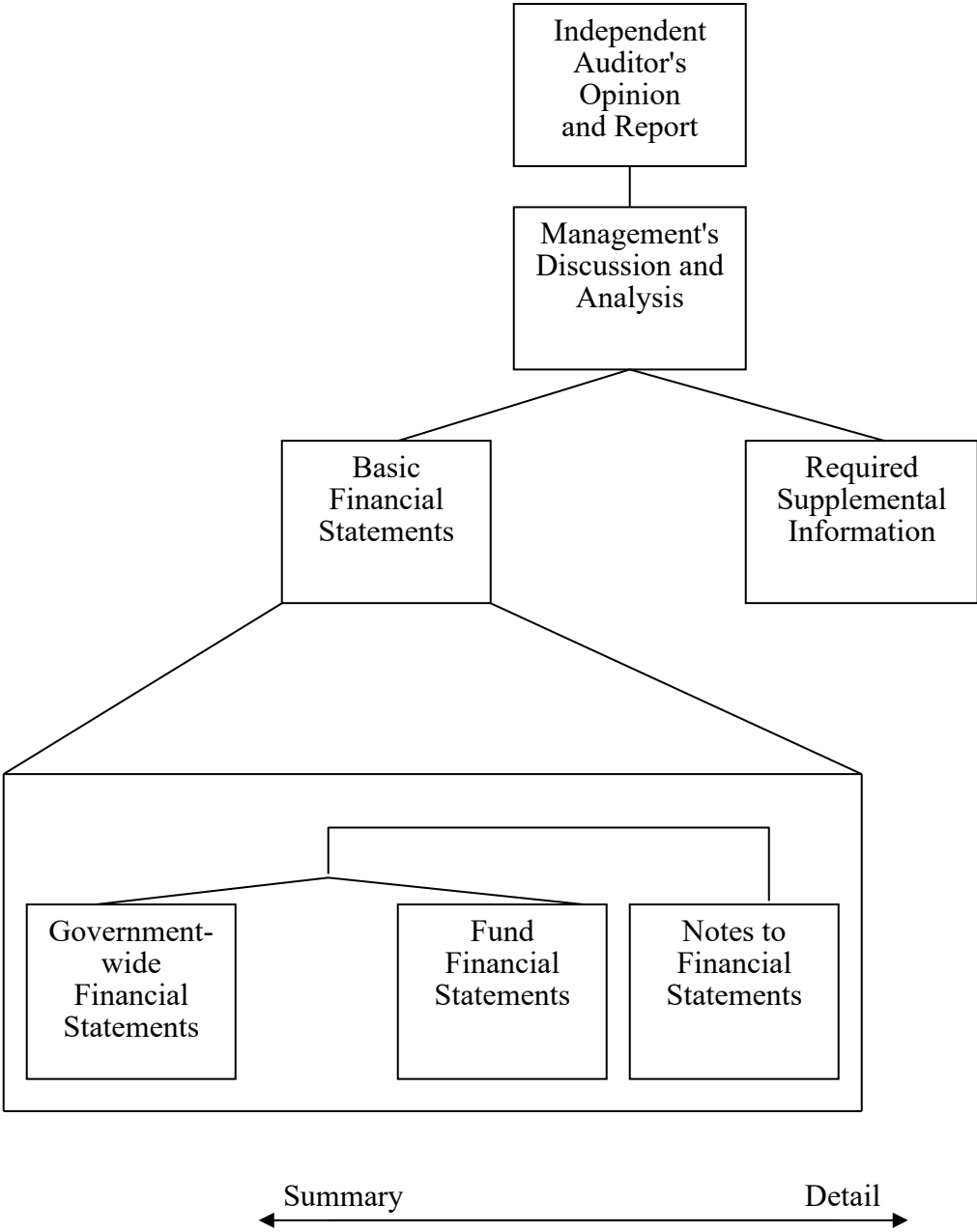
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 on the next page shows how the various parts of this annual report are arranged and related to one another.

**Independent School District No. 14
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

**Figure A-1
Organization of Independent School District No. 14 Annual Financial Report**



**Independent School District No. 14
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2			
Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Activities of the District operates similar to private business - Internal Service Fund
Required Financial Statements	- Statement of Net Position - Statement of Activities	- Balance Sheet - Statement of Revenues, Expenditures, and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenses and Changes in Fund Net Position - Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Independent School District No. 14 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Government-Wide Statements

The government-wide statements 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 statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, are one way to measure the District's financial health or position.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 funds statements provide a detailed short-term view that indicates whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and obligations.

Financial Analysis of the District as A Whole

The Statement of Net Position identifies current assets and liabilities from noncurrent assets and long-term debt, respectively. The ratio of these current assets of \$35.5 million to current liabilities of \$8.9 million is 4.0. A "current ratio" greater than 1.0 indicates that sufficient assets are available that can be converted to cash to meet District obligations payable over the next 12-month period.

The Statement of Net Position includes noncurrent assets not reported on the governmental funds balance sheet. These noncurrent assets include the total acquisition cost of the District's capital assets less accumulated depreciation. During the year, the District acquired \$1,064,355 of additional capital assets. The majority of this increase is comprised of work in progress related to stadium lighting replacements and HVAC controller upgrades. The remaining capital asset additions consist of purchases associated with the District's Long-Term Facilities Maintenance program. Depreciation expense for the year equaled \$3,675,580. The current year depreciation expense was greater than the increase in new investment in capital equipment resulting in a decrease in the net capital asset total to \$51,463,735 compared to \$54,075,562 for the prior year.

Independent School District No. 14 Management's Discussion and Analysis

Financial Analysis of the District as A Whole (Continued)

Related to the noncurrent assets are the general obligation bonds. On November 8, 2018, the District issued \$2,450,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018A. These bonds refunded the OPEB bond issued in 2009 to fund the districts obligation for retiree insurance benefits. On February 15, 2017, the District issued \$1,960,000 G.O. Tax Abatement Bonds, Series 2017A. The proceeds funded parking lot construction projects throughout the District. The District issued \$25,890,000 G.O. School Building bonds, Series 2016A in February of 2016. The voters of the District authorized the school building issue in November of 2015. Over the course of three years, the proceeds funded safety and security upgrades, deferred maintenance, building renovations, technology improvements, and building additions. The remaining liability on these bonds, net of unamortized premiums, as of June 30, 2020, is \$52.6 million. The capital asset additions and the amortization of the general obligation resulted in an increase of \$1,164,000 in the net investment in capital assets total compared to the prior year.

Additional long-term debt for severance pay (employee separation pay based on unused sick time) is \$0.4 million. This includes \$0.3 million owed to employees who have retired prior to June 30 and an estimate of \$0.1 million for employees who qualify or will qualify for retirement at a future date.

The District reported an OPEB liability of \$2,984,659, an increase of \$90,212 from the prior year.

Due to changes, primarily in actuarial assumptions used by the State of Minnesota's public pensions, the District reported a total net pension liability of \$26.0 million, a decrease of \$.6 million from the previous year.

Overall, the District's net position increased \$1,677,746 during the year from current year operations and total net position decreased to a deficit of \$25.1 million.

**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

**Figure A-3
Condensed Statement of Net Position (in Thousands of Dollars)**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Current and OPEB assets	\$ 35,451	\$ 32,623	8.7%
Capital assets	<u>51,464</u>	<u>54,076</u>	(4.8%)
Total assets	<u>86,915</u>	<u>86,699</u>	0.2%
Deferred outflows of resources	<u>23,075</u>	<u>33,495</u>	(31.1%)
Current liabilities	8,940	9,702	(7.9%)
Long-term liabilities	<u>81,345</u>	<u>85,899</u>	(5.3%)
Total liabilities	<u>90,285</u>	<u>95,601</u>	(5.6%)
Deferred inflows of resources	<u>44,775</u>	<u>51,427</u>	(12.9%)
Net investment in capital assets	(2,231)	(2,566)	13.1%
Restricted for debt service	218	20	(990.0%)
Restricted for other purposes	3,604	1,980	82.0%
Unrestricted net position	<u>(26,661)</u>	<u>(26,268)</u>	1.5%
Total net position	<u>\$ (25,070)</u>	<u>\$ (26,834)</u>	6.6%

**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

**Figure A-4
Changes in Net Position from Operating Results (in Thousands of Dollars)**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Revenues			
Program revenues			
Charges for services	\$ 2,014.7	\$ 2,750.8	(26.8%)
Operating grants and contributions	19,181.1	19,969.4	(3.9%)
Capital grants and contributions	604.6	610.2	(0.9%)
General revenues			
Property taxes	11,322.1	10,483.4	8.0%
State formula aid	20,472.8	19,035.0	7.6%
Other	283.9	417.6	(32.0%)
Total revenues	<u>53,879.2</u>	<u>53,266.4</u>	<u>1.2%</u>
Expenses			
Administration and district support	4,117.9	3,114.3	32.2%
Instruction, pupil support, student food, and transportation services	36,798.0	25,490.8	44.4%
Sites and buildings	3,171.4	2,949.7	7.5%
Community services	2,800.5	2,755.1	1.6%
Interest and fiscal charges on long-term debt	1,595.4	1,839.0	(13.2%)
Fiscal and other fixed cost programs	190.0	192.7	(1.4%)
Unallocated depreciation (buildings)	3,527.8	3,485.2	1.2%
Total expenses	<u>52,201.0</u>	<u>39,826.8</u>	<u>31.1%</u>
Increase (decrease) in net position	<u>\$ 1,678.2</u>	<u>\$ 13,439.6</u>	<u>(87.5%)</u>

The Statement of Activities is government-wide and, like the Statement of Net Position, the first year it was prepared was 2003. Figure A-4 illustrates that an increase in net position of \$1,677,746 is attributable to activity during the year.

The pie chart in Figure A-5 on the following page shows the sources of District revenues. Program revenues include operating grants and contributions which totals 35.6% of total revenue. Operating grants and contributions consist mostly of state and federal funding of special education and other state and federal categorical spending. Charges for services, comprised of mostly special education tuition billings, food service and community center receipts make up 3.7% of revenue. Capital Grants consisting of state aid for operating capital is 1.1% of revenue.

General revenues include the state aid formula which accounts for 38.0% of the District's total funding. Property taxes make up 21.0% of the total funding.

**Independent School District No. 14
Management's Discussion and Analysis**

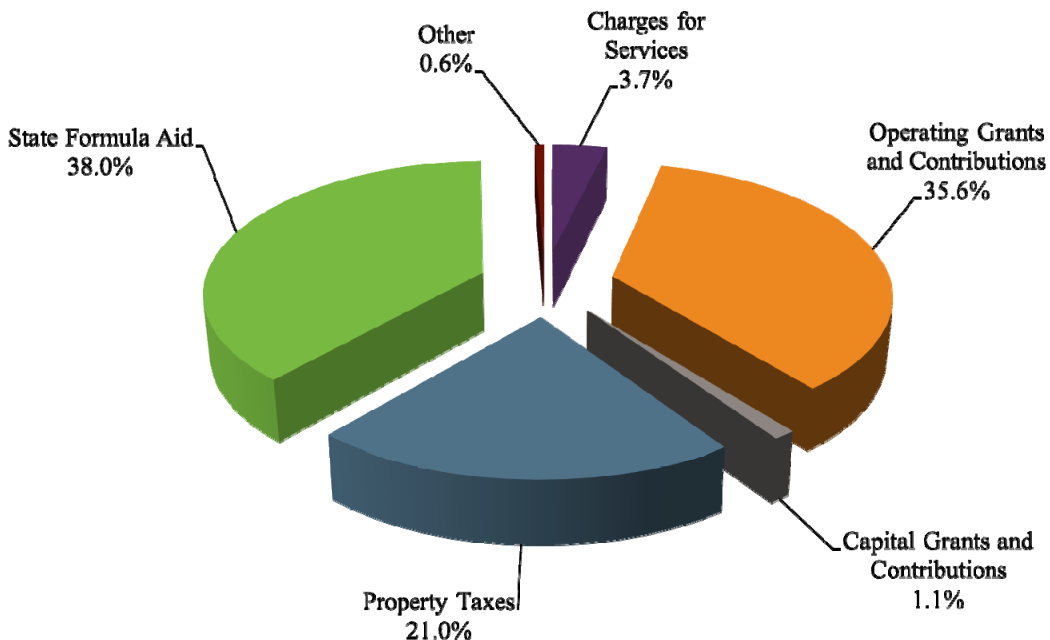
Financial Analysis of the District as A Whole (Continued)

Revenues for the year increased by \$612,800, or 1.2%. State categorical aids increased compared to the prior year by 7.6%, or \$1,437,800. Property tax levy revenues increased 8.0%, or \$838,700. The increase in state aids is due to an increase in enrollment, while property taxes increased due to an increase in the levy. Operating grants and contributions decreased \$788,300 due to a decrease in special education, offset slightly by an increase in integration/desegregation transportation revenue and supplemental safe schools supplemental aid received by the District.

Expenses for the year were \$12,374,200, or 31.1%, higher than the previous year. The largest factor in the increase in expenses was last years' reduction and adjustment in the District's net pension liability for its share of the State of Minnesota Pension Plans. Administration and district support increased 32.2% or \$1,003,600. Instruction, pupil support, student food, and transportation services increased 44.4%, or \$11,307,200.

The pie chart illustrated in Figure A-6 on the following page indicates the costs of the District's programs and services. The District's expenses predominantly related to instructing students and pupil support (including food service and student transportation) accounted for 70.5% of the government-wide expenditures, which is a slightly higher percentage of government-wide expenditures than in prior years. Sites and buildings were 6.1%, administration and district support services accounted for 7.9%, community services expenditures were 5.4% and less than 1% was spent on fiscal and other fixed programs. Interest expense on the District's outstanding long-term debt was 3.0% and 6.8% of expense was attributable to unallocated depreciation (buildings).

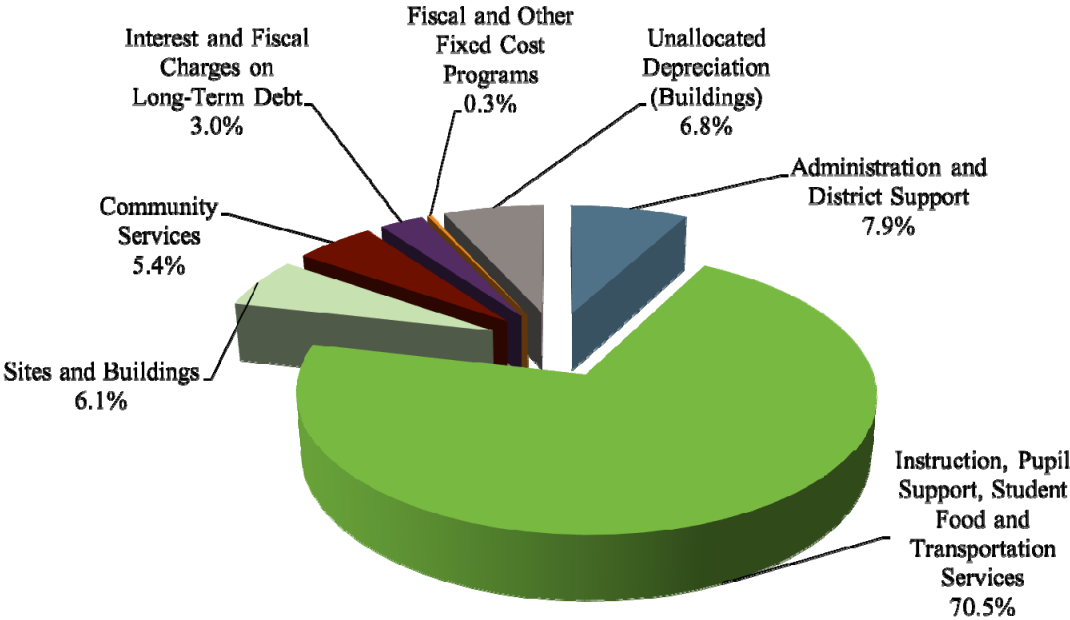
**Figure A-5
Sources of Revenue for Fiscal Year 2020**



**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

**Figure A-6
Expenses for Fiscal Year 2020**



**Independent School District No. 14
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

Figure A-7 presents the cost of the major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for the specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-7
Net Cost of Activities (in thousands of dollars)**

	Total Cost of Services			Net Cost of Services		
	2020	2019	Percent Change	2020	2019	Percent Change
Administration/district support	\$ 4,118	\$ 3,114	32.2%	\$ 4,104	\$ 3,102	32.3%
Regular instruction	17,572	10,355	69.7%	9,157	1,972	364.4%
Vocational instruction	464	311	49.2%	393	278	41.4%
Special instruction	9,095	6,322	43.9%	2,428	(1,106)	(319.5%)
Instructional support	2,984	2,258	32.2%	2,085	1,267	64.6%
Pupil support services	4,932	4,307	14.5%	3,626	3,238	12.0%
Sites and buildings	3,171	2,949	7.5%	2,556	2,327	9.8%
Fiscal and other fixed programs	190	192	(1.0%)	190	192	(1.0%)
Food service	1,752	1,939	(9.6%)	(48)	(262)	(81.7%)
Community services	2,800	2,755	1.6%	787	164	379.9%
Unallocated depreciation	3,528	3,485	1.2%	3,528	3,485	1.2%
Interest on long-term debt	1,595	1,839	(13.3%)	1,595	1,839	(13.3%)
Total	\$ 52,201	\$ 39,826	31.1%	\$ 30,401	\$ 16,496	84.3%

The cost of all District activities this year was \$52.2 million.

- Users of the District's programs financed some of the costs (\$2.0 million).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions (\$19.2 million).
- District and state taxpayers financed most of the District's activity, \$20.5 million from unrestricted state aid and \$11.3 million from property taxes.
- Investment and other income decreased slightly from the previous year and remains insignificant in comparison to other revenue sources.

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported a combined fund balance of \$10,219,113. This is an increase of \$1,986,372 from last year. This increase largely resides in the general fund with decreased spending resulting from the COVID-19 pandemic across wages and benefits and purchased services with programming reduced as mandated.

Independent School District No. 14 Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

The General Fund unassigned fund balance at June 30, 2020, increased \$368,657 to a balance of \$2,911,436. The assigned fund balance at June 30, 2020, was \$2,599,775. The assigned fund balance consists of funds for students, capital projects, separation and retirement benefits, medical assistance (pre 2016-2017), funds for curriculum adoption, and pandemic support to other funds. The restricted fund balance increased from the prior year due to the timing of expenditures as it relates to the District's Medical Assistance (post 2017-2018), long-term facilities maintenance ten-year plan and carry-forward of capital projects levy funds.

The Capital Projects Fund restricted fund balance at June 30, 2020 increased \$385,126 as a result of limited planning time and restricted building access for end-of-year projects.

General Fund Budgetary Points of Interest

General Fund revenues of \$44,394,055 were within 0.8% of budget overall. The District overbudgeted revenues from local property taxes by \$167,714, with delinquent taxes coming in higher than anticipated.

The revenue budget was amended \$292,396 to reflect an anticipated increase in property taxes and other county and local revenues.

General Fund expenditures of \$42,338,911 were under budget, with actual expenditures varying from budgeted expenditures by \$1,916,625. In total, the variance was 4.3%; however, there were variances within several functions of the District. The largest difference was in Elementary and Secondary Regular Instruction, which was under budget by \$907,536, or 5.3%, as a result of conservative budgeting due to an anticipated decline in enrollment, an unsettled teacher master contract and budgeting for extra teaching positions that were not filled. Special education expenditures were under budget by \$332,753 as the District elected to not use federal funds toward tuition billing in the current year as budgeted, and a decrease in purchased services related to the COVID-19 pandemic occurred. Sites and buildings capital outlay expenditures were under budget by \$453,281, or 57.0%, due to the delay of end-of-school year building projects resulting from the COVID-19 pandemic. A portion of the sites and buildings capital outlay budget variance is offset by the non-capital sites and buildings budget coming in over budget by \$350,608 due to how the budget and actual expenditures were classified.

The expenditure budget was amended \$240,369 to a final budget of \$44,255,536. This adjustment was made to reflect an increase in vocational enrollment and corresponding staffing and resources adjustments.

Capital Asset and Debt Administration

Capital Assets

Figure A-8 illustrates a comparison of capital assets between this year and last year. During the year, the District acquired a net \$1,055,331 of capital assets. The improvements category increased \$532,225 during the year due to the completion of Hayes parking lot improvements and the replacement of the High School stadium lights, both of which were in work in progress in the prior year. The Buildings category increased with the completion of the Middle School pool renovation and other various smaller building projects.

**Independent School District No. 14
Management's Discussion and Analysis**

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

Depreciation expense for the year was \$3,675,580, which remains consistent with the prior years' depreciation expense.

**Figure A-8
Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Land	\$ 657,500	\$ 657,500	- %
Work in progress	378,139	439,425	(13.9%)
Improvements	4,284,206	3,751,981	14.2%
Buildings	89,476,992	89,080,095	0.4%
Equipment	<u>3,412,971</u>	<u>3,225,476</u>	5.8%
Total before depreciation	<u>98,209,808</u>	<u>97,154,477</u>	1.1%
Accumulated depreciation	<u>(46,746,073)</u>	<u>(43,078,915)</u>	8.5%
Capital assets (net of accumulated depreciation)	<u>\$ 51,463,735</u>	<u>\$ 54,075,562</u>	(4.8%)

Long-Term Debt

At year-end, the District had \$60,392,227 in total long-term debt as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in the notes to financial statements.

**Figure A-9
Outstanding Long-Term Debt and Separation and Severance Payable**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
General Obligation Bonds, Leases and Notes	\$ 55,743,452	\$ 59,592,598	(6.5%)
Separation and Severance and Vacation Payable	<u>843,450</u>	<u>799,629</u>	5.5%
Total	<u>\$ 56,586,902</u>	<u>\$ 60,392,227</u>	(6.3%)

The decrease in General Obligation Bonds, Leases and Notes is primarily related to the principal payment of current debt outstanding. In 2018, the District issued \$2,450,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018A. These bonds refund the OPEB bond issued in 2009 to fund the districts obligation for retiree insurance benefits. In 2017, the District issued \$1,960,000 G.O. Abatement Bonds, Series 2017A for parking lot improvements throughout the District. The District issued \$25,890,000 G.O. School Building bonds, Series 2016A in the February of 2016. The voters of the District authorized the bond issue in November of 2015.

Independent School District No. 14 Management's Discussion and Analysis

Factor's Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of a number of existing circumstances that could significantly affect its financial health in the future:

- The Minnesota legislature determines education funding for each biennium. Future increases are uncertain at the time of issuance.
- The District's student enrollment increased to 2,915 students in FY 2019-20. This is a slight increase of 15 students or .55% from FY 2018-19. The District had experienced consistent enrollment growth until the past few years and the District was anticipating another decline in enrollment for FY 2019-20. The District had made it a priority to focus on retaining our resident students while continuing to promote opportunities for all students. In FY 2019-20, the District saw a decrease in the number of resident students enrolling in other districts and an increase in the number of open enrolled students coming to Fridley. Both of these shifts increasing enrollment are the direct result of the efforts made by District leadership and help provide stability for future years. The majority of school district funding has a direct relationship with enrollment. For example, state formula aid will increase or decrease with these changes. The direction of the District's enrollment will be a key factor for the District going forward.
- The District has a potential liability of several million dollars in post-retirement benefits (health insurance) to be paid to current and future retirees of the District. Because the District expects new retirements over the course of the next few years, payments for these benefits will continue for several years to come. Funding for these expenses will come from an OPEB trust established in 2010. The unfunded portion of this liability is reported in the District statements beginning with the fiscal year ended June 30, 2009, as required by GASB 43 and 45, and subsequently GASB 75.
- The single largest expenses for the District are staff salaries. All of the District bargaining groups have contracts in place through June 30, 2021.
- Historically, Fridley has had a relatively high number of open-enrolled and non-resident students. While our District is able to receive state aid for these students, it would put the District in a difficult financial position if these students chose not to attend our schools in future years.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Manager, Independent School District 14, 6000 West Moore Lake Drive, Fridley, Minnesota 55432.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 14
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 19,671,822
Current property taxes receivable	8,680,219
Delinquent property taxes receivable	179,995
Accounts receivable, net of allowance	72,383
Interest receivable	197,990
Due from Department of Education	5,223,018
Due from Federal Government through Department of Education	1,104,465
Due from other Minnesota school districts	50,522
Due from other governmental units	26,464
Inventory	30,542
Prepaid items	213,368
Capital assets not being depreciated	
Land	657,500
Construction in progress	378,139
Capital assets net of accumulated depreciation	
Buildings	46,407,160
Land improvements	2,908,560
Furniture and equipment	1,112,376
Total assets	<u>86,914,523</u>
Deferred Outflows of Resources	
Deferred charges on refunding	48,558
Deferred outflows of resources related to OPEB	397,953
Deferred outflows of resources related to pensions	22,628,366
Total deferred outflows of resources	<u>23,074,877</u>
 Total assets and deferred outflows of resources	 <u>\$ 109,989,400</u>
Liabilities	
Accounts and contracts payable	\$ 386,002
Salaries and benefits payable	2,017,425
Incurred but not reported claims	218,475
Interest payable	817,283
Due to other Minnesota school districts	40,231
Due to other governmental units	11,995
Unearned revenue	1,178,425
Bond principal payable (net unamortized premium)	
Payable within one year	3,010,000
Payable after one year	49,617,810
Capital lease payable	
Payable within one year	766,379
Payable after one year	2,349,263
Vacation payable	
Payable within one year	422,316
Severance payable	
Payable within one year	70,960
Payable after one year	350,174
Net OPEB Liability	2,984,659
Net pension liability	26,043,479
Total liabilities	<u>90,284,876</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,534,332
Deferred inflows of resources related to OPEB	564,749
Deferred inflows of resources related to pensions	32,675,738
Total deferred inflows of resources	<u>44,774,819</u>
Net Position	
Net investment in capital assets	(2,231,159)
Restricted for	
Debt service	217,509
Capital projects	829,228
Other purposes	2,774,688
Unrestricted	(26,660,561)
Total net position	<u>(25,070,295)</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 109,989,400</u>

See notes to financial statements.

