

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2020



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

Serving all or portions of
North St. Paul • Maplewood • Oakdale
Lake Elmo • Landfall • Pine Springs • Woodbury
Minnesota



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 622
NORTH ST. PAUL – MAPLEWOOD – OAKDALE,
MINNESOTA

2520 East 12th Avenue
North St. Paul, MN 55109

Prepared by
Finance Department

Randy Anderson • Director of Business Services

Janet Doman • Finance Supervisor

Travis Byrne, CPA • Accounting Coordinator

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INDEPENDENT SCHOOL DISTRICT NO. 622

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Section I

INTRODUCTION



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

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December 4, 2020

To the School Board, Citizens, and Employees of Independent School District No. 622:

INTRODUCTION

State law requires that every public-school district publish, within six months of the close of each fiscal year, a complete set of audited financial statements. We are submitting the Comprehensive Annual Financial Report (CAFR) of Independent School District No. 622, North St. Paul – Maplewood – Oakdale (the District) for the fiscal year ended June 30, 2020. This report fairly presents the District’s financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. Although the data was received from many sources, the District’s administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

REPORT FORMAT

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, a list of School Board members and administration personnel, a map of the District, and the Certificate of Excellence in Financial Reporting. The financial section includes the Independent Auditor’s Report, management’s discussion and analysis (MD&A), basic financial statements, required supplementary information, and supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

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

PROFILE OF THE REPORTING ENTITY AND ITS SERVICES

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

The District was incorporated in 1930 and serves a portion of seven suburban communities within Ramsey and Washington Counties located along the eastern edge of the Minneapolis/St. Paul metropolitan area. The District encompasses all or part of the communities of Lake Elmo, Landfall, Maplewood, North St. Paul, Oakdale, Pine Springs, and Woodbury.

Housed within district boundaries are 9 private schools and 1 charter school, which account for a total enrollment of approximately 2,000 students. The private schools receive their funding from tuition and minimal per pupil funding from the state, whereas the charter school is recognized as a Minnesota public school and is funded by the state. Although separate legal entities, the District is the flow through fiscal host for state aid to the private schools and is required by state statutes to provide transportation to private and charter school students who reside within the District boundaries.

The District's governing body is the School Board, consisting of seven members. School Board members are elected at large to serve four-year terms of office. Elections are held annually on the first Tuesday in November. The Superintendent of Schools is the Chief Administrative Officer and is appointed by the School Board.

Programs and Services

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic programs, special education programs, and career/vocational education. Food service and transportation are provided as supporting programs. The community education program in the District includes early childhood and family education programs, an adult basic education program, and a variety of classes for lifelong learning experiences for children and adults.

Student Enrollment

The District enrolled 10,454 students (average daily membership) in 2019–2020 from a population of 83,254 people residing in a 43-square mile area. In terms of the number of students, the District is Minnesota's 13th largest school district.

