

SPECIAL SCHOOL DISTRICT NO. 6  
SOUTH ST. PAUL, MINNESOTA

Financial Statements and  
Supplemental Information

Year Ended  
June 30, 2020

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SPECIAL SCHOOL DISTRICT NO. 6

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INTRODUCTORY SECTION

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SPECIAL SCHOOL DISTRICT NO. 6

School Board and Administration  
Year Ended June 30, 2020

**SCHOOL BOARD**

	<u>Board Position</u>
Jeff McClellan	Chair
Linda Diaz	Vice Chair
Nikki Laliberte	Clerk
Patricia Bjorklund	Treasurer
Bill Arend	Inspector
Wendy Felton	Inspector
Chris Walker	Inspector

**ADMINISTRATION**

David Webb	Superintendent of Schools
Aaron Bushberger	Finance Director
Lynne Welsh	Assistant Business Manager

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FINANCIAL SECTION

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PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Special School District No. 6  
South St. Paul, 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 Special School District No. 6 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

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

## **EMPHASIS OF MATTER**

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

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

(continued)

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

### **Prior Year Comparative Information**

We have previously audited the District's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 7, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
December 7, 2020

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## SPECIAL SCHOOL DISTRICT NO. 6

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

This section of Special School District No. 6's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's annual financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by \$26,756,540 (net position deficit). The District's total net position decreased by \$2,098,611 during the fiscal year ended June 30, 2020, excluding the change in accounting principle as discussed below.
- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this standard changed the way the District reported fiduciary activities. The implementation of this standard increased beginning net position in the government-wide statements and beginning fund balance in the governmental funds by \$31,729. The District's fiduciary fund net position was reduced by \$31,729 and eliminated with the implementation of this standard.
- Government-wide revenues totaled \$52,549,248 and were \$2,098,611 less than expenses of \$54,647,859.
- The General Fund's total fund balance (under the governmental fund presentation) decreased by \$2,445,882 from the prior year, compared to a decrease of \$3,548,575 planned in the budget, excluding the change in accounting principle discussed above.

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

The financial section of the annual financial statements consists of the following parts:

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

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2020	2019
<b>Assets</b>		
Current and other assets	\$ 37,149,149	\$ 33,113,576
Capital assets, net of depreciation	41,859,830	39,429,525
Total assets	\$ 79,008,979	\$ 72,543,101
<b>Deferred outflows of resources</b>		
Pension plan deferments	\$ 22,355,843	\$ 32,926,511
OPEB plan deferments	640,220	349,560
Total deferred outflows of resources	\$ 22,996,063	\$ 33,276,071
<b>Liabilities</b>		
Current and other liabilities	\$ 8,247,973	\$ 6,567,559
Long-term liabilities, including due within one year	73,235,245	68,298,151
Total liabilities	\$ 81,483,218	\$ 74,865,710
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 10,054,668	\$ 9,495,539
Pension plan deferments	35,897,775	44,674,335
OPEB plan deferments	1,325,921	1,473,246
Total deferred inflows of resources	\$ 47,278,364	\$ 55,643,120
<b>Net position</b>		
Net investment in capital assets	\$ 9,925,751	\$ 9,232,466
Restricted	2,352,453	2,620,176
Unrestricted	(39,034,744)	(36,542,300)
Total net position	\$ (26,756,540)	\$ (24,689,658)

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

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets.

The District's decrease in net position restricted for capital asset acquisition, food service, community service, and other state funding restrictions contributed to the change in restricted net position.

The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position. A budgeted spend-down also contributed to the decrease in unrestricted net position.

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

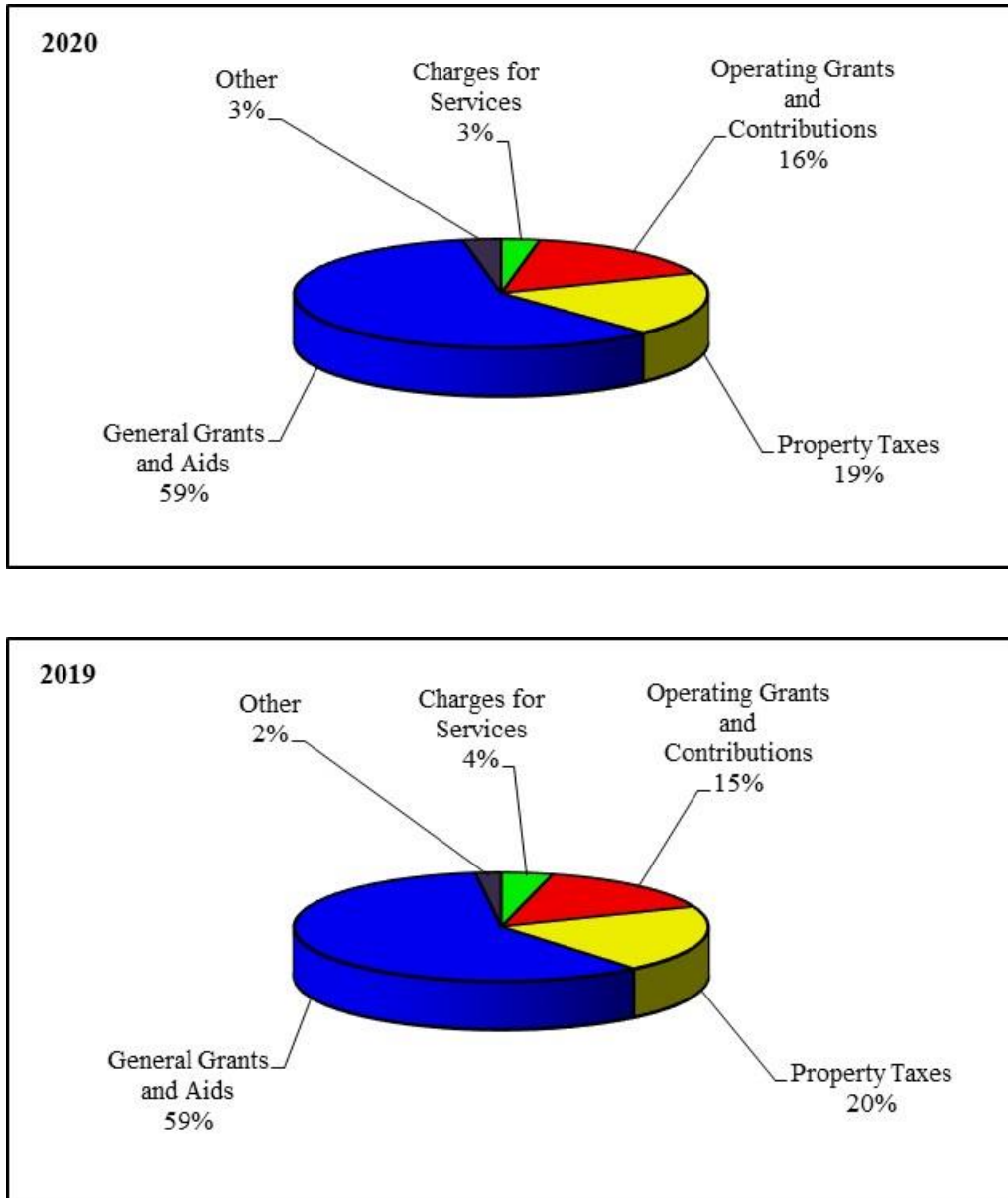
	2020	2019
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,524,857	\$ 2,056,463
Operating grants and contributions	8,560,643	8,013,083
General revenues		
Property taxes	10,075,483	10,221,464
General grants and aids	31,125,163	30,218,525
Other	1,263,102	903,820
Total revenues	52,549,248	51,413,355
<b>Expenses</b>		
Administration	1,225,243	827,315
District support services	1,857,405	1,816,877
Elementary and secondary regular instruction	22,905,668	13,714,316
Vocational education instruction	167,804	107,757
Special education instruction	8,740,605	5,586,492
Instructional support services	4,233,607	2,997,694
Pupil support services	3,378,207	2,640,535
Sites and buildings	4,741,466	4,912,325
Fiscal and other fixed cost programs	250,147	173,521
Food service	2,267,479	2,108,072
Community service	2,191,682	2,118,791
Depreciation not allocated to other functions	1,460,300	1,459,823
Interest and fiscal charges	1,228,246	1,054,808
Total expenses	54,647,859	39,518,326
Change in net position	(2,098,611)	11,895,029
Net position – beginning, as previously reported	(24,689,658)	(36,584,687)
Change in accounting principle	31,729	–
Net position – beginning, as restated	(24,657,929)	(36,584,687)
Net position – ending	\$ (26,756,540)	\$ (24,689,658)

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

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

Figure A shows further analysis of these revenue sources:

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

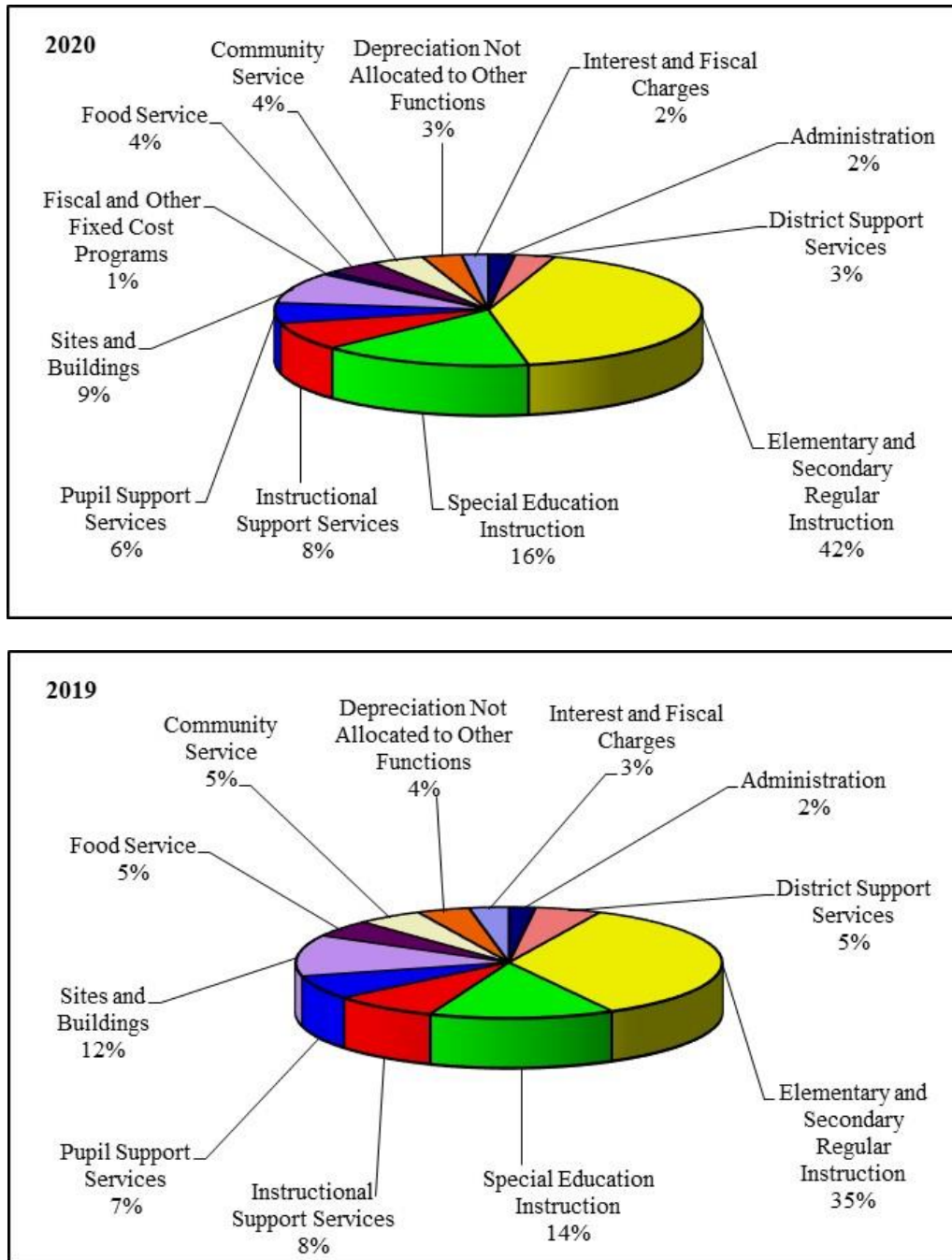


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

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



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

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

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Major funds			
General	\$ 5,977,731	\$ 8,391,884	\$ (2,414,153)
Capital Projects – Building Construction	2,386,500	–	2,386,500
Debt Service	967,956	747,159	220,797
Nonmajor funds			
Food Service Special Revenue	657,171	860,324	(203,153)
Community Service Special Revenue	134,009	140,440	(6,431)
Total governmental funds	<u>\$ 10,123,367</u>	<u>\$ 10,139,807</u>	<u>\$ (16,440)</u>

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

At June 30, 2020, the District's governmental funds reported combined fund balances of \$10,123,367, a decrease of \$16,440 in comparison with the prior year, which includes a \$31,729 increase for a change in accounting principle as previously discussed. Approximately 27.4 percent of this amount (\$2,772,804) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$58,799), 2) restricted for particular purposes (\$5,077,986), or 3) assigned for particular purposes (\$2,213,778).