Independent School District No. 14
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 2,030,913	\$ -	\$ -	\$ -	\$ (2,030,913)
District support services	2,087,017	-	14,379	-	(2,072,638)
Elementary and secondary regular instruction	17,571,923	121,104	8,293,427	-	(9,157,392)
Vocational education instruction	463,672	-	70,836	-	(392,836)
Special education instruction	9,094,587	468,224	6,198,614	-	(2,427,749)
Instructional support services	2,984,084	-	898,764	-	(2,085,320)
Pupil support services	4,932,509	-	1,306,887	-	(3,625,622)
Sites and buildings	3,171,374	-	10,880	604,584	(2,555,910)
Fiscal and other fixed cost programs	189,989	-	-	-	(189,989)
Food service	1,751,679	250,770	1,548,529	-	47,620
Community education and services	2,800,457	1,174,562	838,758	-	(787,137)
Unallocated depreciation	3,527,811	-	-	-	(3,527,811)
Interest and fiscal charges on long-term debt	1,595,390	-	-	-	(1,595,390)
Total governmental activities	<u>\$ 52,201,405</u>	<u>\$ 2,014,660</u>	<u>\$ 19,181,074</u>	<u>\$ 604,584</u>	(30,401,087)
General revenues					
Taxes					
					6,515,361
					367,680
					4,439,063
					20,472,813
					283,916
					<u>32,078,833</u>
Change in net position					1,677,746
Net position - beginning					(26,834,585)
Change in accounting principle (See Note 11)					86,544
Net position - beginning, restated					<u>(26,748,041)</u>
Net position - ending					<u>\$ (25,070,295)</u>

Independent School District No. 14
Balance Sheet - Governmental Funds
June 30, 2020

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,130,222	\$ 1,797,435	\$ 829,228	\$ 1,349,250	\$ 9,106,135
Current property taxes receivable	5,228,209	2,786,972	-	665,038	8,680,219
Delinquent property taxes receivable	100,876	64,030	-	15,089	179,995
Accounts receivable, net of allowance	10,619	-	-	46,609	57,228
Interest receivable	65,177	-	-	-	65,177
Due from Department of Education	5,137,208	63,699	-	22,111	5,223,018
Due from Federal Government through Department of Education	1,049,320	-	-	55,145	1,104,465
Due from other Minnesota school districts	38,138	-	-	12,384	50,522
Due from other governmental units	24,059	-	-	2,405	26,464
Inventory	-	-	-	30,542	30,542
Prepaid items	207,678	-	-	5,690	213,368
	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>
Total assets					
	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>
Liabilities					
Accounts and contracts payable	\$ 300,076	\$ -	\$ -	\$ 12,520	\$ 312,596
Salaries and benefits payable	1,934,744	-	-	82,681	2,017,425
Due to other Minnesota school districts	40,231	-	-	-	40,231
Due to other governmental units	11,850	-	-	145	11,995
Unearned revenue	3,508	-	-	27,472	30,980
Severance payable	421,134	-	-	-	421,134
Total liabilities	<u>2,711,543</u>	<u>-</u>	<u>-</u>	<u>122,818</u>	<u>2,834,361</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	83,648	53,090	-	12,589	149,327
Property taxes levied for subsequent year's expenditures	6,735,370	3,871,186	-	927,776	11,534,332
Total deferred inflows of resources	<u>6,819,018</u>	<u>3,924,276</u>	<u>-</u>	<u>940,365</u>	<u>11,683,659</u>
Fund Balances					
Nonspendable	207,678	-	-	36,232	243,910
Restricted	1,742,056	787,860	829,228	1,104,848	4,463,992
Assigned	2,599,775	-	-	-	2,599,775
Unassigned	2,911,436	-	-	-	2,911,436
Total fund balances	<u>7,460,945</u>	<u>787,860</u>	<u>829,228</u>	<u>1,141,080</u>	<u>10,219,113</u>
	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,991,506</u>	<u>\$ 4,712,136</u>	<u>\$ 829,228</u>	<u>\$ 2,204,263</u>	<u>\$ 24,737,133</u>

**Independent School District No. 14
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2020**

Total fund balances - governmental funds	\$ 10,219,113
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore, are not reported as assets	
Cost of capital assets	98,209,808
Less accumulated depreciation	(46,746,073)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(48,605,000)
Capital lease payable	(3,115,642)
Compensated absences payable	(422,316)
Net discounts/premiums	(4,022,810)
Deferred refundings	48,558
Net OPEB liability	(2,984,659)
Net pension liability	(26,043,479)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	22,628,366
Deferred inflows of resources related to pensions	(32,675,738)
Deferred outflows of resources related to OPEB	397,953
Deferred inflows of resources related to OPEB	(564,749)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	149,327
The Internal Service Fund is used by management to charge the cost of the retiree benefit plan. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	4,771,281
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.	4,503,048
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(817,283)
Total net position - governmental activities	<u>\$ (25,070,295)</u>

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2020

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 6,457,443	\$ 3,863,438	\$ -	\$ 897,463	\$ 11,218,344
Other local and county revenues	1,422,674	18,830	-	1,361,541	2,803,045
Revenue from state sources	35,171,289	585,815	-	760,720	36,517,824
Revenue from federal sources	1,334,896	-	-	1,443,441	2,778,337
Sales and other conversion of assets	7,753	-	-	250,770	258,523
Total revenues	<u>44,394,055</u>	<u>4,468,083</u>	<u>-</u>	<u>4,713,935</u>	<u>53,576,073</u>
Expenditures					
Current					
Administration	1,801,646	-	-	-	1,801,646
District support services	2,033,572	-	-	-	2,033,572
Elementary and secondary regular instruction	16,446,088	-	-	-	16,446,088
Vocational education instruction	428,749	-	-	-	428,749
Special education instruction	8,641,136	-	-	-	8,641,136
Instructional support services	2,567,525	-	-	-	2,567,525
Pupil support services	4,836,839	-	-	-	4,836,839
Sites and buildings	3,699,696	-	-	-	3,699,696
Fiscal and other fixed cost programs	189,989	-	-	-	189,989
Food service	-	-	-	1,736,002	1,736,002
Community education and services	-	-	-	2,712,714	2,712,714
Capital outlay					
District support services	100,612	-	-	-	100,612
Elementary and secondary regular instruction	77,342	-	-	-	77,342
Instructional support services	286,157	-	-	-	286,157
Sites and buildings	342,073	-	161,946	-	504,019
Food service	-	-	-	13,646	13,646
Community education and services	-	-	-	252	252
Debt service					
Principal	772,701	2,430,000	-	450,000	3,652,701
Interest and fiscal charges	114,786	1,917,350	-	96,895	2,129,031
Total expenditures	<u>42,338,911</u>	<u>4,347,350</u>	<u>161,946</u>	<u>5,009,509</u>	<u>51,857,716</u>
Excess of revenues over (under) expenditures	2,055,144	120,733	(161,946)	(295,574)	1,718,357
Other Financing Sources (Uses)					
Proceeds from capital leases	268,015	-	-	-	268,015
Transfers in	-	-	547,072	284,989	832,061
Transfers out	(832,061)	-	-	-	(832,061)
Total other financing sources (uses)	<u>(564,046)</u>	<u>-</u>	<u>547,072</u>	<u>284,989</u>	<u>268,015</u>
Net change in fund balances	1,491,098	120,733	385,126	(10,585)	1,986,372
Fund Balances					
Beginning of year	5,883,303	667,127	444,102	1,151,665	8,146,197
Change in accounting principle (See Note 11)	86,544	-	-	-	86,544
Beginning of year, restated	<u>5,969,847</u>	<u>667,127</u>	<u>444,102</u>	<u>1,151,665</u>	<u>8,232,741</u>
End of year	<u>\$ 7,460,945</u>	<u>\$ 787,860</u>	<u>\$ 829,228</u>	<u>\$ 1,141,080</u>	<u>\$ 10,219,113</u>

Independent School District No. 14
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities -
Governmental Funds
Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ 1,986,372

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	1,064,355
Depreciation expense	(3,675,580)
Loss on disposal of capital assets	(602)

Compensated absences and severance are recognized as they are paid in the governmental funds but are recognized as the expense is incurred in the Statement of Activities.

44,493

Net post employment benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

45,143

Governmental Funds recognize pension contributions as expenditures at the time of payments in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

(2,460,008)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.

3,652,701

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however interest expense is recognized as the interest accrues, regardless of when it is due.

77,625

Governmental funds report the effect of bond discounts, premiums and deferred refundings when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

456,016

Proceeds from the sale of bonds and issuance of capital leases are recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.

Capital lease payable	(268,015)
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The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents the change in assets available to fund the liabilities.

(42,714)

The Internal Service Fund is used by management to charge the costs of the retiree health insurance plan. The net gain is reported within the governmental activities in the Statement of Activities.

694,200

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

103,760

Change in net position - governmental activities

\$ 1,677,746

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 6,441,723	\$ 6,625,157	\$ 6,457,443	\$ (167,714)
Other local and county revenues	1,318,974	1,428,974	1,422,674	(6,300)
Revenue from state sources	35,303,641	35,253,963	35,171,289	(82,674)
Revenue from federal sources	1,390,336	1,438,976	1,334,896	(104,080)
Sales and other conversion of assets	9,600	9,600	7,753	(1,847)
Total revenues	<u>44,464,274</u>	<u>44,756,670</u>	<u>44,394,055</u>	<u>(362,615)</u>
Expenditures				
Current				
Administration	1,811,614	1,878,264	1,801,646	(76,618)
District support services	2,207,459	2,259,708	2,033,572	(226,136)
Elementary and secondary regular instruction	17,232,103	17,353,624	16,446,088	(907,536)
Vocational education instruction	343,981	492,313	428,749	(63,564)
Special education instruction	9,212,550	8,973,889	8,641,136	(332,753)
Instructional support services	2,719,575	2,728,664	2,567,525	(161,139)
Pupil support services	4,841,500	4,871,554	4,836,839	(34,715)
Sites and buildings	3,349,088	3,349,088	3,699,696	350,608
Fiscal and other fixed cost programs	191,854	191,854	189,989	(1,865)
Capital outlay				
Administration	5,000	5,000	-	(5,000)
District support services	9,775	9,775	100,612	90,837
Elementary and secondary regular instruction	94,791	94,791	77,342	(17,449)
Special education instruction	9,000	9,000	-	(9,000)
Instructional support services	315,726	315,726	286,157	(29,569)
Sites and buildings	744,219	795,354	342,073	(453,281)
Debt service				
Principal	823,494	823,494	772,701	(50,793)
Interest and fiscal charges	103,438	103,438	114,786	11,348
Total expenditures	<u>44,015,167</u>	<u>44,255,536</u>	<u>42,338,911</u>	<u>(1,916,625)</u>
Excess of revenues over expenditures	449,107	501,134	2,055,144	1,554,010
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,000	2,000	-	(2,000)
Proceeds from capital leases	86,400	86,400	268,015	181,615
Transfers out	(610,630)	(610,630)	(832,061)	(221,431)
Total other financing sources (uses)	<u>(522,230)</u>	<u>(522,230)</u>	<u>(564,046)</u>	<u>(41,816)</u>
Net change in fund balances	<u>\$ (73,123)</u>	<u>\$ (21,096)</u>	1,491,098	<u>\$ 1,512,194</u>
Fund Balance				
Beginning of year			5,883,303	
Change in accounting principle (See Note 11)			86,544	
Beginning of year, restated			<u>5,969,847</u>	
End of year			<u>\$ 7,460,945</u>	

Independent School District No. 14
Statement of Net Position - Proprietary Funds
June 30, 2020

	<u>Total Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ 6,769,513
Investments	3,796,174
Accounts receivable	15,155
Interest receivable	<u>132,813</u>
Total assets	<u>\$ 10,713,655</u>
Liabilities	
Accounts payable	\$ 73,406
Incurred but not reported claims	218,475
Unearned revenue	<u>1,147,445</u>
Total liabilities	<u>1,439,326</u>
Net Position	
Unrestricted	<u>9,274,329</u>
Total liabilities and net position	<u>\$ 10,713,655</u>

Independent School District No. 14
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2020

	Total Internal Service Funds
Operating Revenues	
Charges for services	\$ 6,228,518
Operating Expense	
Insurance	5,056,999
Administrative	566,905
Total operating expenses	5,623,904
Operating income	604,614
Nonoperating Revenues	
Investment income	46,872
Change in net position	651,486
Net Position	
Beginning of year	8,622,843
End of year	\$ 9,274,329

Independent School District No. 14
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2020

	<u>Total Internal Service Funds</u>
Cash Flows - Operating Activities	
Receipts from district contribution	\$ 220,681
Receipts from employees	5,992,254
Payments to vendors	<u>(5,593,884)</u>
Net cash flows - operating activities	619,051
Cash Flows - Investing Activities	
Net sale/(purchase) of investments	325,662
Interest received	<u>59,355</u>
Net cash flows - investing activities	<u>385,017</u>
Net change in cash and cash equivalents	1,004,068
Cash and Cash Equivalents	
Beginning of year	<u>5,765,445</u>
End of year	<u><u>\$ 6,769,513</u></u>
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ 604,614
Adjustments to reconcile operating income to net cash flows - operating activities	
Change in assets and liabilities	
Accounts receivable	5,149
Unearned revenue	(20,732)
Accounts payable	<u>30,020</u>
Net cash flows - operating activities	<u><u>\$ 619,051</u></u>

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Independent School District No. 14 Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District, as of July 1, 2019, have been taken under board control and will not be reported separately.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds and the proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

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 revenues of the Internal Service Fund are employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting this definition are reposted as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed, in the order of committed, assigned, and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

**Independent School District No. 14
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest and related costs.

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

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education or other similar services.

Post Employment Benefits Debt Service Fund – This fund is used to account for levy proceeds and the payment of G.O. taxable OPEB Bonds principal, interest, and related costs.

Proprietary Funds:

Self Insurance Internal Service Fund – This fund is used to account for operations of the District's self – insured insurance plans. Premiums collected from employees are collected from other governmental funds and insurance claims are paid by this fund.

Post Employment Benefits Revocable Trust Internal Service Fund – This fund is used to account for the accumulation of resources to fund post employment benefits.

D. Cash and Investments

Cash and investments balances from all funds (except a portion of the Post Employment Benefits Revocable Trust Internal Service Fund) 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 individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

Cash and investments at June 30, 2020, were comprised of deposits, certificates of deposit and shares in the Minnesota Trust (MNTrust) Securities. MNTrust securities are valued at amortized cost, which approximates fair value.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2019, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2020. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Anoka County is the collecting agency for the levy and remits the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position, and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items, which qualify for reporting in this category. The first item, 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. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is 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. Deferred inflows of resources related to pensions and OPEB are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

1. Vacation

Teachers are eligible for vacation of 2 days per year which can be accumulated to 7 days. Other employees qualify for vacation ranging from 5 to 45 days per year which are generally accumulated at year-end and payable during the ensuing year. Vacation is accrued for these employees in the Statement of Net Position since it is deemed to be payable at year-end.

2. Sick Leave

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

N. Severance Payable

The District maintains severance payment plans for certain employee groups. Each employee group plan contains requirements for lump sum payments based on employment date, years of service and/or minimum age requirements. Benefits are calculated based on various formulas converting accrued sick leave into a lump sum payment. No employee can receive payments exceeding one year's salary. For employees retiring on or before June 30, 2020, who are entitled to receive payments, an accrual is made in the governmental fund incurring the liability.

The amount of severance payment that is based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and when it becomes probable that it will vest at some point in the future.

O. Pensions

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 Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District 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, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Q. Risk Management

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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2020.

R. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include, but are not limited to, inventories and prepaid items.
- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.
- Assigned Fund Balances – The School Board by majority vote may assign fund balances to be used for specific purposes. The board also delegated power to assign fund balances to the Superintendent and Director of Finance.
- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 7% and 10% of total unrestricted expenditures. The fund balance shall be defined as the sum of the undesignated/unreserved fund balance. It shall not include funds reserved for operating capital, health and safety, basic skills, or any other new reserve created by the School Board, state, or federal guidelines.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
4. Budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: This is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District's policy states funds may not be invested in an institution that does not agree to provide the required collateral as noted.

As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

Independent School District No. 14
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

At June 30, 2020, the District had the following deposits:

Pooled		
Cash	\$	(107,225)
Certificates of deposit		5,442,400
Total pooled deposits	\$	5,335,175
Non-pooled		
OPEB Revocable Trust Fund		
Certificates of deposit	\$	3,039,400

B. Investments

As of June 30, 2020, the District had the following investments:

Investment	Maturities	Fair Value	Percent of Total		
Pooled					
MNTrust investment shares	6/30/20	\$ 9,843,651	100.00%		
Investment	Maturities	Fair Value	Percent of Total	Type	Credit Rating
OPEB Revocable Trust Fund non-pooled					
MNTRUST Investment Shares	6/30/20	\$ 696,422	47.92%	MMA	Aam
Summit TXB D Var Purp	12/1/20	203,142	13.98%	SEC	Aa1
Avondale B REF TXBL	7/1/21	101,295	6.97%	SEC	AAA
Axle ISD REF TXBL	2/15/22	230,465	15.86%	SEC	Aa3
Oklahoma City TXBL	3/1/24	221,872	15.27%	SEC	Aaa
Total OPEB Revocable Trust Fund non-pooled investments		\$ 1,453,196	100.00%		

MNTrust is an external investment pool not registered with the SEC and invests according to *Minnesota Statutes*. The fair value position in the pool is the same as the value of the pooled shares.

Credit Risk: This is the risk an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits its investments to those allowed by state statutes. Additionally, investment in commercial paper is limited to those rated in the highest classifications by at least two of the four nationally recognized rating services.

Independent School District No. 14
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states investment maturities shall be scheduled to coincide with projected District cash flow needs.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District will limit investments to avoid over concentration in securities from a specific issuer or business sector. As of June 30, 2020, the District was exposed to concentration of credit risk as more than 5% of its total investments were invested in individual investments as indicated by the table on the previous pages.

Custodial Credit Risk – Investments: This is the risk in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires all investments be held in third party safekeeping by an institution designated as a custodial agent and all investments shall be fully collateralized.

The District has the following recurring fair value measurements as of June 30, 2020:

- \$756,774 of investments are significant other observable inputs (Level 2 inputs)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2020:

Petty cash	\$ 400
Deposits (Note 3.A.)	
Pooled	5,335,175
Non-pooled	3,039,400
Investments (Note 3.B.)	
Pooled	9,843,651
Non-pooled	<u>1,453,196</u>
Total deposits and investments	<u><u>\$ 19,671,822</u></u>

Cash, deposits, and investments are presented in the June 30, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 19,671,822</u></u>

Independent School District No. 14
Notes to Financial Statements

NOTE 3 – INTERFUND ACTIVITY

A. Transfers

	Transfers In		Total
	Capital Project Fund	Other Nonmajor Funds	
Transfers out			
General Fund	\$ 547,072	\$ 284,989	\$ 832,061

These transfers were performed to distribute levy dollars dedicated to specific funds in accordance with bond documents. Transfers were also made to offset deficits incurred by Community Education from lost revenues due to covid-19.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 657,500	\$ -	\$ -	\$ 657,500
Work in progress	439,425	840,522	901,808	378,139
Total capital assets not being depreciated	<u>1,096,925</u>	<u>840,522</u>	<u>901,808</u>	<u>1,035,639</u>
Capital assets being depreciated				
Buildings	89,080,095	396,897	-	89,476,992
Land improvements	3,751,981	532,225	-	4,284,206
Furniture and equipment	3,225,476	196,519	9,024	3,412,971
Total capital assets being being depreciated	<u>96,057,552</u>	<u>1,125,641</u>	<u>9,024</u>	<u>97,174,169</u>
Less accumulated depreciation for				
Buildings	39,741,653	3,328,179	-	43,069,832
Land improvements	1,189,808	185,838	-	1,375,646
Furniture and equipment	2,147,454	161,563	8,422	2,300,595
Total accumulated depreciation	<u>43,078,915</u>	<u>3,675,580</u>	<u>8,422</u>	<u>46,746,073</u>
Total capital assets being depreciated, net	<u>52,978,637</u>	<u>(2,549,939)</u>	<u>602</u>	<u>50,428,096</u>
Governmental activities, capital assets, net	<u>\$ 54,075,562</u>	<u>\$ (1,709,417)</u>	<u>\$ 902,410</u>	<u>\$ 51,463,735</u>

Independent School District No. 14
Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$3,675,580 for the year ended June 30, 2020, was charged to the following governmental functions:

District support services	\$ 7,948
Regular instruction	3,518
Vocational Instruction	597
Special education instruction	3,622
Instructional support services	64,177
Food service	36,611
Community education and services	31,898
Unallocated	<u>3,527,209</u>
 Total depreciation expense	 <u><u>\$ 3,675,580</u></u>

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

Long-term liabilities as of June 30, 2020, consisted of the following:

	Interest Rate	Maturity Date	Original Issue	Balance	Due Within One Year
G.O. School Building Refunding Bonds	2.00%-3.00%	02/01/26	\$ 11,240,000	\$ 5,990,000	\$ 905,000
G.O. School Building Bonds Series 2016A	3.00%-5.00%	02/01/35	25,890,000	25,465,000	190,000
G.O. Alternative Facilities Bonds Series 2016B	4.00%-5.00%	02/01/28	16,740,000	13,590,000	1,235,000
G.O. Abatement Bonds Series 2017A	3.00%	02/01/27	1,960,000	1,560,000	205,000
G.O. Taxable OPEB Refunding Bonds Series 2018A	2.95%-3.40%	02/01/24	2,450,000	2,000,000	475,000
Unamortized bond discounts and premiums, net				4,022,810	-
Total G.O. bonds (net of unamortized premium)				52,627,810	3,010,000
Energy loan capital lease	4.15%	07/31/22	3,142,381	693,735	361,382
Elementary additions capital lease	2.75%	02/01/28	3,400,000	1,976,166	224,062
Technology Lease	3.072%	12/31/20	34,265	2,571	2,571
Technology Lease	4.00%	02/24/22	204,299	63,254	48,011
Technology Lease	4.00%	02/24/23	82,748	34,622	16,184
Technology Lease	4.22%	02/24/21	25,391	2,074	2,074
Technology Lease	4.69%	08/31/22	102,850	56,687	22,231
Technology Lease	4.65%	08/31/22	34,080	18,548	7,493
Technology Lease	4.70%	08/31/22	117,475	64,003	25,790
Technology Lease	3.65%	08/31/23	92,270	70,232	19,431
Technology Lease	3.56%	02/28/24	175,745	133,750	37,150
Vacation payable				422,316	422,316
Severance payable				421,134	70,960
Total all long-term liabilities				<u>\$ 56,586,902</u>	<u>\$ 4,269,655</u>

The long-term bond and lease liabilities listed above were issued to finance the acquisition and construction, or improvements of capital facilities, or to refinance (refund) previous bond issues. Other liabilities are typically liquidated through the General Fund.

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

Year Ending, June 30,	G.O. Bonds		
	Principal	Interest	Total
2021	\$ 3,010,000	\$ 1,871,680	\$ 4,881,680
2022	3,145,000	1,743,355	4,888,355
2023	3,265,000	1,618,315	4,883,315
2024	3,395,000	1,487,950	4,882,950
2025	3,555,000	1,351,800	4,906,800
2026-2030	16,855,000	4,411,500	21,266,500
2031-2035	15,380,000	1,441,750	16,821,750
Total	<u>\$ 48,605,000</u>	<u>\$ 13,926,350</u>	<u>\$ 62,531,350</u>

C. Changes in Long-Term Liabilities

	Beginning Balance, Restated	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 51,485,000	\$ -	\$ 2,880,000	\$ 48,605,000
Unamortized discount and premium, net	4,487,270	-	464,460	4,022,810
Capital lease	3,620,328	268,015	772,701	3,115,642
Vacation payable	381,034	539,322	498,040	422,316
Severance benefits payable	418,595	6,664	4,125	421,134
Total long-term liabilities	<u>\$ 60,392,227</u>	<u>\$ 814,001</u>	<u>\$ 4,619,326</u>	<u>\$ 56,586,902</u>

D. Capital Lease Obligations

On November 30, 2016, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$34,265. The capital lease agreement includes annual principal and interest payments ranging from \$2,654 to \$8,369.

On August 3, 2017, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$204,299. The capital lease agreement includes annual principal and interest payments ranging from \$15,811 to \$50,588.

On August 3, 2017, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$82,748. The capital lease agreement includes annual principal and interest payments ranging from \$1,722 to \$17,443.

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

On August 4, 2017, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$25,391. The capital lease agreement includes annual principal and interest payments ranging from \$2,149 to \$8,162.

On May 16, 2018, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$102,850. The capital lease agreement includes annual principal and interest payments ranging from \$11,649 to \$24,949.

