

INDEPENDENT SCHOOL DISTRICT NO. 12  
CENTENNIAL SCHOOLS  
CIRCLE PINES, MINNESOTA

Financial Statements and  
Supplemental Information

Year Ended  
June 30, 2021

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# INDEPENDENT SCHOOL DISTRICT NO. 12

## Table of Contents

	Page
<b>INTRODUCTORY SECTION</b>	
<b>SCHOOL BOARD AND ADMINISTRATION</b>	1
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	2–4
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	5–16
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19–20
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenue, Expenditures, and Changes in Fund Balances	22–23
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	25
Proprietary Funds	
Internal Service Funds	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Fiduciary Funds	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	29
Notes to Basic Financial Statements	30–60
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	61
Schedule of District Contributions	61
Teachers Retirement Association Pension Benefits Plan	
Schedule of District’s and Nonemployer Proportionate Share of Net Pension Liability	62
Schedule of District Contributions	62
Other Post-Employment Benefits Plan	
Schedule of Changes in the District’s Net OPEB Liability (Asset) and Related Ratios	63
Schedule of Investment Returns	64
Notes to Required Supplementary Information	65–70

INDEPENDENT SCHOOL DISTRICT NO. 12

**Table of Contents (continued)**

	Page
<b>SUPPLEMENTAL INFORMATION</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	71
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	72
General Fund	
Comparative Balance Sheet	73
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	74–76
Food Service Special Revenue Fund	
Comparative Balance Sheet	77
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	78
Community Service Special Revenue Fund	
Comparative Balance Sheet	79
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	80
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	82
Debt Service Fund	
Balance Sheet by Account	83
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account – Budget and Actual	84–85
Proprietary Funds	
Internal Service Funds	
Combining Statement of Net Position	86
Combining Statement of Revenues, Expenses, and Changes in Net Position	87
Combining Statement of Cash Flows	88
<b>OTHER DISTRICT INFORMATION (UNAUDITED)</b>	
Changes in and Components of Net Position	89–90
Operating Funds Expenditures by Function	91–92
Operating Funds Revenue by Source	93
Assessed and Estimated Actual Value of Taxable Property	94
School Tax Levies and Tax Rates by Fund	95
Student Enrollment	96

INDEPENDENT SCHOOL DISTRICT NO. 12

**Table of Contents (continued)**

	Page
<b>SINGLE AUDIT AND OTHER REQUIRED REPORTS</b>	
Schedule of Expenditures of Federal Awards	97
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 <i>Government Auditing Standards</i>	98–99
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	100–101
Independent Auditor's Report on Minnesota Legal Compliance	102
Schedule of Findings and Questioned Costs	103–104
Uniform Financial Accounting and Reporting Standards Compliance Table	105–106

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## INTRODUCTORY SECTION

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# INDEPENDENT SCHOOL DISTRICT NO. 12

School Board and Administration  
Year Ended June 30, 2021

## SCHOOL BOARD

	<u>Board Position</u>
Suzy Guthmueller	Chairperson
Kathryn Timm	Clerk
Chris Bettinger	Treasurer
Stephanie Carlson	Director
Tom Knisely	Director
Sue Linser	Director

## ADMINISTRATION

Brian Dietz	Superintendent
Patrick Chaffey	Executive Director of Business Services
Scott Johnson	Executive Director of Teaching and Learning
Daniel Melde	Director of Human Resources
Corrine Sendle	Director of Community Education
Kathy Zwonitzer	Director of Special Services
Krista Bergert	Director of Public Information and Community Outreach
Michael Christensen	Director of Technology
Caleb Drexler Booth	Director of Curriculum and Instruction

District Offices	Independent School District No. 12
	4707 North Road
	Circle Pines, MN 55014-1898
	Phone: (763) 792-6001
	Fax: (763) 792-6050

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## FINANCIAL SECTION

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## PRINCIPALS

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James H. Eichten, CPA  
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## INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 12  
Circle Pines, Minnesota

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 12 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations 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.

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.

(continued)

### **Prior Year Comparative Information**

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 28, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
October 14, 2021

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## INDEPENDENT SCHOOL DISTRICT NO. 12

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

This section of Independent School District No. 12's (the District) annual financial statements present management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the other components of the District's 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, 2021 by \$9,811,571 (net position deficit). The District's total net position increased by \$13,157,236 during the fiscal year ended June 30, 2021.
- Government-wide revenues totaled \$110,283,691 and were \$13,157,236 more than expenses of \$97,126,455.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$10,058,888 over the prior year, compared to a decrease of \$245,702 planned in the budget.

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

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

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

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

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

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

**Proprietary Funds** – The District maintains one type of proprietary fund. 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' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to other organizations or individuals. The District is responsible for ensuring that the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

<b>Table 1</b> <b>Summary Statement of Net Position</b> <b>as of June 30, 2021 and 2020</b>		
	2021	2020
Assets		
Current and other assets	\$ 85,650,690	\$ 72,944,486
Capital assets, net of depreciation	125,872,804	122,196,526
Total assets	<u>\$ 211,523,494</u>	<u>\$ 195,141,012</u>
Deferred outflows of resources		
Pension plan deferments	\$ 31,629,208	\$ 50,952,517
OPEB plan deferments	1,148,170	332,875
Total deferred outflows of resources	<u>\$ 32,777,378</u>	<u>\$ 51,285,392</u>
Liabilities		
Current and other liabilities	\$ 10,798,160	\$ 12,627,364
Long-term liabilities, including due within one year	161,387,721	152,325,582
Total liabilities	<u>\$ 172,185,881</u>	<u>\$ 164,952,946</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 25,298,816	\$ 25,157,376
Pension plan deferments	50,800,812	74,801,802
OPEB plan deferments	5,826,934	4,483,087
Total deferred inflows of resources	<u>\$ 81,926,562</u>	<u>\$ 104,442,265</u>
Net position		
Net investment in capital assets	\$ 38,539,157	\$ 34,579,960
Restricted	11,422,521	7,879,104
Unrestricted	(59,773,249)	(65,427,871)
Total net position	<u>\$ (9,811,571)</u>	<u>\$ (22,968,807)</u>

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

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The increase in net position restricted for capital asset acquisition and facilities maintenance, debt service, food service, and other purposes contributed to the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position. Near year-end the District issued debt to finance capital spending that increased current and other assets, along with long-term liabilities.

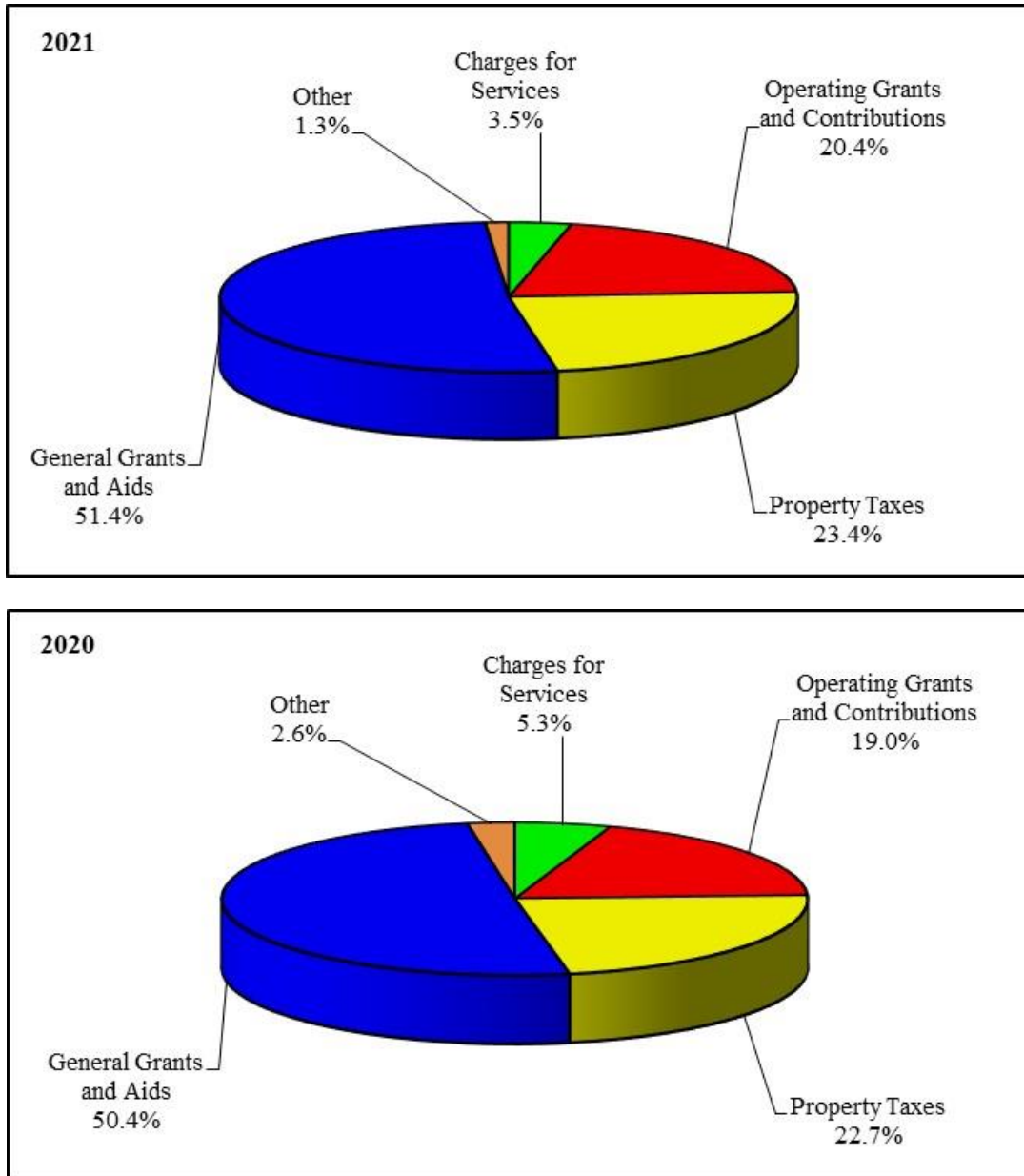
Table 2 presents a summarized version of the District's Statement of Activities:

<b>Table 2</b> <b>Summary Statement of Activities</b> <b>for the Years Ended June 30, 2021 and 2020</b>		
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 3,849,973	\$ 5,681,840
Operating grants and contributions	22,525,651	20,401,762
General revenues		
Property taxes	25,758,108	24,409,668
General grants and aids	56,682,845	54,064,056
Other	1,467,114	2,798,970
Total revenues	110,283,691	107,356,296
Expenses		
Administration	3,990,923	3,475,205
District support services	1,507,029	3,521,744
Elementary and secondary regular instruction	37,464,548	36,828,963
Vocational education instruction	1,163,439	1,022,428
Special education instruction	19,273,374	20,782,804
Instructional support services	5,315,340	2,368,975
Pupil support services	6,709,885	6,827,030
Sites and buildings	6,424,138	7,874,536
Fiscal and other fixed cost programs	298,296	273,901
Food service	3,196,521	3,394,870
Community service	4,256,675	4,792,378
Depreciation not included in other functions	4,278,316	4,215,358
Interest and fiscal charges on debt	3,247,971	3,088,339
Total expenses	97,126,455	98,466,531
Change in net position	13,157,236	8,889,765
Net position – beginning	(22,968,807)	(31,858,572)
Net position – ending	\$ (9,811,571)	\$ (22,968,807)

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 COVID-19 pandemic impacted financial activity in several areas in the current year. Revenues shifted with more federal revenues recognized through new pandemic related grants, offset in part by less charges for services and other local sources. Expenses changed to adapt to new distance and hybrid learning models impacting transportation, technology, and other program areas.

Figure A shows further analysis of these revenue sources:

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



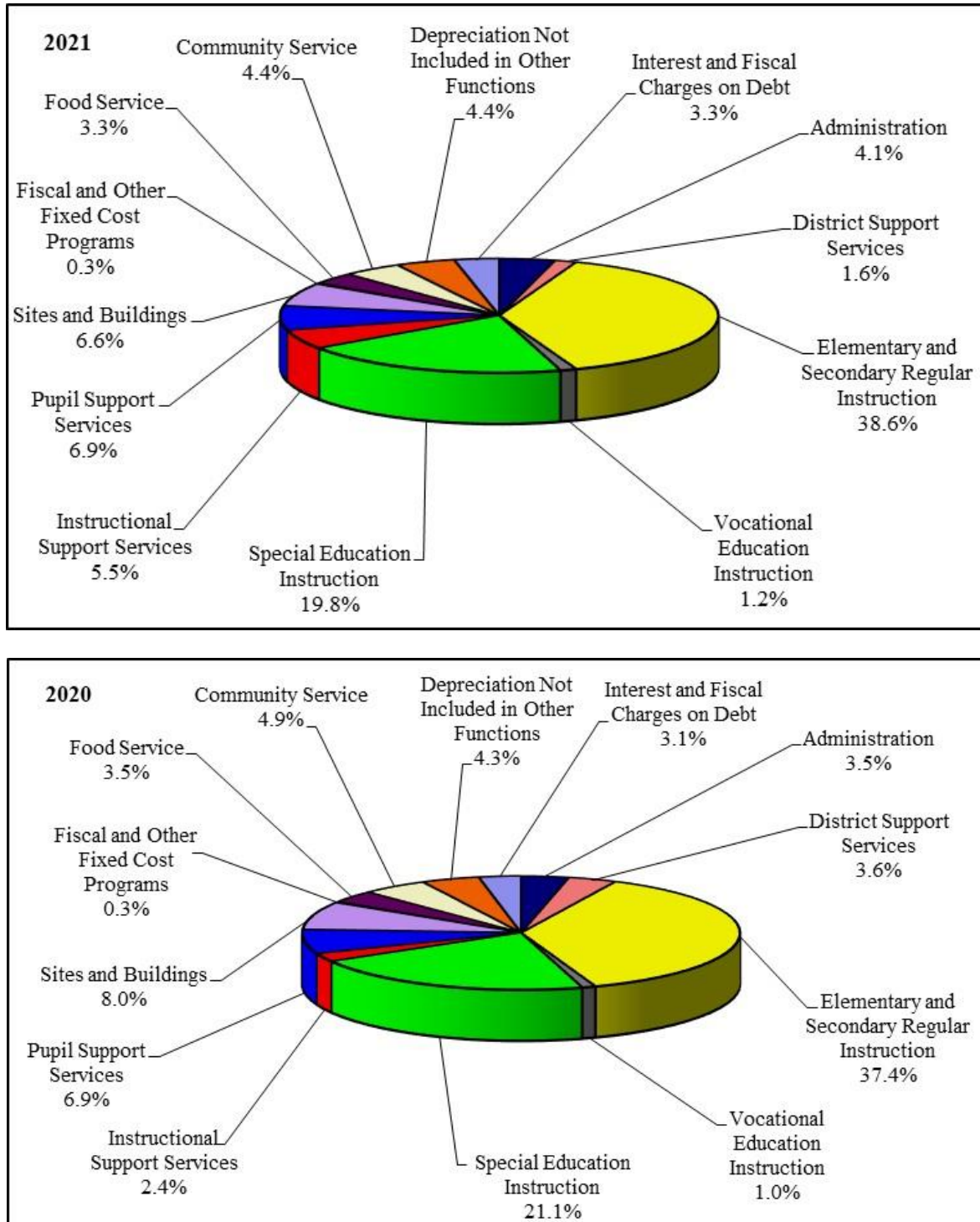
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of 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.