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

**ANALYSIS OF THE GENERAL FUND**

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4 General Fund Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 45,265,601</u>	<u>\$ 44,318,680</u>	<u>\$ (946,921)</u>	<u>(2.1%)</u>
Expenditures	<u>\$ 46,372,680</u>	<u>\$ 47,867,255</u>	<u>\$ 1,494,575</u>	<u>3.2%</u>

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

Table 5 summarizes the operating results of the General Fund:

	<b>Table 5 General Fund Operating Results</b>					
	<u>2020 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>		
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Revenue	\$ 44,790,929	\$ 472,249	1.1%	\$ (416,687)	(0.9%)	
Expenditures	<u>47,139,501</u>	<u>(727,754)</u>	(1.5%)	<u>1,902,836</u>	4.2%	
Excess (deficiency) of revenue over expenditures	(2,348,572)	1,200,003		(2,319,523)		
Net other financing sources (uses)	<u>(97,310)</u>	<u>(97,310)</u>		<u>(504,560)</u>		
Net change in fund balances	<u>\$ (2,445,882)</u>	<u>\$ 1,102,693</u>		<u>\$ (2,824,083)</u>		

The fund balance of the General Fund decreased \$2,445,882, compared to a decrease of \$3,548,575 approved in the final budget.



General Fund revenues were close to budget, coming in 1.1 percent over the amended projection. Other local sources and state sources were over budget by \$269,032 and \$137,914, respectively. The decrease in revenue was largely due to a decline in the number of students served in the current year.

General Fund expenditures were also close to budget, coming in 1.5 percent under budget, with the variance spread across several programs and object categories. Spending was less than anticipated in purchased services in multiple instructional program areas. Additionally, spending was under budget in capital expenditures for sites and buildings. Expenditures increased from the prior year, with the majority of the increase in salaries and benefits, as approved by contract and anticipated in the budget.

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

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

The Capital Projects – Building Construction Fund reported a year-end fund balance of \$2,386,500. The District issued \$5,265,000 of certificates of participation in the current year to purchase and renovate a new site for educational purposes. The year-end fund balance is restricted for projects funded by certificates of participation.

### **Debt Service Fund**

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The Debt Service Fund revenues exceeded expenditures by \$220,797 in the current year. The year-end fund balance of \$967,956 at June 30, 2020 is available for meeting future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by \$203,153, compared to a planned fund balance reduction of \$171,713.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, reducing equity by \$6,431, compared to a planned fund balance reduction of \$37,421.

### **Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains internal service funds to account for the District's self-insured dental plan, the District's self-insured medical plan, and for the District's OPEB obligations.

The combined total net position balance for the internal service funds as of June 30, 2020 was a deficit \$223,687. Current year operations increased net position by \$1,680,700.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 2,444,143	\$ 1,590,642	\$ 853,501
Construction in progress	1,828,699	–	1,828,699
Buildings	52,008,215	51,193,219	814,996
Building improvements	6,364,141	6,466,877	(102,736)
Furniture and equipment	5,259,976	5,008,290	251,686
Less accumulated depreciation	<u>(26,045,344)</u>	<u>(24,829,503)</u>	<u>(1,215,841)</u>
 Total	 <u>\$ 41,859,830</u>	 <u>\$ 39,429,525</u>	 <u>\$ 2,430,305</u>
 Depreciation expense	 <u>\$ 1,460,300</u>	 <u>\$ 1,459,823</u>	 <u>\$ 477</u>

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

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

The District defines capital assets as those with an initial, individual cost of \$3,000 or more, which benefit more than one fiscal year.

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

## Long-Term Liabilities

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General obligation bonds payable	\$ 29,110,000	\$ 31,105,000	\$ (1,995,000)
Certificates of participation	5,265,000	–	5,265,000
Unamortized premium/discount	625,579	442,059	183,520
Capital lease payable	327,842	406,750	(78,908)
Compensated absences payable	231,595	220,293	11,302
Severance benefits payable	108,180	116,343	(8,163)
Net pension liability	28,894,801	27,977,702	917,099
Total OPEB liability	<u>8,672,248</u>	<u>8,030,004</u>	<u>642,244</u>
 Total	 <u>\$ 73,235,245</u>	 <u>\$ 68,298,151</u>	 <u>\$ 4,937,094</u>

The decrease in bonds and capital lease payable in the table above is primarily due to the planned repayment schedules reflecting principal payments during fiscal year 2020. The increase in certificates of participation and unamortized premium/discount is consistent with the previous discussion of debt issued for a new District education site.

The difference in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA. The increase in the total OPEB liability was due in part to a change in assumptions used to calculate this obligation.

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

District's market value	\$ 1,784,759,825
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 267,713,974</u>

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

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

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

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

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

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

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

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, Special School District No. 6, 104 – 5th Avenue South, South St. Paul, Minnesota 55075.

BASIC FINANCIAL STATEMENTS

## SPECIAL SCHOOL DISTRICT NO. 6

Statement of Net Position  
as of June 30, 2020

(With Partial Comparative Information as of June 30, 2019)

	Governmental Activities	
	2020	2019
<b>Assets</b>		
Cash and temporary investments	\$ 21,678,849	\$ 18,081,584
Receivables		
Current taxes	6,453,611	6,080,637
Delinquent taxes	190,227	181,595
Accounts and interest	46,986	96,080
Due from other governmental units	3,723,421	3,498,302
Inventory	58,599	32,226
Prepaid items	63,476	83,568
Restricted assets		
Cash and investments for OPEB	4,933,980	5,059,584
Capital assets		
Not depreciated	4,272,842	1,590,642
Depreciated, net of accumulated depreciation	37,586,988	37,838,883
Total capital assets, net of accumulated depreciation	<u>41,859,830</u>	<u>39,429,525</u>
Total assets	79,008,979	72,543,101
Deferred outflows of resources		
Pension plan deferments	22,355,843	32,926,511
OPEB plan deferments	640,220	349,560
Total deferred outflows of resources	<u>22,996,063</u>	<u>33,276,071</u>
Total assets and deferred outflows of resources	<u>\$ 102,005,042</u>	<u>\$ 105,819,172</u>
<b>Liabilities</b>		
Salaries payable	\$ 1,986,152	\$ 1,829,007
Accounts and contracts payable	3,451,608	1,770,550
Accrued interest payable	523,606	460,736
Due to other governmental units	453,553	574,064
Unearned revenue	1,369,634	1,530,463
Claims incurred, but not reported	463,420	402,739
Long-term liabilities		
Due within one year	2,589,459	2,294,201
Due in more than one year	70,645,786	66,003,950
Total long-term liabilities	<u>73,235,245</u>	<u>68,298,151</u>
Total liabilities	81,483,218	74,865,710
Deferred inflows of resources		
Property taxes levied for subsequent year	10,054,668	9,495,539
Pension plan deferments	35,897,775	44,674,335
OPEB plan deferments	1,325,921	1,473,246
Total deferred inflows of resources	<u>47,278,364</u>	<u>55,643,120</u>
Net position		
Net investment in capital assets	9,925,751	9,232,466
Restricted for		
Capital asset acquisition	2,894	39,653
Debt service	565,035	325,253
Food service	657,171	860,324
Community service	139,098	146,233
Other purposes (state funding restrictions)	988,255	1,248,713
Unrestricted	<u>(39,034,744)</u>	<u>(36,542,300)</u>
Total net position	<u>(26,756,540)</u>	<u>(24,689,658)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 102,005,042</u>	<u>\$ 105,819,172</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

Functions/Programs	Expenses	2020		2019	
		Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
				Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 1,225,243	\$ -	\$ -	\$ (1,225,243)	\$ (827,315)
District support services	1,857,405	-	-	(1,857,405)	(1,816,877)
Elementary and secondary regular instruction	22,905,668	356,890	953,952	(21,594,826)	(12,654,896)
Vocational education instruction	167,804	-	-	(167,804)	(107,757)
Special education instruction	8,740,605	140,100	4,838,450	(3,762,055)	(450,976)
Instructional support services	4,233,607	-	-	(4,233,607)	(2,997,694)
Pupil support services	3,378,207	-	98,349	(3,279,858)	(2,605,282)
Sites and buildings	4,741,466	7,684	-	(4,733,782)	(4,891,067)
Fiscal and other fixed cost programs	250,147	-	-	(250,147)	(173,521)
Food service	2,267,479	283,501	1,770,651	(213,327)	(71,622)
Community service	2,191,682	736,682	899,241	(555,759)	(337,142)
Depreciation not allocated to other functions	1,460,300	-	-	(1,460,300)	(1,459,823)
Interest and fiscal charges	1,228,246	-	-	(1,228,246)	(1,054,808)
<b>Total governmental activities</b>	<b>\$ 54,647,859</b>	<b>\$ 1,524,857</b>	<b>\$ 8,560,643</b>	<b>(44,562,359)</b>	<b>(29,448,780)</b>
General revenues					
Taxes					
Property taxes, levied for general purposes				6,585,158	6,658,949
Property taxes, levied for community service				416,101	434,154
Property taxes, levied for debt service				3,074,224	3,128,361
General grants and aids				31,125,163	30,218,525
Other general revenues				788,190	334,753
Investment earnings				474,912	569,067
<b>Total general revenues</b>				<b>42,463,748</b>	<b>41,343,809</b>
Change in net position				(2,098,611)	11,895,029
Net position – beginning, as previously reported				(24,689,658)	(36,584,687)
Change in accounting principle				31,729	-
Net position – beginning, as restated				<b>(24,657,929)</b>	<b>(36,584,687)</b>
Net position – ending				<b>\$ (26,756,540)</b>	<b>\$ (24,689,658)</b>

SPECIAL SCHOOL DISTRICT NO. 6

Balance Sheet  
Governmental Funds  
as of June 30, 2020

(With Partial Comparative Information as of June 30, 2019)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
<b>Assets</b>			
Cash and temporary investments	\$ 9,177,308	\$ 3,976,402	\$ 2,041,466
Receivables			
Current taxes	4,371,212	–	1,746,111
Delinquent taxes	120,128	–	61,690
Accounts and interest	13,682	–	–
Due from other governmental units	3,432,511	–	–
Inventory	–	–	–
Prepaid items	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 17,114,841</u>	<u>\$ 3,976,402</u>	<u>\$ 3,849,267</u>
<b>Liabilities</b>			
Salaries payable	\$ 1,944,435	\$ –	\$ –
Accounts and contracts payable	1,791,882	1,589,902	–
Due to other governmental units	225,550	–	–
Unearned revenue	442,145	–	–
Total liabilities	<u>4,404,012</u>	<u>1,589,902</u>	<u>–</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	70,218	–	37,178
Property taxes levied for subsequent year	6,662,880	–	2,844,133
Total deferred inflows of resources	<u>6,733,098</u>	<u>–</u>	<u>2,881,311</u>
<b>Fund balances</b>			
Nonspendable	–	–	–
Restricted	991,149	2,386,500	967,956
Assigned	2,213,778	–	–
Unassigned	2,772,804	–	–
Total fund balances	<u>5,977,731</u>	<u>2,386,500</u>	<u>967,956</u>
	<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,114,841</u>	<u>\$ 3,976,402</u>	<u>\$ 3,849,267</u>



Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 1,003,083	\$ 16,198,259	\$ 14,803,289
336,288	6,453,611	6,080,637
8,409	190,227	181,595
12,749	26,431	78,349
290,910	3,723,421	3,498,302
58,599	58,599	32,226
200	200	1,388
<u>\$ 1,710,238</u>	<u>\$ 26,650,748</u>	<u>\$ 24,675,786</u>
\$ 41,717	\$ 1,986,152	\$ 1,829,007
69,824	3,451,608	1,769,503
228,003	453,553	574,064
26,770	468,915	745,762
<u>366,314</u>	<u>6,360,228</u>	<u>4,918,336</u>
5,089	112,485	122,104
547,655	10,054,668	9,495,539
<u>552,744</u>	<u>10,167,153</u>	<u>9,617,643</u>
58,799	58,799	33,614
732,381	5,077,986	3,002,675
–	2,213,778	2,669,807
–	2,772,804	4,433,711
<u>791,180</u>	<u>10,123,367</u>	<u>10,139,807</u>
<u>\$ 1,710,238</u>	<u>\$ 26,650,748</u>	<u>\$ 24,675,786</u>

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SPECIAL SCHOOL DISTRICT NO. 6