On May 16, 2018, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$34,080. The capital lease agreement includes annual principal and interest payments ranging from \$3,344 to \$8,383.

On June 11, 2018, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$117,475. The capital lease agreement includes annual principal and interest payments ranging from \$11,675 to \$22,863.

On August 1, 2019, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$92,270. The capital lease agreement includes annual principal and interest payments ranging from \$10,108 to \$22,038.

On February 28, 2020, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled \$175,745. The capital lease agreement includes annual principal and interest payments ranging from \$18,872 to \$41,995.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,		
2021	\$	862,504
2022		707,238
2023		442,243
2024		305,857
2025		276,876
2026-2028		857,578
Total minimum lease payments		3,452,296
Less amount representing interest		(336,654)
Present value of net minimum lease payments		\$ 3,115,642

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

The assets purchased with the 2013 leases are classified as buildings and totaled \$3,211,356. The associated accumulated depreciation for these assets is \$449,590 for a net value of \$2,761,766. The assets added through the 2013 leases are less than the leases issued due to expenditures that did not meet the criteria for capitalization.

The assets purchased through the fiscal year 2017 leases did not meet the threshold for capitalization and are not included in capital assets, therefore there is no depreciation or net value to report.

The assets purchased with the 2018 leases are classified as equipment and totaled \$59,699. The associated accumulated depreciation for these assets is \$35,819 for a net value of \$23,880. The assets added through the 2018 leases are less than the leases issued due to expenditures that did not meet the criteria for capitalization.

The assets purchased through the fiscal year 2020 leases did not meet the threshold for capitalization and are not included in capital assets, therefore there is no depreciation or net value to report.

NOTE 6 – FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Independent School District No. 14
Notes to Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable					
Inventories	\$ -	\$ -	\$ -	\$ 30,542	\$ 30,542
Prepaid items	207,678	-	-	5,690	213,368
Total nonspendable	<u>207,678</u>	<u>-</u>	<u>-</u>	<u>36,232</u>	<u>243,910</u>
Restricted/reserved for					
Student Activities	68,462	-	-	-	68,462
Safe Schools	193,069	-	-	-	193,069
Operating Capital	425,933	-	-	-	425,933
Medical Assistance	715,356	-	-	-	715,356
Long Term Facilities Maintenance	60,196	-	-	-	60,196
Community Education	-	-	-	274,056	274,056
ECFE	-	-	-	4,906	4,906
School Readiness	-	-	-	24,579	24,579
Capital Projects Levy	279,040	-	829,228	-	1,108,268
Debt Service	-	787,860	-	113,526	901,386
Food Service	-	-	-	592,806	592,806
Community Service	-	-	-	94,975	94,975
Total Restricted/reserved	<u>1,742,056</u>	<u>787,860</u>	<u>829,228</u>	<u>1,104,848</u>	<u>4,463,992</u>
Assigned for					
Students	152,661	-	-	-	152,661
Capital Project	1,000,000	-	-	-	1,000,000
Separation/Retirement Benefits	55,089	-	-	-	55,089
Medical Assistance Pre 2016-2017	742,025	-	-	-	742,025
Pandemic support to other funds	400,000	-	-	-	400,000
Curriculum adoption	250,000	-	-	-	250,000
Total assigned	<u>2,599,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,599,775</u>
Unassigned	<u>2,911,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,911,436</u>
Total fund balance	<u>\$ 7,460,945</u>	<u>\$ 787,860</u>	<u>\$ 829,228</u>	<u>\$ 1,141,080</u>	<u>\$ 10,219,113</u>

Nonspendable for Inventories and Prepaid Items – A portion of the fund balance has been spent on inventory and prepaid expenses and is not available for other uses.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Safe Schools – Crime Levy – The unspent resources available from the levy must be reserved in this account for future use.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Independent School District No. 14
Notes to Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund not set aside in other restrictions.

Assigned for Students – This balance represents resources set aside for each building based on fundraising done by students and donations for various programs.

Assigned for Capital Projects – This balance represents resources set aside for future capital projects.

Assigned for Separation/Retirement Benefits – This balance represents resources set aside for future separation and retirement obligations.

Assigned for Medical Assistance Revenue – This balance represents medical assistance revenues that have been received but not yet spent and are available for future obligations.

Assigned for pandemic support to other funds – This balance represents resources set aside for pandemic support to other funds.

Independent School District No. 14
Notes to Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Assigned for curriculum adoption – This balance represents resources set aside for curriculum adoption.

Net position restricted for other purposes is comprised of the positive General Fund and total Special Revenue Funds restricted balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2020, was \$4,567,313. The components of pension expense are noted in the following plan summaries.

The General Fund, Food Service Fund, and Community Service Funds typically liquidate the liability related to pensions.

Teachers' Retirement Association

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. 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. TRA is a separate statutory entity and administered by a Board of Trustees. The Board 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 TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

B. Benefits Provided

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 Statute* 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 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.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. 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 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.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2018, June 30, 2019, and June 30, 2020, were:

	June 30, 2018		June 30, 2019		June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.71%	11.0%	11.92%
Coordinated	7.5%	7.5%	7.5%	7.71%	7.5%	7.92%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300
Deduct employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 437,714</u></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. TRA has rounded percentage amounts to the nearest ten thousandths.

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2019
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension 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 pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
	<hr/>	
Total	<u>100 %</u>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% 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 July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2020, the District reported a liability of \$20,868,545 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.3274% at the end of the measurement period and 0.3409% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to 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 net pension liability	\$ 20,868,545
State's proportionate share of the net pension liability associated with the District	1,846,938

For the year ended June 30, 2020, the District recognized pension expense of \$3,975,067. It also recognized \$140,389 as an increase to this pension expense for the support provided by direct aid.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2020, 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 experience	\$ 2,733	\$ 509,352
Net difference between projected and actual earnings on plan investments	-	1,831,968
Changes in assumptions	16,780,596	28,621,699
Changes in proportion	3,741,352	706,605
District's contributions subsequent to measurement date	1,460,200	-
Total	\$ 21,984,881	\$ 31,669,624

\$1,460,200 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2021	\$ 1,517,834
2022	279,857
2023	(7,240,427)
2024	(5,522,198)
2025	(180,009)
Total	\$ (11,144,943)

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease (6.5%)	Current (7.5%)	1% increase (8.5%)
\$ 33,269,563	\$ 20,868,545	\$ 10,644,088

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. 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.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan 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 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 annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. 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.

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were \$494,659. The District's contributions were equal to the required contributions as set by state statute.

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2020, the District reported a liability of \$5,174,934 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 to the fund in 2019. The State of Minnesota is considered a non-employer 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 \$160,993. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0936% at the end of the measurement period and 0.0940% for the beginning of the period.

District's proportionate share of net pension liability	\$ 5,174,934
State's proportionate share of the net pension liability associated with the District	160,993
Total	\$ 5,335,927

For the year ended June 30, 2020, the District recognized pension expense of \$592,246 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$12,057 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2020, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 144,766	\$ -
Changes in actuarial assumptions	-	410,347
Difference between projected and actual investments earnings	-	531,243
Change in proportion	4,060	64,524
Contributions paid to PERA subsequent to the measurement date	494,659	-
Total	\$ 643,485	\$ 1,006,114

\$494,659 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2021	\$ (305,096)
2022	(450,922)
2023	(109,608)
2024	8,338
Total	\$ (857,288)

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

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

General Employees Fund Pension Costs (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

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

Independent School District No. 14
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	<u>100 %</u>	

F. Discount Rates

The discount rate used to measure the total pension liability in 2019 was 7.5%. 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 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.

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:

	1% Decrease in Discount Rate <u>6.5%</u>	Discount Rate <u>7.5%</u>	1% Increase in Discount Rate <u>8.5%</u>
District's proportionate share of the PERA net pension liability	\$ 8,507,313	\$ 5,174,934	\$ 2,423,393

**Independent School District No. 14
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Paid

The District provides post employment retirement benefits to pay health and life insurance premiums for certain retired District personnel. Benefits are paid on behalf of retired administrative personnel to Medicare eligibility and other qualified staff to Medicare eligibility at which time benefits cease. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of June 30, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>427</u>
Total	<u><u>449</u></u>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2020, the District contributed \$347,921 to the plan.

Independent School District No. 14
Notes to Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.10%
Expected Return	n/a
Inflation	2.50%
Healthcare cost trend increases	6.25% in 2020, grading to 5.00% over 5 years
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on scale MP- 2017, and other adjustments

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

Assumption Changes:

- The discount rate changing from 3.50% to 3.10%.

The discount rate used to measure the total OPEB liability was 3.10%.

F. Total OPEB Liability

The District's total OPEB liability of \$2,984,659 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Independent School District No. 14
Notes to Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2019	\$ 2,894,447
Changes for the year	
Service cost	285,365
Interest	105,136
Differences between expected and actual economic experience	-
Changes in assumptions	54,604
Employer contributions	-
Plan changes	-
Benefit payments	(354,893)
Administrative expense	-
Other charges	-
Net changes	<u>90,212</u>
Balances at July 1, 2020	<u>\$ 2,984,659</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 3.10% in 2020.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.10% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (2.10%)	Current (3.10%)	1% increase (4.10%)
Total OPEB liability (asset)	\$ 3,169,025	\$ 2,984,659	\$ 2,810,170

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25 decreasing to 6.0%)
Total OPEB liability (asset)	\$ 2,696,567 284	\$ 2,984,659	\$ 3,333,112

Independent School District No. 14
Notes to Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$285,998. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Liability Gains	-	564,749
Changes of assumptions	50,032	-
Contributions made subsequent to the measurement date	347,921	-
Total	\$ 397,953	\$ 564,749

\$347,921 reported as a deferred outflow of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The remaining balances will be recognized in future years as follows:

Year Ended June 30,	Total
2021	\$ (104,503)
2022	(104,503)
2023	(104,503)
2024	(104,503)
2025	(104,503)
Thereafter	7,798
Total	(514,717)

NOTE 9 – RISK MANAGEMENT

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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2020.

Independent School District No. 14
Notes to Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

On July 1, 2006, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of \$2,000 of benefit per covered person per calendar year. The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the dental insurance plan recorded in the General Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Self-Insured Dental Benefits Internal Service Fund includes a reserve of \$265,351 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2019, is \$3,005 and include amounts for known claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

On July 1, 2015, the District began to self-insure for health insurance. A stop-loss policy was purchased that limits the District's loss to \$100,000 of claims per person at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 115% of the current year's total expected annual claims at which point the reinsurance coverage is available.

The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the Self-Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self-Insured Medical Benefits Internal Service Fund includes a reserve of \$4,505,929 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2019, is \$288,876 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2017-2018	\$ 167,967	\$ 4,812,473	\$ (4,489,305)	\$ 491,135
2018-2019	491,135	4,743,049	(4,972,323)	261,861
2019-2020	261,861	5,314,371	(5,284,351)	291,881

Independent School District No. 14
Notes to Financial Statements

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2020, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The student activity accounts of the District, as of July 1, 2019, have been taken under board control and will not be reported separately. These adjustments affected beginning fund balance for the General Fund and beginning net position for governmental activities in the amount of \$86,544.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. This statement will be effective for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 14
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability			
Service cost	\$ 268,733	\$ 261,627	\$ 285,365
Interest	117,244	120,305	105,136
Differenced between expected and actual experience	-	(790,649)	-
Changes of assumptions	-	4,521	54,604
Plan changes	-	159,928	-
Benefit payments	(303,571)	(273,818)	(354,893)
Other changes	-	-	-
Net change in total OPEB liability	<u>82,406</u>	<u>(518,086)</u>	<u>90,212</u>
Beginning of year	<u>3,330,127</u>	<u>3,412,533</u>	<u>2,894,447</u>
End of year	<u>\$ 3,412,533</u>	<u>\$ 2,894,447</u>	<u>\$ 2,984,659</u>
Covered payroll	\$ 21,815,879	\$ 22,997,695	\$ 23,687,626
Total OPEB liability as a percentage of covered-employee payroll	15.64%	12.59%	12.60%

Independent School District No. 14
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and 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 (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1101%	\$ 5,171,946	\$ -	\$ 5,171,946	\$ 5,778,869	89.5%	78.7%
2015	0.0986%	5,109,964	-	5,109,964	5,696,880	89.7%	76.8%
2016	0.0953%	7,737,887	101,013	7,838,900	5,910,760	130.9%	68.9%
2017	0.0955%	6,096,657	76,662	6,173,319	6,152,440	99.1%	75.9%
2018	0.0940%	5,214,735	171,082	5,385,817	6,317,693	82.5%	79.5%
2019	0.0936%	5,174,934	160,993	5,335,927	6,627,653	78.1%	80.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and 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 (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3144%	\$ 14,487,326	\$ 1,019,111	\$ 15,506,437	\$ 14,351,614	100.9%	81.5%
2015	0.3011%	18,626,013	2,284,436	20,910,449	15,281,867	121.9%	76.8%
2016	0.3130%	74,657,968	7,493,341	82,151,309	16,280,760	458.6%	44.9%
2017	0.3287%	65,614,483	6,343,192	71,957,675	17,693,453	370.8%	51.6%
2018	0.3409%	21,411,711	2,011,542	23,423,253	18,836,973	113.7%	78.1%
2019	0.3274%	20,868,545	1,846,938	22,715,483	18,586,874	112.3%	78.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Independent School District No. 14
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 418,968	\$ 418,968	\$ -	\$ 5,778,869	7.25%
2015	427,266	427,266	-	5,696,880	7.50%
2016	443,307	443,307	-	5,910,760	7.50%
2017	461,433	461,433	-	6,152,440	7.50%
2018	473,827	473,827	-	6,317,693	7.50%
2019	497,074	497,074	-	6,627,653	7.50%
2020	494,659	494,659	-	6,595,453	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of District Contributions
TRA Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,004,613	\$ 1,004,613	\$ -	\$ 14,351,614	7.0%
2015	1,146,140	1,146,140	-	15,281,867	7.5%
2016	1,221,057	1,221,057	-	16,280,760	7.5%
2017	1,327,009	1,327,009	-	17,693,453	7.5%
2018	1,412,773	1,412,773	-	18,836,973	7.5%
2019	1,433,048	1,433,048	-	18,586,874	7.7%
2020	1,460,200	1,460,200	-	18,483,544	7.9%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 14
Notes to the Required Supplementary Information

TRA Retirement Fund

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% 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 July 1, 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 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.

Independent School District No. 14
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years, and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 14
Notes to the Required Supplementary Information

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changes prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

Independent School District No. 14
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

SUPPLEMENTARY INFORMATION

Independent School District No. 14
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue		Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Post Employment Benefits Debt Service	
Assets				
Cash and investments	\$ 587,127	\$ 497,339	\$ 264,784	\$ 1,349,250
Current property taxes receivable	-	277,294	387,744	665,038
Delinquent property taxes receivable	-	6,107	8,982	15,089
Accounts receivable, net of allowance	-	46,609	-	46,609
Due from Department of Education	-	22,111	-	22,111
Due from other Minnesota school districts	-	12,384	-	12,384
Due from federal government through Department of Education	55,145	-	-	55,145
Due from other governmental units	-	2,405	-	2,405
Inventory	30,542	-	-	30,542
Prepaid items	650	5,040	-	5,690
Total assets	\$ 673,464	\$ 869,289	\$ 661,510	\$ 2,204,263
Liabilities				
Accounts payable	\$ 2,696	\$ 9,824	\$ -	\$ 12,520
Salaries and benefits payable	24,746	57,935	-	82,681
Due to other governmental units	-	145	-	145
Unearned revenue	22,024	5,448	-	27,472
Total liabilities	49,466	73,352	-	122,818
Deferred Outflows of Resources				
Unavailable revenue - delinquent property taxes	-	5,078	7,511	12,589
Property taxes levied for subsequent year's expenditures	-	387,303	540,473	927,776
Total deferred inflows of resources	-	392,381	547,984	940,365
Fund Balances				
Nonspendable	31,192	5,040	-	36,232
Restricted	592,806	398,516	113,526	1,104,848
Total fund balances	623,998	403,556	113,526	1,141,080
Total liabilities, deferred inflows of resources, and fund balances	\$ 673,464	\$ 869,289	\$ 661,510	\$ 2,204,263

Independent School District No. 14
Combining Statement of Revenues, Expenditures, and Changes
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue		Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Post Employment Benefits Debt Service	
Revenues				
Local property taxes	\$ -	\$ 364,303	\$ 533,160	\$ 897,463
Other local and county revenues	7,995	1,349,693	3,853	1,361,541
Revenue from state sources	97,093	663,627	-	760,720
Revenue from federal sources	1,443,441	-	-	1,443,441
Sales and other conversion of assets	250,770	-	-	250,770
Total revenues	<u>1,799,299</u>	<u>2,377,623</u>	<u>537,013</u>	<u>4,713,935</u>
Expenditures				
Current				
Food service	1,736,002	-	-	1,736,002
Community education and services	-	2,712,714	-	2,712,714
Capital outlay				
Food service	13,646	-	-	13,646
Community education and services	-	252	-	252
Debt service				
Principal	-	-	450,000	450,000
Interest and fiscal charges	-	-	96,895	96,895
Total expenditures	<u>1,749,648</u>	<u>2,712,966</u>	<u>546,895</u>	<u>5,009,509</u>
Excess of revenues over (under) expenditures	49,651	(335,343)	(9,882)	(295,574)
Other Financing Sources				
Transfers in	-	284,989	-	284,989
Net change in fund balances	49,651	(50,354)	(9,882)	(10,585)
Fund Balances				
Beginning of year	<u>574,347</u>	<u>453,910</u>	<u>123,408</u>	<u>1,151,665</u>
End of year	<u>\$ 623,998</u>	<u>\$ 403,556</u>	<u>\$ 113,526</u>	<u>\$ 1,141,080</u>

Independent School District No. 14
Combining Statement of Net Position - Internal Service Funds
June 30, 2020

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Assets			
Cash and cash equivalents	\$ 6,210,607	\$ 558,906	\$ 6,769,513
Investments	-	3,796,174	3,796,174
Accounts receivable	-	15,155	15,155
Interest receivable	-	132,813	132,813
	<u>\$ 6,210,607</u>	<u>\$ 4,503,048</u>	<u>\$ 10,713,655</u>
Liabilities			
Accounts payable	\$ 73,406	\$ -	\$ 73,406
Incurred but not reported claims	218,475	-	218,475
Unearned revenue	1,147,445	-	1,147,445
	<u>1,439,326</u>	<u>-</u>	<u>1,439,326</u>
Net Position			
Unrestricted	4,771,281	4,503,048	9,274,329
	<u>\$ 6,210,607</u>	<u>\$ 4,503,048</u>	<u>\$ 10,713,655</u>
Total liabilities and net position	<u>\$ 6,210,607</u>	<u>\$ 4,503,048</u>	<u>\$ 10,713,655</u>

Independent School District No. 14
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2020

	<u>Self Insurance</u>	<u>OPEB Revocable Trust</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Charges for services	\$ 6,008,570	\$ 219,948	\$ 6,228,518
Operating Expense			
Insurance	4,747,465	309,534	5,056,999
Administrative	566,905	-	566,905
Total operating expenses	<u>5,314,370</u>	<u>309,534</u>	<u>5,623,904</u>
Operating income (loss)	694,200	(89,586)	604,614
Nonoperating Revenues			
Investment income	<u>-</u>	<u>46,872</u>	<u>46,872</u>
Change in net position	694,200	(42,714)	651,486
Net Position			
Beginning of year	<u>4,077,081</u>	<u>4,545,762</u>	<u>8,622,843</u>
End of year	<u>\$ 4,771,281</u>	<u>\$ 4,503,048</u>	<u>\$ 9,274,329</u>

Independent School District No. 14
Combining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2020

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Cash Flows - Operating Activities			
Receipts from district contribution	\$ -	\$ 220,681	\$ 220,681
Receipts from employees	5,992,254	-	5,992,254
Payments to vendors	(5,284,350)	(309,534)	(5,593,884)
Net cash flows - operating activities	<u>707,904</u>	<u>(88,853)</u>	<u>619,051</u>
Cash Flows - Investing Activities			
Net sale/(purchase) of investments	-	325,662	325,662
Interest received	-	59,355	59,355
Net cash flows - investing activities	<u>-</u>	<u>385,017</u>	<u>385,017</u>
Net change in cash and cash equivalents	707,904	296,164	1,004,068
Cash and Cash Equivalents			
Beginning of year	<u>5,502,703</u>	<u>262,742</u>	<u>5,765,445</u>
End of year	<u>\$ 6,210,607</u>	<u>\$ 558,906</u>	<u>\$ 6,769,513</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ 694,200	\$ (89,586)	\$ 604,614
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Accounts receivable	4,416	733	5,149
Unearned revenue	(20,732)	-	(20,732)
Accounts payable	30,020	-	30,020
Net cash flows - operating activities	<u>\$ 707,904</u>	<u>\$ (88,853)</u>	<u>\$ 619,051</u>

Independent School District No. 14
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2020

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 44,394,055	\$ 44,394,053	\$ 2	Total revenue	\$ -	\$ -	\$ -
Total expenditures	42,338,911	42,338,915	(4)	Total expenditures	161,946	161,946	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	207,678	207,678	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	68,462	68,462	-	4.07 Capital Projects Levy	829,228	829,228	-
4.02 Scholarships	-	-	-	4.13 Building Projects funded by COP	-	-	-
4.06 Health And Safety	-	-	-	4.67 Long-term Facilities Maintenance	-	-	-
4.07 Capital Projects Levy	279,040	279,040	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	-	-	-
4.13 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.24 Operating Capital	425,933	425,933	-	Total revenue	\$ 4,468,083	\$ 4,468,083	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	4,347,350	4,347,350	-
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refunding	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.38 Gifted And Talented	-	1	(1)	4.51 QZAB payments	-	-	-
4.41 Basic Skills Programs	-	-	-	4.67 LTFM	-	-	-
4.45 Career Technical Programs	-	-	-	<i>Restricted:</i>			
4.48 Achievement And Integration Revenue	-	-	-	4.64 Restricted fund balance	787,860	787,860	-
4.49 Safe School Crime	193,069	193,069	-	<i>Unassigned:</i>			
4.51 QZAB Payments	-	-	-	4.63 Unassigned fund balance	-	-	-
4.52 Opeb Liabilities Not Held In Trust	-	-	-				
4.53 Unfunded Severance And Retirement Levy	-	-	-	08 TRUST FUND			
4.59 Basic Skills Extended Time	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.67 Long-term Facilities Maintenance	60,196	60,196	-	Total expenditures	-	-	-
4.72 Medical Assistance	715,356	715,356	-	<i>Unassigned:</i>			
4.64 Restricted Fund Balance	-	-	-	4.01 Student Activities	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.02 Scholarships	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.22 Net position	-	-	-
<i>Restricted:</i>				18 CUSTODIAL			
4.64 Restricted fund balance	-	-	-	Total revenue	-	-	-
<i>Committed:</i>				Total expenditures	-	-	-
4.18 Committed for separation	-	-	-	<i>Restricted/Reserved:</i>			
4.61 Committed	-	-	-	4.01 Student Activities	-	-	-
<i>Assigned:</i>				4.02 Scholarships	-	-	-
4.62 Assigned fund balance	2,599,775	2,599,776	(1)	4.48 Achievement and Integration	-	-	-
<i>Unassigned:</i>				4.64 Restricted	-	-	-
4.22 Unassigned fund balance	2,911,436	2,911,433	3				
02 FOOD SERVICES FUND				20 INTERNAL SERVICE FUND			
Total revenue	\$ 1,799,299	\$ 1,799,298	\$ 1	Total revenue	\$ 6,008,570	\$ 6,008,570	\$ -
Total expenditures	1,749,648	1,749,649	(1)	Total expenditures	5,314,370	5,314,371	(1)
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable fund balance	31,192	31,192	-	4.22 Net position	4,771,281	4,771,280	1
See notes to required supplementary information.				25 OPEB REVOCABLE TRUST			
452 OPEB Liabilities not Held in Trust	-	-	-	Total revenue	\$ 266,820	\$ 266,820	\$ -
<i>Restricted:</i>				Total expenditures	309,534	309,533	1
464 Restricted fund balance	592,806	592,805	1	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.22 Net position	4,503,048	4,503,048	-
463 Unassigned fund balance	-	-	-				
04 COMMUNITY SERVICE FUND				45 OPEB IRREVOCABLE TRUST			
Total revenue	\$ 2,377,623	\$ 2,377,624	\$ (1)	Total expenditures	\$ -	\$ -	\$ -
Total expenditures	2,712,966	2,712,965	1	Total revenue	-	-	-
<i>Nonspendable:</i>				4.22 Net position	-	-	-
460 Nonspendable fund balance	5,040	5,040	-	47 OPEB DEBT SERVICE			
<i>Restricted/reserved:</i>				Total revenue	\$ 537,013	\$ 537,014	\$ (1)
426 \$25 taconite	-	-	-	Total expenditures	546,895	546,895	-
431 Community Education	274,056	274,056	-	<i>Nonspendable:</i>			
432 ECFE	4,906	4,906	-	4.60 Nonspendable fund balance	-	-	-
444 School Readiness	24,579	24,579	-	<i>Restricted:</i>			
447 Adult Basic Education	-	-	-	4.25 Bond refundings	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-	4.64 Restricted fund balance	113,526	113,526	-
<i>Restricted:</i>				<i>Unassigned:</i>			
464 Restricted fund balance	94,975	94,975	-	4.63 Unassigned fund balance	-	-	-
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-				

Independent School District No. 14
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	\$ 129,645
School Breakfast	10.553	314,645
National School Lunch	10.555	628,669
Summer Food Service	10.559	219,850
Total Child Nutrition Cluster		<u>1,292,809</u>
Child and Adult Care Food Program	10.558	131,637
Fresh Fruit and Vegetables	10.582	18,995
Total U.S. Department of Agriculture		<u>1,443,441</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	454,726
Title II, Part A - Improving Teacher Quality	84.367	144,947
Title III, Part A - English Language Acquisition	84.365	51,357
Title III, Part A - Immigrant Grant	84.365	8,268
Special Education Cluster		
Special Education	84.027	409,473
IDEA, Part B Section 611 Mandatory Coordinated Early Intervening Services	84.027	108,514
Special Education - Preschool Grant	84.173	15,663
Total Special Education Cluster		<u>533,650</u>
Infants and Toddlers	84.181	17,616
Carl Perkins	84.048A	2,768
Through Northwest Suburban Integration District:		
Global Studies Magnet Grant	84.165A	121,275
Total U.S. Department of Education		<u>1,334,607</u>
U.S. Department of the Interior		
Through Minnesota Chippewa Tribe		
Johnson-O'Malley Indian Education Assistance to Schools	15.130	296
Total federal expenditures		<u><u>\$ 2,778,344</u></u>

Independent School District No. 14
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

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

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ending June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, described as Audit Finding 2020-001.