The COVID-19 pandemic impacted current year revenue sources compared to the prior year as mentioned on the previous page.

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2021 and 2020**



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.

## 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:

<b>Table 3</b> <b>Governmental Fund Balances</b> <b>as of June 30, 2021 and 2020</b>			
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Major funds			
General	\$ 32,898,853	\$ 22,839,965	\$ 10,058,888
Capital Projects – Building Construction	7,256,306	4,858,526	2,397,780
Debt Service	2,295,658	1,868,931	426,727
Nonmajor funds			
Food Service Special Revenue	793,743	187,496	606,247
Community Service Special Revenue	<u>1,421,084</u>	<u>1,528,800</u>	<u>(107,716)</u>
Total governmental funds	<u>\$ 44,665,644</u>	<u>\$ 31,283,718</u>	<u>\$ 13,381,926</u>

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

At June 30, 2021, the District's governmental funds reported combined fund balances of \$44,665,644, an increase of \$13,381,926 in comparison with the prior year. Approximately 32.8 percent of this amount (\$14,642,908) 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 (\$81,397), 2) restricted for particular purposes (\$19,239,354), or 3) assigned for particular purposes (\$10,701,985).

## ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4</b> <b>General Fund</b> <b>Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 87,932,383</u>	<u>\$ 88,760,586</u>	<u>\$ 828,203</u>	<u>0.9%</u>
Expenditures and other financing uses	<u>\$ 85,939,747</u>	<u>\$ 89,006,288</u>	<u>\$ 3,066,541</u>	<u>3.6%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended 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</b> <b>General Fund</b> <b>Operating Results</b>					
	<u>2021 Actual</u>	<u>Over (Under)</u> <u>Final Budget</u>		<u>Over (Under)</u> <u>Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 92,865,179	\$ 4,104,593	4.6%	\$ 3,321,842	3.7%
Expenditures and other financing uses	<u>82,806,291</u>	<u>(6,199,997)</u>	(7.0%)	<u>1,668,079</u>	2.1%
Net change in fund balances	<u>\$ 10,058,888</u>	<u>\$ 10,304,590</u>		<u>\$ 1,653,763</u>	

The fund balance of the General Fund increased \$10,058,888, compared to a decrease of \$245,702 approved in the final budget.

General Fund revenues and other financing sources for 2021 increased compared to the prior year, and were over budget as presented in table 5. The increase over the prior year was primarily due to more property tax revenue as approved with the annual levy and more federal sources for coronavirus relief and education stabilization funds recognized in the current year. Revenues were over budget in all major revenue categories presented for the General Fund. The largest variance was in state sources with conservative budgeting for both general education student counts and special education funding.

Total General Fund expenditures and other financing uses for 2021 increased compared to the prior year, and were under budget as presented in table 5. The increase over the prior year was primarily in supplies and materials within instructional support services in response to adapting to new distance and hybrid learning models. Current year expenditures and other financing uses were under budget. The largest variances occurred in personnel spending with open positions, purchased services in pupil support and instructional areas, and in capital spending within sites and buildings.

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

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

The Capital Projects – Building Construction Fund ended the year with an increase in fund balance of \$2,397,780, with revenue and new debt proceeds exceeding capital outlay and debt service spending in the current year. The Capital Projects – Building Construction Fund had a fund balance of \$7,256,306 as of June 30, 2021.

### **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 \$426,727 in the current year. The year-end fund balance of \$2,295,658 at June 30, 2021 is available for meeting future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$606,247, compared to a planned fund balance decrease of \$64,468. Both revenues and expenditures were more than projected in the budget, with significant program activity, due to the U.S. Department of Agriculture's "Free Meals for Kids" program.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, decreasing equity by \$107,716, compared to a planned fund balance decrease of \$561,401. A current year transfer of \$440,000 was made from the General Fund to help support program activity in the Community Service Special Revenue Fund. The variance to budget was primarily in revenues from other local sources exceeding anticipated amounts, which were difficult to predict with the ongoing pandemic.

### **Internal Service Funds**

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

Operating revenues for the internal service funds for fiscal 2021 totaled \$10,899,221. This is an increase from the fiscal year 2020 operating revenue level of \$10,534,055. Nonoperating revenues totaled \$7,594, which is a decrease from the fiscal year 2020 nonoperating revenue of \$105,163. Operating expenses totaled \$10,835,183, which represents an increase from fiscal year 2020 operating expenditures of \$9,817,226, due to an increase in health and dental benefit claims.

The net position balance for all internal service funds as of June 30, 2021 was \$4,315,072, which represents an increase of \$71,632 from the prior year.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

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

<b>Table 6</b> <b>Capital Assets</b>			
	2021	2020	Change
Land	\$ 4,214,035	\$ 4,214,035	\$ —
Construction in progress	1,639,011	17,119,419	(15,480,408)
Land improvements	8,183,335	5,226,831	2,956,504
Buildings	188,704,311	172,172,724	16,531,587
Furniture and equipment	12,479,408	8,470,749	4,008,659
Less accumulated depreciation	(89,347,296)	(85,007,232)	(4,340,064)
Total	<u>\$ 125,872,804</u>	<u>\$ 122,196,526</u>	<u>\$ 3,676,278</u>
Depreciation expense	<u>\$ 4,448,765</u>	<u>\$ 4,506,151</u>	<u>\$ (57,386)</u>

By the end of 2021, 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 2021, including the activity of the Capital Projects – Building Construction Fund discussed on the previous page. At year-end, the District had completed several projects, as presented, with the decrease in construction in progress reflected in the above table.

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

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

## Long-Term Liabilities

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

<b>Table 7</b> <b>Outstanding Long-Term Liabilities</b>			
	2021	2020	Change
General obligation bonds payable	\$ 104,270,000	\$ 111,970,000	\$ (7,700,000)
Certificates of participation payable	12,380,000	4,435,000	7,945,000
Unamortized premium/discount	(11,542,930)	(13,128,957)	1,586,027
Capital leases payable	37,883	74,049	(36,166)
Net pension liability – state-wide	54,850,003	47,755,867	7,094,136
Severance benefits payable	1,392,765	1,219,623	173,142
Total	<u>\$ 161,387,721</u>	<u>\$ 152,325,582</u>	<u>\$ 9,062,139</u>

The decreases in general obligation bonds payable and capital leases payable in the table above, are due to the planned repayment schedules reflecting principal payments occurring during fiscal year 2021. The District issued \$8,300,000 in certificates of participation, to finance construction improvements, increasing the outstanding balance compared to the prior year.

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

<b>Table 8</b> <b>Limitations on Debt</b>	
District's market value	\$ 3,921,509,724
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 588,226,459</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 \$161, or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional \$135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

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

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

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

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Office, Independent School District No. 12, 4707 North Road, Circle Pines, Minnesota 55014-1898.

## BASIC FINANCIAL STATEMENTS

## INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	\$ 50,871,161	\$ 43,929,888
Receivables		
Current taxes	15,164,068	17,338,725
Delinquent taxes	335,078	229,749
Accounts and interest	243,660	281,589
Due from other governmental units	9,328,033	10,369,767
Due from post-employment benefits trust	1,116,483	497,027
Inventory	81,397	53,171
Prepaid items	—	154,500
Net OPEB asset	1,103,156	89,893
Restricted assets – temporarily restricted		
Cash and investments for future construction and debt service	7,407,654	177
Capital assets		
Not depreciated	5,853,046	21,333,454
Depreciated, net of accumulated depreciation	120,019,758	100,863,072
Total capital assets, net of accumulated depreciation	125,872,804	122,196,526
Total assets	211,523,494	195,141,012
Deferred outflows of resources		
Pension plan deferments	31,629,208	50,952,517
OPEB plan deferments	1,148,170	332,875
Total deferred outflows of resources	32,777,378	51,285,392
Total assets and deferred outflows of resources	\$ 244,300,872	\$ 246,426,404
Liabilities		
Salaries and compensated absences payable	\$ 4,588,286	\$ 4,382,893
Accounts and contracts payable	2,295,494	4,541,655
Accrued interest payable	719,781	652,213
Due to other governmental units	348,698	264,415
Claims payable	652,164	741,711
Unearned revenue	2,193,737	2,044,477
Long-term liabilities		
Due within one year	8,751,883	8,171,166
Due in more than one year	152,635,838	144,154,416
Total long-term liabilities	161,387,721	152,325,582
Total liabilities	172,185,881	164,952,946
Deferred inflows of resources		
Property taxes levied for subsequent year	25,298,816	25,157,376
Pension plan deferments	50,800,812	74,801,802
OPEB plan deferments	5,826,934	4,483,087
Total deferred inflows of resources	81,926,562	104,442,265
Net position		
Net investment in capital assets	38,539,157	34,579,960
Restricted for		
Capital asset acquisition and facilities maintenance	6,660,980	4,170,915
Debt service	1,648,684	1,289,900
Food service	793,743	187,496
Community service	1,426,134	1,534,097
Other purposes (state and other funding restrictions)	892,980	696,696
Unrestricted	(59,773,249)	(65,427,871)
Total net position	(9,811,571)	(22,968,807)
Total liabilities, deferred inflows of resources, and net position	\$ 244,300,872	\$ 246,426,404

INDEPENDENT SCHOOL DISTRICT NO. 12

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

Functions/Programs	2021			2020	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for	Operating	Revenue and	Revenue and
			Grants and	Changes in	Changes in
		Services	Contributions	Net Position	Net Position
				Governmental	Governmental
				Activities	Activities
Governmental activities					
Administration	\$ 3,990,923	\$ —	\$ —	\$ (3,990,923)	\$ (3,475,205)
District support services	1,507,029	25,778	—	(1,481,251)	(3,521,744)
Elementary and secondary regular instruction	37,464,548	903,536	431,074	(36,129,938)	(35,684,272)
Vocational education instruction	1,163,439	—	58,751	(1,104,688)	(981,493)
Special education instruction	19,273,374	197,372	17,800,645	(1,275,357)	(3,372,428)
Instructional support services	5,315,340	—	—	(5,315,340)	(2,356,872)
Pupil support services	6,709,885	—	—	(6,709,885)	(6,827,030)
Sites and buildings	6,424,138	—	—	(6,424,138)	(7,646,717)
Fiscal and other fixed cost programs	298,296	—	—	(298,296)	(273,901)
Food service	3,196,521	81,571	3,788,812	673,862	99,560
Community service	4,256,675	2,641,716	446,369	(1,168,590)	(1,039,130)
Depreciation not included in other functions	4,278,316	—	—	(4,278,316)	(4,215,358)
Interest and fiscal charges on debt	3,247,971	—	—	(3,247,971)	(3,088,339)
Total governmental activities	<u>\$ 97,126,455</u>	<u>\$ 3,849,973</u>	<u>\$ 22,525,651</u>	(70,750,831)	(72,382,929)
General revenue					
Taxes					
Property taxes levied for general purposes				15,453,444	14,891,308
Property taxes levied for community service				644,134	632,181
Property taxes levied for debt service				9,660,530	8,886,179
General grants and aids				56,682,845	54,064,056
Other general revenues				1,447,331	1,676,626
Investment earnings				19,783	1,122,344
Total general revenue				<u>83,908,067</u>	<u>81,272,694</u>
Change in net position				13,157,236	8,889,765
Net position – beginning				<u>(22,968,807)</u>	<u>(31,858,572)</u>
Net position – ending				<u>\$ (9,811,571)</u>	<u>\$ (22,968,807)</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

Balance Sheet  
Governmental Funds  
as of June 30, 2021  
(With Partial Comparative Information as of June 30, 2020)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 35,715,956	\$ 317,097	\$ 6,094,899
Cash and investments held by trustee	–	7,407,654	–
Receivables			
Current taxes	9,286,588	–	5,478,936
Delinquent taxes	198,073	–	128,195
Accounts and interest	7,384	–	–
Due from other governmental units	8,978,942	–	1,189
Due from other funds	1,116,483	–	–
Inventory	–	–	–
Prepaid items	–	–	–
Total assets	<u>\$ 55,303,426</u>	<u>\$ 7,724,751</u>	<u>\$ 11,703,219</u>
Liabilities			
Salaries and compensated absences payable	\$ 4,443,895	\$ –	\$ –
Accounts and contracts payable	1,713,283	468,445	1,800
Due to other governmental units	347,398	–	–
Unearned revenue	501,271	–	–
Due to other funds	–	–	–
Total liabilities	<u>7,005,847</u>	<u>468,445</u>	<u>1,800</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	111,766	–	72,807
Property taxes levied for subsequent year	15,286,960	–	9,332,954
Total deferred inflows of resources	<u>15,398,726</u>	<u>–</u>	<u>9,405,761</u>
Fund balances			
Nonspendable	–	–	–
Restricted	7,553,960	7,256,306	2,295,658
Assigned	10,701,985	–	–
Unassigned	14,642,908	–	–
Total fund balances	<u>32,898,853</u>	<u>7,256,306</u>	<u>2,295,658</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,303,426</u>	<u>\$ 7,724,751</u>	<u>\$ 11,703,219</u>