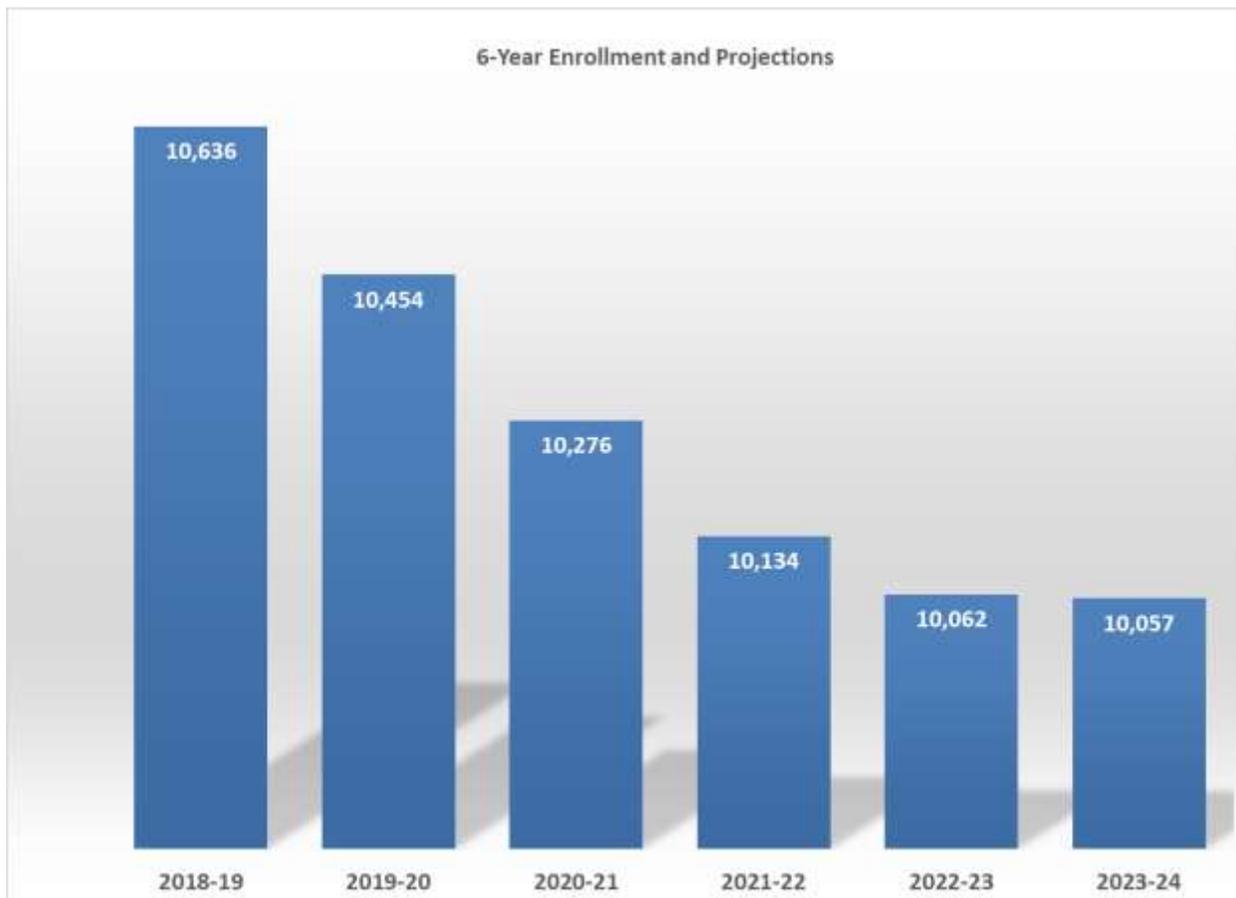
The District has an increasingly diverse population of students with a variety of needs. For the 2019–2020 school year, 34 percent of our students were white, 23 percent were of Asian descent, 19 percent of the District's student population were black, Hispanic students totaled 15 percent, 8 percent were multi-racial and American Indian, and Hawaiian/PI students totaled 1 percent.

In 2019–2020, 54.5 percent of our students qualified to receive free or reduced-price meals, this compared to a fall 2019 Minnesota average of 37.1 percent.

The District continues to support a learning environment that lets students and staff develop to their fullest potential. All students, staff and families, are welcomed no matter what their background or beliefs. Our staff empowers and enables all students to learn and achieve their best outcomes. The District proudly boasts a significantly smaller racial achievement gap when compared to other districts state-wide.

Six-Year Enrollment and Projections

After a slight increase in enrollment in 2018–2019, the COVID-19 pandemic has had an impact on the District's enrollment in 2019–2020; decreasing by 182 ADMs. This decrease is projected to continue into 2020–2021 and 2021–2022, and then stabilize over the next few years. With the District implementing a District-Wide Facilities Plan, and a planned increase in new housing developments over the next few years, the District could actually see a greater increase in student enrollment.



District Schools and Facilities

During the 2019–2020 school year, the District operated 18 school buildings: an Early Childhood Learning Center, 2 comprehensive (Grades 9–12) high schools, 3 middle schools (Grades 6–8), 9 elementary schools (Pre-K through Grade 5), 1 school (Kindergarten through Grade 12) for students with special needs and adult basic education, 1 school (Post-Grade 12) a special needs transition program, and 1 learning center dedicated to senior learning and early childhood education students. In addition to learning spaces, the District also operates 2 ice arenas, a District Education Center, and a Transportation Center.

The average age of the District’s facilities is over 43 years; the District qualifies for long-term facilities maintenance funding and has been levying approximately \$8 million per year to maintain our existing buildings and extending the useful life of the assets. The District will also use other resources, such as operating capital, long-term facilities maintenance revenue, lease levy revenue, and abatement revenue to renovate or expand its buildings.

FINANCIAL STATEMENTS

The District’s financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the District’s financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

FINANCIAL AND BUDGETARY CONTROL

All financial transactions of the District are accounted for in specific funds. The accounting system provides for complete, self-balancing accounts for each fund of the District. The system provides budgetary control for the activities of all of the District’s governmental funds, thereby ensuring legal compliance. Debt service requirements and project-length financial plans are adopted for Capital Projects – Building Construction Fund. The system also provides budgetary control at the sub-function level by encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors.

LOCAL ECONOMIC CONDITION AND OUTLOOK

According to the Minnesota Department of Management and Budget, amid the COVID-19 pandemic, Minnesota’s budget and economic outlook has significantly worsened. A deficit of \$2.426 billion is now projected for fiscal year 2020–2021. Compared to prior estimates, revenues are expected to be \$3.611 billion lower, and spending is expected to be \$391 million higher. The \$2.359 billion budget reserve remains available to mitigate the budgetary impact of the crisis. Because of the COVID-19 pandemic and consumers’, businesses’, and governments’ responses are uncertain, the economic outlook will remain volatile for some time. The gross domestic product growth for 2020 is projected at a 3.5 percent decline. However, this trend is expected to improve assuming a vaccine will be available in mid–2021.