Compliance and Other Matters

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

District's Response to the Findings

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

Purpose of this Report

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



Minneapolis, Minnesota
October 9, 2020

**Report on Compliance for Each Major
Federal Program and on Internal Control over
Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 14, Fridley, Minnesota, compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs, in Accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 14 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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

Bergan KDV Ltd.

Minneapolis, Minnesota
October 9, 2020

**Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2020-001
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No.:	10.553, 10.555, 10.556, and 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

**Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended June 30, 2020, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Accounts Payable Clerk enters invoices into the system and prepares the checks.
- The Accounting Supervisor has access to all areas of the accounting system.
- The Accounting Supervisor and Payroll Specialist have overlapping duties within the payroll process

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
 - a. As a mitigating control, the Accounting Supervisor receives a system report of checks prior to the preparation of checks for review. In addition, the Accounting Supervisor reviews the edit to the check register to verify that the edit was not changed after review.

**Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

CORRECTIVE ACTION PLAN (CAP):

2. Actions Planned in Response to Finding (Continued)
 - b. The Accounting Supervisor has access to all areas of the accounting system. Segregation will be reviewed to determine whether access can feasibly be limited.
 - c. Payroll responsibilities will be reviewed once the HRIS system is fully built out and functional.
3. Official Responsible for Ensuring CAP

Barbra Roessler, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP

The planned completion date for the CAP is June 30, 2021.
5. Plan to Monitor Completion of CAP

The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There are no prior year federal award findings or questioned costs.

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, and have issued our report thereon dated October 9, 2020.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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



Minneapolis, Minnesota
October 9, 2020

CERTIFICATION OF MINUTES RELATING
TO
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2020A

ISSUER: INDEPENDENT SCHOOL DISTRICT NO. 14
(FRIDLEY PUBLIC SCHOOLS)
STATE OF MINNESOTA

BODY: SCHOOL BOARD

KIND, DATE, TIME AND PLACE OF MEETING: A regular meeting held on October 20, 2020, at 7:30 o'clock p.m., in the School District in person, or by telephone or other electronic means, as permitted by Minnesota Statutes, Section 13D.021

MEMBERS PRESENT:

MEMBERS ABSENT:

DOCUMENTS ATTACHED: Extract of Minutes of said meeting.

**RESOLUTION AWARDING THE SALE, DETERMINING THE FORM AND
DETAILS, AUTHORIZING THE EXECUTION, DELIVERY, AND
REGISTRATION, AND PROVIDING FOR THE PAYMENT OF GENERAL
OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2020A**

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the obligations referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said obligations; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS MY HAND officially as such recording officer this ____ day of October, 2020.

School District Clerk

EXTRACT OF MINUTES OF A MEETING
OF THE SCHOOL BOARD OF
INDEPENDENT SCHOOL DISTRICT NO. 14
(FRIDLEY PUBLIC SCHOOLS)
STATE OF MINNESOTA

HELD: OCTOBER 20, 2020

Pursuant to due call and notice thereof, a regular meeting of the School Board of Independent School District No. 14, State of Minnesota, was duly held on October 20, 2020, at 7:30 o'clock p.m in the School District in person, or by telephone or other electronic means, as permitted by Minnesota Statutes, Section 13D.021.

It was reported that _____ proposals for the purchase of the approximately \$4,835,000 General Obligation School Building Refunding Bonds, Series 2020A of the District (said amount being subject to adjustment in accordance with the Terms of Proposal) had been received prior to 10:00 o'clock a.m., Central Time, pursuant to the Terms of Proposal contained in the Official Statement; that the proposals had been opened, read and tabulated; and that the best proposal of each proposal maker was determined to be as follows:

SEE ATTACHED

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION AWARDING THE SALE, DETERMINING THE FORM AND DETAILS, AUTHORIZING THE EXECUTION, DELIVERY, AND REGISTRATION, AND PROVIDING FOR THE PAYMENT OF GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2020A

BE IT RESOLVED by the School Board of Independent School District No. 14, State of Minnesota, as follows:

Section 1. Authorization and Sale.

1.01 Authorization. At a meeting held August 18, 2020, this Board determined to sell and issue general obligation refunding bonds of Independent School District No. 14 (the "Issuer" or the "District"). Said Bonds shall hereinafter be referred to as the "Bonds" or the "Refunding Bonds". In the Terms of Proposal, the District reserved the right, after proposals were opened and prior to award, to increase or decrease the principal amount of the Bonds offered for sale or the amount of any individual maturity, with the increase or decrease to occur in multiples of \$5,000 in any of the maturities. The Refunding Bonds, together with other available funds of the Issuer in the amount of \$ _____, shall provide funds for a current refunding of the Refunded Bonds and to prepay on February 1, 2021, the 2022 through 2026 maturities, aggregating \$5,085,000 in principal amount, of the Issuer's General Obligation School Building Refunding Bonds, Series 2012B, bearing a date of original issue of November 7, 2012 (the "Refunded Bonds"). The Refunded Bonds were originally issued to provide funds for the current refunding of the District's General Obligation School Building Bonds, Series 2004A, bearing a date of original issue of April 8, 2004.

1.02 Sale. The Board, having been advised by Ehlers & Associates, Inc., its independent municipal advisor, has determined that this issue shall be privately sold after receipt of written proposals, as authorized pursuant to Minnesota Statutes, Section 475.60, Subdivision 2. The Board has publicly received and considered all proposals presented in conformity with the Terms of Proposal contained in the Official Statement, which are hereby ratified and confirmed in all respects and are incorporated herein by reference as though fully specified in this paragraph. The most favorable of such proposals is ascertained to be that of _____ (the "Purchaser") to purchase the Bonds at a price of \$ _____ plus interest accrued to settlement, and upon the further terms and conditions set forth in the Terms of Proposal contained in the Official Statement and this resolution. Said proposal is hereby accepted and the sale of the Bonds is hereby awarded to said Purchaser.

1.03 Execution of Documents. The Chair and Clerk are authorized and directed to endorse an acceptance on both copies of the most favorable proposal and to send one copy to the Purchaser.

1.04 Purpose; Compliance with Current Refunding Law; Debt Service Savings; Findings; Security.

(a) **Compliance.** The Refunding Bonds shall provide moneys for a current refunding of the Refunded Bonds. It is hereby determined and declared that the refunding of the Refunded Bonds complies with Minnesota Statutes, Section 475.67, and is consistent with the covenants made with the holders thereof. The Issuer has observed and complied with all of the obligations and covenants made by the School Board in connection with the issuance of the Refunded Bonds.

(b) **Use of Proceeds of Refunded Bonds.** All of the proceeds, including the investment earnings thereon, of the Refunded Bonds have heretofore been expended by the Issuer for the uses and purposes for which the District issued the Refunded Bonds.

(c) **Redemption.** The Refunded Bonds are called for redemption on February 1, 2021, the earliest date on which they may be called for redemption without payment of any premium.

(d) **Security.** Until retirement and prepayment of the Refunded Bonds, all provisions made for the security of the Refunded Bonds shall be observed by the Issuer.

(e) **Supplemental Resolution.** The resolutions of the School Board authorizing the issuance of the Refunded Bonds are hereby supplemented to the extent necessary to give effect to the provisions of this resolution.

1.05 Compliance with Law. All acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to the issuance of the Bonds having been done, having happened and having been performed in regular and due form, time and manner as required by law, it is necessary for this Board to establish the form and terms of the Bonds, to provide for the security thereof, and to provide for the issuance of the Bonds forthwith.

1.06 Minnesota School District Credit Enhancement Program. (a) The District hereby covenants and obligates itself to notify the Commissioner of Education of a potential default in the payment of principal and interest on the Bonds and to use the provisions of Minnesota Statutes, Section 126C.55 to guarantee payment of the principal and interest on the Bonds when due. The District further covenants to deposit with the Bond Registrar or any successor paying agent three (3) days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of that payment. The Bond Registrar for the Bonds is authorized and directed to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal or interest on the Bonds or if, on the day two (2) business days prior to the date a payment is due on the Bonds, there are insufficient funds to make that payment on deposit with the Bond Registrar. The District understands that as a result of its

covenant to be bound by the provisions of Minnesota Statutes, Section 126C.55, the provisions of that section shall be binding as long as any Bonds of this issue remain outstanding.

(b) The District further covenants to comply with all procedures now or hereafter established by the Departments of Management and Budget and Education of the State of Minnesota pursuant to Minnesota Statutes, Section 126C.55, subdivision 2(c) and otherwise to take such actions as necessary to comply with that section.

Section 2. Bond Terms.

2.01 Designation; Registration; Denomination; Maturities. The \$ _____ aggregate principal amount of general obligation bonds sold on this date shall be designated General Obligation School Building Refunding Bonds, Series 2020A, shall be dated November 12, 2020, as the date of original issue, and shall be issued forthwith on or after such date using a global book-entry system. The Bonds shall be issued as fully registered bonds and shall be numbered R-1 upward, in the denomination of \$5,000 each or any integral multiple thereof of a single maturity. The Bonds shall mature on February 1 in the years and amounts set forth below, and shall bear interest from the most recent Interest Payment Date to which interest has been paid or provided for, or, if no interest has been duly paid or provided for, from the date of original issue until paid or duly called for mandatory redemption, if herein provided, at the rates per annum set forth below opposite such years and amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
	\$			\$	

The maturities for the years _____ to _____ have been adjusted pursuant to the proposal of the Purchaser and as authorized in the Terms of Proposal. The Bonds maturing on February 1 in the years _____ and _____ are term bonds subject to mandatory redemption in the years and principal amounts specified in Paragraph 2.04(b).

These maturities, together with the maturities of all other outstanding general obligation bonds of the Issuer, meet the requirements of Minnesota Statutes, Section 475.54.

2.02 Interest Payments. Interest shall be payable semiannually on each February 1 and August 1 to maturity (each an "Interest Payment Date"), commencing August 1, 2021. Interest will be calculated on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to the rules of the MSRB. Interest will be payable in the manner set forth in the form of Global Certificate or Replacement Bond and Paragraph 4.06 of this resolution.

2.03 Use of Global Book-Entry System.

(a) Description of System. In order to issue obligations in "global book-entry form", the obligations are issued in certificated form in large denominations, are registered on the books of the Issuer in the name of a depository or its nominee, and are immobilized and held in safekeeping by the depository. The depository, as part of the computerized National Securities Clearance and Settlement System (the "National System"), registers transfers of ownership interests in the obligations by making computerized book entries on its own books and distributing payments on the obligations to its participants shown on its books as the owners of such interests. These participants, which include financial institutions for whom the depository effects book-entry transfers of securities deposited and immobilized with the depository, and other banks, brokers and dealers participating in the National System will do likewise if not the beneficial owners of the obligations.

(b) Designation of Depository; Approval of Blanket Issuer Letter of Representations. The Depository Trust Company ("DTC") of New York, New York, a Securities and Exchange Commission designated depository, a limited purpose New York trust company, a member of the Federal Reserve System, and a "clearing corporation" within the meaning of the New York Uniform Commercial Code, is hereby designated as the depository (the "Depository") with respect to the Bonds issued hereunder in global book-entry form. There has been submitted to this Board a form of letter of representations (the "Blanket Issuer Letter of Representations") between the Issuer and the Depository setting forth various matters relating to the Depository and its role with respect to the Bonds. This Blanket Issuer Letter of Representations is hereby approved. The Chair or the Clerk is hereby authorized and directed to execute the Blanket Issuer Letter of Representations in substantially the form attached hereto as EXHIBIT C, if such a letter of representations has not already been executed, with only such variations therein as may be required to complete the Blanket Issuer Letter of Representations, or which are not, in the opinion of Bond Counsel, materially adverse to the interests of the Issuer. Execution of the Blanket Issuer Letter of Representations by such official shall be conclusive evidence as to the necessity and propriety of such changes and their approval by Bond Counsel. So long as DTC is the Depository or it or its nominee is the Holder of any Global Certificate, the District shall comply with the provisions of the Blanket Issuer Letter of Representations, as it may be amended or supplemented by the District from time to time with the agreement or consent of DTC.

(c) Global Certificates. Upon their original issuance, the Bonds will be issued in the form of a single Global Certificate for each maturity which shall represent the aggregate principal amount of the Bonds due on a particular maturity date (the "Global Certificates"). The Global Certificates will be originally issued and fully registered as to principal and interest

in the name of Cede & Co., as nominee of DTC. The Global Certificates will be deposited with the Depository by the Purchaser and will be immobilized as further provided herein. No beneficial owners of interest in the Bonds will receive certificates representing their respective interests in the Bonds except as provided below in clause (e) of this Paragraph 2.03. Except as so provided, during the term of the Bonds, beneficial ownership (and subsequent transfers of beneficial ownership) of interests in the Global Certificates will be reflected by book entries made on the records of the Depository and its participants and other banks, brokers, and dealers participating in the National System. The Depository's book entries of beneficial ownership interest are authorized to be in integral increments of \$5,000, despite the larger authorized denominations of the Global Certificates. Payment of principal of, premium, if any, and interest on the Global Certificates will be made to the Bond Registrar as paying agent, and in turn by the Bond Registrar to the Depository or its nominee as registered owner of the Global Certificates. The Depository, according to the laws and rules governing it, will receive and forward such payments on behalf of the beneficial owners of the Global Certificates.

(d) Immobilization of Global Certificates by the Depository. Pursuant to the request of the Purchaser to the Depository, immediately upon the original delivery of the Bonds, the Purchaser will deposit the Global Certificates representing all of the Bonds with the Depository. The Global Certificates shall be in typewritten form or otherwise as acceptable to the Depository, shall be registered in the name of the Depository or its nominee and shall be held immobilized from circulation at the offices of the Depository on behalf of the Purchaser and subsequent Bondholders. The Depository or its nominee will be the sole Holder of record of the Global Certificates and no investor or other party purchasing, selling or otherwise transferring ownership of interests in any Bond is to receive, hold or deliver any Global Certificates so long as the Depository holds the Global Certificates immobilized from circulation, except as provided below in clause (e) of this Paragraph 2.03.

(e) Transfer or Exchange of Global Certificates; Substitute Depository; Replacement Bonds.

Global Certificates evidencing the Bonds may not, after their original delivery, be transferred or exchanged except:

(i) Upon exchange of a Global Certificate after a partial redemption, if authorized in Paragraph 2.04 of this resolution;

(ii) To any successor of the Depository (or its nominee) or any substitute depository (a "Substitute Depository") designated pursuant to subclause (iii) of this clause (e); provided that any successor of the Depository or any Substitute Depository must be both a "clearing corporation" as defined in the Minnesota Uniform Commercial Code, Minnesota Statutes, Section 336.8-102, and a qualified and registered "clearing agency" as provided in Section 17A of the Securities Exchange Act of 1934, as amended;

(iii) To a Substitute Depository designated by and acceptable to the Issuer upon (a) the determination by the Depository that the Bonds shall no longer be eligible for its depository

services or (b) a determination by the Issuer that the Depository is no longer able to carry out its functions; provided that any Substitute Depository must be qualified to act as such, as provided in subclause (ii) of this clause (e); or

(iv) In the event that (a) the Depository shall resign or discontinue its services for the Bonds or be declared no longer able to carry out its functions and the Issuer is unable to locate a Substitute Depository within two (2) months following the resignation or discontinuance or determination of noneligibility, or (b) the Issuer determines in its sole discretion that (1) the continuation of the book-entry system described herein might adversely affect the interests of the beneficial owners of the Bonds, or (2) it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, then the Issuer shall notify the Holders of its determination and of the availability of Replacement Bonds to Holders. The Issuer, the Bond Registrar and the Depository shall cooperate in providing Replacement Bonds to Holders requesting the same and the registration, transfer and exchange of such Bonds shall thereafter be conducted as provided in Paragraph 4.04 of this resolution.

In the event of the designation of a Substitute Depository as authorized by this clause (e), the Bond Registrar, upon presentation of the Global Certificates, shall register their transfer to the Substitute Depository, and the Substitute Depository shall be treated as the Depository for all purposes and functions under this resolution. The Blanket Issuer Letter of Representations shall not apply to the Substitute Depository unless the Issuer and the Substitute Depository so agree, and the execution of a similar agreement is hereby authorized.

2.04 Redemption. (a) Optional Redemption. The Bonds of this Issue are not subject to optional redemption or prepayment prior to maturity.

(b) Mandatory Redemption. (1) The Bonds maturing in the year ____ shall be subject to mandatory redemption at a redemption price equal to the principal amount of the Bonds to be so redeemed plus interest accrued thereon to the date fixed for redemption, on February 1 in the years and principal amounts set forth below:

<u>Year</u>	<u>Amount</u>
	\$

(2) The Bonds maturing in the year ____ shall be subject to mandatory redemption at a redemption price equal to the principal amount of the Bonds to be so redeemed plus interest accrued thereon to the date fixed for redemption, on February 1 in the years and principal amounts set forth below:

<u>Year</u>	<u>Amount</u>
	\$

(3) Mandatory redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the Issuer shall determine the order of redemption of Bonds; and if only part of the Bonds having a common maturity date are called for prepayment, the Global Certificates to be prepaid may be prepaid in \$5,000 increments of principal and, if applicable, the specific Replacement Bonds to be prepaid shall be chosen by lot by the Bond Registrar as provided below. Bonds or portions thereof called for redemption shall be due and payable on the designated redemption date, and interest thereon shall cease to accrue from and after the redemption date.

(c) Mandatory Redemption of Global Certificates. Upon a partial redemption in the aggregate principal amount of a Global Certificate which results in the stated amount thereof being reduced, the Holder may in its discretion make a notation of such redemption on the panel provided on the Global Certificate stating the amount so redeemed, or may return the Global Certificate to the Bond Registrar in exchange for a new Global Certificate authenticated by the Bond Registrar, in proper principal amount. Such notation of redemption, if made by the Holder, shall be for reference only, and may not be relied upon by any other person as being in any way determinative of the principal amount of such Global Certificate outstanding, unless the Bond Registrar has signed the appropriate column of the panel.

(d) Mandatory Redemption of Replacement Bonds. To effect a partial redemption of Replacement Bonds having a common maturity date, the Bond Registrar, prior to giving a notice of redemption, shall assign to each Replacement Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Replacement Bond. The Bond Registrar shall then select by lot from the numbers so assigned to such Replacement Bonds, using such method of selection as it shall deem proper in its discretion, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Replacement Bonds to be redeemed. The Replacement Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Replacement Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 of principal amount for each number assigned to it and so selected. If a Replacement Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the Issuer or the Bond Registrar so requires, a written instrument of transfer in form satisfactory to the Issuer and the Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of such Replacement Bond, without service charge, a new Replacement Bond or Bonds of the same series having the same stated maturity and interest rate and of any authorized denomination or denominations, as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Replacement Bond so surrendered.

(e) Notice of Mandatory Redemption of Global Certificates and Replacement Bonds. The Bond Registrar shall call Bonds for redemption and payment as herein provided upon receipt by the Bond Registrar of a request of the Issuer. The request shall be in written

form. The request shall specify the principal amount of Bonds to be called for redemption, the redemption date and the redemption price.

Published notice of redemption shall in each case be given in accordance with law, and mailed notice of redemption shall be given to the paying agent and to each affected Holder. If and when the Issuer shall call any of the Bonds for redemption and payment prior to the stated maturity thereof, the Bond Registrar shall give written notice in the name of the Issuer of its intention to redeem and pay such Bonds at the office of the Bond Registrar. The Notice of Redemption shall be given by first class mail, postage prepaid, mailed not less than thirty (30) days prior to the redemption date, to each Holder of Bonds to be redeemed, at the address appearing in the records of the Bond Registrar. For the purpose of giving notice of the redemption of Global Certificates, the Holder of the Global Certificates shall be the Depository or its nominee. In connection with any such notice, the "CUSIP" numbers assigned to the Bonds shall be used. All notices of redemption shall state:

- (i) The redemption date;
- (ii) The redemption price;
- (iii) If less than all outstanding Bonds are to be redeemed, the identification (and, if the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
- (iv) That on the redemption date, the redemption price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after said date; and
- (v) The place where such Bonds are to be surrendered for payment of the redemption price (which shall be the office of the Bond Registrar).

Section 3. Form of Bonds.

The Bonds to be issued hereunder shall be in the form of Global Certificates unless and until Replacement Bonds are made available as provided herein.

3.01 Global Certificates. The Global Certificates to be issued hereunder, together with the Bond Registrar's Certificate of Authentication, the Register of Partial Payments, the form of Assignment, and the registration information thereon, shall be in substantially the form set forth in EXHIBIT A hereto, which exhibit is incorporated herein by reference as though fully specified in this paragraph, and may be typewritten rather than printed.

3.02 Replacement Bonds. If the Issuer has notified Holders that Replacement Bonds have been made available as provided in Paragraph 2.03(e) of this resolution, then for every Bond thereafter transferred or exchanged (including an exchange to reflect the partial mandatory redemption of a Global Certificate not previously exchanged for Replacement Bonds), the Bond Registrar shall deliver a bond in the form of a Replacement Bond rather than

a Global Certificate, but the Holder of a Global Certificate shall not otherwise be required to exchange the Global Certificate for one or more Replacement Bonds since the Issuer recognizes that some Holders may prefer the convenience of the Depository's registered ownership of the Bonds even though the entire issue is no longer required to be in global book-entry form. The Replacement Bonds, together with the Bond Registrar's Certificate of Authentication, the form of Assignment and the registration information thereto, shall be in substantially the form set forth in EXHIBIT B hereto, which exhibit is incorporated herein by reference as though fully specified in this paragraph.

Section 4. Execution; Delivery; Registration.

4.01 Appointment of Registrar. Bond Trust Services Corporation in Roseville, Minnesota, is appointed to act as the bond registrar and transfer agent (the "Bond Registrar") and shall do so until a successor Bond Registrar is duly appointed, all pursuant to a contract the Issuer and Bond Registrar shall execute which is consistent herewith and which the chair and clerk are hereby authorized to execute and deliver. A successor Bond Registrar shall be a bank or trust company eligible for designation as bond registrar pursuant to Minnesota Statutes, Chapter 475. The terms of the appointment of the successor Bond Registrar and its duties shall be specified in a contract between the Issuer and such successor Bond Registrar that is consistent herewith and that the Chair and Clerk are hereby authorized to execute and deliver. The Bond Registrar, which may act through an agent, shall also serve as paying agent until and unless a successor paying agent is duly appointed. The Bond Registrar shall pay principal and interest on the Bonds to the registered Holders (or record Holder) of the Bonds in the manner set forth in the form of Global Certificate or Replacement Bond, as applicable, and Paragraph 4.06 of this resolution. The Issuer agrees to pay the reasonable and customary charges for the services of such Bond Registrar.

4.02 Execution of Bonds. The Bonds shall be executed on behalf of the Issuer by the manual signatures of the Chair and Clerk of the School Board; provided, however that both of such signatures may be printed facsimiles, in which event the Bonds shall also be executed manually by the authenticating agent as provided in Minnesota Statutes, Section 475.55. In the event of disability or resignation or other absence of either such officer, the Bonds may be signed by the manual or facsimile signature of that officer who may act on behalf of such absent or disabled officer. In case either such officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if that officer had remained in office until delivery. If the Issuer has adopted a corporate seal, it shall be omitted on the Bonds as permitted by law.

4.03 Authentication; Date of Registration. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this resolution unless and until a Certificate of Authentication on such Bond, substantially in the form set forth in the form of Global Certificate or Replacement Bond, shall have been duly executed by the manual signature of an authorized representative of the Bond Registrar. Certificates of authentication on different Bonds need not be signed by the same person. The Bond Registrar shall

authenticate each Bond by execution of the Certificate of Authentication on the Bond and shall date each Bond in the space provided as of the date on which the Bond is registered. For purposes of delivering the original Bonds (Global Certificates) to the Purchaser, the Bond Registrar shall insert as the date of registration the date of original issue; and the executed Certificate of Authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution.

4.04 Transfer or Exchange. The Issuer will cause to be kept at the principal office of the Bond Registrar a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Bond Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged as herein provided.