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 2,510,938	\$ 44,638,890	\$ 37,640,882
–	7,407,654	177
398,544	15,164,068	17,338,725
8,810	335,078	229,749
20,292	27,676	215,351
347,902	9,328,033	10,369,767
–	1,116,483	945,186
81,397	81,397	53,171
–	–	154,500
<u>\$ 3,367,883</u>	<u>\$ 78,099,279</u>	<u>\$ 66,947,508</u>
\$ 144,391	\$ 4,588,286	\$ 4,382,893
111,966	2,295,494	4,541,655
1,300	348,698	264,415
211,447	712,718	674,384
–	–	448,159
<u>469,104</u>	<u>7,945,196</u>	<u>10,311,506</u>
5,050	189,623	194,908
678,902	25,298,816	25,157,376
<u>683,952</u>	<u>25,488,439</u>	<u>25,352,284</u>
81,397	81,397	207,671
2,133,430	19,239,354	13,103,693
–	10,701,985	6,331,521
–	14,642,908	11,640,833
<u>2,214,827</u>	<u>44,665,644</u>	<u>31,283,718</u>
<u>\$ 3,367,883</u>	<u>\$ 78,099,279</u>	<u>\$ 66,947,508</u>

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INDEPENDENT SCHOOL DISTRICT NO. 12

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2021  
(With Partial Comparative Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Total fund balances – governmental funds	\$ 44,665,644	\$ 31,283,718
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	215,220,100	207,203,758
Accumulated depreciation	(89,347,296)	(85,007,232)
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.		
	4,315,072	4,243,440
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	(104,270,000)	(111,970,000)
Certificates of participation payable	(12,380,000)	(4,435,000)
Unamortized premium/discount	11,542,930	13,128,957
Capital leases payable	(37,883)	(74,049)
Net pension liability	(54,850,003)	(47,755,867)
Severance benefits payable	(1,392,765)	(1,219,623)
The net OPEB asset reported in the Statement of Net Position does not require the use of current financial resources and is not reported in governmental funds.		
	1,103,156	89,893
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(719,781)	(652,213)
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	31,629,208	50,952,517
Deferred outflows of resources – OPEB plan deferments	1,148,170	332,875
Deferred inflows of resources – pension plan deferments	(50,800,812)	(74,801,802)
Deferred inflows of resources – OPEB plan deferments	(5,826,934)	(4,483,087)
Deferred inflows of resources – unavailable revenue – delinquent taxes	189,623	194,908
Total net position – governmental activities	<u>\$ (9,811,571)</u>	<u>\$ (22,968,807)</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 15,458,107	\$ –	\$ 9,660,905
Investment earnings (charges)	30,509	(25,937)	5,579
Other	2,484,103	52,390	–
State sources	70,478,182	–	11,897
Federal sources	4,376,754	–	–
Total revenue	92,827,655	26,453	9,678,381
Expenditures			
Current			
Administration	3,349,613	–	–
District support services	1,825,898	–	–
Elementary and secondary regular instruction	36,065,970	–	–
Vocational education instruction	1,164,073	–	–
Special education instruction	19,465,247	–	–
Instructional support services	4,501,438	–	–
Pupil support services	6,637,397	–	–
Sites and buildings	8,543,301	–	–
Fiscal and other fixed cost programs	298,296	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	6,009,843	–
Debt service			
Principal	391,166	–	7,700,000
Interest and fiscal charges	123,892	152,650	1,551,654
Total expenditures	82,366,291	6,162,493	9,251,654
Excess (deficiency) of revenue over expenditures	10,461,364	(6,136,040)	426,727
Other financing sources (uses)			
Sale of capital assets	37,524	–	–
Transfers in	–	–	–
Transfers (out)	(440,000)	–	–
Debt issued	–	8,300,000	–
Premium on debt issued	–	233,820	–
Total other financing sources (uses)	(402,476)	8,533,820	–
Net change in fund balances	10,058,888	2,397,780	426,727
Fund balances			
Beginning of year	22,839,965	4,858,526	1,868,931
End of year	\$ 32,898,853	\$ 7,256,306	\$ 2,295,658

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 644,381	\$ 25,763,393	\$ 24,321,932
2,038	12,189	1,017,181
2,723,287	5,259,780	7,358,466
445,938	70,936,017	70,846,536
3,789,243	8,165,997	3,601,530
<u>7,604,887</u>	<u>110,137,376</u>	<u>107,145,645</u>
—	3,349,613	3,308,145
—	1,825,898	3,497,703
—	36,065,970	34,652,944
—	1,164,073	978,194
—	19,465,247	19,875,431
—	4,501,438	2,274,251
—	6,637,397	6,794,222
—	8,543,301	8,816,363
—	298,296	273,901
3,197,782	3,197,782	3,488,733
4,274,571	4,274,571	4,718,514
74,003	6,083,846	15,060,230
—	8,091,166	7,369,526
—	1,828,196	1,760,040
<u>7,546,356</u>	<u>105,326,794</u>	<u>112,868,197</u>
58,531	4,810,582	(5,722,552)
—	37,524	—
440,000	440,000	150,000
—	(440,000)	(150,000)
—	8,300,000	—
—	233,820	—
<u>440,000</u>	<u>8,571,344</u>	<u>—</u>
498,531	13,381,926	(5,722,552)
<u>1,716,296</u>	<u>31,283,718</u>	<u>37,006,270</u>
<u>\$ 2,214,827</u>	<u>\$ 44,665,644</u>	<u>\$ 31,283,718</u>

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INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021	2020
Total net change in fund balances – governmental funds	\$ 13,381,926	\$ (5,722,552)
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	8,136,395	16,116,544
Depreciation expense	(4,448,765)	(4,506,151)
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.	(11,352)	–
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.	71,632	821,992
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.	(8,533,820)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	7,700,000	6,985,000
Certificates of participation payable	355,000	350,000
Capital leases payable	36,166	34,526
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.	(67,568)	27,568
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.	(1,352,207)	(1,355,867)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(7,094,136)	958,109
Net OPEB (asset)	1,013,263	(937,604)
Severance benefits payable	(173,142)	93,172
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	(19,323,309)	(23,342,802)
Deferred outflows of resources – OPEB plan deferments	815,295	332,875
Deferred inflows of resources – pension plan deferments	24,000,990	18,155,760
Deferred inflows of resources – OPEB plan deferments	(1,343,847)	791,459
Deferred inflows of resources – unavailable revenue – delinquent taxes	(5,285)	87,736
Change in net position – governmental activities	<u>\$ 13,157,236</u>	<u>\$ 8,889,765</u>

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INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	\$ 15,366,966	\$ 15,376,813	\$ 15,458,107	\$ 81,294
Investment earnings	—	—	30,509	30,509
Other	3,016,949	2,126,535	2,484,103	357,568
State sources	68,038,508	67,461,482	70,478,182	3,016,700
Federal sources	1,509,960	3,795,756	4,376,754	580,998
Total revenue	87,932,383	88,760,586	92,827,655	4,067,069
Expenditures				
Current				
Administration	3,460,576	3,450,933	3,349,613	(101,320)
District support services	3,917,661	4,060,702	1,825,898	(2,234,804)
Elementary and secondary regular instruction	36,500,451	37,961,597	36,065,970	(1,895,627)
Vocational education instruction	851,575	938,781	1,164,073	225,292
Special education instruction	19,964,567	20,298,692	19,465,247	(833,445)
Instructional support services	2,351,195	3,453,288	4,501,438	1,048,150
Pupil support services	7,732,864	7,209,084	6,637,397	(571,687)
Sites and buildings	10,283,299	9,955,652	8,543,301	(1,412,351)
Fiscal and other fixed cost programs	300,000	310,000	298,296	(11,704)
Debt service				
Principal	391,166	391,166	391,166	—
Interest and fiscal charges	136,393	136,393	123,892	(12,501)
Total expenditures	85,889,747	88,166,288	82,366,291	(5,799,997)
Excess of revenue over expenditures	2,042,636	594,298	10,461,364	9,867,066
Other financing sources (uses)				
Sale of capital assets	—	—	37,524	37,524
Transfers (out)	(50,000)	(840,000)	(440,000)	400,000
Total other financing sources (uses)	(50,000)	(840,000)	(402,476)	437,524
Net change in fund balances	\$ 1,992,636	\$ (245,702)	10,058,888	\$ 10,304,590
Fund balances				
Beginning of year			22,839,965	
End of year			\$ 32,898,853	

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and temporary investments	\$ 6,232,271	\$ 6,289,006
Receivables		
Accounts and interest	<u>215,984</u>	<u>66,238</u>
Total current assets	<u>6,448,255</u>	<u>6,355,244</u>
Liabilities		
Current liabilities		
Claims payable	652,164	741,711
Unearned revenue	<u>1,481,019</u>	<u>1,370,093</u>
Total current liabilities	<u>2,133,183</u>	<u>2,111,804</u>
Net position		
Unrestricted	<u><u>\$ 4,315,072</u></u>	<u><u>\$ 4,243,440</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>2021</u>	<u>2020</u>
Operating revenue		
Charges for services	\$ 10,899,221	\$ 10,534,055
Operating expenses		
Health claims and fees	10,336,074	9,410,938
Dental claims and fees	499,109	406,288
Total operating expenses	<u>10,835,183</u>	<u>9,817,226</u>
Operating income	64,038	716,829
Nonoperating revenue		
Investment earnings	<u>7,594</u>	<u>105,163</u>
Change in net position	71,632	821,992
Net position		
Beginning of year	<u>4,243,440</u>	<u>3,421,448</u>
End of year	<u><u>\$ 4,315,072</u></u>	<u><u>\$ 4,243,440</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 10,860,401	\$ 10,500,360
Health claims and fees payments	(10,430,074)	(9,281,938)
Dental claims and fees payments	(494,656)	(401,863)
Net cash flows from operating activities	<u>(64,329)</u>	<u>816,559</u>
Cash flows from investing activities		
Interest received on investments	<u>7,594</u>	<u>105,163</u>
Net change in cash and cash equivalents	(56,735)	921,722
Cash and temporary investments		
Beginning of year	<u>6,289,006</u>	<u>5,367,284</u>
End of year	<u><u>\$ 6,232,271</u></u>	<u><u>\$ 6,289,006</u></u>
Reconciliation of operating income to net cash flows		
from operating activities		
Operating income	\$ 64,038	\$ 716,829
Adjustment to reconcile operating income to net cash		
flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	(149,746)	(66,238)
Claims payable	(89,547)	133,425
Unearned revenue	<u>110,926</u>	<u>32,543</u>
Net cash flows from operating activities	<u><u>\$ (64,329)</u></u>	<u><u>\$ 816,559</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 12

Statement of Fiduciary Net Position  
Post-Employment Benefits Trust Fund  
as of June 30, 2021

Assets	
Cash and investments held by trustee	
Investments at fair value	
U.S. treasury securities	\$ 1,621,759
Municipal bonds	104,941
U.S. agency securities	399,987
Corporate obligations	3,153,029
Equities	3,175,843
Real estate investment trusts	37,792
Mutual funds	4,434,218
Mutual funds – real assets	<u>485,118</u>
Total assets	13,412,687
Liabilities	
Due to other funds	<u>1,116,483</u>
Net position	
Restricted for OPEB	<u><u>\$ 12,296,204</u></u>

Statement of Changes in Fiduciary Net Position  
Post-Employment Benefits Trust Fund  
Year Ended June 30, 2021

Additions	
Investment earnings	\$ 2,009,349
Deductions	
Benefits and other charges	<u>731,940</u>
Change in net position	1,277,409
Net position	
Beginning of year	<u>11,018,795</u>
End of year	<u><u>\$ 12,296,204</u></u>

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## INDEPENDENT SCHOOL DISTRICT NO. 12

### Notes to Basic Financial Statements Year Ended June 30, 2021

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

##### **A. Organization**

Independent School District No. 12 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th-grade students attending the District either as a resident of the District or through an open enrollment options election. It is governed by a School Board elected by the voters of the District to four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced 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 included in 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, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

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

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

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

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

Fiduciary funds are presented in the fiduciary fund financial statements by type. The District's only fiduciary fund is the Post-Employment Benefits Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

### **Description of Funds**

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

#### **Major Governmental Funds**

**General Fund** – The General Fund is the 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 or construction of major capital facilities.

**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 used primarily to record financial activities of the District's child nutrition program.

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

#### **Proprietary Funds**

**Internal Service Funds** – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as a self-insured plan.

#### **Fiduciary Fund**

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

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

### **E. Budgeting**

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for fiscal 2021 by \$588,671 in the Food Service Special Revenue Fund, by \$3,610 in the Community Service Special Revenue Fund, and by \$900 in the Debt Service Fund. These variances were funded by revenues in excess of budget.

### **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 Capital Projects – Building Construction Fund, an escrow account is established for cash and investments held for future construction related to the issuance of certificates of participation. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the escrow 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 equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for 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 are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

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

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

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

### **G. Receivables**

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

### **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. 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 \$552,324 of the property tax levy collectible in 2021 as revenue to the District in fiscal year 2020–2021. The remaining portion of the taxes collectible in 2021 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified 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 in the current year.

### **J. Capital Assets**

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

### **K. 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. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

### **L. 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. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

### **M. Severance Payable**

The District provides lump sum severance benefits to eligible employees in accordance with provisions of 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. Severance benefits for any individual cannot exceed one year's salary.

Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan established under Internal Revenue Code (IRC) Section 403(b). The amount of any severance benefits 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.

The amount of severance that is based on convertible sick leave is 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 or retirement pay is accrued in the governmental fund financial statements only when it matures, due to employee termination or separation of service.

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

### **N. 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.

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

For purposes of measuring the net OPEB liability (asset), deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

### **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 represent 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 internal service fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

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

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

### 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 and Executive Director of Business Services are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

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

### S. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation 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 last two years were as follows:

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2020	\$ 9,286	\$ 406,288	\$ (401,863)	\$ 13,711
2021	\$ 13,711	\$ 499,109	\$ (494,656)	\$ 18,164

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

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2020	\$ 599,000	\$ 9,410,938	\$ (9,281,938)	\$ 728,000
2021	\$ 728,000	\$ 10,336,074	\$ (10,430,074)	\$ 634,000

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

### **T. Restricted Assets**

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as “cash and investments held by trustee.”

### **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 year ended June 30, 2020, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

## **NOTE 2 – DEPOSITS AND INVESTMENTS**

### **A. Components of Cash and Investments**

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

Statement of Net Position	
Cash and temporary investments	\$ 50,871,161
Restricted assets – temporarily restricted	
Cash and investments for future construction and debt service	7,407,654
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	<u>13,412,687</u>
Total	<u><u>\$ 71,691,502</u></u>

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Deposits

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

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

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

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

At year-end, the carrying amount and bank balance of the District’s deposits was \$0. At year-end, all deposits were fully covered by federal deposit insurance, surety bonds, or collateral held by the District’s agent in the District’s name.

### C. Investments

The District had the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements	Interest Rate Risk – Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. treasury securities	N/A	N/A	Level 1	\$ 175,304	\$ 1,446,455	\$ 1,621,759
Municipal bonds	AA	S&P	Level 1	\$ –	\$ 104,941	104,941
U.S. agency securities	AA	S&P	Level 1	\$ –	\$ 399,987	399,987
Corporate obligations	AA	S&P	Level 1	\$ –	\$ 371,853	371,853
Corporate obligations	A	S&P	Level 1	\$ 76,758	\$ 1,501,620	1,578,378
Corporate obligations	A	Moody’s	Level 1	\$ 50,823	\$ 169,031	219,854
Corporate obligations	BBB	S&P	Level 1	\$ 51,176	\$ 494,627	545,803
Corporate obligations	Baa	Moody’s	Level 1	\$ –	\$ 437,141	437,141
Equities	N/R	N/R	Level 1			3,175,843
Investment pools/mutual funds						
Minnesota School District Liquid Asset						
Fund – Term Series	AAA	S&P	Amortized cost	\$ 10,000,000	\$ –	10,000,000
Minnesota School District Liquid Asset Fund	AAA	S&P	Amortized cost			40,824,118
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized cost			47,043
Morgan Stanley Liquid Government	AAA	S&P	Level 2			7,407,654
Real estate investment trusts	N/R	N/R	Level 1			37,792
Mutual funds	N/R	N/R	Level 1			4,434,218
Mutual funds – real assets	N/R	N/R	Level 2			485,118
Total investments						<u>\$ 71,691,502</u>

N/A – Not Applicable

N/R – Not Rated

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota School District Liquid Asset Fund (MSDLAF) and the MNTrust Investment Shares Portfolio are regulated by Minnesota Statutes and are external investment pools, which are not registered with the Securities and Exchange Commission. The District's investments in the MSDLAF and the MNTrust Investment Shares Portfolio are measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class. MSDLAF term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. For the MNTrust investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required except for the MNTrust Term Series, which requires a redemption notice of 7 days.

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.

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

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

**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 3 – CAPITAL ASSETS

Capital asset 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	\$ 4,214,035	\$ –	\$ –	\$ –	\$ 4,214,035
Construction in progress	17,119,419	7,393,642	–	(22,874,050)	1,639,011
Total capital assets, not depreciated	21,333,454	7,393,642	–	(22,874,050)	5,853,046
Capital assets, depreciated					
Land improvements	5,226,831	33,850	–	2,922,654	8,183,335
Buildings	172,172,724	437,749	(52,339)	16,146,177	188,704,311
Furniture and equipment	8,470,749	271,154	(67,714)	3,805,219	12,479,408
Total capital assets, depreciated	185,870,304	742,753	(120,053)	22,874,050	209,367,054
Less accumulated depreciation for					
Land improvements	(3,716,428)	(176,574)	–	–	(3,893,002)
Buildings	(74,645,196)	(4,011,037)	44,389	–	(78,611,844)
Furniture and equipment	(6,645,608)	(261,154)	64,312	–	(6,842,450)
Total accumulated depreciation	(85,007,232)	(4,448,765)	108,701	–	(89,347,296)
Net capital assets, depreciated	100,863,072	(3,706,012)	(11,352)	22,874,050	120,019,758
Total capital assets, net	\$ 122,196,526	\$ 3,687,630	\$ (11,352)	\$ –	\$ 125,872,804

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

Administration	\$ 16,749
District support services	63,708
Elementary and secondary regular instruction	79,077
Pupil support services	9,104
Community service	1,811
Depreciation not included in other functions	4,278,316
Total depreciation expense	\$ 4,448,765

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2014A Capital Facilities Bonds	12/15/2014	2.000–4.000%	\$ 2,880,000	02/01/2025	\$ 1,475,000
2014B Tax Abatement Bonds	12/15/2014	3.000–3.250%	\$ 3,745,000	12/15/2028	3,005,000
2015A School Building Bonds	02/26/2015	1.050–4.010%	\$ 73,385,000	02/01/2035	64,715,000
2016B Taxable OPEB Refunding Bonds	05/26/2016	1.500–3.050%	\$ 11,250,000	02/01/2030	10,555,000
2017A Refunding Bonds	03/14/2017	2.000–3.000%	\$ 17,245,000	02/01/2023	4,155,000
2019A School Building Bonds	02/07/2019	3.375–5.000%	\$ 20,955,000	02/01/2039	20,365,000
Total general obligation bonds payable					\$ 104,270,000

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

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.

With the exception of the 2015A School Building Bonds, all general obligation bonds are serial bonds, which require semi-annual payments of principal and/or interest from the date the bonds were issued. The Series 2015A School Building Bonds are capital appreciation bonds, which are issued at a discount and accrete to their face value at maturity. Interest expense is recognized through the annual amortization of the discount. All debt service payments are reported as principal payments on the governmental fund financial statements.

##### B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2016A Certificates of Participation	02/16/2016	2.000–3.000%	\$ 4,520,000	02/01/2031	\$ 3,185,000
2016C Certificates of Participation	05/26/2016	2.000–3.500%	\$ 1,200,000	02/01/2031	895,000
2020A Certificates of Participation	10/22/2020	2.000–3.000%	\$ 8,300,000	02/01/2040	8,300,000
Total certificates of participation					<u>\$ 12,380,000</u>

These certificates of participation were issued to finance improvements at the District's school buildings. The certificates of participation are paid by the General Fund. The debt is secured by the original property purchased and includes terms that upon default all payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

##### C. Capital Leases

The District currently has a capital lease agreement for facilities. The lease, which bears an interest rate of 4.75 percent, calls for periodic principal and interest payments through October 15, 2021. The lease is being paid through the General Fund. The assets acquired through the lease were capitalized at the present value of the future minimum lease payments as of the inception date. At June 30, 2021, the District had \$37,883 of principal outstanding under capital lease agreements. The assets with this lease were capitalized as part of a larger project, accumulated depreciation specific to this lease is not readily available. The lease is secured by the original property purchased and includes terms that upon default all rental payments may become due and payable. The lessor also may repossess the property and seek full recovery of any losses upon default.

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

### D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pensions, OPEB, and severance benefits. 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 Employee Benefits Trust Fund to finance OPEB obligations.

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

Pension Plans	Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 11,193,519	\$ 1,373,162	\$ 564,426	\$ 216,349
State-wide, multiple-employer – TRA	43,656,484	30,256,046	50,236,386	6,375,054
Total	<u>\$ 54,850,003</u>	<u>\$ 31,629,208</u>	<u>\$ 50,800,812</u>	<u>\$ 6,591,403</u>

### E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 7,915,000	\$ 1,381,039	\$ 665,000	\$ 353,875	\$ 37,883	\$ 1,800
2023	8,085,000	1,219,584	730,000	285,681	–	–
2024	8,200,000	1,098,758	750,000	266,031	–	–
2025	8,315,000	984,595	770,000	245,856	–	–
2026	8,035,000	863,635	790,000	225,131	–	–
2027–2031	38,750,000	2,689,450	4,295,000	781,256	–	–
2032–2036	22,655,000	912,000	2,340,000	349,381	–	–
2037–2040	2,315,000	158,119	2,040,000	105,625	–	–
	<u>\$ 104,270,000</u>	<u>\$ 9,307,180</u>	<u>\$ 12,380,000</u>	<u>\$ 2,612,836</u>	<u>\$ 37,883</u>	<u>\$ 1,800</u>

### F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	\$ 111,970,000	\$ –	\$ 7,700,000	\$ 104,270,000	\$ 7,915,000
Certificates of participation payable	4,435,000	8,300,000	355,000	12,380,000	665,000
Unamortized premium/discount	(13,128,957)	233,820	(1,352,207)	(11,542,930)	–
Capital leases payable	74,049	–	36,166	37,883	37,883
Net pension liability – state-wide	47,755,867	11,109,402	4,015,266	54,850,003	–
Severance benefits payable	1,219,623	307,134	133,992	1,392,765	134,000
	<u>\$ 152,325,582</u>	<u>\$ 19,950,356</u>	<u>\$ 10,888,217</u>	<u>\$ 161,387,721</u>	<u>\$ 8,751,883</u>

## NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included below, when applicable, since the District has specific authority to future resources for such deficits. 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
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 81,397	\$ 81,397
Restricted for					
Student activities	156,449	–	–	–	156,449
Operating capital	2,394,366	–	–	–	2,394,366
Safe schools levy	293,334	–	–	–	293,334
Long-term facilities maintenance	4,266,614	–	–	–	4,266,614
Medical Assistance	443,197	–	–	–	443,197
Projects funded by					
certificates of participation	–	6,842,160	–	–	6,842,160
Building construction	–	414,146	–	–	414,146
Debt service	–	–	2,295,658	–	2,295,658
Food service	–	–	–	712,346	712,346
Community education programs	–	–	–	738,048	738,048
Early childhood family education programs	–	–	–	457,958	457,958
School readiness	–	–	–	187,060	187,060
Community service	–	–	–	38,018	38,018
Total restricted	7,553,960	7,256,306	2,295,658	2,133,430	19,239,354
Assigned for					
Alternative compensation	714,846	–	–	–	714,846
District projects	2,435,163	–	–	–	2,435,163
Budget carryover	681,568	–	–	–	681,568
Future budget revision	608,271	–	–	–	608,271
Technology	2,447,509	–	–	–	2,447,509
COVID-19	750,000	–	–	–	750,000
Special education	500,000	–	–	–	500,000
Severance benefits payable	1,392,765	–	–	–	1,392,765
Special education maintenance of effort	1,171,863	–	–	–	1,171,863
Total assigned	10,701,985	–	–	–	10,701,985
Unassigned	14,642,908	–	–	–	14,642,908
Total	\$ 32,898,853	\$ 7,256,306	\$ 2,295,658	\$ 2,214,827	\$ 44,665,644

**Minimum Fund Balance Policy** – The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will strive to maintain a minimum unrestricted fund balance (consisting of assigned and unassigned fund balances) of 8.33 percent of the annual budget.

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

### **A. Plan Descriptions**

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

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

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

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

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

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

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

### **B. Benefits Provided**

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

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

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

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

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

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

### 2. TRA Benefits

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

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

#### Tier I Benefits

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

With these provisions:

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

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

### Tier II Benefits

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

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

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

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

### C. Contributions

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

#### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2021, were \$940,506. The District's contributions were equal to the required contributions as set by state statutes.

#### 2. TRA Contributions

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

	Year Ended June 30,					
	2019		2020		2021	
	Employee	Employer	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.00 %	11.71 %	11.00 %	11.92 %	11.00 %	12.13 %
<b>Coordinated Plan</b>	7.50 %	7.71 %	7.50 %	7.92 %	7.50 %	8.13 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2021, were \$2,882,684. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

	<i>in thousands</i>
Employer contributions reported in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$ 425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct the TRA's contributions not included in allocation	<u>(508)</u>
Total employer contributions	424,659
Total nonemployer contributions	<u>35,587</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 460,246</u>

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

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2021, the District reported a liability of \$11,193,519 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$345,066. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1867 percent at the end of the measurement period and 0.1838 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 11,193,519
State's proportionate share of the net pension liability associated with the District	\$ 345,066

For the year ended June 30, 2021, the District recognized pension expense of \$186,302 for its proportionate share of the GERF's pension expense. In addition, the District recognized \$30,047 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

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

At June 30, 2021, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 100,558	\$ 42,348
Changes in actuarial assumptions	–	413,900
Net collective difference between projected and actual investment earnings	191,099	–
Changes in proportion	140,999	108,178
District's contributions to the GERF subsequent to the measurement date	940,506	–
Total	<u>\$ 1,373,162</u>	<u>\$ 564,426</u>

The \$940,506 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ (629,081)
2023	\$ (25,773)
2024	\$ 252,641
2025	\$ 270,443

### 2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$43,656,484 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5909 percent at the end of the measurement period and 0.5898 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	\$ 43,656,484
State's proportionate share of the net pension liability associated with the District	\$ 3,658,430

For the year ended June 30, 2021, the District recognized pension expense of \$6,039,917. It also recognized \$335,137 as an increase to pension expense for the support provided by direct aid.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 875,488	\$ 636,682
Changes in actuarial assumptions	18,303,998	37,082,528
Net difference between projected and actual investment earnings on pension plan investments	756,242	–
Changes in proportion	7,437,634	12,517,176
District's contributions to the TRA subsequent to the measurement date	2,882,684	–
Total	<u>\$ 30,256,046</u>	<u>\$ 50,236,386</u>

A total of \$2,882,684 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 531,604
2023	\$ (17,071,580)
2024	\$ (7,301,130)
2025	\$ 784,726
2026	\$ 193,356

**E. Actuarial Assumptions**

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

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

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

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

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

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

### **1. GERP**

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

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

#### **CHANGES IN PLAN PROVISIONS**

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

### **2. TRA**

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

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

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

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

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

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

### F. Discount Rate

#### 1. GERF

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

#### 2. TRA

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

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

### G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 17,939,327	\$ 11,193,519	\$ 5,628,768
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 66,837,615	\$ 43,656,484	\$ 24,556,404

### H. Pension Plan Fiduciary Net Position

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

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

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

### **A. Plan Description**

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

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

### **B. Benefits Provided**

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

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

### **C. Contributions**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

### **D. Membership**

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

Retirees and beneficiaries receiving benefits	26
Active plan members	<u>806</u>
Total members	<u><u>832</u></u>

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

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

The District's net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2020. The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 11,193,048
Plan fiduciary net position	<u>(12,296,204)</u>
District's net OPEB liability (asset)	<u>\$ (1,103,156)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>109.86%</u>

### F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
Expected long-term investment return	5.10% (net of investment expenses)
20-year municipal bond yield	2.10%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.50% grading to 5.00% over 6 years, and then 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	32.00 %	7.40 %
Fixed income	42.00 %	2.30 %
International equity	10.00 %	7.10 %
Real estate	6.00 %	7.70 %
Other	10.00 %	5.60 %
Total portfolio	<u>100.00 %</u>	<u>5.10 %</u>

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

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 18.20 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.40 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been considered. The District discount rate used in the prior measurement date was 3.50 percent.