Due to the COVID-19 pandemic, 2020 over the year job loss stood at 6.2 percent compared to the national average of 6.0 percent. Annual job loss was greatest in leisure and hospitality, down 24.5 percent with the least job loss in the professional and business services sector, which is down 2.7 percent. This broad-based job loss helped to drive up the state’s jobless rate in October 2020 to 4.6 percent, which remains below the U.S. rate of 6.9 percent.

The state’s recent updated October budget forecast indicates that fiscal years 2020–2021 budget deficit will be (\$1.833 billion), mainly due to an anticipated decrease in individual income tax, sales tax receipts and corporate income tax. The budget reserve balance is \$2.359 billion and the cash flow account balance is \$350 million. The budget reserve and cash flow account are established in statute and use of these accounts do not occur automatically. Executive authority to use the budget reserve to mitigate the impact of the deficit is delineated in Minnesota Statutes.

The District boundaries are served by two counties, Washington and Ramsey. According to census information from the Washington County website, the county continued to experience growth, increasing 10.3 percent since 2011. Washington County’s estimated population in 2020 is 266,209, making it the fifth largest county in the state of Minnesota. According to the Metropolitan Council, as reported on the county’s website, Washington County’s population is expected to continue to grow. By the year 2040, the county’s population is projected to increase to 330,200.

According to census information from the Ramsey County website, it also has experienced growth, which increased 8.5 percent since 2011. Ramsey County’s estimated population in 2020 is 559,594, making it the second largest county in Minnesota. By the year 2040, the county’s population is projected to increase to 595,220.

The District's population has grown from 76,567 in 2011 to 83,254 in 2020. This represents more than an 8.7 percent increase.

Source data from the U.S. Census Bureau shows that the median household income in 2019 for Washington County was \$92,376 and Ramsey County \$62,304, as compared to \$68,411 for the state of Minnesota. Source data from the U.S. Census Bureau shows that the per capita income in 2019 for Washington County was \$43,789, and for Ramsey County was \$34,049, while the state of Minnesota was \$36,245.

Source data from the 2019 U.S. Census Bureau, as reported on the counties' website, shows that 4.2 percent of Washington County's and 14.6 percent of Ramsey County's family population was below the federal poverty level.

The state of Minnesota assumes major responsibility for funding public education. In the District, approximately 20 percent of our General Fund revenues are generated locally from property taxes, 74 percent from state aids, 3 percent from federal aids, and miscellaneous income made up the remaining 3 percent.

Reliance on the state for the majority of its operating revenues places the District in the position of being dependent on state-wide economic conditions that drive state tax collections. The 2019 Legislature has provided some increase to the basic general education formula allowance and other categorical funding for the 2019–2020 school year. However, the 2 percent formula allowance increase does not keep pace with general inflations and rising cost of providing quality education to all our students. Given that the path of the COVID-19 pandemic and the resulting economic impact continue to be uncertain, it is not possible to accurately project state revenue and spending into the fiscal year 2022–2023 biennium. However, it is likely that the negative impact of the state budget in the next biennium will be significant, forcing challenges to school district budgets.

The District will continue to respond to this challenge by curtailing expenditures when possible, and is committed to engage staff and community members in future budget discussions and to consider other options for increasing revenues and containing growth.

DISTRICT MISSION AND STRATEGIC PLAN

In the spring of 2016, the District convened a task force to develop a vision for education that will guide District goals for the next five years. The task force included parents, staff, School Board members, and a variety of leaders from the business, civic, and faith communities. Task force members had informational meetings to establish a shared base of knowledge about District enrollment and demographics, school finance, teaching and learning, community and partnerships, educational trends, and innovation. These informational meetings, led by a facilitator, were followed by planning meetings where the task force members developed mission outcomes for the District and four strategies for the future. The School Board approved the plan in December 2016. A brief summary of the plan is listed below.

Mission Statement: *We commit each day to develop and empower lifelong learners who thrive in diverse communities.*

Core Values: *We believe that:*

- ❖ Strong communities are inclusive and value diversity.
- ❖ Trust and transparency are essential to healthy and enduring relationships.
- ❖ Continuous learning and service to others are imperative to individual and community progress.
- ❖ Individuals learn and thrive through connections in a safe, caring, and supportive environment.
- ❖ Every individual has incredible potential and equal intrinsic value.
- ❖ High expectations with appropriate supports result in growth.
- ❖ School, family, and community partnerships enhance and support learning.