A Global Certificate shall be registered in the name of the payee on the books of the Bond Registrar by presenting the Global Certificate for registration to the Bond Registrar, who will endorse his or her name and note the date of registration opposite the name of the payee in the certificate of registration on the Global Certificate. Thereafter a Global Certificate may be transferred by delivery with an assignment duly executed by the Holder or the Holder's legal representative, and the Issuer and Bond Registrar may treat the Holder as the person exclusively entitled to exercise all the rights and powers of an owner until a Global Certificate is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted thereon by the Bond Registrar, all subject to the terms and conditions provided in this resolution and to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar.

Upon surrender for transfer of any Bond at the principal office of the Bond Registrar, the Issuer shall execute (if necessary), and the Bond Registrar shall authenticate, date (in the space designated Date of Registration) and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any authorized denomination or denominations of a like aggregate principal amount, having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Bond may be registered in blank or in the name of "bearer" or similar designation.

When any Bond is presented to the Bond Registrar for transfer, the Bond Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Bond Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

At the option of the Holder of a Replacement Bond, Replacement Bonds may be exchanged for Replacement Bonds of any authorized denomination or denominations of a like aggregate principal amount and stated maturity, upon surrender of the Replacement Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Replacement Bonds are so surrendered for exchange, the Issuer shall execute (if necessary), and the Bond Registrar

shall authenticate, date (in the space designated Date of Registration) and deliver the Replacement Bonds which the Holder making the exchange is entitled to receive. Global Certificates may not be exchanged for Global Certificates of smaller denominations.

All Bonds surrendered upon any exchange or transfer provided for in this resolution shall be promptly canceled by the Bond Registrar and thereafter disposed of as directed by the Issuer.

All Bonds delivered in exchange for or upon transfer of Bonds shall be valid general obligations of the Issuer evidencing the same debt, shall be entitled to the same benefits under this resolution as the Bonds surrendered for such exchange or transfer, and shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bonds.

Transfer of a Bond may be made on the Issuer's books by the registered owner in person or by the registered owner's attorney duly authorized in writing. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the registered owner thereof, with signature guaranteed, or by the registered owner's attorney duly authorized in writing, and shall include written instructions as to the details of the transfer of the Bond.

The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of any Bond and any legal or unusual costs regarding transfers and lost bonds.

Transfers shall also be subject to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates.

4.05 Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be lost, stolen or destroyed, the Bond Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond lost, stolen or destroyed, upon payment of the reasonable expenses and charges of the Bond Registrar in connection therewith; and, in the case of a Bond lost, stolen or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Bond was lost, stolen or destroyed, and of the ownership thereof, and upon furnishing to the Bond Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the Issuer and the Bond Registrar shall be named as obligees. All Bonds so surrendered to the Bond Registrar shall be canceled by it and evidence of such cancellation shall be given to the District. If the mutilated, lost, stolen or destroyed Bond has already matured, it shall not be necessary to issue a new Bond prior to payment.

4.06 Interest Payments; Record Dates. Interest on any Global Certificate shall be paid as provided in the first paragraph thereof and interest on any Replacement Bond shall be

paid on each Interest Payment Date by check or draft mailed to the person in whose name the Bond is registered (the "Holder") on the registration books of the Issuer maintained by the Bond Registrar and in each case at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date fixed for the payment of such defaulted interest (the "Special Record Date"). The Special Record Date shall be fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior thereto. The term "Holder" shall also include those lawfully entitled to take actions on behalf of the beneficial owners of the Bonds for purposes of any consent or approvals given by Holders.

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

4.07 Persons Deemed Owners. The Issuer and the Bond Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest (subject to the payment provisions in Paragraph 4.06 above), on such Bond and for all other purposes whatsoever, whether or not such Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

For the purposes of all actions, consents and other matters affecting Holders of Bonds issued under this Resolution as from time to time supplemented, other than payments, redemptions, and purchases, the Issuer may (but shall not be obligated to) treat as the Holder of a Bond the beneficial owner of the Bond instead of the person in whose name the Bond is registered. For that purpose, the Issuer may ascertain the identity of the beneficial owner of the Bond by such means as the Bond Registrar in its sole discretion deems appropriate, including but not limited to a certificate from the Depository or other person in whose name the Bond is registered identifying such beneficial owner.

4.08 Delivery. The Bonds when so prepared and executed shall be delivered by the Treasurer of the Issuer to the Purchaser thereof upon receipt of the purchase price, and the Purchaser shall not be obliged to see to the proper application thereof.

Section 5. Creation of Fund and Tax Levies.

5.01 Fund. There is hereby created within the Debt Redemption Fund of the Issuer a special fund to be designated "General Obligation School Building Refunding Bonds, Series 2020A Fund" (the "Fund") to be held and administered by the Treasurer separate and apart from all other funds of the Issuer. The Fund shall be maintained in the manner herein specified until all of the Refunded Bonds and the Bonds herein authorized and the interest thereon have been fully paid. There shall be maintained in the Fund two separate accounts to be designated the "Refunding Account" and the "Debt Service Account", respectively.

(a) Refunding Account. The proceeds of the sale of the Bonds herein authorized, less any accrued interest received thereon and other proceeds directed for deposit into the Debt Service Account, plus other available District funds (estimated at \$_____) as may be required to adequately fund the Refunding Account for the purposes set forth below, are hereby pledged and appropriated and shall be credited to the Refunding Account. The Refunding Account shall be used to pay the principal amount of each such Refunded Bond at maturity or on the date on which it has been called for redemption as herein provided, and the issuance expenses of the Bonds. The moneys in said Refunding Account shall be used solely for the purposes herein set forth and for no other purpose, except that after such payments have been made, any surplus in the Refunding Account shall be transferred to the Debt Service Account.

(b) Debt Service Account. There is hereby pledged and appropriated and there shall be credited to the Debt Service Account upon issuance of the Bonds (i) any uncollected taxes heretofore levied and pledged to the Debt Redemption Fund of the Issuer for the payment of the Refunded Bonds; (ii) any other unexpended moneys pledged to the Debt Redemption Fund of the Issuer for the payment of the Refunded Bonds pursuant to the Resolutions authorizing the issuance of the Refunded Bonds (unless used to fund the Refunding Account; (iii) all taxes herein levied; (iv) all accrued interest received upon delivery of the Bonds (unless used to fund the Refunding Account; (v) any premium or unused discount to the extent not otherwise deposited into the Refunding Account and used for payment of the Refunded Bonds; (vi) all investment earnings on funds held in the Debt Service Account and (vii) any and all other moneys which are properly available and which are appropriated by the Issuer to the Debt Service Account. The Debt Service Account shall be used solely to pay the principal and interest on the Bonds and any of the bonds heretofore or hereafter authorized and made payable from said account as provided by law. If any payment of principal or interest on the Bonds shall become due when there is not sufficient money in the Debt Service Account or the Debt Redemption Fund generally to make such payment, the Treasurer shall pay the same from the General Fund of the Issuer and the General Fund shall be reimbursed for such advances out of the proceeds of the taxes levied for the payment of such Bonds.

5.02 Cancellation of Levies. Until prepayment of the Refunded Bonds, all provisions theretofore made for the security thereof shall be observed by the Issuer and all of its officers and agents. However, the School Board hereby finds, determines and certifies to the County Auditor of each county in which the Issuer is located, in whole or in part, that the

proceeds of the sale of the Refunding Bonds to be used to refund said Refunded Bonds, together with other funds available and appropriated to the Refunding Account for said purpose, will be sufficient, together with the earnings on the investment of such funds in said Refunding Account, to pay when due or called for prepayment as herein provided all of the principal of and premium, if any, on the Refunded Bonds. Accordingly, upon Bond Closing the County Auditors of each county in which the Issuer is located in whole or in part are hereby authorized and directed to the extent and in the manner permitted by law to cancel forthwith or if necessary from year to year the taxes levied in the years 2020 payable 2021 through 2024 payable 2025 pursuant to the Resolution authorizing the issuance of the Refunded Bonds and not needed as a result of the establishment of the aforesaid Refunding Account.

5.03 Pledge of Full Faith and Credit; Tax Levies. For the prompt and full payment of the principal of and interest on the Bonds as the same respectively become due, the full faith and credit and taxing powers of the Issuer shall be and are hereby irrevocably pledged. In order to provide the moneys for the payment thereof required by Minnesota Statutes, Section 475.61, there is hereby levied upon all of the taxable property in the Issuer a direct annual ad valorem tax which shall be spread upon the tax rolls for collection, as a part of other general taxes of the Issuer, in the years and amounts as specified on the levy computation sheet attached hereto as EXHIBIT D and incorporated herein by reference as though fully specified in this paragraph.

The tax levies provided in this paragraph are such that if collected in full they, together with estimated collections of other revenues herein pledged for the payment of the Bonds (other than cash on hand), will produce at least five percent (5%) in excess of the amounts needed to meet when due the principal and interest payments on the Bonds, except for interest payable hereunder from cash on hand on the date of Bond closing and pledged for such purpose.

Said tax levies shall be irrevocable as long as any of said Bonds are outstanding and unpaid, provided that the Issuer reserves the right and power to reduce the levies in the manner and to the extent permitted by Minnesota Statutes, Section 475.61.

5.04 Investment Restrictions. No portion of the proceeds of the Bonds shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (1) for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued and (2) in addition to the above in an amount not greater than the lesser of five percent (5%) of the proceeds of the Bonds or \$100,000. To this effect, any proceeds of the Bonds and any sums from time to time held in the Refunding Account or Debt Service Account (or any other District account which will be used to pay principal or interest to become due on the Bonds) in excess of amounts which under then-applicable federal arbitrage restrictions may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. In addition, the proceeds of the Bonds and money in those accounts shall

not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

5.05 Redemption of Refunded Bonds. The Refunded Bonds which mature in 2022 and thereafter shall be redeemed and prepaid on February 1, 2021, in accordance with the terms and conditions of the Notice of Call for Redemption attached hereto as EXHIBIT E, which terms and conditions are hereby approved and incorporated herein by reference. The Notice of Call for Redemption shall be mailed to the Paying Agent for and the registered owners of the Refunded Bonds not less than thirty (30) days before the redemption date. The form of the Notice of Call may contain such additional information or different provisions concerning the redemption as may be requested by the Paying Agent for the Refunded Bonds. The District shall also comply with all notice requirements of FSA Insurance Corporation, the bond insurer of the Refunded Bonds.

Section 6. Exemption from Rebate Requirements.

6.01 Arbitrage Rebate Exemption. It is hereby found and determined that all gross proceeds of the Bonds (other than gross proceeds held in a bona fide debt service fund) will be expended for the governmental purpose for which the Bonds are issued within six (6) months of the date of issuance of the Bonds. Therefore, the Issuer shall not be required to comply with the arbitrage rebate requirements of Section 148(f) of the Code with respect to the Bonds. However, if required by federal law or regulations, the Issuer will make such calculations and rebate payments at such times and in such manner as required to comply with Section 148 of the Code and the applicable Regulations pertaining thereto.

Section 7. Certifications, Designations, Defeasance, Arbitrage, Reporting.

7.01 Filing of Resolution; County Auditor Certificate. The Clerk is hereby authorized and directed to file with the County Auditor of each county in which the Issuer is located in whole or in part a certified copy of this resolution, together with such other information as said County Auditor shall require, and to obtain from said County Auditor a certificate that the tax required by law for the payment of said Bonds has been levied, and that said Bonds have been entered upon the County Auditor's Bond Register.

7.02 Defeasance. When all of the Bonds have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution shall cease. The Issuer may discharge its obligations with respect to any Bonds which are due on any date by depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full with interest accrued from the due date to the date of such deposit. The Issuer may also discharge all Bonds of said issue at any time by irrevocably depositing in escrow with the Bond Registrar, for the purpose of paying all principal and interest due on such Bonds to maturity or if subject to mandatory redemption, to an earlier date on which they may be called for mandatory redemption, a sum of cash or securities of the types described in

Minnesota Statutes, Section 475.67, as amended, in such aggregate amount, bearing interest at such rates and maturing on such dates as shall be required to provide funds sufficient for this purpose.

7.03 Designation as Qualified Tax-Exempt Obligations. The Board finds that the reasonably anticipated amount of qualified tax-exempt obligations (other than private activity bonds) which will be issued by the Issuer during calendar year 2020 will not exceed \$10,000,000. Thus, the Bonds of this issue are hereby designated as "Qualified Tax-Exempt Obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

7.04 Authentication of Transcript. The officers of the Issuer and each said County Auditor are hereby authorized and requested to prepare and furnish to the Purchaser of said Bonds, and to the attorneys approving legality of the issuance thereof, certified copies of all proceedings and records of the Issuer relating to said Bonds and to the financial condition and affairs of the Issuer, and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of said Bonds as they appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the Issuer as to the facts recited therein.

7.05 Covenant to Continue Tax Exemption. The Issuer covenants and agrees with the Holders from time to time of the Bonds herein authorized, that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest payable on the Bonds to become subject to taxation under the United States Internal Revenue Code, the regulations promulgated thereunder, or any other applicable federal tax law or regulation, and that it will take, or it will cause its officers, employees or agents to take, all affirmative actions within its powers which may be necessary to ensure that such interest will not become subject to taxation under the Internal Revenue Code. The term "Internal Revenue Code" or "Code" as used herein includes the Internal Revenue Code of 1986, as amended, and all regulations, amended regulations and proposed regulations issued thereunder, as now existing or as hereafter amended or proposed.

7.06 Arbitrage Certification. The Chair and School District Clerk, being the officers of the Issuer charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser an arbitrage certification in order to satisfy the provisions of the Code and the regulations promulgated thereunder.

7.07 Official Statement. The Official Statement relating to the Bonds, on file with the Clerk and presented to this meeting, is hereby approved and deemed final, and the furnishing thereof to prospective bidders for the Bonds is hereby ratified and confirmed, insofar as the same relates to the Bonds and the sale thereof.

7.08 Information Reporting. For purposes of compliance with the provisions of Section 149(e) of the Code, the Issuer shall submit to the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, a statement concerning the Bond issue which meets the requirements of Section 149(e)(2).

7.09. Payment of Issuance Expenses. The District authorizes the Purchaser to forward the amount of Bond proceeds allocable to the payment of issuance expenses to Old National Bank, Evansville, Indiana, on the closing date for further distribution as directed by the District's municipal advisor, Ehlers & Associates, Inc.

7.10 Continuing Disclosure. The Chair and the School District Clerk are authorized and directed to execute and deliver a Continuing Disclosure Certificate to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5) for full disclosure (The "Rule"). The Continuing Disclosure Certificate shall be entered into for the benefit of the Holders of the Bonds and shall constitute the written undertaking required by the Rule to provide or cause to be provided to the MSRB, in an electronic format through the use of the Electronic Municipal Market Access system ("EMMA"), the annual financial information specified therein and to give notice of the occurrence of the Listed Events specified therein, each in the manner specified therein, as required by the Rule. The provisions of the Continuing Disclosure Certificate are incorporated herein as though fully specified in this paragraph.

7.11 Nonbook-Entry Option. Notwithstanding any contrary provision of this resolution, if the option to allow the Bonds to be issued in a nonbook-entry format was included in the Terms of Proposal and if the Purchaser specified on the proposal form that the Bonds are not to be issued in global book-entry form, they shall then be issued in nonbook-entry format in registered form in the name of the Purchaser.

The motion for the adoption of the foregoing resolution was duly seconded by Member _____, and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon said resolution was declared duly passed and adopted.

EXHIBIT A

(FORM OF GLOBAL CERTIFICATE)

UNITED STATES OF AMERICA
STATE OF MINNESOTA
ANOKA COUNTY
INDEPENDENT SCHOOL DISTRICT NO. 14
(FRIDLEY PUBLIC SCHOOLS)

R- \$ _____

GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BOND, SERIES 2020A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>CUSIP</u>
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NOVEMBER 12, 2020

REGISTERED OWNER: CEDE & CO., AS NOMINEE OF THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK

PRINCIPAL AMOUNT: _____ DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that Independent School District No. 14, State of Minnesota, a duly organized and existing independent school district, whose administrative offices are located in Fridley, Minnesota (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above or on the Certificate of Registration attached hereto, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above or, if this Bond is subject to mandatory redemption as stated below, on a date prior thereto on which it shall have been duly called for mandatory redemption, and to pay interest thereon semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date") commencing August 1, 2021, at the rate per annum specified above, calculated on the basis of a 360-day year of twelve 30-day months, until the principal sum is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or provided for, from the date of original issue hereof. The principal of and premium, if any, on this Bond are payable by wire transfer (or other agreed means of payment) on each payment date no later than 12:00 noon (New York, New York time) upon presentation and surrender hereof at the principal office of Bond Trust Services Corporation in Roseville, Minnesota (the "Bond Registrar"), acting as paying agent, or any successor paying agent duly appointed by the Issuer; provided, however, that upon a mandatory redemption of this Bond which results in the stated amount

hereof being reduced, the Holder may in its discretion be paid without presentation of this Bond, and may make a notation on the panel provided herein of such redemption, stating the amount so redeemed, or may return the Bond to the Bond Registrar in exchange for a new Bond in the proper principal amount. Such notation of redemption, if made by the Holder, shall be for reference only, and may not be relied upon by any other person as being in any way determinative of the principal amount of this Bond outstanding, unless the Bond Registrar has signed the appropriate column of the panel. Interest on this Bond will be paid on each Interest Payment Date (by 12:00 noon, New York, New York time) by wire transfer (or other agreed means of payment) in next day funds or its equivalent to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid or duly provided for shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date fixed for the payment of such defaulted interest (the "Special Record Date"). The Special Record Date shall be fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior thereto. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

Date of Payment Not Business Day. If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

Optional Redemption. The Bonds of this issue are not subject to optional redemption or prepayment prior to maturity.

Mandatory Redemption. The Bonds maturing in the year ____ shall be subject to mandatory redemption, pursuant to the procedures specified herein and at a redemption price equal to the principal amount of the Bonds so redeemed plus interest accrued on the principal amount to be redeemed to the date fixed for mandatory redemption, on February 1 in the years and in the principal amounts set forth below:

<u>Year</u>	<u>Amount</u>
	\$

The Bonds maturing in the year ____ shall be subject to mandatory redemption, pursuant to the procedures specified herein and at a redemption price equal to the principal amount of the Bonds so redeemed plus interest accrued on the principal amount to be redeemed to the date fixed for mandatory redemption, on February 1 in the years and in the principal amounts set forth below:

<u>Year</u>	<u>Amount</u>
	\$

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the Issuer shall determine the order of redemption of Bonds; and if only part of the Bonds having a common maturity date are called for prepayment, the Global Certificates to be prepaid may be prepaid in \$5,000 increments of principal and, if applicable, the specific Replacement Bonds to be prepaid shall be chosen by lot by the Bond Registrar as provided below. Bonds or portions thereof called for redemption shall be due and payable on the designated redemption date, and interest thereon shall cease to accrue from and after the redemption date.

Notice of Mandatory Redemption. Published notice of mandatory redemption shall in each case be given in accordance with law, and mailed notice of mandatory redemption shall be given to the paying agent and to each affected Holder of the Bonds. For this purpose, the Depository shall be the "Holder" as to Bonds registered in the name of the Depository or its nominee. In the event any of the Bonds are called for mandatory redemption, written notice thereof will be given by first class mail, postage prepaid, mailed not less than thirty (30) days prior to the redemption date to each Holder of Bonds to be redeemed, at the address appearing in the records of the Bond Registrar. In connection with any such notice, the "CUSIP" numbers assigned to the Bonds shall be used.

Replacement or Notation of Bonds After Partial Redemption. Upon a partial redemption of this Bond which results in the stated amount hereof being reduced, the Holder may in its discretion make a notation on the panel provided herein of such redemption, stating the amount so redeemed. Such notation of redemption, if made by the Holder, shall be for reference only, and may not be relied upon by any other person as being in any way determinative of the principal amount of this Bond outstanding, unless the Bond Registrar has signed the appropriate column of the panel. Otherwise, the Holder may surrender this Bond to the Bond Registrar (with, if the Issuer or the Bond Registrar so requires, a written instrument of transfer in form satisfactory to the Issuer and the Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of this Bond, without service charge, a new Bond of the same Issue having the same stated maturity and interest rate and of the authorized denomination in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Issuance; Purpose. This Bond is one of an issue in the total aggregate principal amount of \$_____. The Bonds are all of like date of original issue and tenor, except as to number, denomination, maturity, redemption privilege and interest rate. All are issued to provide funds to currently refund and prepay the 2022 to 2026 maturities of the Issuer's General Obligation School Building Refunding Bonds, Series 2012B, bearing a date of original issue of November 7, 2012 (the "Refunded Bonds"). All are issued pursuant to resolutions duly adopted by the School Board and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota thereunto enabling. The Refunded Bonds were originally issued to provide funds for the current refunding of the District's General Obligation School Building Refunding Bonds, Series 2004A, bearing a date of original issue of April 8, 2004.

General Obligation. This Bond constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of the principal and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Minnesota School District Credit Enhancement Program. The Issuer has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute to guarantee the payment of the principal and interest on the Bonds when due.

Denominations; Exchange; Resolution. The Bonds are issuable originally only as Global Certificates in the denomination of the entire principal amount of the issue maturing on a single date. Global Certificates are not exchangeable for fully registered bonds of smaller denominations except in the event of a partial redemption as above provided or in exchange for Replacement Bonds if then available. Replacement Bonds, if made available as provided below, are issuable solely as fully registered Bonds in the denomination of \$5,000 and integral multiples thereof of a single maturity and are exchangeable for fully registered bonds of other denominations in equal aggregate principal amounts and in authorized denominations at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution. Reference is hereby made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Replacement Bonds. Replacement Bonds may be issued by the Issuer in the event that (a) The Depository Trust Company ("DTC") of New York, New York (the "Depository") shall resign or discontinue its services for the Bonds or be declared no longer able to carry out its functions and the Issuer is unable to locate a Substitute Depository within two (2) months following the resignation or discontinuance or determination of noneligibility, or (b) the Issuer determines in its sole discretion that (1) the continuation of the book-entry system described in the Resolution might adversely affect the interests of the beneficial owners of the Bonds, or (2) it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds. The Issuer shall notify the Holders of its determination and of the availability of Replacement Bonds to Holders.

Transfer. This Bond shall be registered in the name of the payee on the books of the Issuer by presenting this Bond for registration to the Bond Registrar, whose representative will endorse his or her name and note the date of registration opposite the name of the payee in the certificate of registration attached hereto. Thereafter this Bond may be transferred by delivery with an assignment duly executed by the Holder or the Holder's legal representative, and the Issuer and Bond Registrar may treat the Holder as the person exclusively entitled to exercise all the rights and powers of an owner until this Bond is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the Bond Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar.

Fees Upon Transfer or Loss. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bonds.

Treatment of Registered Owner. The Issuer and Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whatsoever, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

Authentication. This Bond shall not be valid or become obligatory for any purpose or be entitled to any security unless the Certificate of Authentication hereon shall have been executed by the Bond Registrar by the manual signature of one of its authorized representatives.

Qualified Tax-Exempt Obligations. The Bonds of this issue have been designated by the Issuer as "qualified tax-exempt obligations" for purposes of Section 265(b) (3) of the Internal Revenue Code of 1986, as amended, relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding general obligation of the Issuer enforceable in accordance with its terms, have been done, have happened and have been performed in regular and due form, time and manner as so required and that the issuance of this Bond on the date of original issue hereof and the date of its actual original issuance and delivery does not exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, Independent School District No. 14 (Fridley Public Schools), State of Minnesota, by its School Board, has caused this Bond to be executed in its

behalf by the facsimile signatures of the Chair and Clerk, the Issuer having no seal or said seal having been intentionally omitted as permitted by law.

Date of Registration:

November 12, 2020

Registrable by:

BOND TRUST SERVICES CORPORATION
ROSEVILLE, MINNESOTA

BOND REGISTRAR'S
CERTIFICATE OF
AUTHENTICATION

Payable at:

BOND TRUST SERVICES CORPORATION
ROSEVILLE, MINNESOTA

This Bond is one of
the Bonds described
in the within mentioned
Resolution.

INDEPENDENT SCHOOL DISTRICT NO. 14
(FRIDLEY PUBLIC SCHOOLS)
FRIDLEY, MINNESOTA

BOND TRUST SERVICES
CORPORATION
Bond Registrar

/s/ (Facsimile)

Chair

By _____
Authorized Signature

/s/ (Facsimile)

Clerk

CERTIFICATE OF REGISTRATION

The transfer of ownership of the principal amount of the attached Bond may be made only by the registered owner or the registered owner's legal representative last noted below.

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of Bond Registrar</u>
<u>November 12, 2020</u>	Cede & Co. P.O. Box 222 Bowling Green Station <u>New York, NY 10274</u>	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

REGISTER OF PARTIAL PAYMENTS

The principal amount of the attached Bond has been mandatorily redeemed and prepaid on the dates and in the amounts noted below:

<u>Date</u>	<u>Amount</u>	<u>Signature of Bondholder</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If a notation is made on this register, such notation has the effect stated in the attached Bond. Partial payments do not require the presentation of the attached Bond to the Bond Registrar, and a Holder could fail to note the partial payment here.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common
UTMA	-	_____ CUSTODIAN _____ (Cust) (Minor)

Under Uniform Transfers to Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

_____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges or any other "Eligible Guarantor Institution" as defined in 17 CFR 240 Ad-15(a)(2).

The Bond Registrar will not effect transfer of this Bond unless the information concerning the assignee requested below is provided.

Name and Address:

(Include information for all joint owners if the Bond is held by joint account.)