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2020

(With Partial Comparative Information as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Total fund balances – governmental funds	\$ 10,123,367	\$ 10,139,807
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	67,905,174	64,259,028
Accumulated depreciation	(26,045,344)	(24,829,503)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(29,110,000)	(31,105,000)
Certificates of participation	(5,265,000)	–
Unamortized premium/discount	(625,579)	(442,059)
Capital lease payable	(327,842)	(406,750)
Compensated absences payable	(231,595)	(220,293)
Severance benefits payable	(108,180)	(116,343)
Net pension liability	(28,894,801)	(27,977,702)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(523,606)	(460,736)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	(223,687)	(1,904,387)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	22,355,843	32,926,511
Deferred inflows of resources – pension plan deferments	(35,897,775)	(44,674,335)
Deferred inflows of resources – unavailable revenue – delinquent taxes	112,485	122,104
Total net position – governmental activities	<u>\$ (26,756,540)</u>	<u>\$ (24,689,658)</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
<b>Revenue</b>			
Local sources			
Property taxes	\$ 6,592,421	\$ –	\$ 3,075,876
Investment earnings	121,398	9,119	26,508
Other	1,071,864	–	221,000
State sources	35,626,546	–	–
Federal sources	1,378,700	–	–
Total revenue	<u>44,790,929</u>	<u>9,119</u>	<u>3,323,384</u>
<b>Expenditures</b>			
Current			
Administration	1,183,514	–	–
District support services	1,882,854	–	–
Elementary and secondary regular instruction	21,927,804	–	–
Vocational education instruction	160,800	–	–
Special education instruction	8,541,448	–	–
Instructional support services	4,137,689	–	–
Pupil support services	3,353,482	–	–
Sites and buildings	5,613,410	–	–
Fiscal and other fixed cost programs	250,147	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	3,022,795	–
Debt service			
Principal	78,908	–	1,995,000
Interest and fiscal charges	9,445	133,683	1,107,587
Total expenditures	<u>47,139,501</u>	<u>3,156,478</u>	<u>3,102,587</u>
Excess (deficiency) of revenue over expenditures	(2,348,572)	(3,147,359)	220,797
<b>Other financing sources (uses)</b>			
Debt issued	–	5,265,000	–
Premium on debt issued	–	268,859	–
Capital lease issued	–	–	–
Sale of capital assets	2,690	–	–
Transfer in	–	–	–
Transfer (out)	(100,000)	–	–
Total other financing sources (uses)	<u>(97,310)</u>	<u>5,533,859</u>	<u>–</u>
Net change in fund balances	(2,445,882)	2,386,500	220,797
<b>Fund balances</b>			
Beginning of year, as previously reported	8,391,884	–	747,159
Change in accounting principle	31,729	–	–
Beginning of year, as restated	<u>8,423,613</u>	<u>–</u>	<u>747,159</u>
End of year	<u>\$ 5,977,731</u>	<u>\$ 2,386,500</u>	<u>\$ 967,956</u>

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 416,805	\$ 10,085,102	\$ 10,189,622
20,774	177,799	300,222
1,020,183	2,313,047	2,390,716
1,047,330	36,673,876	37,004,251
1,622,562	3,001,262	2,771,923
<u>4,127,654</u>	<u>52,251,086</u>	<u>52,656,734</u>
–	1,183,514	1,161,013
–	1,882,854	1,891,938
–	21,927,804	21,225,940
–	160,800	180,823
–	8,541,448	8,066,259
–	4,137,689	3,950,967
–	3,353,482	3,009,831
–	5,613,410	5,576,373
–	250,147	173,521
2,166,237	2,166,237	2,142,169
2,169,135	2,169,135	2,393,301
101,866	3,124,661	5,817
–	2,073,908	1,935,000
–	1,250,715	1,156,598
<u>4,437,238</u>	<u>57,835,804</u>	<u>52,869,550</u>
(309,584)	(5,584,718)	(212,816)
–	5,265,000	–
–	268,859	–
–	–	406,750
–	2,690	500
100,000	100,000	–
–	(100,000)	–
<u>100,000</u>	<u>5,536,549</u>	<u>407,250</u>
(209,584)	(48,169)	194,434
1,000,764	10,139,807	9,945,373
–	31,729	–
<u>1,000,764</u>	<u>10,171,536</u>	<u>9,945,373</u>
<u>\$ 791,180</u>	<u>\$ 10,123,367</u>	<u>\$ 10,139,807</u>

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SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>2020</u>	<u>2019</u>
Total net change in fund balances – governmental funds	\$ (48,169)	\$ 194,434
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	3,941,691	572,223
Depreciation expense	(1,460,300)	(1,459,823)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(51,086)	–
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	(5,265,000)	(406,750)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	1,995,000	1,935,000
Capital lease payable	78,908	–
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(183,520)	76,376
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	(11,302)	(10,953)
Severance benefits payable	8,163	(12,119)
Net pension liability	(917,099)	52,335,588
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	(62,870)	25,414
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	1,680,700	1,256,918
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(10,570,668)	(11,117,231)
Deferred inflows of resources – pension plan deferments	8,776,560	(31,525,890)
Deferred inflows of resources – unavailable revenue – delinquent taxes	(9,619)	31,842
Change in net position – governmental activities	<u>\$ (2,098,611)</u>	<u>\$ 11,895,029</u>

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SPECIAL SCHOOL DISTRICT NO. 6

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Property taxes	\$ 6,559,216	\$ 6,559,216	\$ 6,592,421	\$ 33,205
Investment earnings	200,000	150,000	121,398	(28,602)
Other	847,832	802,832	1,071,864	269,032
State sources	36,340,553	35,488,632	35,626,546	137,914
Federal sources	1,318,000	1,318,000	1,378,700	60,700
Total revenue	<u>45,265,601</u>	<u>44,318,680</u>	<u>44,790,929</u>	<u>472,249</u>
<b>Expenditures</b>				
Current				
Administration	1,173,181	1,192,262	1,183,514	(8,748)
District support services	2,239,155	2,084,383	1,882,854	(201,529)
Elementary and secondary regular instruction	21,535,120	21,945,795	21,927,804	(17,991)
Vocational education instruction	—	153,464	160,800	7,336
Special education instruction	8,713,623	8,765,165	8,541,448	(223,717)
Instructional support services	4,231,341	4,269,564	4,137,689	(131,875)
Pupil support services	2,915,518	3,173,266	3,353,482	180,216
Sites and buildings	5,344,742	6,043,356	5,613,410	(429,946)
Fiscal and other fixed cost programs	220,000	240,000	250,147	10,147
Debt service				
Principal	—	—	78,908	78,908
Interest and fiscal charges	—	—	9,445	9,445
Total expenditures	<u>46,372,680</u>	<u>47,867,255</u>	<u>47,139,501</u>	<u>(727,754)</u>
Excess (deficiency) of revenue over expenditures	(1,107,079)	(3,548,575)	(2,348,572)	1,200,003
<b>Other financing sources (uses)</b>				
Sale of capital assets	—	—	2,690	2,690
Transfer (out)	—	—	(100,000)	(100,000)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(97,310)</u>	<u>(97,310)</u>
Net change in fund balances	<u>\$ (1,107,079)</u>	<u>\$ (3,548,575)</u>	<u>(2,445,882)</u>	<u>\$ 1,102,693</u>
<b>Fund balances</b>				
Beginning of year, as previously reported			8,391,884	
Change in accounting principle			<u>31,729</u>	
Beginning of year, as restated			<u>8,423,613</u>	
End of year			<u>\$ 5,977,731</u>	

SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and temporary investments	\$ 5,480,590	\$ 3,278,295
Receivables		
Accounts and interest	20,555	17,731
Prepaid items	<u>63,276</u>	<u>82,180</u>
Total current assets	5,564,421	3,378,206
Long-term assets		
Restricted assets		
Cash and cash equivalents	1,807,753	3,014,464
Investments	<u>3,126,227</u>	<u>2,045,120</u>
Total long-term assets	<u>4,933,980</u>	<u>5,059,584</u>
Total assets	10,498,401	8,437,790
Deferred outflows of resources		
OPEB plan deferments	640,220	349,560
Liabilities		
Current liabilities		
Accounts and contracts payable	-	1,047
Unearned revenue	900,719	784,701
Claims incurred, but not reported	<u>463,420</u>	<u>402,739</u>
Total current liabilities	1,364,139	1,188,487
Long-term liabilities		
Total OPEB liability	<u>8,672,248</u>	<u>8,030,004</u>
Total liabilities	10,036,387	9,218,491
Deferred inflows of resources		
OPEB plan deferments	<u>1,325,921</u>	<u>1,473,246</u>
Net position		
Unrestricted	<u>\$ (223,687)</u>	<u>\$ (1,904,387)</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>2020</u>	<u>2019</u>
Operating revenue		
Contributions from governmental funds	\$ 7,694,809	\$ 7,221,598
Operating expenses		
Dental benefit claims	255,907	284,141
Medical benefit claims	5,387,038	4,998,199
OPEB	668,277	951,185
Total operating expenses	<u>6,311,222</u>	<u>6,233,525</u>
Operating income	1,383,587	988,073
Nonoperating revenue		
Investment earnings	<u>297,113</u>	<u>268,845</u>
Change in net position	1,680,700	1,256,918
Net position		
Beginning of year	<u>(1,904,387)</u>	<u>(3,161,305)</u>
End of year	<u>\$ (223,687)</u>	<u>\$ (1,904,387)</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Received from assessments made to other funds	\$ 7,808,003	\$ 7,310,597
Payment for dental claims	(255,848)	(276,389)
Payment for medical claims	(5,308,559)	(5,089,477)
Post-employment benefit payments	(464,018)	(349,560)
Net cash flows from operating activities	1,779,578	1,595,171
Cash flows from investing activities		
Purchase of investments	(1,355,546)	(734,004)
Sale of investments	274,439	500,714
Interest on investments	297,113	268,845
Net cash flows from investing activities	(783,994)	35,555
Net change in cash and cash equivalents	995,584	1,630,726
Cash and cash equivalents		
Beginning of year	6,292,759	4,662,033
End of year	\$ 7,288,343	\$ 6,292,759
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 1,383,587	\$ 988,073
Adjustments to reconcile operating income to cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows		
Accounts and interest receivable	(2,824)	27,599
Prepaid items	18,904	(4,941)
Deferred outflows – OPEB plan deferments	(290,660)	261,331
Accounts and contracts payable	(1,047)	1,047
Unearned revenue	116,018	61,400
Claims incurred, but not reported	60,681	(79,632)
Total OPEB liability	642,244	(1,132,952)
Deferred inflows – OPEB plan deferments	(147,325)	1,473,246
Net cash flows from operating activities	\$ 1,779,578	\$ 1,595,171
Cash and cash equivalents are reported on the Statement of Net Position as follows:		
Cash and temporary investments	\$ 5,480,590	\$ 3,278,295
Cash and cash equivalents	1,807,753	3,014,464
Total cash and cash equivalents	\$ 7,288,343	\$ 6,292,759

## SPECIAL SCHOOL DISTRICT NO. 6

Notes to Basic Financial Statements  
Year Ended June 30, 2020

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

#### **A. Organization**

Special School District No. 6 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's boundaries and the City of South St. Paul's boundaries are nearly the same, fostering a feeling of family, with many opportunities for parent and community involvement. The mission of the District is delivering lifelong education by providing opportunities for learners of all ages, backgrounds, and needs. In 2009, the District became Minnesota's first K–12 International Baccalaureate (IB) World Schools District after successfully being authorized in the IB Middle Years Program, serving all students in Grades 7–10, and the Primary Years Program, which serves all students in Grades K–6. The District has been offering the IB Diploma Program at the high school since 1986.

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

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

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

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

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

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

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “depreciation not allocated to other functions.” Interest is considered an indirect expense and is reported separately on the Statement of Activities.

### D. Fund Financial Statement Presentation

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

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

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

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

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

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

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

### **Description of Funds**

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

#### **Major Governmental Funds**

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

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

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

#### **Nonmajor Governmental Funds**

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

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

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

### **Proprietary Funds**

**Internal Service Funds** – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The District’s internal service funds are used to account for dental and medical insurance benefits offered by the District to its employees as a self-insured plan and for the payment and financing of its OPEB liabilities, including the administration of assets held in a revocable trust to finance these liabilities.

### **E. Budgetary Information**

The School Board adopts an annual budget for the General, Food Service Special Revenue, Community Service Special Revenue, and Debt Service Funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the Community Service Special Revenue Fund exceeded budgeted appropriations by \$9,370 and in the Debt Service Fund by \$49 during the year ended June 30, 2020. Revenues in excess of budget, along with available fund balance, financed these variances.

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

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Internal Service Fund, this represents assets held in a revocable trust established to finance the District’s liability for other post-employment insurance benefits. Interest earned on these investments is allocated directly to these accounts.

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

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

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



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

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

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

### **G. Receivables**

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

### **H. Inventories**

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

### **I. Prepaid Items**

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

### **J. Property Taxes**

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$455,155 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

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

### **K. Capital Assets**

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

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

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

### **L. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

### **M. Compensated Absences**

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

### **N. Severance**

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures, due to employee termination.

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

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

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

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

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

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

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

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

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

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

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

### Q. Net Position

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

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

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

### R. Fund Balance Classifications

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

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

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

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

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

**S. Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide and proprietary (internal service) fund financial statements.

**T. Risk Management and Self-Insurance**

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

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

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

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

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2019	\$ 8,103	\$ 284,141	\$ 276,355	\$ 15,889
2020	\$ 15,889	\$ 255,907	\$ 255,664	\$ 16,132

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

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2019	\$ 474,268	\$ 4,998,199	\$ 5,085,617	\$ 386,850
2020	\$ 386,850	\$ 5,387,038	\$ 5,326,600	\$ 447,288

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

### **U. Use of Estimates**

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

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

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

### **W. Deficit Net Position**

As of June 30, 2020, the District has a net position deficit of \$4,423,969 in its Other Post-Employment Benefits Internal Service Fund. This deficit will be eliminated through contributions and investment earnings.