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance	\$ 10,928,902	\$ 11,018,795	\$ (89,893)
Changes for the year			
Service cost	575,927	–	575,927
Interest	391,922	–	391,922
Assumption changes	(1,140,825)	–	(1,140,825)
Investment earnings	–	561,959	(561,959)
Differences between expected and actual experience	1,056,578	1,447,390	(390,812)
Benefit payments	(619,456)	(619,456)	–
Administrative expenses	–	(112,484)	112,484
Total net changes	264,146	1,277,409	(1,013,263)
Ending balance	\$ 11,193,048	\$ 12,296,204	\$ (1,103,156)

Assumption changes since the prior measurement date include the following:

- The expected long-term investment return was changed from 5.20 percent to 5.10 percent.
- The discount rate was changed from 3.50 percent to 3.40 percent.
- The healthcare trend rates, mortality tables, salary increase rates, retiree plan participation percentage for future retirees who will be eligible to receive a subsidy, and the percentage of future married retirees electing spouse coverage were updated.

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)****J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.40%	3.40%	4.40%
Net OPEB liability (asset)	\$ (638,575)	\$ (1,103,156)	\$ (1,569,301)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB medical trend rate	5.50% grading to 4.00% , then 3.00%	6.50% grading to 5.00%, then 4.00%	7.50% grading to 6.00%, then 5.00%
Net OPEB liability (asset)	\$ (2,043,461)	\$ (1,103,156)	\$ (38,108)

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

For the current year ended, the District recognized negative OPEB expense of \$484,711. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 905,638	\$ 1,665,965
Changes in actuarial assumptions	242,532	3,041,830
Difference between projected and actual investment earnings	—	1,119,139
Total	<u>\$ 1,148,170</u>	<u>\$ 5,826,934</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2022	\$ (1,012,574)
2023	\$ (996,993)
2024	\$ (994,359)
2025	\$ (1,014,224)
2026	\$ (688,994)
Thereafter	\$ 28,380

## **NOTE 8 – FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan, which is classified as a cafeteria plan under § 125 of the IRC (the Plan). 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.

The Plan is administered by an independent contract administrator for child care and medical expense reimbursements. The flexible benefit plan is included in the financial statements within the District's 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 BALANCES AND TRANSACTIONS**

### **A. Interfund Receivables and Payables**

At year-end, the General Fund reported a balance of \$1,116,483 due from the Post-Employment Benefits Trust Fund, representing the amount due from the trust for allowable OPEB expenditures.

### **B. Interfund Transfers**

During the current year, the General Fund transferred \$440,000 to the Community Service Special Revenue Fund, to provide financing for certain cost incurred, due to 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 June 30, 2021, the District had commitments totaling \$8,054,678 under various construction contracts for which 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.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 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.

### D. Operating Lease Arrangements

The District has entered into an agreement to lease space for the Alternative Learning Program. The lease term expires on August 31, 2021. Rental payments totaled \$519,011 for the year ended June 30, 2021.

The District leases space with the Anoka County Human Services Division for educational purposes at the Anoka County Juvenile Center for the Pines School. The lease term expires on June 30, 2024. Rental payments totaled \$163,210 for the year ended June 30, 2021.

The following is a summary of minimum lease payment commitments for all operating leases:

Year Ending June 30,	Alternative Learning Program	Pines School	Total
2022	\$ 86,715	\$ 163,210	\$ 249,925
2023	—	163,210	163,210
2024	—	163,210	163,210
	<u>\$ 86,715</u>	<u>\$ 489,630</u>	<u>\$ 576,345</u>

### E. COVID-19

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

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 12

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2021

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the 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	0.2024%	\$ 9,507,738	\$ —	\$ 9,507,738	\$ 10,611,491	89.60%	78.70%
06/30/2016	06/30/2015	0.2006%	\$ 10,396,133	\$ —	\$ 10,396,133	\$ 11,767,242	88.35%	78.20%
06/30/2017	06/30/2016	0.2015%	\$ 16,360,801	\$ 213,645	\$ 16,574,446	\$ 12,565,587	130.20%	68.90%
06/30/2018	06/30/2017	0.1864%	\$ 11,899,654	\$ 149,640	\$ 12,049,294	\$ 12,010,668	99.08%	75.90%
06/30/2019	06/30/2018	0.1877%	\$ 10,412,828	\$ 341,635	\$ 10,754,463	\$ 12,618,394	82.52%	79.50%
06/30/2020	06/30/2019	0.1838%	\$ 10,161,891	\$ 315,820	\$ 10,477,711	\$ 13,001,278	78.16%	80.20%
06/30/2021	06/30/2020	0.1867%	\$ 11,193,519	\$ 345,066	\$ 11,538,585	\$ 13,312,198	84.08%	79.10%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 869,488	\$ 869,488	\$ —	\$ 11,767,242	7.39%
06/30/2016	\$ 947,432	\$ 947,432	\$ —	\$ 12,565,587	7.54%
06/30/2017	\$ 900,642	\$ 900,642	\$ —	\$ 12,010,668	7.50%
06/30/2018	\$ 946,410	\$ 946,410	\$ —	\$ 12,618,394	7.50%
06/30/2019	\$ 975,225	\$ 975,225	\$ —	\$ 13,001,278	7.50%
06/30/2020	\$ 998,417	\$ 998,417	\$ —	\$ 13,312,198	7.50%
06/30/2021	\$ 940,506	\$ 940,506	\$ —	\$ 12,545,719	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 12

Teachers Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2021

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.6402%	\$ 29,499,955	\$ 2,075,170	\$ 31,575,125	\$ 29,224,786	100.94%	81.50%
06/30/2016	06/30/2015	0.6139%	\$ 37,975,786	\$ 4,658,088	\$ 42,633,874	\$ 31,472,905	120.66%	76.80%
06/30/2017	06/30/2016	0.6907%	\$164,748,429	\$ 16,535,829	\$181,284,258	\$ 35,929,587	458.53%	44.88%
06/30/2018	06/30/2017	0.5438%	\$108,552,344	\$ 10,493,980	\$119,046,324	\$ 29,274,943	370.80%	51.57%
06/30/2019	06/30/2018	0.6098%	\$ 38,301,148	\$ 3,598,550	\$ 41,899,698	\$ 33,693,440	113.68%	78.07%
06/30/2020	06/30/2019	0.5898%	\$ 37,593,976	\$ 3,326,977	\$ 40,920,953	\$ 33,487,311	112.26%	78.21%
06/30/2021	06/30/2020	0.5909%	\$ 43,656,484	\$ 3,658,430	\$ 47,314,914	\$ 34,337,666	127.14%	75.48%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 2,360,458	\$ 2,360,458	\$ —	\$ 31,472,905	7.50%
06/30/2016	\$ 2,694,719	\$ 2,694,719	\$ —	\$ 35,929,587	7.50%
06/30/2017	\$ 2,196,141	\$ 2,196,141	\$ —	\$ 29,274,943	7.50%
06/30/2018	\$ 2,526,625	\$ 2,526,625	\$ —	\$ 33,693,440	7.50%
06/30/2019	\$ 2,581,926	\$ 2,581,926	\$ —	\$ 33,487,311	7.71%
06/30/2020	\$ 2,719,482	\$ 2,719,482	\$ —	\$ 34,337,666	7.92%
06/30/2021	\$ 2,882,684	\$ 2,882,684	\$ —	\$ 35,456,241	8.13%

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

## INDEPENDENT SCHOOL DISTRICT NO. 12

Other Post-Employment Benefits Plan  
Schedule of Changes in the District's Net  
OPEB Liability (Asset) and Related Ratios  
Year Ended June 30, 2021

	District Fiscal Year-End Date				
	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 621,966	\$ 607,690	\$ 475,502	\$ 547,306	\$ 575,927
Interest	621,006	643,634	690,406	437,598	391,922
Assumption changes	—	(285,979)	(3,073,593)	323,378	(1,140,825)
Differences between expected and actual experience	—	—	(2,665,547)	—	1,056,578
Benefit payments	(705,560)	(647,485)	(1,038,162)	(497,027)	(619,456)
Net change in total OPEB liability	537,412	317,860	(5,611,394)	811,255	264,146
Total OPEB liability – beginning of year	14,873,769	15,411,181	15,729,041	10,117,647	10,928,902
Total OPEB liability – end of year	15,411,181	15,729,041	10,117,647	10,928,902	11,193,048
Plan fiduciary net position					
Contributions	297,212	217,523	—	—	—
Investment earnings	713,401	740,415	651,228	579,546	561,959
Differences between expected and actual experience	—	—	13,194	(99,386)	1,447,390
Benefit payments	(705,560)	(647,485)	(1,038,162)	(497,027)	(619,456)
Administrative expenses	(88,519)	(103,777)	(110,163)	(109,482)	(112,484)
Net change in plan fiduciary net position	216,534	206,676	(483,903)	(126,349)	1,277,409
Plan fiduciary net position – beginning of year	11,205,837	11,422,371	11,629,047	11,145,144	11,018,795
Plan fiduciary net position – end of year	11,422,371	11,629,047	11,145,144	11,018,795	12,296,204
Net OPEB liability (asset)	\$ 3,988,810	\$ 4,099,994	\$ (1,027,497)	\$ (89,893)	\$ (1,103,156)
Plan fiduciary net position as a percentage of the total OPEB liability	74.12%	73.93%	110.16%	100.82%	109.86%
Covered-employee payroll	\$ 41,070,427	\$ 42,302,540	\$ 41,070,343	\$ 42,302,453	\$ 45,404,716
Net OPEB liability (asset) as a percentage of covered-employee payroll	9.71%	9.69%	(2.50%)	(0.21%)	(2.43%)

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

INDEPENDENT SCHOOL DISTRICT NO. 12

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

<u>District Fiscal Year-End Date</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	6.40 %
2018	6.50 %
2019	5.70 %
2020	4.30 %
2021	18.20 %

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

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## INDEPENDENT SCHOOL DISTRICT NO. 12

### Notes to Required Supplementary Information June 30, 2021

#### **PERA – GENERAL EMPLOYEES RETIREMENT FUND**

##### **2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

##### **2020 CHANGES IN PLAN PROVISIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 12

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

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

**2019 CHANGES IN PLAN PROVISIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2018 CHANGES IN PLAN PROVISIONS**

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

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 12

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

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

**2017 CHANGES IN PLAN PROVISIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

## INDEPENDENT SCHOOL DISTRICT NO. 12

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

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

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

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

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

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

INDEPENDENT SCHOOL DISTRICT NO. 12

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

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

## INDEPENDENT SCHOOL DISTRICT NO. 12

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

#### **OTHER POST-EMPLOYMENT BENEFITS PLAN**

##### **2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The expected long-term investment return was changed from 5.20 percent to 5.10 percent.
- The discount rate was changed from 3.50 percent to 3.40 percent.
- The healthcare trend rates, mortality tables, salary increase rates, retiree plan participation percentage for future retirees who will be eligible to receive a subsidy, and the percentage of future married retirees electing spouse coverage were updated.

##### **2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The expected long-term investment return was changed from 5.60 percent to 5.20 percent.
- The discount rate was changed from 4.20 percent to 3.50 percent.

##### **2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The expected long-term investment return was changed from 5.80 percent to 5.60 percent.
- The healthcare trend rates, including the trend of lump sums payable to the Health Reimbursement Account, and the mortality tables were updated.
- The discount rate was changed from 4.40 percent to 4.20 percent.

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

- The expected long-term investment return was changed from 6.00 percent to 5.80 percent.
- The discount rate was changed from 4.10 percent to 4.40 percent.

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

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and the retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 3.00 percent to 4.10 percent.