Please insert Social Security or other Tax Identification Number of Transferee.

[Empty rectangular box for Social Security or Tax Identification Number]

EXHIBIT B

(FORM OF REPLACEMENT BOND)

UNITED STATES OF AMERICA
STATE OF MINNESOTA
ANOKA COUNTY
INDEPENDENT SCHOOL DISTRICT NO. 14
(FRIDLEY PUBLIC SCHOOLS)

R- \$ _____

GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BOND, SERIES 2020A

<u>INTEREST</u> <u>RATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>DATE OF</u> <u>ORIGINAL ISSUE</u>	<u>CUSIP</u>
--------------------------------	--------------------------------	---	--------------

NOVEMBER 12, 2020

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that Independent School District No. 14, State of Minnesota, a duly organized and existing independent school district, whose administrative offices are located in Fridley, Minnesota (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above or, if this Bond is subject to mandatory redemption as stated below, on a date prior thereto on which it shall have been duly called for mandatory redemption, and to pay interest thereon semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date") commencing August 1, 2021, at the rate per annum specified above, calculated on the basis of a 360-day year of twelve 30-day months, until the principal sum is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or provided for, from the date of original issue hereof. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of Bond Trust Services Corporation in Roseville, Minnesota (the "Bond Registrar"), acting as paying agent, or any successor paying agent duly appointed by the Issuer. Interest on this Bond will be paid on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing

thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid or duly provided for shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date fixed for the payment of such defaulted interest (the "Special Record Date"). The Special Record Date shall be fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior thereto. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security until the Certificate of Authentication hereon shall have been executed by the Bond Registrar.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding general obligation of the Issuer enforceable in accordance with its terms, have been done, have happened and have been performed in regular and due form, time and manner as so required and that the issuance of this Bond on the date of original issue hereof and the date of its actual original issuance and delivery does not exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, Independent School District No. 14 (Fridley Public Schools), State of Minnesota, by its School Board, has caused this Bond to be executed in its behalf by the facsimile signatures of the Chair and the Clerk, the Issuer having no seal or said seal having been intentionally omitted as permitted by law.

Date of Registration:

Registrable by:
BOND TRUST SERVICES CORPORATION
ROSEVILLE, MINNESOTA

BOND REGISTRAR'S
CERTIFICATE OF
AUTHENTICATION
This Bond is one of
the Bonds described
in the within mentioned
Resolution.

Payable at:
BOND TRUST SERVICES CORPORATION
ROSEVILLE, MINNESOTA

INDEPENDENT SCHOOL DISTRICT NO. 14
(FRIDLEY PUBLIC SCHOOLS)
FRIDLEY, MINNESOTA

BOND TRUST SERVICES
CORPORATION
Bond Registrar

/s/ (Facsimile)

Chair

By _____
Authorized Signature

/s/ (Facsimile)

Clerk

ON REVERSE OF BOND

Date of Payment Not Business Day. If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

Optional Redemption. The Bonds of this Issue are not subject to optional redemption or prepayment prior to maturity.

Mandatory Redemption. The Bonds maturing in the year ____ shall be subject to mandatory redemption, pursuant to the procedures specified herein and at a redemption price equal to the principal amount of the Bonds so redeemed plus interest accrued on the principal amount to be redeemed to the date fixed for mandatory redemption, on February 1 in the years and in the principal amounts set forth below:

<u>Year</u>	<u>Amount</u>
	\$

The Bonds maturing in the year ____ shall be subject to mandatory redemption, pursuant to the procedures specified herein and at a redemption price equal to the principal amount of the Bonds so redeemed plus interest accrued on the principal amount to be redeemed to the date fixed for mandatory redemption, on February 1 in the years and in the principal amounts set forth below:

<u>Year</u>	<u>Amount</u>
	\$

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the Issuer shall determine the order of redemption of Bonds; and if only part of the Bonds having a common maturity date are called for prepayment, the Global Certificates to be prepaid may be prepaid in \$5,000 increments of principal and, if applicable, the specific Replacement Bonds to be prepaid shall be chosen by lot by the Bond Registrar as provided below. Bonds or portions thereof called for redemption shall be due and payable on the designated redemption date, and interest thereon shall cease to accrue from and after the redemption date.

Issuance; Purpose. This Bond is one of an issue in the total aggregate principal amount of \$_____. The Bonds are all of like date of original issue and tenor, except as to number, denomination, maturity, redemption privilege and interest rate. All are issued to provide funds to currently refund and prepay the 2022 to 2026 maturities of the Issuer's General Obligation School Building Refunding Bonds, Series 2012B, bearing a date of original issue of November 7, 2012 (the "Refunded Bonds"). All are issued pursuant to resolutions duly adopted by the School Board and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota thereunto enabling. The Refunded Bonds were originally issued to provide funds for the current refunding of the District's General Obligation School Building Refunding Bonds, Series 2004A, bearing a date of original issue of April 8, 2004.

General Obligation. This Bond constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of the principal and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Minnesota School District Credit Enhancement Program. The Issuer has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute to guarantee the payment of the principal and interest on the Bonds when due.

Denominations; Exchange; Resolution. The Bonds are issuable solely as fully registered Bonds in the denomination of \$5,000 and integral multiples thereof of a single maturity and are exchangeable for fully registered bonds of other denominations in equal aggregate principal amounts and in authorized denominations at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution. Reference is hereby made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Transfer. This Bond is transferable by the Holder in person or by the Holder's attorney duly authorized in writing at the principal office of the Bond Registrar upon presentation and surrender hereof to the Bond Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar. Thereupon the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver, in exchange for this Bond, one or more new fully registered bonds in the name of the transferee (but not registered in blank or to "bearer" or similar designation), of an authorized denomination, in aggregate principal amount equal to the principal amount of this Bond, of the same maturity, and bearing interest at the same rate.

Fees Upon Transfer or Loss. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bonds.

Treatment of Registered Owner. The Issuer and Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whatsoever, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

Qualified Tax-Exempt Obligations. The Bonds of this issue have been designated by the Issuer as "qualified tax-exempt obligations" for purposes of Section 265(b) (3) of the Internal Revenue Code of 1986, as amended, relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entirety
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common
UTMA	-	_____ CUSTODIAN _____ (Cust) (Minor)

Under Uniform Transfers to Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

_____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges or any other "Eligible Guarantor Institution" as defined in 17 CFR 240 Ad-15(a)(2).

The Bond Registrar will not effect transfer of this Bond unless the information concerning the assignee requested below is provided.

Name and Address:

(Include information for all joint owners if the Bond is held by joint account.)

Please insert Social Security or other Tax Identification Number of Transferee.

[Empty rectangular box for Social Security or Tax Identification Number]

EXHIBIT C

The Depository Trust Company

BLANKET ISSUER LETTER OF REPRESENTATIONS

C-1

EXHIBIT D
LEVY COMPUTATION SHEET

<u>Levy Year</u>	<u>Collection Year</u>	<u>Amount</u>
2020	2021	
2021	2022	
2022	2023	
2023	2024	
2024	2025	

RESOLUTION Accepting Gifts

WHEREAS, School Board Policy 706 establishes guidelines for the acceptance of gifts to the District; and

WHEREAS, Minnesota Statute 465.03 states the School Board may accept a gift, grant, or devise of real or personal property only by the adoption of a resolution approved by two-thirds of its members;

THEREFORE, BE IT RESOLVED, that the School Board of Fridley Public Schools accepts with appreciation the following gifts received by the School District:

- The following persons donated to **Fridley Public Schools**:
 - Fridley-Columbia Heights Rotary – dictionaries to all third grade students

- The following persons donated to **Fridley High School** supplies from their Amazon Wish List:
 - Jodie & Keith Hill
 - Katie Kozicky
 - Joanna Krueger
 - Rose Nordin

- The following persons donated to **Fridley Middle School** 75 face masks:
 - Cindy Huynh

- The following persons donated to **Stevenson Elementary School** 48 Kits for Kids:
 - Queen Esther Chapter #16



A World-Class Community of Learners

Fridley Public Schools is committed to creating a welcoming, respectful environment that provides an equitable and inclusive education for each student, staff and community member by ensuring that opportunities, access, and resources are aligned to support the growth and academic achievement of each student.

104 School District 14 Mission Statement

I. Purpose

The purpose of this policy is to establish a clear statement of the purpose for which the Fridley Public School District 14 exists.

II. General Statement of Policy

The mission statement is based on the beliefs and values of the community as perceived by School Board members elected to represent the community. The mission statement should be the basis on which decisions are made. The School Board, on behalf of and with extensive participation by the community, will develop a consensus among its members regarding the nature of the enterprise the School Board governs, the purposes it serves, the constituencies it should consider, including student representation, and the results it intends to produce.

III. Mission Statement for Fridley School District 14

As a world class community of learners, Fridley Public Schools aims to develop internationally-minded students. We challenge ourselves, our students, and our community to become caring and knowledgeable life-long learners who inquire and take action to create a better world.

Our mission is to guide students in the development of learning skills to help them reach their full potential. To accomplish this mission, we will. . .

- Provide a nurturing environment
- Create high expectations defined by learner outcomes
- Develop exemplary programs and continuously improve them
- Strive to meet students' needs
- Respect individual differences.

Fridley's vision is to develop an educational foundation for students

- To be life-long learners
- To develop high skill levels
- To care for others
- To be adaptable
- To be prepared to thrive in a diverse, changing society

Values Fridley will promote The International Baccalaureate Learner Profile



Fridley Public Schools is committed to creating a welcoming, respectful environment that provides an equitable and inclusive education for each student, staff and community member by ensuring that opportunities, access, and resources are aligned to support the growth and academic achievement of each student.

A World-Class Community of Learners

- Inquirers
- Knowledgeable
- Thinkers
- Communicators
- Principled
- Open-minded
- Caring
- Risk-takers
- Balanced
- Reflective

Priorities

- Ensure district-wide high-level school performance through review and inquiry.
- Alignment of policies, procedures, and performance that support best practices linked to high levels of student achievement.
- Alignment of policies, procedures, and performance that foster an equitable, welcoming, safe, and respectful environment for students, staff, teachers and community.
- Protect and direct Fridley Public Schools' financial stability through long-range planning and oversight.
- Continuous improvement of parent, school, and community partnerships through public engagement.

IV. Accountability/Evaluation

Individual schools will establish goals in the district priority areas each year based on the needs at each school. Each school will measure and report progress towards attainment of its goals and will make changes in its goals and supporting activities as needed.

The district administration will provide direction and support for program development and evaluation and will monitor the extent to which district priorities were successfully addressed.

Legal References:

Minn. Rule Parts 3501.0010 to 3501.0180
Minn. Rule Parts 3501.0200-3501.0270
Minn. Stat 123.972 (School District Policy)

School Board Action:

Revised as Policy 2.000 February 26, 1985
Revised as Policy 104 December 21, 1999
Revised January 17, 2006



Fridley Public Schools is committed to creating a welcoming, respectful environment that provides an equitable and inclusive education for each student, staff and community member by ensuring that opportunities, access, and resources are aligned to support the growth and academic achievement of each student.

A World-Class Community of Learners

Revised November 16, 2010

Revised March 15, 2011

Revised August 19, 2014

Revised October 18, 2016

Revised November 21, 2017

Revised October 20, 2020

Second Reading



A World-Class Community of Learners

Fridley Public Schools is committed to creating a welcoming, respectful environment that provides an equitable and inclusive education for each student, staff and community member by ensuring that opportunities, access, and resources are aligned to support the growth and academic achievement of each student.

105 Equity and Inclusion Policy

I. Purpose

The purpose of this policy is to provide educational equity and inclusion for each student, staff and family member. This policy will make it a priority that students, staff, families, and community members feel welcomed, valued, and heard. To ensure educational equity and inclusion, Fridley Public Schools will create a collective anti-racist systemic culture that values equity and inclusion for all students, families, staff and community members. This policy will ensure that educational equity is implemented districtwide with fidelity, consistency, connection and coherence.

In developing and implementing its equity plan, Fridley Public Schools will honor the following five agreements that were developed by a diverse group of community stakeholders:

- We will actively create a safe space to engage in our equity journey
- We will value and hear all voices
- We will define Equity
- We will determine where we are and where we want to be
- We will prioritize representation of student body in all aspects of the organization.

II. General Statement of Policy

Fridley Public Schools is committed to creating a welcoming, respectful environment that provides an equitable and inclusive education for each student, staff and community member by ensuring that opportunities, access, and resources are aligned to support the growth and academic achievement of each student.

At Fridley Public Schools:

Our students, staff, families and community are our greatest strength and we view our diversity as an asset. We will create and maintain an equitable, inclusive, and diverse community that ensures that each and every voice is heard and valued.

Educational equity and inclusion is achieved when each adult collaborates and affirms each student by creating a respectful learning environment inclusive of their race, ethnicity, culture, language, religion (creed), gender, gender expression, age, national origin (ancestry), disability, socio-economic status, and sexual orientation; and that each student, staff, family, and community member has access to opportunities to thrive to their fullest potential.

It is important that we ALL acknowledge and actively confront the historical conditions and systems that have continued to marginalize certain groups of students; and that we ALL

A World-Class Community of Learners

share in the decision-making process to create an equitable and inclusive learning environment for each student. Fridley Public Schools will actively focus on interrupting and dismantling existing barriers by identifying, acknowledging, confronting, and disrupting beliefs and systems that marginalize children.

Fridley Public Schools acknowledges that there are many different intersections and ways that students are marginalized. Racism is the dominating force, historical foundation, persistent and pervasive barrier and biggest ongoing reality that students of color experience within the educational system. In order to address this current reality, Fridley Public Schools is committed to actively working to dismantle racist systems and policies, and replace them with anti-racist systems. We will create accountability and monitor our progress through a consistent, connected, and coherent commitment to equity, and the application of strategies and processes that will help create a foundation for equitable and inclusive learning environment for all students through systemic change.

III. Definitions

- A. Anti-Racist: One who is expressing the idea that racial groups are equals and none needs developing, and is supporting policy that reduces racial inequity. One who is supporting an anti-racist policy through their actions or expressing an anti-racist idea.
- B. Culture: Broadly described, culture can include economic systems, ways of life and social mores, educational institutions, social programs, the environment, technological systems, political ideologies and processes, recreational practices, customs and traditions, artistic and heritage activities, transportation and communication industries, and religious and spiritual activities.
- C. Diversity: Identifications that include race, ethnicity, culture, language, religion (creed), gender, gender expression, age, national origin (ancestry), disability, socio-economic status, and sexual orientation, etc.
- D. Equality: Everyone has equal (the same) opportunities and access.
- E. Equity: Each person has the (individualized) opportunities and access they need.
- F. Inclusion: A way of thinking and acting that demonstrates universal acceptance and promotes a sense of belonging for all learners. It is an attitude and approach that embraces Diversity and learner differences and promotes equitable opportunities for all learners. (Alberta Education Principles of Inclusion)
- G. Marginalize: Treat as insignificant or inferior.
- H. Racism: Racism describes the combination of individual prejudice and individual discrimination on the one hand, and institutional policies and practices, on the other, that result in the unjustified negative treatment, and subordination of members of a racial or ethnic group. By convention, the term racism has been reserved to describe the mistreatment of members of racial and ethnic groups that have experienced a history of discrimination. (Gerald Pine and Asa Hilliard, 1990)

IV. School District Action and Administrative Responsibilities:

Fridley Public Schools will use the following School Board Priorities for operational improvement to increase equity, inclusion, raise expectations, strengthen relationships and partnerships, and focus on resources:

1. Improve academic achievement and ensure high levels of school performance
2. Use instructional strategies recognized as most effective in the field and that are linked to high levels of student achievement
3. Create a positive, safe, and respectful environment for student learning,
4. Continue building financial stability in Fridley by planning and executing financial plans
5. Improve parent, student, and community partnership.

A. Teaching and Learning

Fridley Public Schools employees will work together to increase their personal and collective capacity to ensure a positive, inclusive, and academically rigorous school environment for each student. Administration and school staff will collaborate to eliminate practices that lead to the over/under representation of any student group to academic achievement, social/emotional learning, and college/career readiness. Professional development will be provided for all staff to support staff in reflecting on their current practices and mental models. Staff mindset and move towards an actively anti-racist way of being, through acknowledging that anti-racist is an intentional choice each day.

Additionally, Fridley Public Schools will continue to address whether it be implicitly, explicitly or covertly in the hidden spaces.

(School Board Priority: 1. Academic Achievement, 2. Instructional Strategies, 3. Positive, safe, and respectful learning environment)

B. Leadership

Fridley Public School's leadership will actively focus and reflect on current practices and mental models, in order to interrupt and dismantle existing barriers to eliminate any achievement or opportunity gap. Leadership will examine issues, and develop and implement solutions. The school board will review, adopt and support alignment of policies, procedures, and performances that ensures equitable and inclusive opportunities for each student and foster increased achievement in a safe, welcoming, and respectful environment for students, staff, families, and community. District and school administrators will provide and align resources to ensure an equitable and inclusive education through curriculum/instruction, educational experiences, and support services that prepare each student for college and career pathways.



A World-Class Community of Learners

Fridley Public Schools is committed to creating a welcoming, respectful environment that provides an equitable and inclusive education for each student, staff and community member by ensuring that opportunities, access, and resources are aligned to support the growth and academic achievement of each student.

(School Board Priority: 1. Academic Achievement, 2. Instructional Strategies, 3. Positive, safe, and respectful learning environment, 4. Financial Stability, and 5. Parent/School Partnerships)

C. Students and Families

Fridley Public Schools acknowledges the important role of student voice and student leadership. Furthermore, it is critical to ensure through intentional inclusion and engagement, that voices and experiences of students and families who have historically been excluded from leadership roles are actively engaged in programs, practices and structures that foster engagement, leadership, advocacy, and student voice.

Fridley Public Schools believe education is a shared responsibility among staff, students, parents/guardians, families, and community. Fridley Public Schools will continue to maintain a high level of family partnership that ensures inclusion of perspectives, experiences, rights, and needs of each student through communication, parent education, volunteering opportunities, parent leadership in decision-making, parent information to support student's continued learning at home, and community connections and collaborations to support students and families.

(School Board Priority: 1. Academic Achievement, 3. Positive, safe, and respectful learning environment, 5. Parent/School partnership)

D. Community Engagement

Fridley Public Schools will continuously strive to increase collaboration with the community at large to support equitable and inclusive educational experiences for students and families through on-going and open dialogue, and engagement and participation in opportunities that enhance student learning and growth and prepares each student for college and careers.

(School Board Priority: 3. Positive, safe, and respectful learning environment, 4. Financial stability, 5. Parent/School partnerships).

V. Implementation and Monitoring

The board directs the Superintendent to develop and implement an operational plan which includes developing and implementing an equity policy and an equity and inclusion plan. The equity and inclusion plan will include measurable strategies monitored by the Superintendent.

Legal References:

U.S. Constitution, First Amendment.



Fridley Public Schools is committed to creating a welcoming, respectful environment that provides an equitable and inclusive education for each student, staff and community member by ensuring that opportunities, access, and resources are aligned to support the growth and academic achievement of each student.

A World-Class Community of Learners

Cross References:

MSBA/MASA Model Policy

Definitions adapted from Toronto District School Board Draft Equity Policy (Revised)

Definition for antiracist from Kendi, Ibram X (2019), How To Be An Antiracist The New York Times Company

Definition for Racism from Singleton, Glenn E. (2015), Courageous Conversations About Race (2nd ed), United States, Corwin

SCHOOL BOARD ACTION:

Definitions adapted from Toronto District School Board Draft Equity Policy (Revised)

Adopted as Policy 105 August 20, 2019

Revised October 20, 2020

Second Reading

Minutes
School Board Business Meeting
Fridley Independent School District 14
September 15, 2020

Call to Order

Donna Prewedo called the Business Meeting of the Fridley School Board to order at 7:30 p.m. on Tuesday, September 15, 2020 at Fridley Community Center (FCC). Present at FCC: Abdisalam Adam, Jake Karnopp, Donna Prewedo, Avonna Starck, Carol Thornton, and Gao Nue Xiong. Absent: None.

Approval of Agenda

Motion by Starck, seconded by Adam, to approve the agenda for September 15, 2020. Upon vote being taken, all voted in favor, none against, none abstained. Motion carried 6-0.

Spotlight on Recognition

Superintendent Hiel introduced the 25 years of service employees, new staff, Teachers of Excellence and Employee of the Year for 2019-2020.

Superintendent and Staff Reports

1. Director of Communications and Community Relations, Jael McLemore, introduced a video on opening the school year in Fridley 2020.
2. Director of Teaching and Learning, John Piotraschke, presented on the World's Best Workforce Plan for 2020-21.

Business Action Items

1. RESOLUTION: Accepting Gifts

Motion by Thornton, seconded by Starck, to accept the gifts and thank the donors for their contributions. Upon roll being called, Adam, Karnopp, Prewedo, Starck, Thornton & Xiong voted in favor, none against, none abstained. Motion carried 6-0.

2. RESOLUTION: Fund Balance Transfers

Motion by Adam, seconded by Thornton, to approve the renewal of an expiring capital project levy authorization and calling an election thereon. Upon roll being called, Adam, Karnopp, Prewedo, Starck, Thornton, and Xiong voted in favor, none against, none abstained. Motion carried 6-0.

3. Motion: Approve the proposed 2020 payable 2021 property tax levy as "Maximum" and certify the levy to the county auditor

Motion by Starck, seconded by Karnopp, to approve the proposed 2020 payable 2021 property tax levy as "Maximum" and certify the levy to the county auditor. Upon vote being taken, all voted in favor, none against, none abstained. Motion carried 6-0.

4. Motion: Second Reading and Adoption of Policies

- a. Policy 695 Tele-related services

Motion by Starck, seconded by Thornton, to approve the Second Reading and Adoption of Policy 695. Upon vote being taken, all voted in favor, none against, none abstained. Motion carried 6-0.

Consent Agenda

Motion by Starck, seconded by Adam to approve the consent agenda of routine action items including minutes of the regular School Board meeting, work session held on August 18, 2020 and the work session held on September 1, 2020; Monthly Financial Reports; New Contracts, Amendments, Leaves of Absence, Terminations, Resignations and Retirements; Memorandum of Agreements with ISD 14 and the Fridley Education Association regarding additional art teacher hours and ECFE teacher hours; and Assurance of Compliance with State and Federal Law Prohibiting Discrimination. Upon vote being taken, all voted in favor, none against, none abstained. Motion carried 6-0.

Written Information

1. Student Enrollment – Student enrollment is 2,931 as of September 1, 2020.
2. First Reading of Policies
 - a. Policy 104 School District Mission Statement
 - b. Policy 105 Equity and Inclusion

Reports from School Board Members

1. Board Member Starck reported on the NE 916 Board Meeting held on September 2, 2020. Technology updates are happening, along with increased productivity tools for teachers and students. Superintendent Hayes to retire.
2. Superintendent Hiel reported on the AMSD Meeting held on September 11, 2020. Leatherman/Morris reported on latest survey. Education still supported however moves down among top items below crime reduction, economy/jobs, health care and racial injustice.

Important Future School Board Dates

Adjournment

Motion by Karnopp, seconded by Thornton, to adjourn at 8:03 p.m. Upon vote being taken, all voted in favor, none against, none abstained. Motion carried 6-0.

Donna Prewedo, Board Chair

Carol Thornton, Board Clerk

Minutes
School Board Work Session
Fridley Independent School District 14
September 15, 2020

Call to Order

The Work Session of the Fridley School Board was called to order by School Board Chair Prewedo at 5:30 PM on Tuesday, September 15, 2020, at Fridley Community Center. The following Board members were present in the room: Abdisalam Adam, Jake Karnopp, Donna Prewedo, Avonna Starck, Carol Thornton and Gao Nue Xiong. Absent: None

The following items were discussed

- A. Signing Required Documents
- B. Governance and Policy
 - 1. Second Readings and Adoption of Policies
 - a. Policy 695 Tele-related Services
 - 2. First Readings of Policies
 - a. Policy 104 School District 14 Mission Statement
 - b. Policy 105 Equity & Inclusion
- C. Oversight of Operations
 - 1. Legal, Staffing and Personnel Update
 - a. New Contracts, Amendments, Leaves of Absence, Terminations, Resignations, and Retirements
 - b. Memorandum of Agreements with FEA
 - 1) Additional Art Teacher Hours
 - 2) ECFE Teacher Hours
 - 2. Finance and Operations Update
 - a. Audit Update
 - b. Preliminary Levy Certification
 - c. Fund balance transfer
 - 3. Teaching and Learning Update / World's Best Workforce Public Forum
 - 4. Assurance of Compliance with State and Federal Law Prohibiting Discrimination
 - 5. Church Request
 - a. Policy 418 Chemical Free Workplace
 - b. Request from Center Church
 - 6. Partnership Updates
 - a. NE Metro 916 on September 2, 2020
 - b. AMSD on September 11, 2020
- D. Informational Items
 - 1. Reopening School Update
 - 2. Student Enrollment
- E. Public Forum

Adjourned at 7:21 p.m.

Donna Prewedo, Board Chair

Carol Thornton, Board Clerk

Minutes
School Board Work Session
Fridley Independent School District 14
October 6, 2020

Call to Order

The Work Session of the Fridley School Board was called to order by School Board Chair Prewedo at 5:30 PM on Tuesday, October 6, 2020, at the Fridley Community Center. The following Board members were present: Abdisalam Adam, Jake Karnopp, Donna Prewedo, Avonna Starck, and Carol Thornton. Board member Adam was present via google meet. Absent: None

The following items were discussed

1. Architect Presentation/Follow Up
2. Levy Update
3. MSHSL Discussion
4. District Update
5. Upcoming Meetings/Reminders
 - a. Special Meeting – Canvassing the election results
 - b. Session with Teamworks – December 8, 2020

Adjourned at 7:25 p.m.