### **X. Change in Accounting Principle**

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by accounting for the Employee Benefits Trust Fund in the General Fund and its governmental activities, rather than as a separate fiduciary fund as it has in the past. This standard required retroactive implementation, which resulted in the restatement of fund balance in the General Fund and Net Position of Governmental Activities as of June 30, 2019. The restatement resulted in an increase in fund balance and net position of \$31,729 as of July 1, 2019 and the elimination of the separately presented Employee Benefits Trust Fund.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Deposits

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

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

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

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

At year-end, the carrying amount of the District’s deposits was \$4,765,375, while the balance on the bank records was \$4,939,679. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

### B. Investments

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

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

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The following table presents the District’s deposit and investment balances, and information relating to potential investment risks:

Investment Type	Credit Risk		Fair Value Measurements	Interest Risk – Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. treasury note	N/A	N/A	Level 1	\$ –	\$ 1,285,570	\$ 1,285,570
Corporate obligations	A	S&P	Level 1	\$ 65,775	\$ 896,192	961,967
Corporate obligations	A	Moody’s	Level 1	\$ –	\$ 104,682	104,682
Corporate obligations	BBB	S&P	Level 1	\$ –	\$ 635,008	635,008
Corporate obligations	BBB	Moody’s	Level 1	\$ –	\$ 139,000	139,000
Equities	N/R	N/R	Level 1	N/A	N/A	901,024
Investment pools/mutual funds						
OPEB mutual funds	N/R	N/R	Level 1	N/A	N/A	640,661
Real estate investment trust	N/R	N/R	Level 1	N/A	N/A	8,989
Real asset funds	N/R	N/R	Level 2	N/A	N/A	257,079
First American government obligations fund	AAA	S&P	Level 1	N/A	N/A	3,584,277
Minnesota School District Liquid Asset Fund (MSDLAF)						
Liquid Class	AAA	S&P	Amortized cost	N/A	N/A	10,224,138
Max Class	AAA	S&P	Amortized cost	N/A	N/A	1,105,059
Term Series	AAA	Fitch	Amortized cost	\$ 2,000,000	\$ –	2,000,000
Total investments						<u>21,847,454</u>
Total deposits						<u>4,765,375</u>
Total deposits and investments						<u>\$ 26,612,829</u>

N/A – Not Applicable

N/R – Not Rated



## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool, which is not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC. The District's investment in this pool is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class investment pool. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to 1 year and early withdrawal may result in substantial early redemption penalties.

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

Statement of Net Position	
Cash and temporary investments	\$ 21,678,849
Restricted assets	
Cash and investments for OPEB	<u>4,933,980</u>
Total deposits and investments	<u><u>\$ 26,612,829</u></u>

## NOTE 3 – CAPITAL ASSETS

Capital assets activity for the current year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 1,590,642	\$ 853,501	\$ –	\$ –	\$ 2,444,143
Construction in progress	–	1,828,699	–	–	1,828,699
Total capital assets, not depreciated	<u>1,590,642</u>	<u>2,682,200</u>	<u>–</u>	<u>–</u>	<u>4,272,842</u>
Capital assets, depreciated					
Buildings	51,193,219	814,996	–	–	52,008,215
Building improvements	6,466,877	–	(102,736)	–	6,364,141
Furniture and equipment	<u>5,008,290</u>	<u>444,495</u>	<u>(192,809)</u>	<u>–</u>	<u>5,259,976</u>
Total capital assets, depreciated	<u>62,668,386</u>	<u>1,259,491</u>	<u>(295,545)</u>	<u>–</u>	<u>63,632,332</u>
Less accumulated depreciation for					
Buildings	(19,431,588)	(951,822)	–	–	(20,383,410)
Building improvements	(2,705,272)	(247,360)	102,736	–	(2,849,896)
Furniture and equipment	<u>(2,692,643)</u>	<u>(261,118)</u>	<u>141,723</u>	<u>–</u>	<u>(2,812,038)</u>
Total accumulated depreciation	<u>(24,829,503)</u>	<u>(1,460,300)</u>	<u>244,459</u>	<u>–</u>	<u>(26,045,344)</u>
Net capital assets, depreciated	<u>37,838,883</u>	<u>(200,809)</u>	<u>(51,086)</u>	<u>–</u>	<u>37,586,988</u>
Total capital assets, net	<u><u>\$ 39,429,525</u></u>	<u><u>\$ 2,481,391</u></u>	<u><u>\$ (51,086)</u></u>	<u><u>\$ –</u></u>	<u><u>\$ 41,859,830</u></u>

Capital assets of the District are used by multiple functions, therefore depreciation expense for the year is reported as depreciation not allocated to other functions as a separate function in the Statement of Activities.

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds Payable

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

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Face/Par Value</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds payable					
Series 2010A – Refunding	03/04/2010	2.00–3.00%	\$ 4,105,000	02/01/2021	\$ 500,000
Series 2013A – Refunding	06/05/2013	2.00%	\$ 5,280,000	02/01/2021	710,000
Series 2013B – Building	08/13/2013	2.00–4.00%	\$ 16,675,000	02/01/2029	16,505,000
Series 2014A – Building	01/29/2014	1.00–3.75%	\$ 10,000,000	02/01/2033	9,920,000
Series 2015A – Capital Facilities	04/09/2015	2.00%	\$ 1,520,000	02/01/2025	795,000
Series 2017A – OPEB Refunding	11/07/2017	2.00%	\$ 1,995,000	02/02/2021	680,000
Total general obligation bonds payable					<u>\$ 29,110,000</u>

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

### B. Certificates of Participation Payable

The District currently has the following certificates of participation outstanding:

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Face/Par Value</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
2019A Certificates of participation	12/30/2019	2.00–4.00%	\$ 5,265,000	04/01/2035	<u>\$ 5,265,000</u>

The certificates of participation were issued to finance the acquisition and renovation of a building for educational programming purposes. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. The certificates of participation are being paid by the General Fund.

### C. Capital Lease

The District has one capital lease outstanding at year-end for computers. The lease has a five-year term, bears an interest rate of 3.40 percent, and has a final maturity of February 2024. The capital lease will be repaid by the General Fund. The District did not capitalize the computers as the cost of each individual computer did not meet the capitalization threshold policy.

### D. Other Long-Term Liabilities

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

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

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

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 6,203,286	\$ 946,384	\$ 1,153,866	\$ 815,154
TRA	22,691,515	21,409,459	34,743,909	4,273,977
Total	\$ 28,894,801	\$ 22,355,843	\$ 35,897,775	\$ 5,089,131

### E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds Payable		Certificates of Participation		Capital Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,045,000	\$ 1,056,238	\$ 235,000	\$ 199,184	\$ 77,864	\$ 10,490
2022	1,975,000	1,010,338	285,000	149,594	80,533	7,821
2023	2,040,000	934,438	295,000	138,194	83,295	5,059
2024	2,115,000	856,038	305,000	126,394	86,150	2,203
2025	2,180,000	794,188	320,000	114,194	–	–
2026–2030	11,160,000	2,760,800	1,795,000	375,669	–	–
2031–2035	7,595,000	577,688	2,030,000	137,575	–	–
	\$ 29,110,000	\$ 7,989,728	\$ 5,265,000	\$ 1,240,804	\$ 327,842	\$ 25,573

### F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
General obligation bonds payable	\$ 31,105,000	\$ –	\$ 1,995,000	\$ 29,110,000	\$ 2,045,000
Certificates of participation	–	5,265,000	–	5,265,000	235,000
Unamortized premium/discount	442,059	268,859	85,339	625,579	–
Capital lease payable	406,750	–	78,908	327,842	77,864
Compensated absences payable	220,293	457,996	446,694	231,595	231,595
Severance benefits payable	116,343	7,095	15,258	108,180	–
Net pension liability	27,977,702	3,206,301	2,289,202	28,894,801	–
Total OPEB liability	8,030,004	975,674	333,430	8,672,248	–
	\$ 68,298,151	\$ 10,180,925	\$ 5,243,831	\$ 73,235,245	\$ 2,589,459

## NOTE 5 – FUND BALANCES

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

### A. Classifications

At year-end, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ –	\$ –	\$ –	\$ 58,599	\$ 58,599
Prepaid items	–	–	–	200	200
Total nonspendable	–	–	–	58,799	58,799
<b>Restricted</b>					
Student activities	232,200	–	–	–	232,200
Staff development	112,244	–	–	–	112,244
Capital projects levy	1,509	–	–	–	1,509
Operating capital	1,385	–	–	–	1,385
Gifted and talented	178,739	–	–	–	178,739
Safe schools	106,589	–	–	–	106,589
Medical Assistance	145,723	–	–	–	145,723
Debt reduction	166,508	–	–	–	166,508
Flexible benefits	46,252	–	–	–	46,252
Projects funded by					
certificates of participation	–	2,386,500	–	–	2,386,500
Debt service	–	–	967,956	–	967,956
Food service	–	–	–	598,572	598,572
Community education programs	–	–	–	41,516	41,516
Early childhood family education programs	–	–	–	11,900	11,900
School readiness	–	–	–	77,423	77,423
Adult basic education	–	–	–	2,970	2,970
Total restricted	991,149	2,386,500	967,956	732,381	5,077,986
<b>Assigned</b>					
Subsequent year budget	990,165	–	–	–	990,165
Alternative Teacher Performance Pay System	263,613	–	–	–	263,613
Separation benefits	335,000	–	–	–	335,000
Curriculum	250,000	–	–	–	250,000
Staff development	75,000	–	–	–	75,000
Construction	200,000	–	–	–	200,000
Building maintenance	100,000	–	–	–	100,000
Total assigned	2,213,778	–	–	–	2,213,778
<b>Unassigned</b>					
Long-term facilities maintenance restricted account deficit	(485,422)	–	–	–	(485,422)
Unassigned	3,258,226	–	–	–	3,258,226
Total unassigned	2,772,804	–	–	–	2,772,804
Total	\$ 5,977,731	\$ 2,386,500	\$ 967,956	\$ 791,180	\$ 10,123,367

## **NOTE 5 – FUND BALANCES (CONTINUED)**

### **B. Minimum Fund Balance Policy**

The School Board has formally adopted a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unrestricted General Fund balance of 12.0 percent of the annual budget. At June 30, 2020, the unrestricted fund balance (excluding restricted account deficits) of the General Fund was 11.6 percent of fiscal 2020 actual expenditures.

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

### **A. Plan Descriptions**

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

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

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

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

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

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

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

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

### **B. Benefits Provided**

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

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

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

Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

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

#### **2. TRA Benefits**

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

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

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

### Tier I Benefits

Step-Rate Formula	Percentage per Year
<b>Basic Plan</b>	
First 10 years of service	2.20 %
All years after	2.70 %
<b>Coordinated Plan</b>	
First 10 years if service years are up to July 1, 2006	1.20 %
First 10 years if service years are July 1, 2006 or after	1.40 %
All other years of service if service years are up to July 1, 2006	1.70 %
All other years of service if service years are up to July 1, 2006 or after	1.90 %

With these provisions:

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

### Tier II Benefits

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

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

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

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

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

**C. Contributions**

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

**1. GEF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GEF for the year ended June 30, 2020, were \$585,902. The District’s contributions were equal to the required contributions as set by state statutes.

**2. TRA Contributions**

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2020, were \$1,621,284. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

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



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

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$6,203,286, for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1122 percent at the end of the measurement period and 0.1093 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$	6,203,286
State's proportionate share of the net pension liability associated with the District	\$	192,825

For the year ended June 30, 2020, the District recognized pension expense of \$800,713 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$14,441 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 170,806	\$ –
Changes in actuarial assumptions	–	480,793
Difference between projected and actual investment earnings	–	625,193
Changes in proportion	189,676	47,880
District's contributions to the GERF subsequent to the measurement date	585,902	–
Total	<u>\$ 946,384</u>	<u>\$ 1,153,866</u>

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

A total of \$585,902 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (248,714)
2022	\$ (474,059)
2023	\$ (80,608)
2024	\$ 9,997

**2. TRA Pension Costs**

At June 30, 2020, the District reported a liability of \$22,691,515 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.3560 percent at the end of the measurement period and 0.3489 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 22,691,515
State's proportionate share of the net pension liability associated with the District	\$ 2,008,105

For the year ended June 30, 2020, the District recognized pension expense of \$4,121,337. It also recognized \$152,640 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ –	\$ 559,333
Changes in actuarial assumptions	19,416,553	29,804,872
Difference between projected and actual investment earnings	–	1,877,508
Changes in proportion	371,622	2,502,196
District’s contributions to the TRA subsequent to the measurement date	<u>1,621,284</u>	<u>–</u>
Total	<u>\$ 21,409,459</u>	<u>\$ 34,743,909</u>

A total of \$1,621,284 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ 837,893
2022	\$ (351,340)
2023	\$ (9,027,432)
2024	\$ (6,447,113)
2025	\$ 32,258

**E. Actuarial Assumptions**

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

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

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

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

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

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

### 1. GERP

#### CHANGES IN ACTUARIAL ASSUMPTIONS

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

#### CHANGES IN PLAN PROVISIONS

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

### 2. TRA

#### CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

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

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

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

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

### F. Discount Rate

#### 1. GERF

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

#### 2. TRA

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

### G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 10,197,869	\$ 6,203,286	\$ 2,904,965
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 36,175,823	\$ 22,691,515	\$ 11,573,902

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

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

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

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

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

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

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

### **A. Plan Description**

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

### **B. Benefits Provided**

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

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

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

**C. Contributions**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District’s contributions in the current year totaled \$464,018 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section. The District has established a separate Internal Service Fund to finance these OPEB obligations.