Strategies:

- ❖ **Strategy One** – We will engage our internal and external community to help us achieve our mission and mission outcomes.
- ❖ **Strategy Two** – We will develop and enhance community partnerships that support our mission and align with our core values.
- ❖ **Strategy Three** – We will develop and enhance programs and practices that ensure engagement of our diverse learners to achieve our mission outcomes.
- ❖ **Strategy Four** – We will build competitive 622 E-12 pathways that prepare all students for post-secondary.

LONG-TERM FINANCIAL PLANNING

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from theft, misuse, or losses and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and Minnesota Uniform Financial Accounting and Reporting Standards.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

In addition, the District has also adopted the following policies to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board:

- ❖ **Fund Balance Policy** – Requires the District to maintain an unassigned fund balance of 8–10 percent of the expenditure budget.
- ❖ **Budget Policy** – Establishes a guideline for allocation of district resources.
- ❖ **Personnel Staffing Guidelines** – Personnel costs represent over 80 percent of General Fund expenditures. These guidelines, which set the staffing allocation for every allocated position in the District, are updated each February by the administration and the School Board.

The District's budget process is based, first, on development of a budget projection model that attempts to project resources and expenses over a multiple year period. The budget projection is used by the School Board and the administration to determine budget parameters and staffing guidelines. Second, the budget adopted in June is based upon the personnel staffing guidelines approved by the School Board and preparation of the nonpersonnel budget by school and department administrators, in accordance with School Board-approved budget parameters. The School Board resolution adopting the budget in June also includes a provision directing the administration to update the budget in January. This final budget reflects the District's actual enrollment count on December 31, the actual staff hired, and other dynamics, such as employee contract settlements.

The level of budgetary control is at the fund level. However, in the General Fund; operating, special education, pupil transportation, capital expenditure, and quality compensation are maintained as separate internal accounts for budgeting purposes. The District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

MAJOR INITIATIVES

Facilities Plan

The District updated its 10-year Long-Term Facilities Maintenance Plan to incorporate \$60 million in projects beginning in June 2018 through fiscal year 2019–2020. These projects were the renovation of Castle Elementary School for \$23 million and the renovation of Richardson Elementary School for \$25 million, which completed Phase 1 in the District-Wide Facilities Plan. These projects were accomplished using nonvoter-approved funding.

On May 14, 2019, district voters approved a building bond referendum for a total of \$275 million. The approved referendum provides the District with the opportunity to expand, remodel, and build new schools in the District. These voter-approved dollars, combined with long-term facilities maintenance bonds, will fund Phase 2 through Phase 4 of the District’s Facilities Plan.

Phase 2 of the District’s Facilities Plan began in the spring of 2019, and includes a \$105 million renovation of Carver Elementary School and John Glenn Middle School. The \$115 million Phase 3 of the Plan began in the fall of 2019, and includes the renovation of Skyview Middle School, and the construction of two new elementary schools. Phase 4 of the Plan began in the spring of 2020 and includes the renovation of both of the District’s high schools.

The Facilities Plan will emphasize and include the following points during construction:

- Modify entrances at all schools to better control visitor access
- Upgrade security equipment at all schools
- Site improvements to improve pedestrian and traffic safety
- Replacement of worn out student furniture
- Improvements to meet district standards for improved learning spaces

Other Initiatives

The District began an initiative to improve and reduce its energy consumption with planned changes in behaviors, systems, and operations. Fiscal year 2019–2020, the District saw a financial impact of an additional \$100,000 in cost avoidance.

In 2019–2020, the District started the implementation of 1 to 1 student to technology device beginning at the secondary schools and then eventually to the elementary schools. This initiative became of vital importance in the implementation of our distance learning program that occurred in late March 2020, due to the COVID-19 pandemic.

CERTIFICATE OF EXCELLENCE

This report will be submitted to the Association of School Business Officials (ASBO) International for consideration for the Certificate of Excellence in Financial Reporting.

The District received the Certificate of Excellence in Financial Reporting from ASBO International for excellence in the preparation and issuance of the District’s CAFR for the year ended June 30, 2019. It is the second year the District has received the award, which was earned by fewer than 10 percent of all school districts in the state.

ACKNOWLEDGMENTS

The preparation of this CAFR in a timely manner would not be possible without the assistance of the entire Business Department staff. I would like to particularly thank our Finance Supervisor, Janet Doman, Accounting Coordinator, Travis Byrne, Accounting Specialist, Jodi Schmidt, and Executive Administrative Assistant, Jo McCabe.

I would also like to thank the members of the School Board, administrative cabinet, and budget managers for their interest and support in planning and conducting the financial operations of the District in a fiscally responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Randy Anderson", written in a cursive style.