SUPPLEMENTAL INFORMATION

## INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 694,759	\$ 1,816,179	\$ 2,510,938
Receivables			
Current taxes	–	398,544	398,544
Delinquent taxes	–	8,810	8,810
Accounts and interest	20,292	–	20,292
Due from other governmental units	230,974	116,928	347,902
Inventory	81,397	–	81,397
Total assets	<u>\$ 1,027,422</u>	<u>\$ 2,340,461</u>	<u>\$ 3,367,883</u>
Liabilities			
Salaries and compensated absences payable	\$ 15,621	\$ 128,770	\$ 144,391
Accounts and contracts payable	42,180	69,786	111,966
Due to other governmental units	–	1,300	1,300
Unearned revenue	175,878	35,569	211,447
Total liabilities	<u>233,679</u>	<u>235,425</u>	<u>469,104</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	5,050	5,050
Property taxes levied for subsequent year	–	678,902	678,902
Total deferred inflows of resources	<u>–</u>	<u>683,952</u>	<u>683,952</u>
Fund balances			
Nonspendable	81,397	–	81,397
Restricted	712,346	1,421,084	2,133,430
Total fund balances	<u>793,743</u>	<u>1,421,084</u>	<u>2,214,827</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,027,422</u>	<u>\$ 2,340,461</u>	<u>\$ 3,367,883</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 644,381	\$ 644,381
Investment earnings	156	1,882	2,038
Other	81,571	2,641,716	2,723,287
State sources	—	445,938	445,938
Federal sources	3,788,812	431	3,789,243
Total revenue	<u>3,870,539</u>	<u>3,734,348</u>	<u>7,604,887</u>
Expenditures			
Current			
Food service	3,197,782	—	3,197,782
Community service	—	4,274,571	4,274,571
Capital outlay	66,510	7,493	74,003
Total expenditures	<u>3,264,292</u>	<u>4,282,064</u>	<u>7,546,356</u>
Excess (deficiency) of revenue over expenditures	606,247	(547,716)	58,531
Other financing sources			
Transfers in	<u>—</u>	<u>440,000</u>	<u>440,000</u>
Net change in fund balances	606,247	(107,716)	498,531
Fund balances			
Beginning of year	<u>187,496</u>	<u>1,528,800</u>	<u>1,716,296</u>
End of year	<u>\$ 793,743</u>	<u>\$ 1,421,084</u>	<u>\$ 2,214,827</u>

## INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 35,715,956	\$ 24,715,750
Cash and investments held by trustee	—	177
Receivables		
Current taxes	9,286,588	10,374,967
Delinquent taxes	198,073	137,677
Accounts and interest	7,384	44,246
Due from other governmental units	8,978,942	9,444,320
Due from other funds	<u>1,116,483</u>	<u>945,186</u>
Total assets	<u>\$ 55,303,426</u>	<u>\$ 45,662,323</u>
Liabilities		
Salaries and compensated absences payable	\$ 4,443,895	\$ 4,226,305
Accounts and contracts payable	1,713,283	2,902,569
Due to other governmental units	347,398	264,415
Unearned revenue	<u>501,271</u>	<u>476,668</u>
Total liabilities	<u>7,005,847</u>	<u>7,869,957</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	111,766	116,429
Property taxes levied for subsequent year	<u>15,286,960</u>	<u>14,835,972</u>
Total deferred inflows of resources	<u>15,398,726</u>	<u>14,952,401</u>
Fund balances		
Restricted for student activities	156,449	165,409
Restricted for operating capital	2,394,366	1,362,074
Restricted for safe schools levy	293,334	285,461
Restricted for long-term facilities maintenance	4,266,614	2,808,841
Restricted for Medical Assistance	443,197	245,826
Assigned for learner activities	—	38,732
Assigned for alternative compensation	714,846	697,218
Assigned for district projects	2,435,163	1,995,500
Assigned for budget carryover	681,568	569,130
Assigned for future budget revision	608,271	608,271
Assigned for contract commitments	—	172,670
Assigned for technology	2,447,509	1,000,000
Assigned for COVID-19	750,000	750,000
Assigned for special education	500,000	500,000
Assigned for severance benefits payable	1,392,765	—
Assigned for special education maintenance of effort	1,171,863	—
Unassigned	<u>14,642,908</u>	<u>11,640,833</u>
Total fund balances	<u>32,898,853</u>	<u>22,839,965</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,303,426</u>	<u>\$ 45,662,323</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 15,376,813	\$ 15,458,107	\$ 81,294	\$ 14,835,105
Investment earnings	—	30,509	30,509	322,265
Other	2,126,535	2,484,103	357,568	2,383,579
State sources	67,461,482	70,478,182	3,016,700	70,231,615
Federal sources	3,795,756	4,376,754	580,998	1,770,773
Total revenue	88,760,586	92,827,655	4,067,069	89,543,337
Expenditures				
Current				
Administration				
Salaries	2,320,813	2,324,169	3,356	2,242,465
Employee benefits	924,532	899,699	(24,833)	859,996
Purchased services	63,470	23,134	(40,336)	94,477
Supplies and materials	72,528	47,595	(24,933)	53,463
Capital expenditures	1,820	—	(1,820)	—
Other expenditures	67,770	55,016	(12,754)	57,744
Total administration	3,450,933	3,349,613	(101,320)	3,308,145
District support services				
Salaries	1,575,289	971,522	(603,767)	1,482,808
Employee benefits	644,660	441,945	(202,715)	611,340
Purchased services	643,029	272,942	(370,087)	493,548
Supplies and materials	1,081,360	128,750	(952,610)	878,366
Capital expenditures	99,088	—	(99,088)	24,400
Other expenditures	17,276	10,739	(6,537)	7,241
Total district support services	4,060,702	1,825,898	(2,234,804)	3,497,703
Elementary and secondary regular instruction				
Salaries	24,010,944	23,112,722	(898,222)	22,568,579
Employee benefits	10,702,494	9,756,622	(945,872)	9,490,985
Purchased services	1,716,424	1,015,225	(701,199)	1,375,334
Supplies and materials	1,229,527	1,759,697	530,170	913,443
Capital expenditures	123,023	232,764	109,741	134,200
Other expenditures	179,185	188,940	9,755	170,403
Total elementary and secondary regular instruction	37,961,597	36,065,970	(1,895,627)	34,652,944

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	508,852	511,702	2,850	471,551
Employee benefits	176,668	201,866	25,198	188,081
Purchased services	174,539	362,237	187,698	251,146
Supplies and materials	76,722	75,485	(1,237)	64,606
Capital expenditures	—	10,003	10,003	—
Other expenditures	2,000	2,780	780	2,810
Total vocational education instruction	938,781	1,164,073	225,292	978,194
Special education instruction				
Salaries	12,641,439	12,160,778	(480,661)	12,574,043
Employee benefits	5,049,594	4,629,749	(419,845)	4,631,503
Purchased services	2,461,520	2,480,820	19,300	2,442,338
Supplies and materials	76,139	123,341	47,202	155,819
Capital expenditures	—	297	297	46
Other expenditures	70,000	70,262	262	71,682
Total special education instruction	20,298,692	19,465,247	(833,445)	19,875,431
Instructional support services				
Salaries	1,506,121	2,132,849	626,728	1,664,145
Employee benefits	393,230	485,701	92,471	371,972
Purchased services	128,218	273,331	145,113	58,615
Supplies and materials	1,398,919	1,452,044	53,125	171,600
Capital expenditures	—	148,487	148,487	—
Other expenditures	26,800	9,026	(17,774)	7,919
Total instructional support services	3,453,288	4,501,438	1,048,150	2,274,251
Pupil support services				
Salaries	927,444	1,025,490	98,046	907,643
Employee benefits	337,868	354,356	16,488	291,147
Purchased services	5,721,705	5,102,386	(619,319)	5,422,131
Supplies and materials	216,253	149,045	(67,208)	154,664
Capital expenditures	—	—	—	12,964
Other expenditures	5,814	6,120	306	5,673
Total pupil support services	7,209,084	6,637,397	(571,687)	6,794,222

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,698,572	2,644,784	(53,788)	2,546,712
Employee benefits	1,287,618	1,257,491	(30,127)	1,171,596
Purchased services	2,834,974	2,558,859	(276,115)	2,696,214
Supplies and materials	543,386	475,187	(68,199)	251,210
Capital expenditures	2,495,545	1,479,309	(1,016,236)	2,053,002
Other expenditures	95,557	127,671	32,114	97,629
Total sites and buildings	9,955,652	8,543,301	(1,412,351)	8,816,363
Fiscal and other fixed cost programs				
Purchased services	310,000	298,296	(11,704)	273,901
Debt service				
Principal	391,166	391,166	–	384,526
Interest and fiscal charges	136,393	123,892	(12,501)	132,532
Total debt service	527,559	515,058	(12,501)	517,058
Total expenditures	88,166,288	82,366,291	(5,799,997)	80,988,212
Excess of revenue over expenditures	594,298	10,461,364	9,867,066	8,555,125
Other financing sources (uses)				
Sale of capital assets	–	37,524	37,524	–
Transfers (out)	(840,000)	(440,000)	400,000	(150,000)
Total other financing sources (uses)	(840,000)	(402,476)	437,524	(150,000)
Net change in fund balances	\$ (245,702)	10,058,888	\$ 10,304,590	8,405,125
Fund balances				
Beginning of year		22,839,965		14,434,840
End of year		\$ 32,898,853		\$ 22,839,965

## INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 694,759	\$ —
Receivables		
Accounts and interest	20,292	18,064
Due from other governmental units	230,974	846,742
Inventory	<u>81,397</u>	<u>53,171</u>
Total assets	<u>\$ 1,027,422</u>	<u>\$ 917,977</u>
Liabilities		
Salaries and compensated absences payable	\$ 15,621	\$ 32,009
Accounts and contracts payable	42,180	52,597
Unearned revenue	175,878	197,716
Due to other funds	<u>—</u>	<u>448,159</u>
Total liabilities	233,679	730,481
Fund balances		
Nonspendable for inventory	81,397	53,171
Restricted for food service	<u>712,346</u>	<u>134,325</u>
Total fund balances	<u>793,743</u>	<u>187,496</u>
Total liabilities and fund balances	<u>\$ 1,027,422</u>	<u>\$ 917,977</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	\$ —	\$ 156	\$ 156	\$ (4,539)
Other – primarily meal sales	50,153	81,571	31,418	1,472,473
State sources	—	—	—	191,200
Federal sources	2,161,000	3,788,812	1,627,812	1,830,757
Total revenue	2,211,153	3,870,539	1,659,386	3,489,891
Expenditures				
Current				
Salaries	1,173,493	1,158,174	(15,319)	1,246,421
Employee benefits	512,078	474,530	(37,548)	511,538
Purchased services	65,000	41,742	(23,258)	310,379
Supplies and materials	825,050	1,511,524	686,474	1,410,625
Other expenditures	15,000	11,812	(3,188)	9,770
Capital outlay	85,000	66,510	(18,490)	34,751
Total expenditures	2,675,621	3,264,292	588,671	3,523,484
Excess (deficiency) of revenue over expenditures	(464,468)	606,247	1,070,715	(33,593)
Other financing sources				
Transfers in	400,000	—	(400,000)	150,000
Net change in fund balances	\$ (64,468)	606,247	\$ 670,715	116,407
Fund balances				
Beginning of year		187,496		71,089
End of year		\$ 793,743		\$ 187,496

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 1,816,179	\$ 1,848,421
Receivables		
Current taxes	398,544	436,778
Delinquent taxes	8,810	6,187
Accounts and interest	—	5,550
Due from other governmental units	<u>116,928</u>	<u>77,917</u>
Total assets	<u><u>\$ 2,340,461</u></u>	<u><u>\$ 2,374,853</u></u>
Liabilities		
Salaries and compensated absences payable	\$ 128,770	\$ 124,579
Accounts and contracts payable	69,786	71,051
Due to other governmental units	1,300	—
Unearned revenue	<u>35,569</u>	<u>—</u>
Total liabilities	235,425	195,630
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	5,050	5,297
Property taxes levied for subsequent year	<u>678,902</u>	<u>645,126</u>
Total deferred inflows of resources	683,952	650,423
Fund balances		
Restricted for community education programs	738,048	972,662
Restricted for early childhood family education programs	457,958	322,159
Restricted for school readiness	187,060	200,106
Restricted for community service	<u>38,018</u>	<u>33,873</u>
Total fund balances	<u><u>1,421,084</u></u>	<u><u>1,528,800</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,340,461</u></u>	<u><u>\$ 2,374,853</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 644,768	\$ 644,381	\$ (387)	\$ 630,055
Investment earnings	—	1,882	1,882	43,991
Other – primarily tuition and fees	2,184,674	2,641,716	457,042	3,337,414
State sources	447,611	445,938	(1,673)	415,834
Federal sources	—	431	431	—
Total revenue	<u>3,277,053</u>	<u>3,734,348</u>	<u>457,295</u>	<u>4,427,294</u>
Expenditures				
Current				
Salaries	2,482,533	2,627,064	144,531	2,855,899
Employee benefits	727,896	795,083	67,187	826,759
Purchased services	789,365	719,572	(69,793)	859,385
Supplies and materials	161,117	129,967	(31,150)	174,565
Other expenditures	2,626	2,885	259	1,906
Capital outlay	114,917	7,493	(107,424)	86,651
Total expenditures	<u>4,278,454</u>	<u>4,282,064</u>	<u>3,610</u>	<u>4,805,165</u>
Excess (deficiency) of revenue over expenditures	(1,001,401)	(547,716)	453,685	(377,871)
Other financing sources				
Transfers in	<u>440,000</u>	<u>440,000</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ (561,401)</u>	<u>(107,716)</u>	<u>\$ 453,685</u>	<u>(377,871)</u>
Fund balances				
Beginning of year		<u>1,528,800</u>		<u>1,906,671</u>
End of year		<u>\$ 1,421,084</u>		<u>\$ 1,528,800</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 317,097	\$ 6,071,973
Cash and investments held by trustee	7,407,654	–
Receivables		
Accounts and interest	–	147,491
Prepaid items	<u>–</u>	<u>154,500</u>
Total assets	<u>\$ 7,724,751</u>	<u>\$ 6,373,964</u>
Liabilities		
Accounts and contracts payable	\$ 468,445	\$ 1,515,438
Fund balances		
Nonspendable for prepaid items	–	154,500
Restricted for projects funded by certificates of participation	6,842,160	–
Restricted for building construction	<u>414,146</u>	<u>4,704,026</u>
Total fund balances	<u>7,256,306</u>	<u>4,858,526</u>
Total liabilities and fund balances	<u>\$ 7,724,751</u>	<u>\$ 6,373,964</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	\$ 25,000	\$ (25,937)	\$ (50,937)	\$ 545,097
Other	—	52,390	52,390	165,000
Total revenue	25,000	26,453	1,453	710,097
Expenditures				
Capital outlay				
Purchased services	697,350	1,449,184	751,834	1,123,876
Supplies and materials	100,000	71,768	(28,232)	543,280
Capital expenditures	7,279,025	4,488,891	(2,790,134)	13,271,672
Total capital outlay	8,076,375	6,009,843	(2,066,532)	14,938,828
Debt service				
Fiscal charges and other	152,650	152,650	—	—
Total expenditures	8,229,025	6,162,493	(2,066,532)	14,938,828
Excess (deficiency) of revenue over expenditures	(8,204,025)	(6,136,040)	2,067,985	(14,228,731)
Other financing sources				
Debt issued	8,300,000	8,300,000	—	—
Premium on debt issued	197,857	233,820	35,963	—
Total other financing sources	8,497,857	8,533,820	35,963	—
Net change in fund balances	\$ 293,832	2,397,780	\$ 2,103,948	(14,228,731)
Fund balances				
Beginning of year		4,858,526		19,087,257
End of year		\$ 7,256,306		\$ 4,858,526