Donna Prewedo, Board Chair

Carol Thornton, Board Clerk

**INDEPENDENT SCHOOL DISTRICT NO. 14
FRIDLEY, MINNESOTA
TREASURER'S REPORT
MONTH ENDING 9/30/20**

Fund	Balance 8/31/20	Receipts	Payroll Disbursements	A/P Disbursements	Journal Entry Transfers	Balance 9/30/20
General (01)	\$ 35,162,759.34	\$ 11,550,096.57	\$ 1,265,836.07	\$ 11,573,047.88	\$ (530,867.21)	\$ 33,343,104.75
Food Service (02)	619,314.93	16,520.57	24,382.75	52,617.44	(4,292.35)	554,542.96
Transportation (03)	(32,124,237.15)	1,349,578.17	5,416.30	3,566.66	(1,068.28)	(30,784,710.22)
Comm. Service (04)	436,642.48	65,422.09	72,016.93	81,300.11	(25,630.29)	323,117.24
Operating Capital (05)	4,949.45	-	-	201,544.91	144,600.00	(51,995.46)
Construction (06)	829,228.01	-	-	-	-	829,228.01
Debt Service (07)	2,049,719.97	110,900.81	-	-	-	2,160,620.78
Performance Contract (16)	(3,679,239.60)	-	-	-	-	(3,679,239.60)
Custodial Fund for Student Activities (18)	-	-	-	-	-	-
Activity Fund (19)	146,462.20	2,059.02	-	916.24	-	147,604.98
Dental Self Insurance (20)	293,764.74	73.50	-	27,628.98	20,993.21	287,202.47
Medical Self Insurance (21)	5,360,616.14	648.57	-	380,429.11	396,264.92	5,377,100.52
OPEB Trust Fund (25)	591,242.28	20,381.58	-	5,428.35	-	606,195.51
OPEB Debt Service (47)	361,495.61	-	-	-	-	361,495.61
Student Activities Under Board Control (51)	74,532.18	5,157.94	-	646.90	-	79,043.22
Total	\$ 10,432,361.99	\$ 13,120,838.82	\$ 1,367,652.05	\$ 12,327,126.58	\$ -	\$ 9,553,310.77

Bank	Balance Per Bank Statement	Outstanding Checks	Outstanding Deposits	Balance per Treasurer's Books
MN Trust - OPEB	\$ 706,091.01	\$ -	\$ -	\$ 706,091.01
MN Trust - Operating	8,976,776.89	129,557.13	-	8,847,219.76
Total	\$ 9,682,867.90	\$ 129,557.13	\$ -	\$9,553,310.77

369

Difference \$ 0.00

Schedule of Investments

As of 9/30/20

Investment	Broker	Type	Purchased	Maturity	Market Value	Par	Yield
MN Trust Term Series	PMA - OPP	TS	09/25/20	10/23/20	10,000,000.00	10,000,843.84	0.11%
Bank of China Certificate of Deposit	PMA - OPP	CD	05/29/20	01/26/21	249,400.00	249,984.27	0.35%
Texas Capital Bank Certificate of Deposit	PMA - OPP	CD	05/29/20	01/26/21	249,400.00	249,977.09	0.35%
Customers Bank Certificate of Deposit	PMA - OPP	CD	05/29/20	01/26/21	249,500.00	249,915.17	0.25%
Brookline Bank Certificate of Deposit	PMA - OPP	CD	05/29/20	01/26/21	249,500.00	249,915.78	0.25%
Bank Rhode Island Certificate of Deposit	PMA - OPP	CD	05/29/20	01/26/21	249,500.00	249,915.78	0.25%
CFG Bank Certificate of Deposit	PMA - OPEB	CD	10/18/17	10/16/20	236,900.00	249,272.64	1.74%
Savoy Bank Certificate of Deposit	PMA - OPEB	CD	10/18/17	10/16/20	232,800.00	244,947.90	1.74%
Superior Choice Credit Union Certificate of Deposit	PMA - OPEB	CD	10/18/17	10/16/20	237,000.00	249,360.35	1.72%
Fidelity Bank - IA Certificate of Deposit	PMA - OPEB	CD	11/01/18	11/02/20	235,600.00	249,202.23	2.88%
Merrick Bank Certificate of Deposit	PMA - OPEB	CD	11/01/18	11/02/20	235,500.00	249,164.38	2.87%
KS State Bank/Kansas State Bank of Manhattan Certificate of Deposit	PMA - OPEB	CD	11/01/18	11/02/20	100,000.00	105,833.33	2.88%
Third Coast Bank Certificate of Deposit	PMA - OPEB	CD	11/01/18	11/02/20	235,800.00	249,209.26	2.81%
Pacific Western Bank Certificate of Deposit	PMA - OPEB	CD	11/01/18	11/02/20	235,800.00	249,209.50	2.81%
Bank of the Valley Certificate of Deposit	PMA - OPEB	CD	11/06/18	11/06/20	155,000.00	163,863.11	2.83%
Summit-TXB-D-Var-Purp	PMA - OPEB	SEC	11/01/18	12/01/20	201,284.00	200,000.00	2.94%
Prime Alliance Bank Certificate of Deposit	PMA - OPEB	CD	12/19/17	12/21/20	235,600.00	249,133.39	1.91%
Mediapolis Savings Bank Certificate of Deposit	PMA - OPEB	CD	12/19/17	12/21/20	235,600.00	249,140.59	1.91%
First Internet Bank of Indiana Certificate of Deposit	PMA - OPEB	CD	12/19/17	12/21/20	178,800.00	189,236.68	1.92%
Avondale-B-REF-TXBL	PMA - OPEB	SEC	01/08/20	07/01/21	101,412.00	100,000.00	1.61%
CIBC Bank USA/Private Bank - MI Certificate of Deposit	PMA - OPEB	CD	12/18/19	12/17/21	242,500.00	249,792.51	1.50%
Luana Savings Bank Certificate of Deposit	PMA - OPEB	CD	12/18/19	12/17/21	242,500.00	249,775.00	1.50%
Azle ISD REF-TXBL	PMA - OPEB	SEC	01/08/20	02/15/22	229,121.20	220,000.00	1.60%
Oklahoma City - TXBL	PMA - OPEB	SEC	01/07/20	03/01/24	221,398.00	200,000.00	1.70%
Totals					\$ 15,039,915.20	\$ 15,167,692.80	

Personnel Changes 2020-21 School Year

New Contracts and Amendments per Master Agreements (2020-2021)

First Name	Last Name	Assignment	Step/Lane/Salary	School
Fatima	Alkaabi	Building Monitor	\$13.25/hour	FMS
Fedhela	Alshimmari	Health Assistant – temp	\$17.12/hour	Dist
Sophia	Alvarez	CE Instructor	\$13.25/hour	FCC
Ashley	Anderberg	Volleyball Head Coach	Schedule C	FHS
Eric	Anderson	Football Assistant Coach	Schedule C	FHS
Norah	Antil	Volleyball Assistant Coach	Schedule C	FHS
Lance	Bailey	Football Assistant Coach	Schedule C	FHS
Luis	Benitez	Weekend custodian	\$17.56/hour	FCC
Courtney	Benjamin	Teacher	BA / Step 1	FMS
Jaimie	Beran	Volleyball Assistant Coach	Schedule C	FHS
Darrion	Branscomb	Football Assistant Coach	Schedule C	FHS
Krystle	Brown	Building Sub	\$30.00/hour	RLS
Mary	Clark	Lifeguard/WSI	\$10.37/\$14.61/hour	FCC
Blake	Cook	MS Football Coach	Schedule C	FMS
Matthew	Ferry	MS Boys Soccer Coach	Schedule C	FMS
David	Gillan	Maintenance Tech	\$22.73/hour	FMS
Kim	Haley	MS Girls Soccer Coach	Schedule C	FMS
Samantha	Hamlin	Paraeducator	\$15.86/hour	Hayes
Trevor	Hess	Football Assistant Coach	Schedule C	FHS
Brianna	Ives	Media Clerk	\$19.02/hour	FMS
Tom	Larson	Building Substitute	\$30.00/hour	FHS
Dan	Nalepka	Football Assistant Coach	Schedule C	FHS
Matt	Nalepka	Football Assistant Coach	Schedule C	FHS
Jorge	Otanez	CE Catalog Class Instructor		FCC
Rachel	Pobuda	CE Classroom Assistant	\$15.01/hour	FCC
Steven	Powers	Building Sub	\$40.00/hour	FMS
Camille	Rasmussen	MS Volleyball Coach	Schedule C	FMS
Erica	Rauworth	Paraeducator	\$14.99/hour	FMS
Justin	Reese	Head Football Coach	Schedule C	FHS
Lauren	Reuteler	Teacher – LTS	BA / step 2	Hayes
Bryce	Richter	Football Assistant Coach	Schedule C	FHS
Jessica	Rifley	MS Volleyball Coach	Schedule C	FMS
Erica	Roman	CE Catalog Class Instructor		FCC
Shaquielle	Shoulders	CE Instructor	\$15.01/hour	FCC
Kris	Svedberg	Building Sub Sped Only	\$30.00/hour	District
Judy	Swan	Building Monitor/Attendant	\$13.25/hour	RLS
John	Swanson	Football Assistant Coach	Schedule C	FHS
Josh	Thurston	MS Activities Coordinator	Schedule C	FMS
Sheryl	Wallace-Holman	Paraeducator	\$16.71/hour	FCC
Mindy	Weeks	Volleyball Assistant Coach	Schedule C	FHS

First Name	Last Name	Assignment	Step/Lane/Salary	School
Phillip	Wolney	MS Girls Soccer Coach	Schedule C	FMS
Ashishasia	Young-Harris	Paraeducator	\$16.71/hour	FCC
Alexandra	Hippie	CE Classroom Assistant	\$15.01/hour	FCC

Lane Changes

First Name	Last Name	Current Lane	New Lane
Phil	Boyd	MA+30	MA+40
Alexa	Fischer	BA+10	MA
Chris	Fischer	BA+30	MA
Brittney	Gill	BA+10	
Kelli	Greenhalgh	BA+10	BA+20
Kim	Haley	BA+20	MA
Anna	Hamer	MA+30	MA+40
Anna	Hron	MA	MA+10
Ashley	Mellgren	BA+40	MA
Ahmad	Samadi	BA+30	MA
Katherine	Sneider	BA	BA+10
Christina	Sogn	MA	MA+20

Resignations (2020-2021)

- Lindsey Crawford resigned from her CE Program Manager position, in Community Ed, effective November 6, 2020.
- Bethany Rask resigned from her Paraeducator position at Fridley High School, effective October 13, 2020.

Leave Requests (2020-2021)

- Josh Groth requested a leave of absence from his paraeducator position at Fridley High School from December 15, 2020 through January 26, 2021.
- Lindsey Johnson requested a leave of absence from her teacher position at Fridley Community Center from January 19, 2021 through April 20, 2021.
- Tiffany Lindholm requested an intermittent leave of absence from her teacher position at Hayes from September 3, 2020 through April 30, 2021.
- Ann Matthews-Baussion requested a leave of absence from her media clerk position from December 14, 2020 through February 9, 2021.
- Drew Reiter requested a leave of absence from his teacher position at Fridley Middle School from August 31, 2020 through October 14, 2020.
- Kari Reiter requested a leave of absence from her IB Coordinator position from August 31, 2020 through October 14, 2020.
- Michael Schmidt requested a leave of absence from his teacher position at Hayes Elementary from November 23, 2020 through January 19, 2021.
- Katherine Talafous requested a full year leave of absence from her teacher position at Stevenson Elementary from August 31, 2020 through June 11, 2021.
- Anna Zawadski requested a leave of absence from her teacher position at Hayes Elementary from August 31, 2020 through October 9, 2020.

**STATEWIDE HEALTH IMPROVEMENT PROGRAM
SUBCONTRACT AGREEMENT**

between

ANOKA COUNTY

And

FRIDLEY INDEPENDENT SCHOOL DISTRICT #14

THIS AGREEMENT is entered into between **Anoka County through its Public Health & Environmental Services Department (Department)**, 2100 Third Avenue, Anoka, MN 55303-5041, and **Fridley Independent School District #14 (School District)**, 6000 W Moore Lake Drive NE, Fridley, MN 55432.

RECITALS:

- (1) As Grantee, Anoka County has accepted grant funds from, and entered into a Grant Agreement with, the Minnesota Department of health based on Grantee's Work Plan.
- (2) Anoka County included grant activities associated with **Healthy Eating, Active Living, Tobacco and Well-Being** strategies in the school setting.
- (3) School District represents that it is qualified and willing to furnish these services.
- (4) Anoka County wishes to enter into an agreement with the School District for these services.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained in this agreement, Anoka County and School District agree as follows:

1. TERM

- 1.1 This Agreement begins on **November 1, 2020**, regardless of the date of signatures, and ends on **October 31, 2021**, unless earlier terminated as provided in Section 10. TERMINATION.

2. SERVICES

- 2.1 School District agrees to provide **Healthy Eating, Active Living Strategy, Tobacco and Well-Being** services described in Attachment D according to the schedule set forth therein, unless otherwise modified and approved by Anoka County.
 - 2.1.1 School District will have dedicated staff who will work with the Department.
 - 2.1.2 School District must complete the School Health Index assessment, determine a priority strategy, develop an action plan with evaluation, communicate with decision-makers, and implement policies/practices. School partners will be required to work on Healthy Eating, Active Living, Tobacco and Well-Being strategies within the grant period.
- 2.2 Activities may be guided by input from the Community Leadership Team.
- 2.3 School District acknowledges that Anoka County is subject to the terms of the Minnesota Department of Health Statewide Health Improvement Program (SHIP) Grant Project Agreement, which terms relate to the activities that are funded by this agreement.
 - 2.3.1 School District agrees to assist Anoka County with any documentation and reporting necessary to comply with the terms in the SHIP Grant Project Agreement.

2.3.2 School District agrees to comply with applicable terms in the SHIP Grant Project Agreement.

2.4 School District agrees to grant Anoka County and the State of Minnesota the right to make, have made, reproduce, modify, distribute, perform or otherwise use the materials (as described in the SHIP Grant Project Agreement and Master Grant Contract for Community Health Boards) that are conceived or created by School District under this Agreement.

3. FUNDING

3.1 The maximum funding available for the services provided by School District under this Agreement for grant activities associated with implementing healthy eating, active living, tobacco and well-being policy, system and/or environmental changes in school systems is **\$15,000**.

3.2 The cost of this Agreement is based upon a budget submitted by School District and approved by the Department. School District will submit a budget for the period **November 1, 2020** through **October 31, 2021**.

3.2.1 School District agrees to request the Department's written approval for any budget change, including any change in budget line items in excess of 10% submitted by School District to the Department.

3.2.2. No more than 10% of the budget can be used for indirect costs. Indirect costs are costs of doing business that cannot be directly attributed to the specific grant activity or budget line item. These costs are often allocated across an entire agency and may include: executive or supervisory salaries and fringe, rent, office equipment, office supplies, copier lease, postage and telephone expenses. School District will submit a list of expenses that will be included as part of their indirect costs and must be approved by the Department.

3.3 School District will submit monthly invoices to the Department based on actual expenses for services provided during that calendar month.

3.3.1 Program invoices will be submitted monthly no later than the 30th day of the following month the services were provided.

3.3.2 School District will use program invoices in a format approved by the Department.

3.4 Within 30 days after receiving a properly completed invoice, Anoka County will pay School District in the manner provided by law for paying claims against Anoka County.

3.4.1 If Anoka County receives an improperly completed invoice, Anoka County will notify School District within 5 days and School District will submit a corrected invoice promptly.

3.5 School District will submit the invoices to Anoka County Public Health & Environmental Services Department, 2100 Third Avenue, Suite 600, Anoka, MN 55303-5041.

3.5.1 Anoka County may withhold reimbursement until School District submits all necessary or requested reports to Anoka County.

3.6 Anoka County may modify amounts under this agreement based upon actual expenditures and subject to the review and recommendations by the Department.

3.7 School District will repay Anoka County within 30 days for any funds not expended on permitted activities under this Agreement.

- 3.7.1 School District and Anoka County will agree on repayment arrangements that are reasonable.
- 3.7.2 Any costs submitted in School District's documentation that are not for permitted activities under this Agreement cannot be honored by Anoka County as an acceptable funding expenditure.
- 3.8 School District acknowledges that if any project funds remain as of **October 31, 2021**, there will be no carry-over of funds.
- 3.9 School District must use funds received to develop new programs, expand current programs or replace discontinued funds previously used to reduce the percentage of Minnesotans who are obese or overweight or who use tobacco. Funds must not be used to supplant current state, federal or local funding.

4. STANDARDS AND ASSURANCES

- 4.1 School District agrees to the provisions set forth in Attachment A – the Public Health Standards Assurances and Certifications and Attachment C – Limited English Proficiency Language Access Requirements.
 - 4.1.1 References to Contractor in Attachments A, B and C are understood to be references to references to School District.

5. AUDIT AND RECORDS RETENTION

- 5.1 School District agrees that its records, documents, accounting procedures and practices, and other papers relevant to this agreement are subject to examination, duplication, transcription, and audit by Anoka County, Legislative or State Auditor under Minn. Stat. § 16C.05.
- 5.2 School District agrees to maintain required records for at least 6 years after it receives final payment or this Agreement terminates, whichever is later.

6. INDEMNIFICATION

- 6.1 School District agrees to hold harmless, indemnify, and defend Anoka County, its commissioners, officers, agents, and employees against any and all claims, expenses, (including attorney's fees), losses, damages, or lawsuits for damages, arising from or related to performing or failing to perform activities under this agreement, including but not limited to the negligence of School District.
- 6.2 Section 6. INDEMNIFICATION provisions do not independently create liability as to any third party.
 - 6.2.1 These provisions are intended to protect Anoka County from any liability related to activities performed by School District under this Agreement.
- 6.3 Nothing in this Agreement waives any limitation on liability provided by Minn. Stat. Chap. 466 or Minn. Stat. § 3.732 et seq. or any other applicable law.

7. INSURANCE

- 7.1 School District agrees that, at all times during this Agreement in order to protect itself as well as Anoka County under Section 6. INDEMNIFICATION, it will have and keep in force the insurance, and will comply with the terms and conditions, specified in Attachment B.
 - 7.1.1 Anoka County may withhold payment until School District supplies the certificate(s) required in Attachment B.

7.1.2 School District shall provide Anoka County with renewal certificate(s) at least 30 days before coverage expires.

8. SUBCONTRACTING AND ASSIGNMENTS

8.1 School District cannot subcontract unless Anoka County gives written approval.

8.1.1 Any School District subcontractor is subject to, and must meet, all agreement requirements.

8.1.2 Anoka County may give its approval subject to any conditions that it deems necessary.

8.2 School District is responsible for all its subcontractors' performance.

8.3 School District cannot assign any interest in this agreement without Anoka County's written approval.

9. MODIFICATIONS

9.1 To alter, modify, or amend this agreement, the parties must agree in writing signed by their authorized representative(s).

9.1.1 An interpretation that is not viewed as material by the parties does not require signatures.

9.2. Anoka County contract manager must give prior written approval for any modifications to this Agreement that would modify either the Work Plan or budget.

10. TERMINATION

10.1 This Agreement will terminate upon at least 30 days written notice specifying the termination date, given by either party, with or without cause.

10.2 If the Minnesota Department of Health terminates funding used for this Agreement, Anoka County may terminate this Agreement immediately upon written notice delivered to School District.

10.3 Anoka County may terminate this Agreement immediately upon written notice delivered to School District for a material breach.

10.3.1 A violation of any pertinent statute, ordinance, rule, or regulation by School District constitutes a material breach.

10.3.2 Failure by School District (including any employee or agent) to abide by any term, condition, or requirement in this Agreement constitutes a material breach if not corrected by School District upon receiving notice of deficiency and request for compliance from Anoka County.

10.3.3 If School District materially breaches this Agreement, Anoka County may recover from School District any damages sustained by Anoka County that directly or consequently arise from School District's breach.

10.4 Indemnity, Audit and other affirmative obligations, such as records retention and data practices provisions, survive this Agreement's termination.

11. NOTICE

- 11.1 Notice is to be given in writing, directed to School District or to the Public Health & Environmental Services Director, at the address stated above, and either sent by mail, e-mail or delivered in person.
- 11.2 When notice is served by mail, it is deemed received 3 days after mailing.
- 11.3 Delivery of a notice or document in accordance with this section is considered equivalent to a delivery method required under applicable law.

12. DEFAULT AND REMEDY

- 12.1 Failure of the School District (including the failure of any employee or agent of School District) to abide by any of the terms, conditions, or requirements expressed in this Agreement shall constitute a default if not properly corrected by School District upon receipt of a notice of deficiency and a request for compliance from the County. In the event of a default by School District, the County may cancel this Agreement by sending a written notice of cancellation to School District at the address stated above, may withhold payment under this Contract and may recover from School District any damages sustained by the County which may directly or consequently arise out of the breach of this Agreement by School District.

13. COUNTERPARTS

- 13.1 This agreement may be executed in any number of counterparts, each one of which shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument.

14. DATA PRIVACY & HIPAA

- 14.1 School District shall abide by the provisions of the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13 (MGDPA), the Health Insurance Portability and Accountability Act (HIPAA) and implementing regulations, if applicable, and all other applicable state and federal laws, rules, regulations and orders relating to data privacy or confidentiality, and as any of the same may be amended.

15. ENTIRE AGREEMENT

- 15.1 The parties' entire agreement is contained in this document.
- 15.2 This Agreement supersedes all oral agreements and negotiations by the parties relating to its subject matter.
- 15.3 All items referred to in this agreement are incorporated or attached and deemed to be part of the agreement.

School District having signed this agreement, and the proper County officials having signed this agreement, the parties agree to be bound by its provisions.

ANOKA COUNTY

Fridley Independent School District #14

By: _____
Jonelle Hubbard, Director
Public Health &
Environmental Services

By: _____

Print Name: _____

Dated: _____

Title: _____

Dated: _____

ATTACHMENT A**PUBLIC HEALTH STANDARD ASSURANCES AND CERTIFICATIONS****I. NON-DISCRIMINATION**

- A. Anoka County is an Affirmative Action/Equal Opportunity Employer. In accordance with Anoka County policies and applicable federal and state laws against discrimination, Contractor will not illegally exclude any person from full employment rights or participation in any program, service or activity or deny the benefits of, or otherwise subject any person to discrimination under, any program, service or activity.
- B. While performing the Contract, Contractor will not illegally discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, national origin, marital status, public assistance status, disability, sexual orientation, gender identity or age.
- C. Contractor will comply with any applicable federal or state law regarding non-discrimination, including the following laws that may be applicable: The Equal Employment Opportunity Act of 1972, as amended, 42 U.S.C. § 2000e, et seq., which prohibits discrimination in employment because of race, color, religion, sex, or national origin; Executive Order 11246, as amended, which prohibits discrimination by U.S. Government contractors and subcontractors because of race, color, religion, sex sexual orientation, gender identity or national origin, and supplemented with regulations at 41 C.F.R. pt. 60; The Rehabilitation Act of 1973, as amended 29 U.S.C. § 701, et seq., and 45 C.F.R. 84.3 (J) and (K) implementing Sec. 504 of the Act, which prohibits discrimination against qualified handicapped persons in the access to or participation in federally funded services or employment; The Age Discrimination in Employment Act of 1967, as amended, and Minn. Stat. § 181.81, which generally prohibit discrimination because of age; The Equal Pay Act of 1963, as amended, 29 U.S.C. § 206, which provides that an employer may not discriminate based on sex by paying employees of different sexes differently for the same work; Minn. Stat. Chap. 363A, as amended, which generally prohibits discrimination because of race, color, creed, religion, national origin, sex, marital status, public assistance status, familial status, membership or activity in a local commission, disability, sexual orientation, or age; Minn. Stat. § 181.59, which prohibits discrimination against any person by reason of race, color, or creed in any state or political subdivision contract for materials, supplies or construction; and The Americans with Disabilities Act of 1990, which generally prohibits discrimination based on disability.
- D. If the Contract is for more than \$100,000.00 and Contractor has employed more than 40 full-time employees during the previous twelve months, Contractor **certifies** by signing the Contract that it has received a certificate of compliance from the Commissioner of Human Rights pursuant to Minn. Stat. § 363A.36.
- E. No funds received under the Contract will be used to provide religious or sectarian training or services.

II. DATA PRACTICES

- A. Data collected, created, received, maintained, disseminated, or used for any purpose while Contractor is providing services under the Contract is governed by the Minnesota Government Data Practices Act, Minn. Stat. Chap. 13, and rules adopted to implement the Act as well as other state and federal laws on data privacy.
- B. Contractor agrees to comply with the statutes and rules currently in effect and as amended; pursuant to Minn. Stat. § 13.05, subd. 11, all of the data created, collected, received, stored, used, maintained or disseminated by Contractor in performing the duties under this contract are subject to the requirements of Minnesota Statutes Chapter 13; all remedies set forth in Minn. Stat. § 13.08 may apply to Contractor.
- C. Unless otherwise stated in the contract, the person identified by the Contract to receive notice is designated the responsible authority for data under Minn. Stat. § 13.46, subd. 10(a)(4).
- D. Contractor may access welfare data on individuals when necessary for program purposes to provide services under the Contract as permitted by law.