Randy Anderson
Director of Business

Superintendent Christine Tucci Osorio		Secretary to School Board & Supt Kim Cavallaro				
Communications & Technology Innovation	Teaching & Learning	HR	Assistant Superintendents	Student Services	Community Education	Operations and Finance
Josh Anderson	Sean Cotherman	Julie Coffey	Troy Miller/Lisa Sayles-Adams	Tricia St. Michaels	Tamra Sieve	Randy Anderson
COVID Response	Equity		COVID Response		Preschool	COVID Response
Communications	Instructional Practices	Hiring	Supervision of Elem Principals	Spec. Ed	ECFE	Facilities
Social Media	CTE	Recruitment	Co-Supervision of Secondary Principals with Supt	504	Early Childhood Screening	Business/ Finance
Marketing	Title Programs	LOA	Development of APs, Deans, & Assoc Admin	ELL	Adventure Connection	Payroll
Collaboration with T & L Curriculum & PD	Curriculum & PD	Employee Wellness	Collaboration with T & L Curriculum & PD	Collaboration with T & L Curriculum & PD	Youth and Adult Enrichment	Transportation
Instruc. Tech.	College and Career	Well-at-Work Clinic	School Safety	Mental Health	Driver Education	Nutrition Services
Information Services	Teacher Eval	Contract Negotiations	School Resource Officers	Counselors, Social Workers, & Psych	Adult Basic Education	Contract Negotiations
PR	MTSS	Workers Compensation	Partnerships	Speech/DAPE	Aquatics	Operations and Maintenance
Crisis Response	New Teacher Orientation			Harmony & Next Step Transition	Senior Citizens	Arenas
Tech Support	Q-Comp	Benefits	Transportation Coordination with Operations (Restorative PD)	ECSE	Meals on Wheels	Procurement
	Online Programs	Union relations	Althetics	Health Services	Facility Use	
Media Relations	Instructional Coaches		Research, Eval, Assessment	Care and Treatment	Homeschool	
Network Support			Elementary High Potential	Targeted Services	Non-Public Schools	
Enrollment Center Support			Student Enrollment & 622 Reception Desk	Title IX		

INDEPENDENT SCHOOL DISTRICT NO. 622

School Board and Administration
as of June 30, 2020

SCHOOL BOARD

	<u>Position</u>
Michelle Yener	Chairperson
Nancy Livingston	Vice Chairperson
Caleb Anderson	Treasurer
Becky Neve	Clerk
Theresa Auge	Director
Steve Hunt	Director
Ben Jarman	Director

ADMINISTRATION

Christine Osorio	Superintendent of Schools
Kim Cavallaro	Assistant to Superintendent
Troy Miller	Assistant Superintendent
Lisa Sayles-Adams	Assistant Superintendent
Josh Anderson	Director of Communications and Technology Innovation
Julie Coffey	Director of Human Resources
Tamra Sieve	Director of Community Education
Randy Anderson	Director of Business Services
Tricia St. Michaels	Director of Student Services
Sean Cotherman	Director of Teaching and Learning



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**North St. Paul - Maplewood -
Oakdale Schools, ISD 622**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