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## INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2021	2020
Assets				
Cash and temporary investments	\$ 5,697,665	\$ 397,234	\$ 6,094,899	\$ 5,004,738
Receivables				
Current taxes	5,137,869	341,067	5,478,936	6,526,980
Delinquent taxes	119,093	9,102	128,195	85,885
Due from other governmental units	1,183	6	1,189	788
	<u>1,183</u>	<u>6</u>	<u>1,189</u>	<u>788</u>
Total assets	<u>\$ 10,955,810</u>	<u>\$ 747,409</u>	<u>\$ 11,703,219</u>	<u>\$ 11,618,391</u>
Liabilities				
Accounts and contracts payable	\$ 1,800	\$ —	\$ 1,800	\$ —
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	67,377	5,430	72,807	73,182
Property taxes levied for subsequent year	8,751,960	580,994	9,332,954	9,676,278
Total deferred inflows of resources	<u>8,819,337</u>	<u>586,424</u>	<u>9,405,761</u>	<u>9,749,460</u>
Fund balances				
Restricted for debt service	<u>2,134,673</u>	<u>160,985</u>	<u>2,295,658</u>	<u>1,868,931</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,955,810</u>	<u>\$ 747,409</u>	<u>\$ 11,703,219</u>	<u>\$ 11,618,391</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	2021			
		Actual		
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total
Revenue				
Local sources				
Property taxes	\$ 9,676,215	\$ 9,064,764	\$ 596,141	\$ 9,660,905
Investment earnings	—	5,183	396	5,579
State sources	—	11,836	61	11,897
Total revenue	9,676,215	9,081,783	596,598	9,678,381
Expenditures				
Debt service				
Principal	7,700,000	7,380,000	320,000	7,700,000
Interest	1,532,754	1,245,075	287,679	1,532,754
Fiscal charges and other	18,000	18,900	—	18,900
Total expenditures	9,250,754	8,643,975	607,679	9,251,654
Net change in fund balances	\$ 425,461	437,808	(11,081)	426,727
Fund balances				
Beginning of year		1,696,865	172,066	1,868,931
End of year		\$ 2,134,673	\$ 160,985	\$ 2,295,658

	2020
Over (Under) Budget	Actual
\$ (15,310)	\$ 8,856,772
5,579	110,367
11,897	7,887
2,166	8,975,026
—	6,985,000
—	1,613,308
900	14,200
900	8,612,508
\$ 1,266	362,518
	1,506,413
	\$ 1,868,931

## INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2021	2020
Assets				
Current assets				
Cash and temporary investments	\$ 5,858,107	\$ 374,164	\$ 6,232,271	\$ 6,289,006
Receivables				
Accounts and interest	215,984	—	215,984	66,238
Total current assets	6,074,091	374,164	6,448,255	6,355,244
Liabilities				
Current liabilities				
Claims payable	634,000	18,164	652,164	741,711
Unearned revenue	1,439,990	41,029	1,481,019	1,370,093
Total current liabilities	2,073,990	59,193	2,133,183	2,111,804
Net position				
Unrestricted	\$ 4,000,101	\$ 314,971	\$ 4,315,072	\$ 4,243,440

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2021	2020
Operating revenue				
Charges for services	\$ 10,427,414	\$ 471,807	\$ 10,899,221	\$ 10,534,055
Operating expenses				
Health claims and fees	10,336,074	—	10,336,074	9,410,938
Dental claims and fees	—	499,109	499,109	406,288
Total operating expenses	<u>10,336,074</u>	<u>499,109</u>	<u>10,835,183</u>	<u>9,817,226</u>
Operating income (loss)	91,340	(27,302)	64,038	716,829
Nonoperating revenue				
Investment earnings	<u>7,169</u>	<u>425</u>	<u>7,594</u>	<u>105,163</u>
Change in net position	98,509	(26,877)	71,632	821,992
Net position				
Beginning of year	<u>3,901,592</u>	<u>341,848</u>	<u>4,243,440</u>	<u>3,421,448</u>
End of year	<u>\$ 4,000,101</u>	<u>\$ 314,971</u>	<u>\$ 4,315,072</u>	<u>\$ 4,243,440</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2021	2020
Cash flows from operating activities				
Received from assessments made to other funds	\$ 10,383,387	\$ 477,014	\$ 10,860,401	\$ 10,500,360
Health claims and fees payments	(10,430,074)	—	(10,430,074)	(9,281,938)
Dental claims and fees payments	—	(494,656)	(494,656)	(401,863)
Net cash flows from operating activities	(46,687)	(17,642)	(64,329)	816,559
Cash flows from investing activities				
Interest received on investments	7,169	425	7,594	105,163
Net change in cash and cash equivalents	(39,518)	(17,217)	(56,735)	921,722
Cash and temporary investments				
Beginning of year	5,897,625	391,381	6,289,006	5,367,284
End of year	<u>\$ 5,858,107</u>	<u>\$ 374,164</u>	<u>\$ 6,232,271</u>	<u>\$ 6,289,006</u>
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 91,340	\$ (27,302)	\$ 64,038	\$ 716,829
Adjustment to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	(149,746)	—	(149,746)	(66,238)
Claims payable	(94,000)	4,453	(89,547)	133,425
Unearned revenue	105,719	5,207	110,926	32,543
Net cash flows from operating activities	<u>\$ (46,687)</u>	<u>\$ (17,642)</u>	<u>\$ (64,329)</u>	<u>\$ 816,559</u>

OTHER DISTRICT INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	Fiscal Year			
	2012	2013	2014	2015
Changes in net position – governmental activities				
Expenses				
Administration	\$ 2,770,544	\$ 2,816,601	\$ 2,939,148	\$ 3,053,108
District support services	2,771,697	3,480,012	3,298,489	3,544,069
Elementary and secondary regular instruction	28,026,557	29,649,276	28,911,845	31,705,124
Vocational education instruction	985,007	768,887	722,923	692,861
Special education instruction	13,888,549	14,339,050	14,522,294	15,792,250
Instructional support services	1,810,877	2,153,690	2,087,731	2,425,659
Pupil support services	5,648,559	5,470,873	6,228,303	6,501,927
Sites and buildings	5,710,795	5,823,891	6,562,439	7,035,863
Fiscal and other fixed cost programs	154,647	200,843	213,203	228,124
Food service	3,028,293	3,080,386	3,022,469	3,076,840
Community service	2,830,374	2,991,533	3,275,780	3,102,767
Depreciation not included in other functions	3,163,499	3,217,581	3,196,968	3,213,380
Interest and fiscal charges	3,393,518	2,279,444	1,872,940	3,399,739
Total expenses	<u>74,182,916</u>	<u>76,272,067</u>	<u>76,854,532</u>	<u>83,771,711</u>
Revenues				
Program revenues				
Charges for services	5,483,140	5,967,205	5,929,044	5,808,928
Operating grants and contributions	11,746,482	12,165,968	13,013,393	15,103,012
General revenues				
Property taxes	18,465,409	17,534,294	13,089,226	16,925,342
General grants and aids	44,028,835	43,885,962	49,253,332	47,753,060
Investment earnings and other	1,965,060	1,195,296	843,133	1,198,366
Total revenues	<u>81,688,926</u>	<u>81,491,167</u>	<u>82,128,128</u>	<u>86,788,708</u>
Change in net position	<u>\$ 7,506,010</u>	<u>\$ 5,219,100</u>	<u>\$ 5,273,596</u>	<u>\$ 3,016,997</u>
Components of net position – governmental activities				
Net investment in capital assets	\$ 16,854,947	\$ 21,641,646	\$ 25,342,179	\$ 27,366,979
Restricted	3,471,441	3,308,901	3,459,014	3,472,472
Unrestricted	<u>(5,289,387)</u>	<u>(4,694,446)</u>	<u>(3,271,496)</u>	<u>(47,663,240)</u>
Total net position	<u>\$ 15,037,001</u>	<u>\$ 20,256,101</u>	<u>\$ 25,529,697</u>	<u>\$ (16,823,789)</u>

Note 1: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 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.

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard, that decreased unrestricted net position by \$45,370,483.

Note 3: In fiscal 2017, the District reported a prior period adjustment and a change in accounting principle as required with the new standards, that decreased net position by a combined total of \$4,765,356.

Note 4: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard, that increased unrestricted net position by \$155,195.

2016	2017	2018	2019	2020	2021
\$ 3,215,420	\$ 4,339,111	\$ 3,896,144	\$ 2,320,139	\$ 3,475,205	\$ 3,990,923
3,516,007	4,067,576	3,545,262	3,307,931	3,521,744	1,507,029
33,215,546	50,028,053	43,262,744	21,428,949	36,828,963	37,464,548
795,229	967,130	1,060,852	688,735	1,022,428	1,163,439
17,552,161	23,909,549	22,406,193	14,612,480	20,782,804	19,273,374
2,380,984	2,944,421	2,772,236	1,761,107	2,368,975	5,315,340
6,508,758	7,124,878	7,391,101	7,142,282	6,827,030	6,709,885
5,687,353	7,450,111	7,083,908	7,619,549	7,874,536	6,424,138
380,958	230,873	242,979	261,422	273,901	298,296
3,180,165	3,346,776	3,299,840	3,195,028	3,394,870	3,196,521
3,521,728	4,464,764	4,627,273	4,284,247	4,792,378	4,256,675
3,648,481	3,252,183	4,013,919	4,295,107	4,215,358	4,278,316
3,250,044	3,647,286	3,034,689	3,472,948	3,088,339	3,247,971
86,852,834	115,772,711	106,637,140	74,389,924	98,466,531	97,126,455
6,379,371	6,210,480	6,745,449	7,185,689	5,681,840	3,849,973
15,433,397	16,397,531	16,840,789	17,240,617	20,401,762	22,525,651
16,626,909	17,107,604	15,985,460	17,994,243	24,409,668	25,758,108
49,450,433	52,565,301	51,971,877	50,334,809	54,064,056	56,682,845
1,449,369	2,395,945	2,217,483	2,695,231	2,798,970	1,467,114
89,339,479	94,676,861	93,761,058	95,450,589	107,356,296	110,283,691
<u>\$ 2,486,645</u>	<u>\$ (21,095,850)</u>	<u>\$ (12,876,082)</u>	<u>\$ 21,060,665</u>	<u>\$ 8,889,765</u>	<u>\$ 13,157,236</u>
\$ 31,815,679	\$ 29,790,809	\$ 32,315,862	\$ 31,559,639	\$ 34,579,960	\$ 38,539,157
3,145,795	3,416,948	2,314,291	5,731,631	7,879,104	11,422,521
(49,298,618)	(73,406,107)	(87,704,585)	(69,305,037)	(65,427,871)	(59,773,249)
<u>\$ (14,337,144)</u>	<u>\$ (40,198,350)</u>	<u>\$ (53,074,432)</u>	<u>\$ (32,013,767)</u>	<u>\$ (22,968,807)</u>	<u>\$ (9,811,571)</u>

INDEPENDENT SCHOOL DISTRICT NO. 12

Operating Funds Expenditures by Function (1) (4)  
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Instruction (2)	Community Education and Services
2012	\$ 2,797,951 4.09%	\$ 3,407,799 4.98%	\$ 42,186,236 61.61%	\$ 2,829,656 4.13%
2013	2,932,164 4.07%	3,457,684 4.80%	44,341,339 61.61%	2,984,598 4.15%
2014	2,831,232 3.84%	3,412,791 4.63%	44,837,578 60.83%	3,275,780 4.44%
2015	3,083,550 3.84%	3,530,458 4.40%	48,907,948 60.98%	3,139,213 3.91%
2016	3,122,090 3.75%	3,419,808 4.11%	51,745,950 62.21%	3,505,727 4.21%
2017	3,185,216 3.84%	3,485,707 4.20%	51,441,990 61.94%	3,937,369 4.74%
2018	3,154,461 3.60%	3,354,201 3.83%	53,296,575 60.88%	4,339,696 4.96%
2019	3,204,342 3.70%	3,481,885 4.02%	53,957,549 62.36%	4,729,226 5.47%
2020	3,308,145 3.70%	3,497,703 3.92%	55,506,569 62.15%	4,805,165 5.38%
2021	3,349,613 3.73%	1,825,898 2.03%	56,695,290 63.06%	4,282,064 4.76%

- (1) Operating funds include the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.
- (2) Includes elementary and secondary regular, vocational education, and special education instruction.
- (3) Includes food service.
- (4) Capital expenditures are included by function.