**D. Membership**

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

Retirees and beneficiaries receiving benefits	68
Active plan members	<u>438</u>
Total members	<u><u>506</u></u>

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

The District’s total OPEB liability of \$8,672,248 as of year-end was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018.

**F. Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2018 and measurement date as of July 1, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.10%
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.25% in 2019 grading to 5.00% over 5 years
Dental trend rate	4.00%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The retirement and withdrawal assumptions used to value GASB Statement No. 75 liabilities are similar to those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

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

**G. Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Beginning balance	\$ 8,030,004
Changes for the year	
Service cost	489,454
Interest	292,396
Assumption changes	193,824
Benefit payments	(333,430)
Total net changes	<u>642,244</u>
Ending balance	<u>\$ 8,672,248</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.50 percent to 3.10 percent.

**H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

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 a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.10%	3.10%	4.10%
Total OPEB liability	\$ 9,261,792	\$ 8,672,248	\$ 8,115,418

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 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
Medical trend rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Dental trend rate	3.00%	4.00%	5.00%
Total OPEB liability	\$ 8,052,374	\$ 8,672,248	\$ 9,411,478



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

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

For the current year ended, the District recognized OPEB expense of \$668,277. As of year-end, 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
Differences between expected and actual economic experience	\$ –	\$ 1,147,139
Changes in actuarial assumptions	176,202	178,782
District’s contributions subsequent to the measurement date	464,018	–
Total	<u>\$ 640,220</u>	<u>\$ 1,325,921</u>

A total of \$464,018 reported as deferred outflows of resources related to OPEB contributions, subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2021	\$ (129,704)
2022	\$ (129,704)
2023	\$ (129,704)
2024	\$ (129,704)
2025	\$ (129,704)
Thereafter	\$ (501,199)

**NOTE 8 – FLEXIBLE BENEFIT PLAN**

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

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

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

## **NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)**

Amounts withheld for medical reimbursement and dependent care are accounted for by a district employee who serves as the plan administrator. Payments are made to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee. The medical reimbursement and dependent care activity are included in the General Fund.

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

## **NOTE 9 – INTERFUND TRANSACTIONS**

The District approved a transfer of \$100,000 from the General Fund to the Community Service Special Revenue Fund to support operations impacted by the COVID-19 pandemic. Such interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

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

### **A. Construction Contracts**

At year-end, the District had commitments totaling \$2,165,911 under various construction contracts for which the work was not yet completed.

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

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

### **C. Legal Claims**

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

## **NOTE 11 – SUBSEQUENT EVENTS**

**Technology Lease Agreement** – In July 2020, the District entered into a lease agreement with Vantage Financial, LLC for computer equipment. The agreement has a lease term of 48 months with a monthly lease charge of \$4,556.

**Purchase Power Agreement** – The District is negotiating a solar power purchase agreement with Innovative Power Systems, Inc. The initial agreement had an initial term of 20 years, with up to 3 additional terms of 5 years each.

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

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REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL SCHOOL DISTRICT NO. 6

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

District Fiscal Year-End	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1107%	\$ 5,200,131	\$ -	\$ 5,200,131	\$ 5,796,603	89.71%	78.70%
06/30/2016	06/30/2015	0.1091%	\$ 5,654,128	\$ -	\$ 5,654,128	\$ 6,430,677	87.92%	78.20%
06/30/2017	06/30/2016	0.1074%	\$ 8,720,346	\$ 113,888	\$ 8,834,234	\$ 6,666,940	130.80%	68.90%
06/30/2018	06/30/2017	0.1108%	\$ 7,073,396	\$ 88,931	\$ 7,162,327	\$ 7,141,483	99.05%	75.90%
06/30/2019	06/30/2018	0.1093%	\$ 6,063,516	\$ 198,744	\$ 6,262,260	\$ 7,332,178	82.70%	79.50%
06/30/2020	06/30/2019	0.1122%	\$ 6,203,286	\$ 192,825	\$ 6,396,111	\$ 7,939,979	78.13%	80.20%

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

District Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 474,641	\$ 474,641	\$ -	\$ 6,430,677	7.38%
06/30/2016	\$ 499,908	\$ 499,908	\$ -	\$ 6,666,940	7.50%
06/30/2017	\$ 535,497	\$ 535,497	\$ -	\$ 7,141,483	7.50%
06/30/2018	\$ 549,688	\$ 549,688	\$ -	\$ 7,332,178	7.50%
06/30/2019	\$ 595,495	\$ 595,495	\$ -	\$ 7,939,979	7.50%
06/30/2020	\$ 585,902	\$ 585,902	\$ -	\$ 7,816,070	7.50%

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

SPECIAL SCHOOL DISTRICT NO. 6

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3819%	\$ 17,597,677	\$ 1,238,076	\$ 18,835,753	\$ 17,434,323	100.94%	81.50%
06/30/2016	06/30/2015	0.3716%	\$ 22,987,135	\$ 2,819,725	\$ 25,806,860	\$ 18,878,949	121.76%	76.80%
06/30/2017	06/30/2016	0.3670%	\$ 87,538,256	\$ 8,785,747	\$ 96,324,003	\$ 19,304,901	453.45%	44.88%
06/30/2018	06/30/2017	0.3669%	\$ 73,239,894	\$ 7,080,446	\$ 80,320,340	\$ 19,744,761	370.93%	51.57%
06/30/2019	06/30/2018	0.3489%	\$ 21,914,186	\$ 2,059,012	\$ 23,973,198	\$ 19,279,005	113.67%	78.07%
06/30/2020	06/30/2019	0.3560%	\$ 22,691,515	\$ 2,008,105	\$ 24,699,620	\$ 20,206,696	112.30%	78.21%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,415,929	\$ 1,415,929	\$ -	\$ 18,878,949	7.50%
06/30/2016	\$ 1,448,037	\$ 1,448,037	\$ -	\$ 19,304,901	7.50%
06/30/2017	\$ 1,481,077	\$ 1,481,077	\$ -	\$ 19,744,761	7.50%
06/30/2018	\$ 1,445,979	\$ 1,445,979	\$ -	\$ 19,279,005	7.50%
06/30/2019	\$ 1,557,835	\$ 1,557,835	\$ -	\$ 20,206,696	7.71%
06/30/2020	\$ 1,621,284	\$ 1,621,284	\$ -	\$ 20,470,746	7.92%

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

SPECIAL SCHOOL DISTRICT NO. 6

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

	District Fiscal Year-End Date		
	2018	2019	2020
Total OPEB liability			
Service cost	\$ 442,920	\$ 444,251	\$ 489,454
Interest	311,019	316,347	292,396
Assumption changes	-	(218,512)	193,824
Plan changes	-	337,912	-
Differences between expected and actual experience	-	(1,402,059)	-
Benefit payments	(586,475)	(610,891)	(333,430)
Net change in total OPEB liability	167,464	(1,132,952)	642,244
Total OPEB liability – beginning balance	8,995,492	9,162,956	8,030,004
Total OPEB liability – ending balance	<u>\$ 9,162,956</u>	<u>\$ 8,030,004</u>	<u>\$ 8,672,248</u>
Covered-employee payroll	<u>\$ 24,641,269</u>	<u>\$ 24,372,096</u>	<u>\$ 25,103,259</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>37.19%</u>	<u>32.95%</u>	<u>34.55%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The District implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.



SPECIAL SCHOOL DISTRICT NO. 6

Notes to Required Supplementary Information  
June 30, 2020

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2019 CHANGES IN PLAN PROVISIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2018 CHANGES IN PLAN PROVISIONS**

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

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

SPECIAL SCHOOL DISTRICT NO. 6

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

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

**2017 CHANGES IN PLAN PROVISIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

## SPECIAL SCHOOL DISTRICT NO. 6

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

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

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

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a 5 year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

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

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

SPECIAL SCHOOL DISTRICT NO. 6

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

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

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

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

SPECIAL SCHOOL DISTRICT NO. 6

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

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.50 percent to 3.10 percent.

**2018 CHANGES IN PLAN PROVISIONS**

- An early retirement incentive of \$5,000 per year paid to a healthcare savings plan, payable until the earlier of five years or Medicare eligibility (or a one-time payment of \$5,000 if already eligible for Medicare), was elected by nine teachers who retired by June 30, 2019. The retirement rates for these nine teachers were adjusted to assume all retire on July 1, 2019.
- The director of community education now has the same post-employment subsidies as other directors. Her eligibility start date for these post-employment subsidies is July 1, 2017.
- The post-employment subsidies for principals hired after July 1, 2004 are no longer frozen at retirement.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40 percent to 3.50 percent.
- The percentage of future retired custodians, meet and confer nonunion employees without special agreements, office professional employees, and support staff eligible for a subsidy who are assumed to continue on one of the District's medical plans post-employment, was changed from 100 percent to 75 percent.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.50 percent to 3.40 percent.

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SUPPLEMENTAL INFORMATION

SPECIAL SCHOOL DISTRICT NO. 6

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

	Special Revenue Funds		Total
	Food Service	Community Service	
<b>Assets</b>			
Cash and temporary investments	\$ 699,534	\$ 303,549	\$ 1,003,083
Receivables			
Current taxes	–	336,288	336,288
Delinquent taxes	–	8,409	8,409
Accounts and interest	–	12,749	12,749
Due from other governmental units	125,447	165,463	290,910
Inventory	58,599	–	58,599
Prepaid items	–	200	200
<b>Total assets</b>	<b>\$ 883,580</b>	<b>\$ 826,658</b>	<b>\$ 1,710,238</b>
<b>Liabilities</b>			
Salaries payable	\$ 33,024	\$ 8,693	\$ 41,717
Accounts and contracts payable	46,923	22,901	69,824
Due to other governmental units	136,599	91,404	228,003
Unearned revenue	9,863	16,907	26,770
<b>Total liabilities</b>	<b>226,409</b>	<b>139,905</b>	<b>366,314</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	–	5,089	5,089
Property taxes levied for subsequent year	–	547,655	547,655
<b>Total deferred inflows of resources</b>	<b>–</b>	<b>552,744</b>	<b>552,744</b>
<b>Fund balances</b>			
Nonspendable	58,599	200	58,799
Restricted	598,572	133,809	732,381
<b>Total fund balances</b>	<b>657,171</b>	<b>134,009</b>	<b>791,180</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 883,580</b>	<b>\$ 826,658</b>	<b>\$ 1,710,238</b>



SPECIAL SCHOOL DISTRICT NO. 6

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 416,805	\$ 416,805
Investment earnings	10,798	9,976	20,774
Other	283,501	736,682	1,020,183
State sources	160,577	886,753	1,047,330
Federal sources	1,610,074	12,488	1,622,562
Total revenue	<u>2,064,950</u>	<u>2,062,704</u>	<u>4,127,654</u>
Expenditures			
Current			
Food service	2,166,237	-	2,166,237
Community service	-	2,169,135	2,169,135
Capital outlay	101,866	-	101,866
Total expenditures	<u>2,268,103</u>	<u>2,169,135</u>	<u>4,437,238</u>
Excess (deficiency) of revenue over expenditures	(203,153)	(106,431)	(309,584)
Other financing sources			
Transfers in	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balances	(203,153)	(6,431)	(209,584)
Fund balances			
Beginning of year	<u>860,324</u>	<u>140,440</u>	<u>1,000,764</u>
End of year	<u>\$ 657,171</u>	<u>\$ 134,009</u>	<u>\$ 791,180</u>

## SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and temporary investments	\$ 9,177,308	\$ 11,289,908
Receivables		
Current taxes	4,371,212	3,955,125
Delinquent taxes	120,128	117,031
Accounts and interest	13,682	28,581
Due from other governmental units	<u>3,432,511</u>	<u>3,271,400</u>
Total assets	<u>\$ 17,114,841</u>	<u>\$ 18,662,045</u>
<b>Liabilities</b>		
Salaries payable	\$ 1,944,435	\$ 1,777,304
Accounts and contracts payable	1,791,882	1,696,943
Due to other governmental units	225,550	240,579
Unearned revenue	<u>442,145</u>	<u>486,084</u>
Total liabilities	4,404,012	4,200,910
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	70,218	77,481
Property taxes levied for subsequent year	<u>6,662,880</u>	<u>5,991,770</u>
Total deferred inflows of resources	6,733,098	6,069,251
<b>Fund balances (deficit)</b>		
Restricted for student activities	232,200	–
Restricted for staff development	112,244	97,622
Restricted for capital projects levy	1,509	2,657
Restricted for operating capital	1,385	7,790
Restricted for learning and development	–	101,410
Restricted for gifted and talented	178,739	184,604
Restricted for basic skills	–	438,905
Restricted for safe schools	106,589	556
Restricted for long-term facilities maintenance	–	29,206
Restricted for Medical Assistance	145,723	293,423
Restricted for debt reduction	166,508	132,193
Restricted for flexible benefits	46,252	–
Assigned for subsequent year budget	990,165	1,107,079
Assigned for ATPPS program	263,613	365,037
Assigned for student activities	–	237,691
Assigned for separation benefits	335,000	335,000
Assigned for curriculum	250,000	250,000
Assigned for staff development	75,000	75,000
Assigned for construction	200,000	200,000
Assigned for building maintenance	100,000	100,000
Unassigned – long-term facilities maintenance restricted account deficit	(485,422)	–
Unassigned	<u>3,258,226</u>	<u>4,433,711</u>
Total fund balances	<u>5,977,731</u>	<u>8,391,884</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,114,841</u>	<u>\$ 18,662,045</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 6,559,216	\$ 6,592,421	\$ 33,205	\$ 6,637,567
Investment earnings	150,000	121,398	(28,602)	221,258
Other	802,832	1,071,864	269,032	988,061
State sources	35,488,632	35,626,546	137,914	35,976,601
Federal sources	1,318,000	1,378,700	60,700	1,384,129
Total revenue	<u>44,318,680</u>	<u>44,790,929</u>	<u>472,249</u>	<u>45,207,616</u>
<b>Expenditures</b>				
Current				
Administration	1,192,262	1,183,514	(8,748)	1,161,013
District support services	2,084,383	1,882,854	(201,529)	1,891,938
Elementary and secondary regular instruction	21,945,795	21,927,804	(17,991)	21,225,940
Vocational education instruction	153,464	160,800	7,336	180,823
Special education instruction	8,765,165	8,541,448	(223,717)	8,066,259
Instructional support services	4,269,564	4,137,689	(131,875)	3,950,967
Pupil support services	3,173,266	3,353,482	180,216	3,009,831
Sites and buildings	6,043,356	5,613,410	(429,946)	5,576,373
Fiscal and other fixed cost programs	240,000	250,147	10,147	173,521
Debt service				
Principal	—	78,908	78,908	—
Interest and fiscal charges	—	9,445	9,445	—
Total expenditures	<u>47,867,255</u>	<u>47,139,501</u>	<u>(727,754)</u>	<u>45,236,665</u>
Excess (deficiency) of revenue over expenditures	(3,548,575)	(2,348,572)	1,200,003	(29,049)
<b>Other financing sources (uses)</b>				
Capital lease issued	—	—	—	406,750
Sale of capital assets	—	2,690	2,690	500
Transfer (out)	—	(100,000)	(100,000)	—
Total other financing sources (uses)	<u>—</u>	<u>(97,310)</u>	<u>(97,310)</u>	<u>407,250</u>
Net change in fund balances	<u>\$ (3,548,575)</u>	<u>(2,445,882)</u>	<u>\$ 1,102,693</u>	<u>378,201</u>
<b>Fund balances</b>				
Beginning of year, as previously reported		8,391,884		8,013,683
Change in accounting principle		31,729		—
Beginning of year, as restated		<u>8,423,613</u>		<u>8,013,683</u>
End of year		<u>\$ 5,977,731</u>		<u>\$ 8,391,884</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and temporary investments	\$ 699,534	\$ 965,489
Receivables		
Accounts and interest	-	28,026
Due from other governmental units	125,447	45,637
Inventory	<u>58,599</u>	<u>32,226</u>
Total assets	<u>\$ 883,580</u>	<u>\$ 1,071,378</u>
<b>Liabilities</b>		
Salaries payable	\$ 33,024	\$ 23,289
Accounts and contracts payable	46,923	28,422
Due to other governmental units	136,599	134,020
Unearned revenue	<u>9,863</u>	<u>25,323</u>
Total liabilities	226,409	211,054
<b>Fund balances</b>		
Nonspendable for inventory	58,599	32,226
Restricted for food service	<u>598,572</u>	<u>828,098</u>
Total fund balances	<u>657,171</u>	<u>860,324</u>
Total liabilities and fund balances	<u>\$ 883,580</u>	<u>\$ 1,071,378</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 5,000	\$ 10,798	\$ 5,798	\$ 21,325
Other – primarily meal sales	489,003	283,501	(205,502)	503,165
State sources	141,620	160,577	18,957	159,698
Federal sources	1,490,050	1,610,074	120,024	1,373,587
Total revenue	<u>2,125,673</u>	<u>2,064,950</u>	<u>(60,723)</u>	<u>2,057,775</u>
Expenditures				
Current				
Salaries	638,432	595,823	(42,609)	604,479
Employee benefits	246,727	219,540	(27,187)	225,836
Purchased services	191,594	168,141	(23,453)	193,135
Supplies and materials	945,308	1,015,818	70,510	975,558
Other expenditures	158,325	166,915	8,590	143,161
Capital outlay	117,000	101,866	(15,134)	4,083
Total expenditures	<u>2,297,386</u>	<u>2,268,103</u>	<u>(29,283)</u>	<u>2,146,252</u>
Net change in fund balances	<u>\$ (171,713)</u>	(203,153)	<u>\$ (31,440)</u>	(88,477)
Fund balances				
Beginning of year		<u>860,324</u>		<u>948,801</u>
End of year		<u>\$ 657,171</u>		<u>\$ 860,324</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and temporary investments	\$ 303,549	\$ 383,320
Receivables		
Current taxes	336,288	253,409
Delinquent taxes	8,409	8,220
Accounts and interest	12,749	21,742
Due from other governmental units	165,463	181,265
Prepaid items	<u>200</u>	<u>1,388</u>
Total assets	<u>\$ 826,658</u>	<u>\$ 849,344</u>
<b>Liabilities</b>		
Salaries payable	\$ 8,693	\$ 28,414
Accounts and contracts payable	22,901	44,138
Due to other governmental units	91,404	199,465
Unearned revenue	<u>16,907</u>	<u>13,355</u>
Total liabilities	139,905	285,372
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	5,089	5,793
Property taxes levied for subsequent year	<u>547,655</u>	<u>417,739</u>
Total deferred inflows of resources	552,744	423,532
<b>Fund balances</b>		
Nonspendable for prepaid items	200	1,388
Restricted for community education programs	41,516	8,338
Restricted for early childhood family education programs	11,900	28,469
Restricted for school readiness	77,423	89,202
Restricted for adult basic education	<u>2,970</u>	<u>13,043</u>
Total fund balances	<u>134,009</u>	<u>140,440</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 826,658</u>	<u>\$ 849,344</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 417,575	\$ 416,805	\$ (770)	\$ 432,817
Investment earnings	10,000	9,976	(24)	16,794
Other – primarily tuition and fees	605,000	736,682	131,682	899,490
State sources	877,769	886,753	8,984	867,952
Federal sources	12,000	12,488	488	14,207
Total revenue	<u>1,922,344</u>	<u>2,062,704</u>	<u>140,360</u>	<u>2,231,260</u>
<b>Expenditures</b>				
Current				
Salaries	1,329,232	1,321,225	(8,007)	1,508,737
Employee benefits	474,362	494,297	19,935	530,806
Purchased services	283,455	292,802	9,347	270,664
Supplies and materials	72,716	59,576	(13,140)	82,059
Other expenditures	–	1,235	1,235	1,035
Capital outlay	–	–	–	1,734
Total expenditures	<u>2,159,765</u>	<u>2,169,135</u>	<u>9,370</u>	<u>2,395,035</u>
Excess (deficiency) of revenue over expenditures	(237,421)	(106,431)	130,990	(163,775)
<b>Other financing sources</b>				
Transfers in	<u>200,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>–</u>
Net change in fund balances	<u>\$ (37,421)</u>	<u>(6,431)</u>	<u>\$ 30,990</u>	<u>(163,775)</u>
<b>Fund balances</b>				
Beginning of year		<u>140,440</u>		<u>304,215</u>
End of year		<u>\$ 134,009</u>		<u>\$ 140,440</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	<u>2020</u>
Assets	
Cash and temporary investments	<u>\$ 3,976,402</u>
Liabilities	
Accounts and contracts payable	\$ 1,589,902
Fund balances	
Restricted for projects funded by certificates of participation	<u>2,386,500</u>
Total liabilities and fund balances	<u>\$ 3,976,402</u>



SPECIAL SCHOOL DISTRICT NO. 6

Capital Projects – Building Construction Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2020

	<u>2020</u>
Revenue	
Local sources	
Investment earnings	\$ 9,119
Expenditures	
Capital outlay	
Purchased services	240,601
Capital expenditures	2,759,760
Other expenditures	22,434
Debt service	
Fiscal charges and other	133,683
Total expenditures	<u>3,156,478</u>
Excess (deficiency) of revenue over expenditures	(3,147,359)
Other financing sources	
Debt issued	5,265,000
Premium on debt issued	268,859
Total other financing sources	<u>5,533,859</u>
Net change in fund balances	2,386,500
Fund balances	
Beginning of year	<u>—</u>
End of year	<u><u>\$ 2,386,500</u></u>

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SPECIAL SCHOOL DISTRICT NO. 6

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

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2020	2019
<b>Assets</b>				
Cash and temporary investments	\$ 1,609,598	\$ 431,868	\$ 2,041,466	\$ 2,164,572
Receivables				
Current taxes	1,329,444	416,667	1,746,111	1,872,103
Delinquent taxes	47,621	14,069	61,690	56,344
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 2,986,663</u>	<u>\$ 862,604</u>	<u>\$ 3,849,267</u>	<u>\$ 4,093,019</u>
<b>Liabilities</b>				
Unearned revenue	\$ -	\$ -	\$ -	\$ 221,000
<b>Deferred inflows of resources</b>				
Unavailable revenue – delinquent taxes	28,613	8,565	37,178	38,830
Property taxes levied for subsequent year	2,165,456	678,677	2,844,133	3,086,030
Total deferred inflows of resources	<u>2,194,069</u>	<u>687,242</u>	<u>2,881,311</u>	<u>3,124,860</u>
<b>Fund balances</b>				
Restricted for debt service	<u>792,594</u>	<u>175,362</u>	<u>967,956</u>	<u>747,159</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,986,663</u>	<u>\$ 862,604</u>	<u>\$ 3,849,267</u>	<u>\$ 4,093,019</u>

SPECIAL SCHOOL DISTRICT NO. 6

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

	2020		
	Budget	Regular Debt Service Account	Actual OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 3,085,294	\$ 2,384,771	\$ 691,105
Investment earnings	-	20,384	6,124
Other sources	-	221,000	-
Total revenue	<u>3,085,294</u>	<u>2,626,155</u>	<u>697,229</u>
Expenditures			
Debt service			
Principal	1,995,000	1,325,000	670,000
Interest	1,100,938	1,073,938	27,000
Fiscal charges and other	6,600	6,174	475
Total expenditures	<u>3,102,538</u>	<u>2,405,112</u>	<u>697,475</u>
Net change in fund balances	<u>\$ (17,244)</u>	221,043	(246)
Fund balances			
Beginning of year		<u>571,551</u>	<u>175,608</u>
End of year		<u>\$ 792,594</u>	<u>\$ 175,362</u>

		2019	
Total	Over (Under) Budget	Actual	
\$ 3,075,876	\$ (9,418)	\$ 3,119,238	
26,508	26,508	40,845	
221,000	221,000	—	
<u>3,323,384</u>	<u>238,090</u>	<u>3,160,083</u>	
1,995,000	—	1,935,000	
1,100,938	—	1,153,548	
6,649	49	3,050	
<u>3,102,587</u>	<u>49</u>	<u>3,091,598</u>	
220,797	<u>\$ 238,041</u>	68,485	
<u>747,159</u>		<u>678,674</u>	
<u>\$ 967,956</u>		<u>\$ 747,159</u>	

SPECIAL SCHOOL DISTRICT NO. 6

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

	Dental	Medical	Other	Totals	
	Self-Insurance	Self-Insurance	Post-Employment Benefits	2020	2019
Assets					
Current assets					
Cash and temporary investments	\$ 230,171	\$ 5,250,419	\$ -	\$ 5,480,590	\$ 3,278,295
Receivables					
Accounts and interest	3,321	17,234	-	20,555	17,731
Prepaid items	2,219	61,057	-	63,276	82,180
Total current assets	<u>235,711</u>	<u>5,328,710</u>	<u>-</u>	<u>5,564,421</u>	<u>3,378,206</u>
Long-term assets					
Restricted assets					
Cash and cash equivalents	-	-	1,807,753	1,807,753	3,014,464
Investments	-	-	3,126,227	3,126,227	2,045,120
Total long-term assets	<u>-</u>	<u>-</u>	<u>4,933,980</u>	<u>4,933,980</u>	<u>5,059,584</u>
Total assets	235,711	5,328,710	4,933,980	10,498,401	8,437,790
Deferred outflows of resources					
OPEB plan deferments	-	-	640,220	640,220	349,560
Liabilities					
Current liabilities					
Accounts and contracts payable	-	-	-	-	1,047
Unearned revenue	32,107	868,612	-	900,719	784,701
Claims incurred, but not reported	16,132	447,288	-	463,420	402,739
Total current liabilities	<u>48,239</u>	<u>1,315,900</u>	<u>-</u>	<u>1,364,139</u>	<u>1,188,487</u>
Long-term liabilities					
Total OPEB liability	<u>-</u>	<u>-</u>	<u>8,672,248</u>	<u>8,672,248</u>	<u>8,030,004</u>
Total liabilities	48,239	1,315,900	8,672,248	10,036,387	9,218,491
Deferred inflows of resources					
OPEB plan deferments	-	-	1,325,921	1,325,921	1,473,246
Net position					
Unrestricted	<u>\$ 187,472</u>	<u>\$ 4,012,810</u>	<u>\$ (4,423,969)</u>	<u>\$ (223,687)</u>	<u>\$ (1,904,387)</u>