- E. Contractor will allow access to data to a responsible authority in the welfare system when access is necessary for administrating and managing programs as permitted by law or as authorized or required by state or federal law.
- F. Contractor is not required under the Contract to provide public data to the public if that same data is available from Anoka County.

III. RECORDS AUDIT/RETENTION

- A. Contractor agrees that its bonds, records, documents, accounting procedures and practices, and other papers relevant to the Contract are subject to examination, duplication, transcription, and audit by Anoka County, Minnesota Department of Human Services [DHS], Legislative or State Auditor under Minn. Stat. § 16C.05, subd. 5, and U.S. Department of Health and Human Services; these documents are subject to review by the U.S. Comptroller General, or a duly authorized representative, if federal funds are used for work under the Contract.
- B. Contractor agrees to maintain these documents for a minimum of 6 years from the last date services were provided or payment made, or longer if an audit in progress requires a longer retention period.
- C. Contractor agrees to comply with applicable DHS policies regarding social services recording and monitoring procedures as defined and described in the DHS rules and manuals.

IV. WORKER HEALTH, SAFETY, AND TRAINING

- A. Contractor is solely responsible for the health and safety of its employees and agents while they are performing work under the Contract and will ensure that personnel are properly trained and supervised and, when applicable, licensed or certified appropriate to the tasks engaged in under the Contract.
- B. Contractor will comply with the "Occupational Safety and Health Act" and the "Employee Right to Know Act," Minn. Stat. §§ 182.65 et seq., where applicable.

V. FAIR HEARING / GRIEVANCE PROCEDURE

Contractor will assist the County in complying with Minn. Stat. § 256.045, Administrative and Judicial Review of Human Services Matters and will have a grievance procedure for individuals receiving services under the Contract.

VI. MANDATORY REPORTING

Contractor will comply with Minn. Stat. § 626.556, Reporting of Maltreatment of Minors, and Minn. Stat. §§ 626.557 et seq., Reporting of Maltreatment of Vulnerable Adults, and any rules promulgated to implement the statutes.

VII. DHS THIRD-PARTY BENEFICIARY

- A. When relevant, Contractor understands and agrees that DHS is a third-party beneficiary and an affected party under the Contract pursuant to Minn. Stat. § 245.466, Minn. R. pt. 9525.1870, or a similar legal requirement.
- B. Contractor agrees that DHS, as well as Anoka County, has standing to and may take any appropriate administrative action or sue Contractor for any appropriate relief in law or equity, including, but not limited to, rescission, damages or specific performance of all or any part of the Contract between Anoka County and Contractor.

- C. Contractor specifically acknowledges that Anoka County and DHS are entitled to, and may recover from Contractor, reasonable attorneys' fees and costs and disbursements associated with an action taken under this provision that is successfully maintained.
- D. These provisions will not be construed to limit the rights of any party to the Contract or any other third-party beneficiary, nor will it be construed as a waiver of immunity under the Eleventh Amendment to the United States Constitution or any other waiver of immunity.
- E. Subcontracts will have the same or similar language acknowledging that DHS is a third-party beneficiary.

VIII. PSYCHOTHERAPISTS

If applicable, Contractor will continue to comply with Minn. Stat. Chapter 604 Civil Liability, §604.20 - §604.205, with regard to any currently or formerly employed psychotherapists or any applicants for psychotherapist positions.

IX. SERVICE PERFORMANCE

- A. Contractor will provide Purchased Services in the amount, frequency, and duration specified in an individual service plan and will direct services toward achieving specified goals and objectives.
- B. Contractor must give an Eligible Recipient and appropriate county agency written notice before discharging the Eligible Recipient or terminating Purchased Services to the Eligible Recipient.
- C. Contractor agrees to comply with applicable federal and state laws, rules and regulations, as well as local ordinances that are in effect while providing Purchased Services.
- D. Except as otherwise specified in the Contract, Contractor will maintain control with respect to the methods, times, means and personnel used in providing Purchased Services.
- E. Contractor **certifies** that: services to be provided under this Contract are not otherwise available without cost to Eligible Recipients; payment claims for Purchased Services will be in accordance with rates of payment that do not exceed amounts reasonable and necessary to assure quality of service; rates of payment do not reflect any administrative or program costs assignable to private pay or third-party pay service recipients.

X. FINAL PAYMENT

- A. Under Minn. Stat. § 270C.66, final payment may be withheld until Contractor furnishes Anoka County with proof that all outstanding withholding taxes, penalties and interest are paid.
- B. Anoka County may require proof in the form of a certificate issued by the Commissioner of Revenue.

XI. INDEPENDENT CONTRACTOR

- A. Contractor is, and will remain, an independent contractor with respect to all services performed under the Contract.
- B. Nothing in the Contract creates or establishes a co-partner relationship between Anoka County and Contractor or makes Contractor an agent, representative, or employee of Anoka County for any purpose.
- C. No benefits available to Anoka County employees will accrue to Contractor or Contractor's employees or agents performing services under the Contract.

XII. MINNESOTA LAW

- A. Minnesota laws govern all questions related to the Contract.
- B. The parties will venue any proceedings related to the Contract in the Anoka County District Court, State of Minnesota.

XIII. SUBCONTRACTORS

- A. Under Minn. Stat. § 471.425, Contractor must pay any subcontractor for undisputed services provided by the subcontractor within 10 days after Contractor receives payment for services.
- B. Contractor agrees to pay interest as provided in Minn. Stat. § 471.425 on any undisputed amount not paid on time.

XIV. EXCLUDED MEDICAL ASSISTANCE PROVIDERS

By signing the Contract, Contractor certifies that it is not an excluded vendor under § 2005(a)(9) of Title XX of the Social Security Act.

XV. PREVAILING WAGE

Contractor will assure that any worker hired to provide services funded under the Contract who falls within a job classification established and published by the Minnesota Department of Labor & Industry will be paid, at a minimum, the prevailing wage rate as certified by that Department.

XVI. SINGLE AUDIT ACT

If applicable, CONTRACTOR will comply with the Single Audit Act of 1984 (Public Law 98-502) as amended (31 U.S.C. chap 75) and OMB Circular A-128 (or A-133 or A-110 as applicable).

XVII. HIPAA COMPLIANCE

CONTRACTOR agrees to comply with all applicable requirements in the regulations adopted under the Health Insurance Portability and Accountability Act (HIPAA), including specifically the privacy regulations in 45 C.F.R. Parts 160 and 164 and the Health Information Technology for Economic and Clinical Health (HITECH) Act, Title XIII of the American Recovery and Reinvestment Act of 2009 (Pub.L. 111-5).

XVIII. CONTRACTOR DEBARMENT, SUSPENSION, AND RESPONSIBILITY

Federal regulations (42 CFR §455.100) prohibit Anoka County from purchasing goods or services with federal money from vendors who have been suspended or debarred by the federal government. Also Minn. Stat. § 16C.03 provides the Minnesota Commissioner of Administration with the authority to debar and suspend vendors. Vendors may be suspended or debarred when it is determined, through a duly authorized hearing process that they have abused the public trust in a serious manner.

By signing this Contract, Contractor **certifies** that it and its principals* and employees:

- A. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from transacting business by or with the federal, state or local governmental department or agency; and
- B. Have not within a 3-year period preceding this contract:
 - 1. been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public (federal, state or local) transaction or contract;
 - 2. violated any federal or state antitrust statutes; or
 - 3. committed embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property; and

- C. Are not presently indicted or otherwise criminally or civilly charged by a governmental entity for:
 - 1. commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public (federal, state or local) transaction or contract;
 - 2. violating any federal or state antitrust statutes; or
 - 3. committing embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property; and
- D. Are not aware of any information and possess no knowledge that any subcontractor(s) that will perform work pursuant to this Contract are in violation of any of the certifications set forth above.

XIX. CERTIFICATION REGARDING LOBBYING

Federal law (31 U.S.C. § 1352) requires that Anoka County, as a subgrant recipient of SSBG (Social Services Block Grant) funds through the Minnesota Department of Human Services, certify that it will not use any Federal appropriated funds to do any lobbying at the Federal level, and to report the use of any other funds to do such lobbying with regard to any Federal appropriated funds received by Anoka County. In addition, Anoka County is required to have all subrecipients certify likewise.

In situations in which the contract identifies Contractor as a subrecipient of SSBG funds, Contractor **certifies** by signing this Contract that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of Contractor, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code.

Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

By signing this Contract, Contractor **certifies** that it and its principals* and employees shall immediately give written notice to Anoka County should Contractor come under investigation for allegations of fraud or a criminal offense in connection with obtaining, or performing: a public (federal, state or local) transaction or contract; violating any federal or state antitrust statutes; or committing embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property.

*For purposes of these certifications, "principals" means: officers; directors; owners; partners; and persons having primary management or supervisory responsibilities within a business entity (e.g. general manager; plant manager; head of a subsidiary, division, or business segment and similar positions).

ATTACHMENT B

INSURANCE REQUIREMENTS

1. INSURANCE

- 1.1. Contractor will procure and maintain for the duration of this Agreement (hereinafter referred to as the “Contract”), insurance coverage for injuries to persons or damages to property which may arise from or in connection with the performance of the work herein by the contractor, its agents, representatives, employees or subcontractors.
- 1.2. **Commercial General Liability.** Contractor will maintain Commercial General Liability (CGL) and, if necessary, commercial umbrella insurance with a combined limit of not less than \$1,500,000 each occurrence.
 - 1.2.1. CGL Insurance will be written on ISO occurrence form CG 0001 96 (or a substitute form providing equivalent coverage), and will cover liability arising from premises, operations, independent Contractor, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract including the tort liability of another assumed in a business contract.
 - 1.2.2. **Anoka County**, including all its elected and appointed officials, all its employees and volunteers, all its boards, commissions and/or authorities and their board members, employees, and volunteers, and all its officers, agents, and consultants, are named as Additional Insured under the Commercial General Liability, using ISO additional insured endorsement CG 20 26 or substitute providing equivalent coverage, and under the commercial umbrella, if any with respect to liability arising out of the contractor’s work and services performed for the County. This coverage shall be primary to the Additional Insured.
 - 1.2.3. The County’s insurance will be excess of the Contractor’s insurance and will not contribute to it. The Contractor’s coverage will contain no special limitations on the scope of protection afforded to the County, its agents, officers, directors, and employees.
 - 1.2.4. **Waiver of Subrogation.** Contractor waives all rights against Anoka County and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the Commercial General Liability or commercial umbrella liability insurance obtained by Contractor pursuant to Paragraph 1.1. Contractor will obtain an endorsement to affect this waiver.
- 1.3. **Workers’ Compensation Insurance.** Contractor will maintain Workers’ Compensation Insurance as required by the State of Minnesota and Employers Liability Insurance with limits not less than \$100,000 Bodily Injury By Accident for each accident, not less than \$100,000 Bodily Injury By Disease for each employee and not less than \$500,000 Bodily Injury By Disease policy limit.
 - 1.3.1. If Contractor is not required by Statute to carry Workers’ Compensation insurance, Contractor must provide a letter on their letterhead which includes:
 - 1.3.1.1. Evidence why the Contractor is not required to obtain Workers’ Compensation Insurance.
 - 1.3.1.2. A statement in writing which agrees to provide notice to Anoka County of any change in Contractor’s exception status under the Minnesota State Statutes 176.041; and
 - 1.3.1.3. A statement which agrees to hold Anoka County harmless and indemnify the County from and against any and all claims and losses brought by Contractor or any subcontractor or other persons claiming injury or illness resulting from performance of work this contract.
 - 1.3.2. **Waiver of Subrogation.** Contractor waives all rights against Anoka County and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the

workers compensation and employer's liability or commercial umbrella liability insurance obtained by Contractor. Contractor will obtain an endorsement to affect this waiver.

1.4. Other Insurance Provisions

- 1.4.1. Prior to the start of this Contract, Contractor will furnish Anoka County with a certificate of insurance and copies of the endorsements, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth above. Failure of Anoka County to demand such certificate or other evidence of full compliance with the insurance requirements or failure of Anoka County to identify deficiency from evidence that is provided shall not be construed as a waiver of Contractor's obligation to maintain such insurance. Failure to provide the required certificates of insurance and endorsements constitutes a breach of this contract.
- 1.4.2. Cancellation and Material Change Endorsement shall be included on all insurance policies required by the County. Thirty (30) days Advance Written Notice of Cancellation, Non-Renewal, Reduction in insurance coverage and/or limits and ten (10) days written notice of non-payment of premium shall be sent to the County at the office and attention of the Certificate Holder. This endorsement supersedes the Standard Cancellation Statement on Certifications of Insurance to which this endorsement is attached.
- 1.4.3. **No Representation of Coverage Adequacy.** By requiring insurance herein, Anoka County does not represent that coverage and limits will necessarily be adequate to protect the Contractor and such coverage and limits shall not be deemed as a limitation on Contractor's liability under the indemnities granted to Anoka County in this Contract.
- 1.4.4. **Cross-Liability coverage.** If Contractor's liability does not contain the standard ISO separation of insured provision, or a substantially similar clause, they shall be endorsed to provide cross-liability coverage.

Revised 9/11/17

Rev 11-2017

ATTACHMENT C**Limited English Proficiency Language Access Requirements**

Entities that receive any Federal financial assistance from the U.S. Department of Health and Human Services [HHS], directly or indirectly, through a grant, contract or subcontract are covered by the policy guidance related to limited English proficiency issued by the Office of Civil Rights [OCR], which is described in DHS Instructional Bulletin No. 00-89-4. All parts of a recipient's operations are covered by Title VI obligations, not just the part of the recipient's program that uses the Federal financial assistance.

Those contractors, grantees, licensees, and any other public or private individual or organization that operate, provide or engage in health or social services programs and activities for Anoka County Human Services and indirectly receive federal HHS funding to administer their programs and activities, must comply with Title VI language access requirements and provide language assistance services to all applicants and clients with limited English proficiency free of charge and in a timely manner during all hours of operation.

Individuals with limited English proficiency need meaningful access to programs and services. Effective communication is required to have meaningful access. A provider can ensure effective communication by developing and implementing its Limited English Proficiency [LEP] plan. (Note: When an individual with limited English proficiency also has limited understanding or cannot read, access may be complicated by factors not covered by Title VI because those factors are not directly related to national origin or language.)

In developing its LEP plan, a provider needs to include oral language assistance options. An LEP plan also should include policies and procedures that:

1. identify and assess language needs for the provider's applicants and clients with limited English proficiency;
2. provide notice to individuals with limited English proficiency about the right to language assistance free of charge and in a timely manner during all hours of operation;
3. require regular staff training;
4. provide for monitoring of the LEP plan; and
5. in certain circumstances, provide for the translation of written materials.

Providers, especially smaller providers, have considerable flexibility in designing their own LEP plans. Factors that influence the types of language assistance that a provider should have in place include:

1. the size of the eligible non-English or limited English speaking population it serves;
2. the size of the provider;
3. the nature of the programs and services and their objectives;
4. the language assistance resources available in the affected service delivery areas;
5. the frequency with which particular languages are encountered; and
6. the frequency with which persons with limited English proficiency come into contact with the programs and services offered.

At a minimum, all persons with limited English proficiency who seek services from service providers must be given oral language assistance, including an interpreter, free of charge, whether in-person or by telephone. The burden of providing the interpreter must never be on the person with limited English proficiency.

When a significant number or percentage of population eligible to be served needs services or information in a language other than English to communicate effectively, a provider needs to develop and implement an LEP plan to provide written materials in languages other than English. If the number or percentage of the population eligible to be served, or likely to be directly affected by the program, is not significant, the provider may not need to translate written materials. But the provider still would have to provide oral interpretation of the written documents or an equally effective alternative to ensure meaningful access.

The LEP plan should be developed by a provider after assessing the language needs of the limited English populations in its service delivery area. LEP plans have different levels of complexity and substance depending upon the needs of persons with limited English proficiency who are eligible for services. The objective is to provide meaningful access to services.

A provider can identify the non-English languages likely to be encountered and estimate the number of limited English proficiency persons eligible for services or likely to be directly affected by its program by:

- reviewing census data, client utilization data, and data from school systems and community agencies;
- identifying language needs of each limited English proficiency client and recording this information;
- identifying points of contact in its program where language assistance is likely to be needed;
- identifying the resources that will be needed to provide effective language assistance;
- identifying the location and availability of these resources; and
- identifying the arrangements that must be made to access these resources in a timely fashion.

A provider needs procedures in its LEP plan for obtaining and providing trained and competent interpreters and other oral language assistance services in a timely manner. This may involve hiring bilingual staff who are trained and competent in the skill of interpreting; hiring staff interpreters who are trained and competent in the skill of interpreting; contracting with an outside interpreter service for trained and competent interpreters; arranging formally for the services of voluntary community interpreters who are trained and competent in the skill of interpreting; or contracting for the use of a telephone language interpreter service.

A provider also needs to develop, and provide training on, procedures for timely and effective telephone communication between staff and limited English proficiency persons.

A provider should use language identification cards that would allow limited English proficiency clients or applicants to identify their language needs to staff. To be effective, the I speak cards must invite a limited English proficiency person to identify the language he or she speaks.

A provider should consider posting and maintaining signs in regularly encountered languages other than English in waiting rooms, reception areas and other initial points of entry to inform individuals about the right to free language assistance services and to invite individuals to identify themselves as persons needing such services.

A provider should consider including statements about the services available and the right to free language assistance services, in appropriate non-English languages, in brochures, booklets, outreach and recruitment information and other materials that are routinely disseminated to the public.

Compliance with the Title VI language assistance obligation is most likely when a provider continuously monitors its program, makes modifications where necessary, and periodically trains its employees in implementing the policies and procedures. Effective training ensures employees: know about the provider's LEP plan and its policies and procedures; are trained to work effectively with in-person and telephone interpreters; and understand the dynamics of interpretation between clients, providers and interpreters.

Small providers have considerable flexibility in determining precisely how to fulfill their obligations to ensure meaningful access for persons with limited English proficiency. The key is to ensure that relevant circumstances about the limited English proficiency individual's situation can be effectively communicated to the provider and that the individual is able to understand the services and benefits available and to receive those services and benefits for which he or she is eligible in a timely manner.

[Additional information available in Minnesota Department of Human Services Bulletin #00-89-4 and U.S. Department of Health and Human Services Office of Civil Rights Policy Guidance, 65 Fed. Reg. 56762.]

ATTACHMENT D
Scope of Service

SHIP School setting strategies include:

- Healthy Eating
 - Creating sustainable policy, systems, and environmental change by increasing access to healthier options and decreasing access to unhealthy options, enhancing health literacy to school decision makers (providing professional and skill development trainings leading to practice change), and by changing district policy.
 - All healthy eating initiatives should focus on the following goals:
 - Increasing access to fruits and vegetables
 - Decreasing access to foods high in sodium, saturated fat, and added sugars.
 - Evidenced-based activities to reach these goals include: Farm to School, School-based Agriculture, Healthy Snacks during the day, Healthy Snacks outside of the school day and integrating Smarter Lunchroom initiatives.
- Active Living
 - Implementing policies and practices that create active schools by increasing opportunities for physical activity throughout the school day.
 - Evidenced-based activities to reach these goals include: implementing quality physical education (enhancing PE), active classrooms, active recess at the elementary level and drop-in time options at the junior and high school levels, and before or after school physical activity opportunities including Safe Routes to School.
- Tobacco
 - Implementing policies and practices that reduce e-cigarette use among students through evidence-based activities such as model policy development and implementation, curriculum, staff development, parent education, and messaging.
- Well-Being
 - Well-Being activities can take a variety of shapes including staff trainings on Adverse Childhood Experiences (ACEs) and how to develop trauma-informed practices. Activities could include connections with nature and the equipment that could accompany those activities, such as materials for journaling. Overall, local SHIP staff have the flexibility and creativity to support projects on Well-Being.

School partners will have dedicated staff at each site to champion and coordinate SHIP grant activities throughout the school. Responsibilities include:

- Facilitate assessments (including the school health index assessment) as needed, identification of strategy activities, development of action plans, assure implementation, evaluation and maintenance of PSE change
- Create an organizational plan that includes the district wellness committee, communication and action plan, and goals to achieve desired outcomes within the areas of policy, system, and environmental changes
- Assist in developing a budget and work/action plan
- Participate in and/or facilitate the School Wellness Committee
- Work with Anoka County SHIP Coordinator to identify strategy activities
- Work with Anoka County SHIP Coordinator regarding activity requiring financial approval
- Identify and facilitate training opportunities to support PSE change

- Collaborate and coordinate with Anoka County SHIP Coordinator on strategy/activity changes and implementation
- Consistent communication with Anoka County SHIP Coordinator
- Participate in both internal and external School Setting SHIP meetings
- Facilitate and assist with School and Anoka County SHIP reporting and evaluation

FRIDLEY PUBLIC SCHOOLS ENROLLMENT
as of October 1, 2020

		K	1	2	3	4	5	6	7	8	9	10	11	12	Total
Elementary Schools	Hayes Elementary	98	95	96	86	100									475
	Stevenson Elementary	94	103	90	89	90									466
	Elementary Totals	192	198	186	175	190									941
Secondary Schools	Fridley Middle School						180	222	229	202					833
	Fridley High School*										230	249	220	190	889
GRAND TOTAL		192	198	186	175	190	180	222	229	202	230	249	220	190	2663

*High School total does not include full-time PSEO students

Enrollment Comparison: 2019-2020 to 2020-2021

Grade	2019-2020 School Year										2020-2021 School Year										20-21 Adopted Budget	Current Month + / - Adopted
	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY	EOY		
	Oct 1 2019	Dec 1 2019	Jan 1 2020	Feb 1 2020	Mar 1 2020	Apr 1 2020	May 1 2020	June 1 2020	June 11 2020	Sep 1 2020	Oct 1 2020	Dec 1 2020	Jan 1 2021	Feb 1 2021	Mar 1 2021	Apr 1 2021	May 1 2021	Jun 1 2021	June 10 2021	June 10 2021	June 10 2021	
Kindergarten to 4th	989	1005	1009	1006	1010	1013	1012	1015	1015	907	941										990	-49
5th to 8th	828	845	849	854	861	863	865	865	865	819	833										820	13
9th to 12th*	866	877	878	873	884	894	891	892	878	878	889										815	74
Kindergarten to 12th	2683	2727	2736	2733	2755	2770	2768	2772	2758	2604	2663	0	0	0	0	0	0	0	0	0	2625	38
ECSE	27	31	30	31	31	34	36	35	39	12	12										25	-13
Full-time PSEO Students	47	48	48	47	47	48	48	46	46	50	50										0	50
Transition	6	4	3	3	3	3	3	3	3	2	2										12	-10
Full-time ALC	58	64	62	58	57	59	56	49	47	38	49										57	-8
Not Eligible for 1.0 ADM	138	147	143	139	138	144	143	133	135	102	113	0	0	0	0	0	0	0	0	0	94	19
Total Kindergarten to 12th	2821	2874	2879	2872	2893	2914	2911	2905	2893	2706	2776	0	0	0	0	0	0	0	0	0	2719	57
Four-Year Old Preschool	140	139	139	139	139	139	140	140	140	100	108											
TOTAL ENROLLED	2961	3013	3018	3011	3032	3053	3051	3045	3033	2806	2884	0	0	0	0	0	0	0	0	0	0	0

*9th to 12th total does not include full-time PSEO students



A World-Class Community of Learners

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402 DISABILITY NONDISCRIMINATION POLICY

I. PURPOSE

The purpose of this policy is to provide a fair employment setting for all persons and to comply with state and federal law.

II. GENERAL STATEMENT OF POLICY

- A. The school district shall not discriminate against qualified individuals with disabilities because of the disabilities of such individuals in regard to job application procedures, hiring, advancement, discharge, compensation, job training, and other terms, conditions, and privileges of employment.
- B. The school district shall not engage in contractual or other arrangements that have the effect of subjecting its qualified applicants or employees with disabilities to discrimination on the basis of disability. The school district shall not exclude or otherwise deny equal jobs or job benefits to a qualified individual because of the known disability of an individual with whom the qualified individual is known to have a relationship or association.
- C. The school district shall make reasonable accommodations for the known physical or mental limitations of an otherwise qualified individual with a disability who is an applicant or employee, unless the accommodation would impose undue hardship on the operation of the business of the school district.
- D. Any job applicant or employee wishing to discuss the need for a reasonable accommodation, or other matters related to a disability or the enforcement and application of this policy, should contact ~~Laura Seifert Hertling~~ S. Ike Isaacson, Director of ~~Special Services~~ Human Resources, 6000 West Moore Lake Drive, Fridley, MN 55432, 763-502-~~5005~~5013, laura.seifert@fridley.k12.mn.us, sike.isaacson@fridley.k12.mn.us. ~~Laura Ike~~ is the school district's appointed ADA/~~Section 504~~ coordinator.

Legal References:

Minn. Stat. Ch. 363A (Minnesota Human Rights Act)
29 U.S.C. 794 *et seq.* (Rehabilitation Act of 1973, § 504)
42 U.S.C., Ch. 126 § 12112 (Americans with Disabilities Act)
29 C.F.R. Part 32
34 C.F.R. Part 35
34 C.F.R. Part 104

Cross References:

MSBA/MASA Model Policy 521 (Student Disability Nondiscrimination)



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School Board Action:

Adopted October 16, 2007

Revised October 21, 2014

First Reading