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

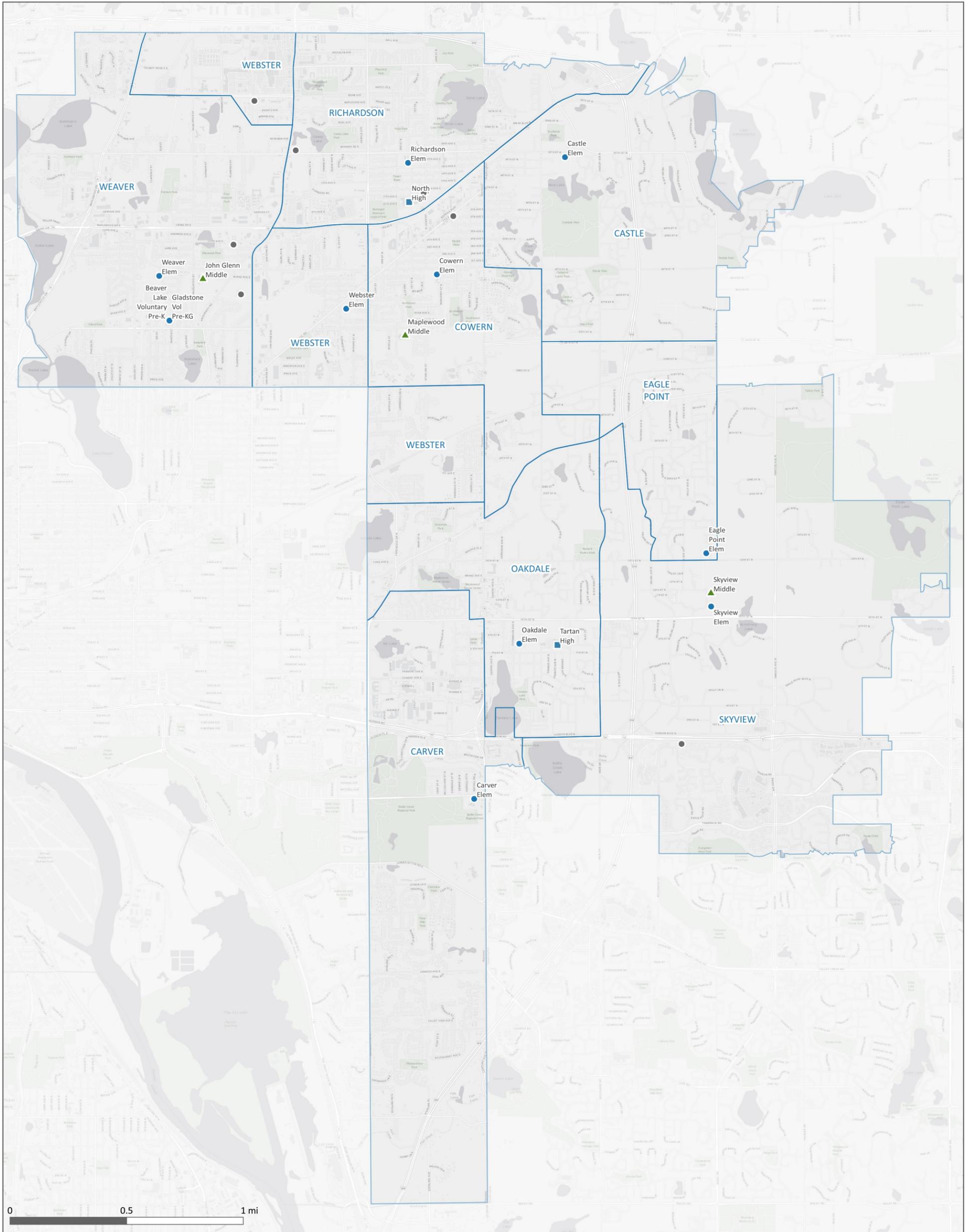


A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director



Created using QGIS Geographic Information System by the Open Source Geospatial Foundation Project. Basemap Credits: Esri, HERE, Garmin, © OpenStreetMap contributors, and the GIS user community.

Map Information

Public Schools

- Elementary
- ▲ Middle and Junior High Schools
- Secondary
- Other

▭ Elementary School Attendance Area

▭ Middle School Attendance Area

▭ High School Attendance Area

This map is intended to display a single public school district and the pertinent attendance area boundaries and public school locations. Attendance areas are only labeled if more than one exist for the district. School locations are labeled if they are classified as elementary, middle, or high schools.

The school district boundary appearing on the map does not necessarily represent the legal boundary of the district. It is a generalization of the boundary maintained by the Department of Education, based on land parcel information from Minnesota counties. Please contact your county auditor or assessor to obtain an accurate legal description of the boundary.

Liability Statement:
 The Minnesota Department of Education (MDE) does not warranty the results you may obtain by using this map. It is provided without express or implied warranties, including warranties of merchantability and fitness. In no event will MDE be liable for any consequential, incidental, or special damages, including any lost profits or lost savings, even if an MDE representative has been advised of the possibility of such damages or any other claim by any third party.

For assistance with this map, contact:

Mike Dolbow :
mike.dolbow@state.mn.us

Jake Stark : jake.stark@state.mn.us

MN Department of Education
 1500 Highway 36 West

Last updated: 2020.04.14

Section II

FINANCIAL



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

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PRINCIPALS

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

INDEPENDENT AUDITOR’S REPORT

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, 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. 622 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, as listed in the table of contents.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR’S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

EMPHASIS OF MATTER

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 5, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 4, 2020

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

This section of Independent School District No. 622's (the District) Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by \$65,084,249 (net position deficit). The District's total net position increased by \$3,661,052 during the fiscal year ended June 30, 2020, excluding the change in accounting principle as discussed below.
- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which changed how the District reports certain fiduciary activities, including extracurricular student activities that were previously excluded from the District's reporting entity. The implementation of this standard increased beginning net position in the government-wide financial statements and beginning fund balance in the governmental funds by \$1,392,903.
- Government-wide revenues totaled \$195,601,154 and were \$3,661,052 more than expenses of \$191,940,102.
- The General Fund's total fund balance (under governmental fund presentation) increased \$4,796,366 from the prior year (excluding the change in accounting principle), compared to a \$1,307,501 increase planned in the budget.
- General Fund unassigned fund balance (excluding restricted account deficits) increased from 13.1 percent to 14.5 percent of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 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.