Instructional Support Services		Pupil Support Services (3)		Sites and Buildings		Debt Service, Fiscal, and Other Fixed Cost Programs		Total	
\$	1,810,615 2.64%	\$	8,642,206 12.62%	\$	6,031,439 8.81%	\$	769,079 1.12%	\$	68,474,981 100.00%
	2,147,778 2.98%		8,525,332 11.85%		6,528,086 9.07%		1,055,358 1.47%		71,972,339 100.00%
	2,060,042 2.79%		9,217,576 12.50%		7,074,976 9.60%		1,006,978 1.37%		73,716,953 100.00%
	2,454,988 3.06%		9,574,192 11.94%		8,374,178 10.44%		1,144,093 1.43%		80,208,620 100.00%
	2,472,550 2.97%		9,647,051 11.60%		8,212,068 9.87%		1,061,342 1.28%		83,186,586 100.00%
	2,266,139 2.73%		9,810,225 11.81%		7,623,124 9.18%		1,291,385 1.56%		83,041,155 100.00%
	2,369,486 2.71%		10,363,428 11.84%		9,403,919 10.74%		1,259,012 1.44%		87,540,778 100.00%
	2,278,271 2.63%		10,758,476 12.44%		7,333,568 8.48%		781,010 0.90%		86,524,327 100.00%
	2,274,251 2.55%		10,317,706 11.54%		8,816,363 9.87%		790,959 0.89%		89,316,861 100.00%
	4,501,438 5.01%		9,901,689 11.01%		8,543,301 9.50%		813,354 0.90%		89,912,647 100.00%

INDEPENDENT SCHOOL DISTRICT NO. 12

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

Year Ended June 30,	Local Property Tax Levies	Other Local and County Revenues (3)	Revenue From State Sources (2)	Revenue From Federal Sources	Total
2012	\$ 9,003,373 12.78%	\$ 6,652,572 9.44%	\$ 51,025,608 72.43%	\$ 3,770,157 5.35%	\$ 70,451,710 100.00%
2013	9,718,977 13.33%	7,161,588 9.82%	52,655,888 72.20%	3,394,083 4.65%	72,930,536 100.00%
2014	5,460,386 7.34%	6,770,754 9.10%	59,030,112 79.37%	3,117,008 4.19%	74,378,260 100.00%
2015	10,383,775 12.94%	7,099,972 8.85%	59,953,457 74.71%	2,811,204 3.50%	80,248,408 100.00%
2016	9,524,448 11.62%	7,555,965 9.22%	62,099,432 75.76%	2,783,238 3.40%	81,963,083 100.00%
2017	10,209,771 12.01%	8,123,299 9.55%	64,012,192 75.29%	2,677,799 3.15%	85,023,061 100.00%
2018	10,135,339 11.56%	8,713,687 9.94%	65,879,861 75.12%	2,960,008 3.38%	87,688,895 100.00%
2019	10,960,274 12.08%	9,485,169 10.46%	67,447,666 74.35%	2,819,496 3.11%	90,712,605 100.00%
2020	15,465,160 15.87%	7,555,183 7.75%	70,838,649 72.68%	3,601,530 3.70%	97,460,522 100.00%
2021	16,102,488 16.03%	5,239,937 5.22%	70,924,120 70.62%	8,165,997 8.13%	100,432,542 100.00%

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

(2) The revenue formula allocation between levy revenue and state aids is established annually by state statutes. The change in the allocation percentage would not impact total revenues. The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 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.

(3) Includes interest earnings.

INDEPENDENT SCHOOL DISTRICT NO. 12

Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>Assessor's Estimated Market Value</u>	<u>Tax Capacity</u>	<u>Percent Net Tax Capacity to Estimated Market Value</u>
2012	\$ 2,550,191,800	\$ 27,457,516	1.08 %
2013	2,338,267,000	25,551,203	1.09
2014	2,326,717,800	26,178,760	1.13
2015	2,625,259,600	29,814,881	1.14
2016	2,686,977,500	30,542,292	1.14
2017	2,880,559,100	33,172,805	1.15
2018	3,136,397,900	35,862,266	1.14
2019	3,360,382,600	38,536,228	1.15
2020	3,653,032,759	42,110,317	1.15
2021	3,921,509,724	45,479,432	1.16

Note: A portion of the tax levy is spread on market value and a portion on tax capacity.

Source: Anoka County

INDEPENDENT SCHOOL DISTRICT NO. 12

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

	<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Levies</b>	2012	\$ 9,300,278	\$ 435,700	\$ 7,878,459	\$ 17,614,437
	2013	9,198,014	418,166	7,715,411	17,331,591
	2014	9,885,301	413,876	6,605,581	16,904,758
	2015	8,931,629	438,563	7,140,214	16,510,406
	2016	9,712,724	424,596	6,943,646	17,080,966
	2017	9,528,279	581,697	5,912,128	16,022,104
	2018	10,306,995	595,941	7,104,641	18,007,577
	2019	14,708,976	633,096	8,898,626	24,240,698
	2020	15,267,321	645,126	9,676,278	25,588,725
	2021	18,839,284	678,902	9,332,954	28,851,140
<b>Tax Capacity Rate (1)</b>	2012	10.719	1.596	27.695	40.010
	2013	11.321	1.645	30.715	43.681
	2014	20.495	1.568	24.123	46.186
	2015	11.190	1.454	23.918	36.562
	2016	12.520	1.379	22.527	36.426
	2017	10.255	1.817	17.025	29.097
	2018	13.061	1.636	20.273	34.970
	2019	10.780	1.644	23.560	35.984
	2020	9.660	1.514	22.885	34.059
	2021	9.791	1.477	20.304	31.572
<b>Market Value Rate</b>	2012	0.22080	—	—	0.22080
	2013	0.22204	—	—	0.22204
	2014	0.16261	—	—	0.16261
	2015	0.16627	—	—	0.16627
	2016	0.18997	—	—	0.18997
	2017	0.17495	—	—	0.17495
	2018	0.15137	—	—	0.15137
	2019	0.28318	—	—	0.28318
	2020	0.25716	—	—	0.25716
	2021	0.24786	—	—	0.24786

- (1) Tax capacity rate is a percent of the adjusted net tax capacity. A property's net tax capacity is determined by multiplying its taxable market value by a state determined class rate. Class rates vary by property type and change periodically based on state legislation.

Source: Anoka County

## INDEPENDENT SCHOOL DISTRICT NO. 12

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2012	60.58	380.10	2,784.71	3,218.27	6,443.66	7,513.88
2013	61.27	412.51	2,790.48	3,134.31	6,398.57	7,430.04
2014	61.17	369.37	2,851.50	3,079.34	6,361.38	7,397.63
2015	89.99	430.93	2,832.85	3,039.80	6,393.57	7,001.54
2016	101.92	380.16	2,871.49	3,034.89	6,388.46	6,995.41
2017	101.10	400.69	2,884.30	3,112.85	6,498.94	7,121.51
2018	99.10	416.77	2,959.73	3,084.57	6,560.17	7,177.08
2019	123.46	400.02	2,979.66	3,072.79	6,575.93	7,190.45
2020	122.59	440.45	2,993.68	3,097.59	6,654.31	7,273.83
2021	129.08	350.16	2,934.90	3,073.78	6,487.92	7,102.68

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

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

	<u>Pre-Kindergarten</u>	<u>Handicapped Kindergarten</u>	<u>Half-Day Kindergarten</u>	<u>Full-Day Kindergarten</u>	<u>Elementary 1-3</u>	<u>Elementary 4-6</u>	<u>Secondary</u>
Fiscal 2012 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2021	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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## INDEPENDENT SCHOOL DISTRICT NO. 12

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	
<b>U.S. Department of Agriculture</b>			
Passed through Minnesota Department of Education			
Child nutrition cluster			
Special Milk Program for Children	10.556	\$ 381	
Summer Food Service Program for Children	10.559	\$ 209,476	
COVID-19 – Summer Food Service Program for Children	10.559	<u>3,578,333</u>	
Total ALN 10.559		<u>3,787,809</u>	
Total child nutrition cluster			\$ 3,788,190
<b>U.S. Department of Treasury</b>			
Passed through City of Circle Pines			
COVID-19 Coronavirus Relief Fund	21.019	10,000	
Passed through Minnesota Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	<u>1,671,316</u>	
Total ALN 21.019			1,681,316
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		431
<b>U.S. Department of Education</b>			
Direct			
Indian Education Grants to Local Educational Agencies	84.060		18,798
Passed through Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010		353,364
Special education cluster			
Special Education Grants to States	84.027	1,013,392	
Special Education Preschool Grants	84.173	<u>42,652</u>	
Total special education cluster			1,056,044
Special Education – Grants for Infants and Families	84.181		30,038
English Language Acquisition State Grants	84.365		12,103
Supporting Effective Instruction State Grants	84.367		65,607
Education Stabilization Fund			
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	323,673	
COVID-19 Elementary and Secondary School			
Emergency Relief (ESSER) Fund	84.425D	<u>813,471</u>	
Total ALN 84.425			1,137,144
Passed through Northeast Metropolitan Intermediate School District No. 916			
Career and Technical Education – Basic Grants to States	84.048		<u>22,340</u>
Total federal awards			<u>\$ 8,165,375</u>

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

Note 2: The pass-through entities listed above use the same Assistance Listing Numbers (ALN) as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

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

Note 4: The District had \$18,953 transferred into Title I ALN 84.010 from other Title programs.

Note 5: The District had \$202,864 of noncash assistance included in the Summer Food Service Program for Children, ALN 10.559.

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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  
Independent School District No. 12  
Circle Pines, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 12 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2021.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

(continued)

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether 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*.

## 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  
October 14, 2021

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

To the School Board and Management of  
Independent School District No. 12  
Circle Pines, Minnesota

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

We have audited Independent School District No. 12'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, 2021. 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, 2021.

## **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 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

October 14, 2021

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of  
Independent School District No. 12  
Circle Pines, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 12 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2021.

**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  
October 14, 2021

# INDEPENDENT SCHOOL DISTRICT NO. 12

## Schedule of Findings and Questioned Costs Year Ended June 30, 2021

### 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?	<u>  X  </u>	Unmodified
	<u>      </u>	Qualified
	<u>      </u>	Adverse
	<u>      </u>	Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
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Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported
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Noncompliance material to the financial statements noted?	<u>      </u> Yes	<u>  X  </u> No
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#### Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
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Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported
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Type of auditor's report issued on compliance for major programs?

The U.S. Department of Treasury – COVID-19 Coronavirus Relief Fund	Unmodified
The U.S. Department of Education – COVID-19 Education Stabilization Fund	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>      </u> Yes	<u>  X  </u> No
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Programs tested as major programs:

<u>Program or Cluster(s)</u>	<u>Federal ALN</u>
The U.S. Department of Treasury – COVID-19 Coronavirus Relief Fund	21.019
The U.S. Department of Education – COVID-19 Education Stabilization Fund	84.425

Threshold for distinguishing type A and B programs.	<u>\$ 750,000</u>
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Does the auditee qualify as a low-risk auditee?	<u>  X  </u> Yes	<u>      </u> No
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INDEPENDENT SCHOOL DISTRICT NO. 12

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2021

**B. FINANCIAL STATEMENT FINDINGS**

None.

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

None.

**D. MINNESOTA LEGAL COMPLIANCE FINDINGS**

None.

## INDEPENDENT SCHOOL DISTRICT NO. 12

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2021

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 92,827,655	\$ 92,827,655	\$ –
Total expenditures		\$ 82,366,291	\$ 82,366,289	\$ 2
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
401	Student activities	\$ 156,449	\$ 156,449	\$ –
402	Scholarships	\$ –	\$ –	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ 2,394,366	\$ 2,394,366	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ 293,334	\$ 293,334	\$ –
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	\$ 4,266,614	\$ 4,266,614	\$ –
472	Medical Assistance	\$ 443,197	\$ 443,197	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 10,701,985	\$ 10,701,985	\$ –
Unassigned				
422	Unassigned fund balance	\$ 14,642,908	\$ 14,642,909	\$ (1)
<b>Food Service</b>				
Total revenue		\$ 3,870,539	\$ 3,870,539	\$ –
Total expenditures		\$ 3,264,292	\$ 3,264,290	\$ 2
Nonspendable				
460	Nonspendable fund balance	\$ 81,397	\$ 81,397	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 712,346	\$ 712,346	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ 3,734,348	\$ 3,734,348	\$ –
Total expenditures		\$ 4,282,064	\$ 4,282,064	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 738,048	\$ 738,048	\$ –
432	ECFE	\$ 457,958	\$ 457,958	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ 187,060	\$ 187,060	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 38,018	\$ 38,018	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

## INDEPENDENT SCHOOL DISTRICT NO. 12

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2021

		Audit	UFARS	Audit – UFARS
<b>Building Construction</b>				
Total revenue		\$ 26,453	\$ 26,453	\$ –
Total expenditures		\$ 6,162,493	\$ 6,162,493	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ 6,842,160	\$ 6,842,160	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 414,146	\$ 414,146	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>				
Total revenue		\$ 9,081,783	\$ 9,081,783	\$ –
Total expenditures		\$ 8,643,975	\$ 8,643,975	\$ –
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	\$ 2,134,673	\$ 2,134,673	\$ –
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		\$ 10,906,815	\$ 10,906,815	\$ –
Total expenditures		\$ 10,835,183	\$ 10,835,183	\$ –
422	Net position	\$ 4,315,072	\$ 4,315,073	\$ (1)
<b>OPEB Revocable Trust Fund</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
<b>OPEB Irrevocable Trust Fund</b>				
Total revenue		\$ 2,009,349	\$ 2,009,349	\$ –
Total expenditures		\$ 731,940	\$ 731,942	\$ (2)
422	Net position	\$ 12,296,204	\$ 12,296,203	\$ 1
<b>OPEB Debt Service Fund</b>				
Total revenue		\$ 596,598	\$ 596,599	\$ (1)
Total expenditures		\$ 607,679	\$ 607,679	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 160,985	\$ 160,985	\$ –
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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