## SPECIAL SCHOOL DISTRICT NO. 6

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

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Totals	
				2020	2019
Operating revenue					
Contributions from governmental funds	\$ 324,825	\$ 7,280,967	\$ 89,017	\$ 7,694,809	\$ 7,221,598
Operating expenses					
Dental benefit claims	255,907	—	—	255,907	284,141
Medical benefit claims	—	5,387,038	—	5,387,038	4,998,199
OPEB	—	—	668,277	668,277	951,185
Total operating expenses	<u>255,907</u>	<u>5,387,038</u>	<u>668,277</u>	<u>6,311,222</u>	<u>6,233,525</u>
Operating income (loss)	68,918	1,893,929	(579,260)	1,383,587	988,073
Nonoperating revenue					
Investment earnings	<u>2,186</u>	<u>45,530</u>	<u>249,397</u>	<u>297,113</u>	<u>268,845</u>
Change in net position	71,104	1,939,459	(329,863)	1,680,700	1,256,918
Net position					
Beginning of year	<u>116,368</u>	<u>2,073,351</u>	<u>(4,094,106)</u>	<u>(1,904,387)</u>	<u>(3,161,305)</u>
End of year	<u>\$ 187,472</u>	<u>\$ 4,012,810</u>	<u>\$ (4,423,969)</u>	<u>\$ (223,687)</u>	<u>\$ (1,904,387)</u>

## SPECIAL SCHOOL DISTRICT NO. 6

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

	Dental	Medical	Other	Total	
	Self-Insurance	Self-Insurance	Post-Employment Benefits	2020	2019
Cash flows from operating activities					
Received from assessments made to other funds	\$ 327,682	\$ 7,391,304	\$ 89,017	\$ 7,808,003	\$ 7,310,597
Payment for dental claims	(255,848)	–	–	(255,848)	(276,389)
Payment for medical claims	–	(5,308,559)	–	(5,308,559)	(5,089,477)
Post-employment benefit payments	–	–	(464,018)	(464,018)	(349,560)
Net cash flows from operating activities	<u>71,834</u>	<u>2,082,745</u>	<u>(375,001)</u>	<u>1,779,578</u>	<u>1,595,171</u>
Cash flows from investing activities					
Purchase of investments	–	–	(1,355,546)	(1,355,546)	(734,004)
Sale of investments	–	–	274,439	274,439	500,714
Interest on investments	2,186	45,530	249,397	297,113	268,845
Net cash flows from investing activities	<u>2,186</u>	<u>45,530</u>	<u>(831,710)</u>	<u>(783,994)</u>	<u>35,555</u>
Net change in cash and cash equivalents	74,020	2,128,275	(1,206,711)	995,584	1,630,726
Cash and cash equivalents					
Beginning of year	<u>156,151</u>	<u>3,122,144</u>	<u>3,014,464</u>	<u>6,292,759</u>	<u>4,662,033</u>
End of year	<u>\$ 230,171</u>	<u>\$ 5,250,419</u>	<u>\$ 1,807,753</u>	<u>\$ 7,288,343</u>	<u>\$ 6,292,759</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ 68,918	\$ 1,893,929	\$ (579,260)	\$ 1,383,587	\$ 988,073
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets, liabilities, and deferred outflows/inflows					
Accounts and interest receivable	(1,476)	(1,348)	–	(2,824)	27,599
Prepaid items	(184)	19,088	–	18,904	(4,941)
Deferred outflows – OPEB plan deferments	–	–	(290,660)	(290,660)	261,331
Accounts and contracts payable	–	(1,047)	–	(1,047)	1,047
Unearned revenue	4,333	111,685	–	116,018	61,400
Claims incurred, but not reported	243	60,438	–	60,681	(79,632)
Total OPEB liability	–	–	642,244	642,244	(1,132,952)
Deferred inflows – OPEB plan deferments	–	–	(147,325)	(147,325)	1,473,246
Net cash flows from operating activities	<u>\$ 71,834</u>	<u>\$ 2,082,745</u>	<u>\$ (375,001)</u>	<u>\$ 1,779,578</u>	<u>\$ 1,595,171</u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:					
Cash and temporary investments	\$ 230,171	\$ 5,250,419	\$ –	\$ 5,480,590	\$ 3,278,295
Cash and cash equivalents	–	–	1,807,753	1,807,753	3,014,464
Total cash and cash equivalents	<u>\$ 230,171</u>	<u>\$ 5,250,419</u>	<u>\$ 1,807,753</u>	<u>\$ 7,288,343</u>	<u>\$ 6,292,759</u>



OTHER DISTRICT INFORMATION

(UNAUDITED)

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SPECIAL SCHOOL DISTRICT NO. 6

Government-Wide Revenue by Type  
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues		General Revenues			Total
	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	
2011	\$ 2,827,857 7%	\$ 6,148,088 15%	\$ 11,420,169 27%	\$ 20,101,699 49%	\$ 716,341 2%	\$ 41,214,154 100%
2012	2,661,679 6%	5,695,085 14%	8,923,422 22%	23,757,188 58%	124,340 -	41,161,714 100%
2013	2,686,319 6%	6,435,504 15%	8,310,930 20%	24,614,074 58%	616,600 1%	42,663,427 100%
2014	2,502,597 6%	6,428,553 15%	5,660,896 13%	28,358,725 65%	745,221 1%	43,695,992 100%
2015	2,668,863 5%	6,909,688 15%	8,617,083 18%	28,799,116 61%	314,619 1%	47,309,369 100%
2016	2,679,050 5%	7,276,738 15%	8,644,541 18%	30,313,012 62%	120,499 -	49,033,840 100%
2017	2,593,395 5%	7,945,568 15%	9,068,563 18%	31,866,738 61%	641,089 1%	52,115,353 100%
2018	2,252,264 4%	8,030,824 16%	8,923,410 18%	31,301,712 61%	702,894 1%	51,211,104 100%
2019	2,056,463 4%	8,013,083 15%	10,221,464 20%	30,218,525 59%	903,820 2%	51,413,355 100%
2020	1,524,857 3%	8,560,643 16%	10,075,483 19%	31,125,163 59%	1,263,102 3%	52,549,248 100%

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

SPECIAL SCHOOL DISTRICT NO. 6

Government-Wide Expenses by Function  
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2011	\$ 936,969 2%	\$ 571,894 2%	\$ 16,706,339 42%	\$ 253,389 1%	\$ 6,069,374 15%	\$ 2,982,567 8%	\$ 1,834,422 5%
2012	864,544 2%	684,754 2%	17,014,454 44%	265,411 1%	6,085,145 15%	2,869,793 7%	1,629,324 4%
2013	942,689 2%	762,764 2%	17,971,803 44%	171,539 1%	6,411,286 15%	3,083,373 7%	1,714,132 4%
2014	870,834 2%	1,216,403 3%	18,349,953 42%	236,672 1%	6,816,750 16%	3,012,807 7%	1,806,707 4%
2015	1,033,622 2%	1,360,462 3%	19,102,239 40%	245,692 1%	7,330,447 16%	3,573,162 8%	2,093,948 4%
2016	1,153,014 2%	1,612,075 3%	20,230,015 41%	150,444 -	7,934,604 16%	3,743,950 8%	2,624,337 5%
2017	1,493,074 2%	1,788,939 3%	28,839,252 46%	251,888 1%	10,463,569 17%	4,493,422 7%	3,007,484 5%
2018	1,460,342 2%	1,803,755 3%	27,957,766 46%	252,554 1%	9,984,693 17%	4,517,900 7%	2,930,048 5%
2019	827,315 2%	1,816,877 5%	13,714,316 35%	107,757 -	5,586,492 14%	2,997,694 8%	2,640,535 7%
2020	1,225,243 2%	1,857,405 3%	22,905,668 42%	167,804 -	8,740,605 16%	4,233,607 8%	3,378,207 6%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation Not Allocated to Other Functions	Interest and Fiscal Charges	Total
\$ 4,123,103 10%	\$ 121,761 -	\$ 1,676,808 4%	\$ 2,676,777 7%	\$ 776,791 2%	\$ 819,610 2%	\$ 39,549,804 100%
4,523,908 11%	113,771 -	1,722,078 4%	2,361,546 6%	785,438 2%	610,425 2%	39,530,591 100%
4,634,278 11%	118,911 -	1,674,627 4%	2,450,631 6%	773,799 2%	674,622 2%	41,384,454 100%
4,465,638 10%	130,887 -	1,720,704 4%	2,432,466 5%	761,628 2%	1,604,152 4%	43,425,601 100%
5,899,085 12%	139,313 -	1,784,294 4%	2,547,479 5%	907,695 2%	1,343,443 3%	47,360,881 100%
5,130,866 10%	145,114 -	1,868,409 4%	2,278,869 5%	1,349,560 3%	1,277,194 3%	49,498,451 100%
4,803,238 8%	155,560 -	2,081,770 3%	2,759,987 4%	1,342,250 2%	1,219,318 2%	62,699,751 100%
4,527,741 8%	182,420 -	1,985,158 3%	2,693,355 4%	1,427,210 2%	1,197,044 2%	60,919,986 100%
4,912,325 12%	173,521 -	2,108,072 5%	2,118,791 5%	1,459,823 4%	1,054,808 3%	39,518,326 100%
4,741,466 9%	250,147 1%	2,267,479 4%	2,191,682 4%	1,460,300 3%	1,228,246 2%	54,647,859 100%

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SPECIAL SCHOOL DISTRICT NO. 6

General Fund Revenue by Source  
Last Ten Fiscal Years

Year Ended June 30,	Local Property Taxes	State	Federal	Other Local	Total
2011	\$ 9,020,408 26%	\$ 22,451,939 65%	\$ 2,186,889 6%	\$ 884,680 3%	\$ 34,543,916 100%
2012	6,320,046 18%	26,467,481 77%	1,154,065 3%	868,163 2%	34,809,755 100%
2013	5,993,422 17%	28,046,726 77%	1,362,961 4%	883,566 2%	36,286,675 100%
2014	3,444,981 10%	31,513,967 85%	1,221,561 3%	854,343 2%	37,034,852 100%
2015	5,398,296 14%	32,342,678 81%	1,218,316 3%	916,987 2%	39,876,277 100%
2016	5,064,027 12%	34,259,165 83%	1,257,276 3%	844,992 2%	41,425,460 100%
2017	5,452,392 13%	35,121,981 82%	1,325,739 3%	1,007,095 2%	42,907,207 100%
2018	5,177,387 12%	35,710,305 82%	1,333,323 3%	1,139,108 3%	43,360,123 100%
2019	6,637,567 15%	35,976,601 79%	1,384,129 3%	1,209,319 3%	45,207,616 100%
2020	6,592,421 15%	35,626,546 79%	1,378,700 3%	1,193,262 3%	44,790,929 100%

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

SPECIAL SCHOOL DISTRICT NO. 6

General Fund Expenditures by Function  
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2011	\$ 967,662 2%	\$ 562,321 2%	\$ 16,229,465 48%	\$ 247,033 1%	\$ 5,888,748 18%
2012	843,583 2%	675,281 2%	16,542,521 49%	259,121 1%	5,906,391 17%
2013	890,024 2%	748,850 2%	17,448,094 49%	166,422 –	6,198,625 18%
2014	916,594 2%	1,191,400 3%	17,833,876 49%	229,287 1%	6,603,735 18%
2015	995,335 2%	1,355,193 3%	19,001,794 46%	244,040 1%	7,278,906 18%
2016	1,079,698 2%	1,593,886 4%	19,997,954 48%	147,844 –	7,832,449 19%
2017	1,072,918 2%	1,704,901 4%	20,410,135 48%	187,501 –	7,751,666 18%
2018	1,127,343 3%	1,764,843 4%	20,746,253 48%	180,445 –	7,737,139 18%
2019	1,161,013 3%	1,891,938 4%	21,225,940 47%	180,823 –	8,066,259 18%
2020	1,183,514 2%	1,882,854 4%	21,927,804 47%	160,800 –	8,541,448 18%