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 explains the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The Internal Service Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for the self-insurance activities of the District employees' medical 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 others. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations. 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. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2020	2019
Assets		
Current and other assets	\$ 374,881,656	\$ 149,617,037
Capital assets, net of depreciation	181,373,499	139,997,535
Total assets	\$ 556,255,155	\$ 289,614,572
Deferred outflows of resources		
Bond refunding deferments	\$ 162,594	\$ 182,918
OPEB plan deferments	1,159,636	984,682
Pension plan deferments	64,889,073	96,439,566
Total deferred outflows of resources	\$ 66,211,303	\$ 97,607,166
Liabilities		
Current and other liabilities	\$ 19,586,541	\$ 22,023,750
Long-term liabilities	509,715,556	256,572,286
Total liabilities	\$ 529,302,097	\$ 278,596,036
Deferred inflows of resources		
Bond refunding deferments	\$ 616,045	\$ 704,051
Property taxes levied for subsequent year	51,172,896	45,156,351
OPEB plan deferments	3,396,031	3,756,049
Pension plan deferments	103,063,638	129,147,455
Total deferred inflows of resources	\$ 158,248,610	\$ 178,763,906
Net position		
Net investment in capital assets	\$ 60,029,619	\$ 54,284,456
Restricted	19,124,929	18,041,164
Unrestricted	(144,238,797)	(142,463,824)
Total net position	\$ (65,084,249)	\$ (70,138,204)

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. The other major factors in determining net position as compared to fund balances are the liabilities for long-term severance, compensated absences, pension, and other post-employment benefits, which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due to the District repaying debt at a faster rate than the assets being depreciated and capital assets financed with the "pay-as-you-go" long-term facilities maintenance levy. The increase in net position restricted for capital asset acquisition, food service, and other state funding restrictions contributed to the growth in the restricted portion of net position. Changes 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 of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

The significant increase in current and other assets and long-term liabilities is due to bonds issued for future construction. The increase in capital assets is from projects in Phase 2 of the District-Wide Facilities Plan.

Table 2 presents a condensed version of the Statement of Activities of the District:

	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 5,331,865	\$ 6,191,324
Operating grants and contributions	37,129,318	34,362,400
General revenues		
Property taxes	48,673,483	47,837,732
General grants and aids	97,804,719	92,067,945
Other	6,661,769	3,663,795
Total revenues	195,601,154	184,123,196
Expenses		
Administration	6,668,941	4,423,233
District support services	6,658,582	6,907,285
Elementary and secondary regular instruction	67,588,760	42,145,810
Vocational education instruction	3,332,719	1,993,449
Special education instruction	33,575,951	22,991,502
Instructional support services	7,660,257	4,192,984
Pupil support services	13,469,001	11,520,302
Sites and buildings	18,191,945	12,677,451
Fiscal and other fixed cost programs	627,090	579,213
Food service	6,570,489	6,646,397
Community service	10,489,222	9,504,655
Depreciation not included in other functions (excludes amounts directly allocated)	5,170,911	4,703,063
Interest and fiscal charges	11,936,234	5,314,873
Total expenses	191,940,102	133,600,217
Change in net position	3,661,052	50,522,979
Net position – beginning, as previously reported	(70,138,204)	(120,661,183)
Change in accounting principle	1,392,903	–
Net position – beginning, as restated	(68,745,301)	(120,661,183)
Net position – ending	\$ (65,084,249)	\$ (70,138,204)