<u>Instructional Support Services</u>	<u>Pupil Support Services</u>	<u>Sites and Buildings</u>	<u>Other Programs</u>	<u>Total</u>
\$ 2,928,809 9%	\$ 1,810,118 5%	\$ 4,630,580 14%	\$ 188,338 1%	\$ 33,453,074 100%
2,816,592 8%	1,605,272 5%	5,008,509 15%	297,210 1%	33,954,480 100%
3,023,767 9%	1,689,984 5%	4,876,894 14%	330,844 1%	35,373,504 100%
2,961,199 8%	1,783,217 5%	4,640,689 13%	321,762 1%	36,481,759 100%
3,596,957 9%	2,093,077 5%	6,107,057 15%	267,150 1%	40,939,509 100%
3,707,592 9%	2,609,229 6%	4,649,362 11%	262,554 1%	41,880,568 100%
3,492,275 8%	2,689,663 6%	5,461,050 13%	220,708 1%	42,990,817 100%
3,677,803 8%	2,663,758 6%	5,565,648 13%	182,420 —	43,645,652 100%
3,950,967 9%	3,009,831 7%	5,576,373 12%	173,521 —	45,236,665 100%
4,137,689 9%	3,353,482 7%	5,613,410 12%	338,500 1%	47,139,501 100%

SPECIAL SCHOOL DISTRICT NO. 6

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2011	\$ 5,974,094	\$ 302,297	\$ 2,455,196	\$ 8,731,587
	2012	5,885,823	300,211	1,988,390	8,174,424
	2013	5,859,808	359,131	2,040,956	8,259,895
	2014	5,360,648	313,666	2,916,376	8,590,690
	2015	5,018,970	446,220	3,101,405	8,566,595
	2016	5,072,061	499,299	3,176,475	8,747,835
	2017	4,971,240	511,504	3,247,353	8,730,097
	2018	6,489,708	431,979	3,114,579	10,036,266
	2019	6,426,941	417,739	3,086,030	9,930,710
	2020	7,117,919	547,781	2,844,122	10,509,822
Tax capacity rates					
	2011	13.715	1.860	15.106	30.681
	2012	16.907	2.020	13.379	32.306
	2013	17.855	2.637	14.986	35.478
	2014	20.025	2.379	22.118	44.522
	2015	13.836	2.773	19.272	35.881
	2016	12.591	3.278	20.850	36.719
	2017	12.815	3.137	19.916	35.868
	2018	11.991	2.360	17.016	31.367
	2019	11.229	2.193	16.200	29.622
	2020	12.730	2.608	13.540	28.878
Market value rates					
	2011	0.21687	—	—	0.21687
	2012	0.19530	—	—	0.19530
	2013	0.21801	—	—	0.21801
	2014	0.14862	—	—	0.14862
	2015	0.16295	—	—	0.16295
	2016	0.18667	—	—	0.18667
	2017	0.14734	—	—	0.14734
	2018	0.23734	—	—	0.23734
	2019	0.19630	—	—	0.19630
	2020	0.19271	—	—	0.19271

Note: A tax rate based on market value is used primarily for the District's referendum levy.

Source: State of Minnesota School Tax Report

SPECIAL SCHOOL DISTRICT NO. 6

Tax Capacities and Market Values  
Last Ten Fiscal Years

Taxes Collectible	Tax Capacity Valuation					Market Value
	Agricultural and Nonagricultural	Net Fiscal Disparities Distribution	Tax Increment	Total Taxable		
2011	\$ 15,567,450	\$ 2,723,445	\$ (1,548,398)	\$ 16,742,497	\$ 1,329,568,050	
2012	13,872,371	2,658,809	(1,480,108)	15,051,072	1,294,977,350	
2013	12,878,501	2,506,969	(1,445,441)	13,940,029	1,202,553,350	
2014	12,885,732	2,606,084	(1,556,699)	13,935,117	1,199,668,500	
2015	14,232,820	2,550,076	(1,568,940)	15,213,956	1,322,540,825	
2016	14,486,492	2,491,955	(1,661,773)	15,316,674	1,333,685,325	
2017	15,213,174	2,736,665	(1,732,491)	16,217,348	1,394,111,550	
2018	16,741,700	2,801,054	(1,816,971)	17,725,783	1,526,948,025	
2019	17,887,397	2,881,747	(1,971,353)	18,797,791	1,617,423,625	
2020	19,647,746	3,182,514	(1,948,178)	20,882,082	1,784,759,825	

Source: State of Minnesota School Tax Report

SPECIAL SCHOOL DISTRICT NO. 6

Property Tax Levies and Receivables  
Last Ten Fiscal Years

Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2011	\$ 6,477,594	\$ 1,898,153	\$ 355,840	\$ 8,731,587
2012	6,179,907	1,994,517	–	8,174,424
2013	6,295,738	1,964,157	–	8,259,895
2014	6,346,937	2,243,753	–	8,590,690
2015	6,306,926	2,259,669	–	8,566,595
2016	6,791,300	1,956,535	–	8,747,835
2017	6,468,534	2,261,563	–	8,730,097
2018	7,923,706	2,112,560	–	10,036,266
2019	7,499,706	2,431,004	–	9,930,710
2020	8,139,687	2,370,135	–	10,509,822

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids. Legislative changes, beginning with taxes collectible in 2012, significantly reduced or eliminated the amount of tax credits applied and paid through state aids.

Note 2: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2020

Delinquent		Current	
Amount	Percent	Amount	Percent
\$       —	— %	\$       —	— %
—	—	—	—
—	—	—	—
20,557	0.24	—	—
4,332	0.05	—	—
10,342	0.12	—	—
15,791	0.18	—	—
37,461	0.37	—	—
101,744	1.02	—	—
—	—	6,453,611	61.41
<u>\$   190,227</u>		<u>\$   6,453,611</u>	

SPECIAL SCHOOL DISTRICT NO. 6

Students Served  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (Including Enrollment Option)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2011	61.50	237.02	1,476.23	1,457.05	3,231.80	3,716.55
2012	67.40	267.58	1,509.01	1,490.83	3,334.82	3,820.66
2013	79.48	245.08	1,584.80	1,470.86	3,380.22	3,874.81
2014	67.30	251.99	1,621.44	1,477.92	3,418.65	3,917.20
2015	55.54	251.13	1,657.25	1,503.79	3,467.71	3,768.45
2016	70.67	230.04	1,681.05	1,526.21	3,507.97	3,813.22
2017	119.07	198.26	1,654.38	1,553.52	3,525.23	3,835.94
2018	162.21	194.39	1,558.43	1,571.45	3,486.48	3,800.76
2019	182.30	189.49	1,526.59	1,520.91	3,419.29	3,723.48
2020	181.03	190.93	1,427.26	1,489.56	3,288.78	3,586.69

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6
Fiscal 2011 through 2014	1.250	1.000	0.612	0.612	1.115	1.060
Fiscal 2015 through 2020	1.000	1.000	0.550	1.000	1.000	1.000

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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SPECIAL SCHOOL DISTRICT NO. 6

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	Noncash Assistance
<b>U.S. Department of Agriculture</b>			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	\$ 259,346	
National School Lunch Program	10.555	660,964	\$ 141,404
Summer Food Service Program for Children	10.559	\$ 50,562	
COVID-19 – Summer Food Service Program for Children	10.559	<u>616,058</u>	
Subtotal CFDA 10.559		<u>666,620</u>	
Total child nutrition cluster			\$ 1,586,930
Child and Adult Care Food Program	10.558		23,143
<b>U.S. Department of Transportation</b>			
Passed through Minnesota Department of Transportation			
Highway Planning and Construction	20.205		20,053
<b>U.S. Department of Education</b>			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education Grants to States	84.027	676,234	
Special Education Preschool Grants	84.173	<u>22,470</u>	
Total special education cluster			698,704
Adult Education – Basic Grants to States	84.002		12,488
Title I Grants to Local Educational Agencies	84.010		517,654
Special Education – Grants for Infants and Families	84.181		26,041
English Language Acquisition State Grants	84.365		31,198
Supporting Effective Instruction State Grants	84.367		77,702
Passed through Intermediate School District No. 917			
Career and Technical Education – Basic Grants to States	84.048		<u>7,348</u>
Total federal awards			<u><u>\$ 3,001,261</u></u>

Note 1: 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 2: The District did not elect to use the 10 percent de minimis indirect cost rate.

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

To the School Board and Management of  
Special School District No. 6  
South St. Paul, 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 Special School District No. 6 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2020.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify one deficiency in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-001 that we consider to be a material weakness.

(continued)

## **COMPLIANCE AND OTHER MATTERS**

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

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

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

## **PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota  
December 7, 2020



PRINCIPALS

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

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

To the School Board and Management of  
Special School District No. 6  
South St. Paul, Minnesota

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

We have audited Special School District No. 6's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

**MANAGEMENT'S RESPONSIBILITY**

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

**AUDITOR'S RESPONSIBILITY**

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

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

(continued)

## **OPINION ON EACH MAJOR FEDERAL PROGRAM**

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

## **PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota  
December 7, 2020

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of  
Special School District No. 6  
South St. Paul, 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 Special School District No. 6 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2020.

**MINNESOTA LEGAL COMPLIANCE**

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

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota  
December 7, 2020

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SPECIAL SCHOOL DISTRICT NO. 6

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

**A. SUMMARY OF AUDIT RESULTS**

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

**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiency(ies) identified?        Yes   X   None reported

Noncompliance material to the financial statements noted?        Yes   X   No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs?

U.S. Department of Agriculture – child nutrition cluster Unmodified

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

Programs tested as major programs:

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

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

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

SPECIAL SCHOOL DISTRICT NO. 6

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

**B. FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

**2020-001 Segregation of Duties**

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

**Condition** – Special School District No. 6 (the District) has limited segregation of duties in several areas, including the processing of receipts, payroll transactions, and certain computer controls.

**Questioned Costs** – Not applicable.

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

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

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

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

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

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

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

None.

**D. MINNESOTA LEGAL COMPLIANCE FINDINGS**

None.

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SPECIAL SCHOOL DISTRICT NO. 6

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

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 44,790,929	\$ 44,790,929	\$ –
Total expenditures		\$ 47,139,501	\$ 47,139,501	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
401	Student activities	\$ 232,200	\$ 232,200	\$ –
402	Scholarships	\$ –	\$ –	\$ –
403	Staff development	\$ 112,244	\$ 112,244	\$ –
407	Capital projects levy	\$ 1,509	\$ 1,509	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ 1,385	\$ 1,385	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ 178,739	\$ 178,739	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ 106,589	\$ 106,589	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ (485,422)	\$ (485,422)	\$ –
472	Medical Assistance	\$ 145,723	\$ 145,723	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 212,760	\$ 212,760	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 2,213,778	\$ 2,213,778	\$ –
Unassigned				
422	Unassigned fund balance	\$ 3,258,226	\$ 3,258,226	\$ –
<b>Food Service</b>				
Total revenue		\$ 2,064,950	\$ 2,064,950	\$ –
Total expenditures		\$ 2,268,103	\$ 2,268,103	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 58,599	\$ 58,599	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 598,572	\$ 598,572	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ 2,062,704	\$ 2,062,704	\$ –
Total expenditures		\$ 2,169,135	\$ 2,169,135	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 200	\$ 200	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 41,516	\$ 41,516	\$ –
432	ECFE	\$ 11,900	\$ 11,900	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ 77,423	\$ 77,423	\$ –
447	Adult basic education	\$ 2,970	\$ 2,970	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

SPECIAL SCHOOL DISTRICT NO. 6

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

	Audit	UFARS	Audit – UFARS
<b>Building Construction</b>			
Total revenue	\$ 9,119	\$ 9,119	\$ –
Total expenditures	\$ 3,156,478	\$ 3,156,479	\$ (1)
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
407 Capital projects levy	\$ –	\$ –	\$ –
413 Projects funded by COP	\$ 2,386,500	\$ 2,386,500	\$ –
467 Long-term facilities maintenance	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ –	\$ –	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>			
Total revenue	\$ 2,626,155	\$ 2,626,155	\$ –
Total expenditures	\$ 2,405,112	\$ 2,405,113	\$ (1)
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
425 Bond refundings	\$ –	\$ –	\$ –
433 Maximum effort loan	\$ –	\$ –	\$ –
451 QZAB payments	\$ –	\$ –	\$ –
467 Long-term facilities maintenance	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ 792,594	\$ 792,594	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
401 Student activities	\$ –	\$ –	\$ –
402 Scholarships	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>Custodial Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
401 Student activities	\$ –	\$ –	\$ –
402 Scholarships	\$ –	\$ –	\$ –
448 Achievement and integration	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ –	\$ –	\$ –
<b>Internal Service</b>			
Total revenue	\$ 7,653,508	\$ 7,653,508	\$ –
Total expenditures	\$ 5,642,945	\$ 5,642,945	\$ –
422 Net position	\$ 4,200,282	\$ 4,200,282	\$ –
<b>OPEB Revocable Trust Fund</b>			
Total revenue	\$ 338,414	\$ 338,413	\$ 1
Total expenditures	\$ 668,277	\$ 668,277	\$ –
422 Net position	\$ (4,423,969)	\$ (4,423,969)	\$ –
<b>OPEB Irrevocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>OPEB Debt Service Fund</b>			
Total revenue	\$ 697,229	\$ 697,229	\$ –
Total expenditures	\$ 697,475	\$ 697,475	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
425 Bond refundings	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ 175,362	\$ 175,362	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –

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

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