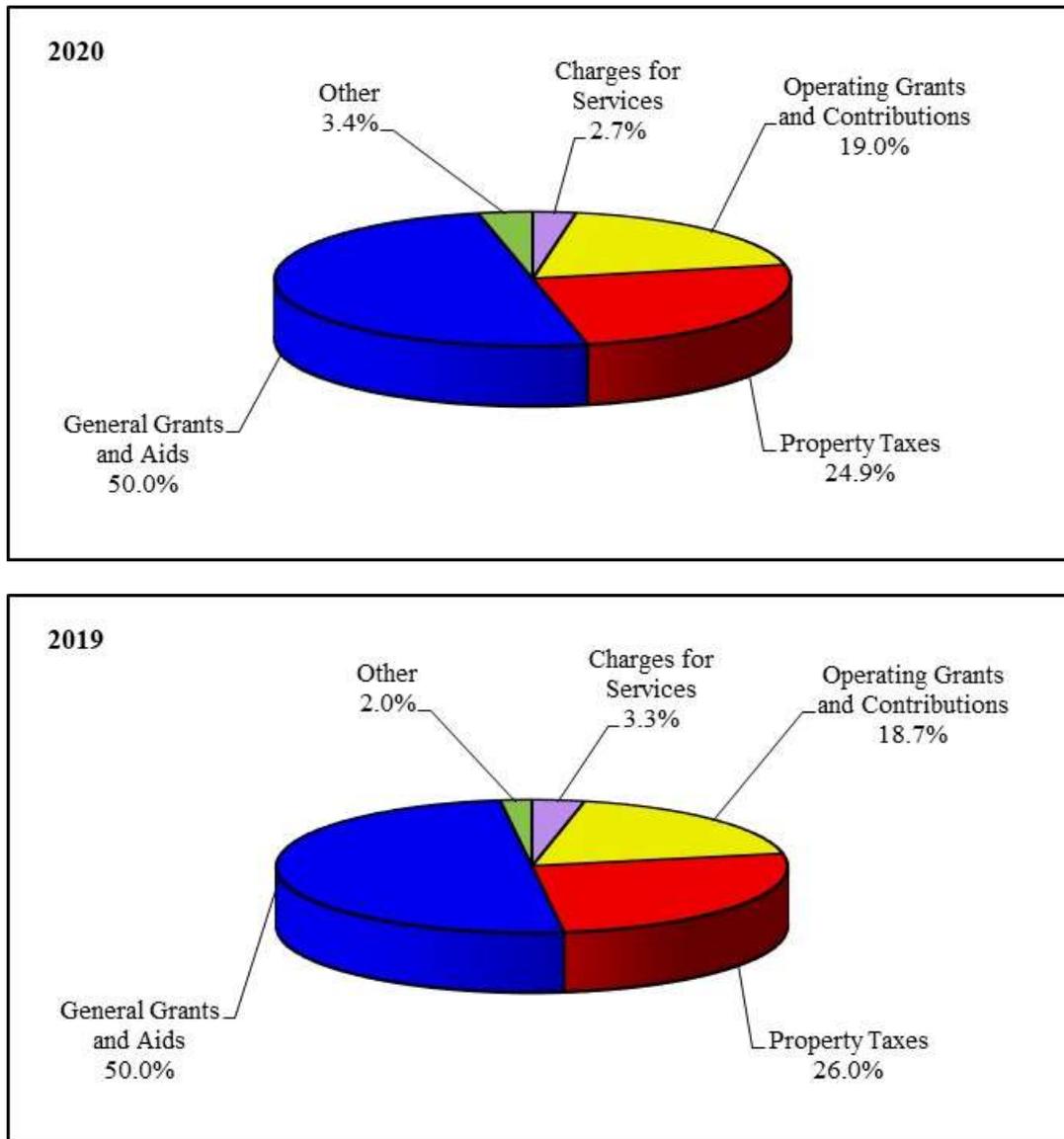
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Governmental activities revenues increased \$11,477,958 (6.2 percent) from the previous year, mainly due to increases in pension pass-through revenue, investment earnings, and improvements in special education funding.

Governmental activities expenses were \$58,339,885 (43.7 percent) higher than last year, mainly due to the change in expenses related to the two state-wide pension plans mentioned earlier, which impact the various functional areas based on relative salary and benefit levels.

Figure A shows further analysis of these revenue sources:

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



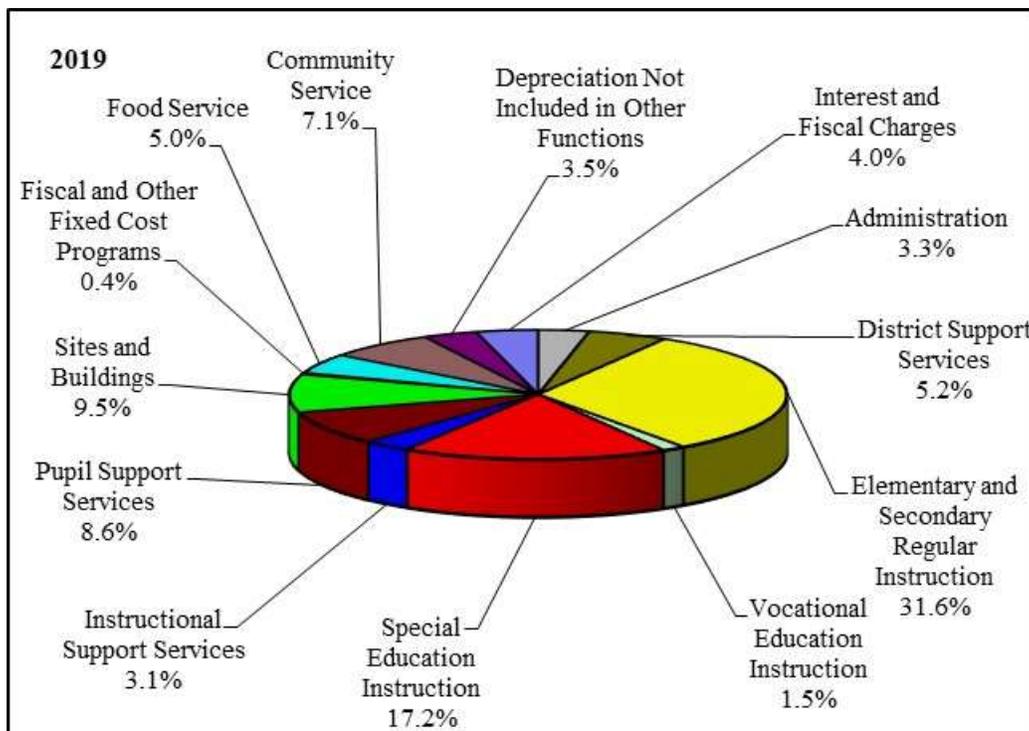
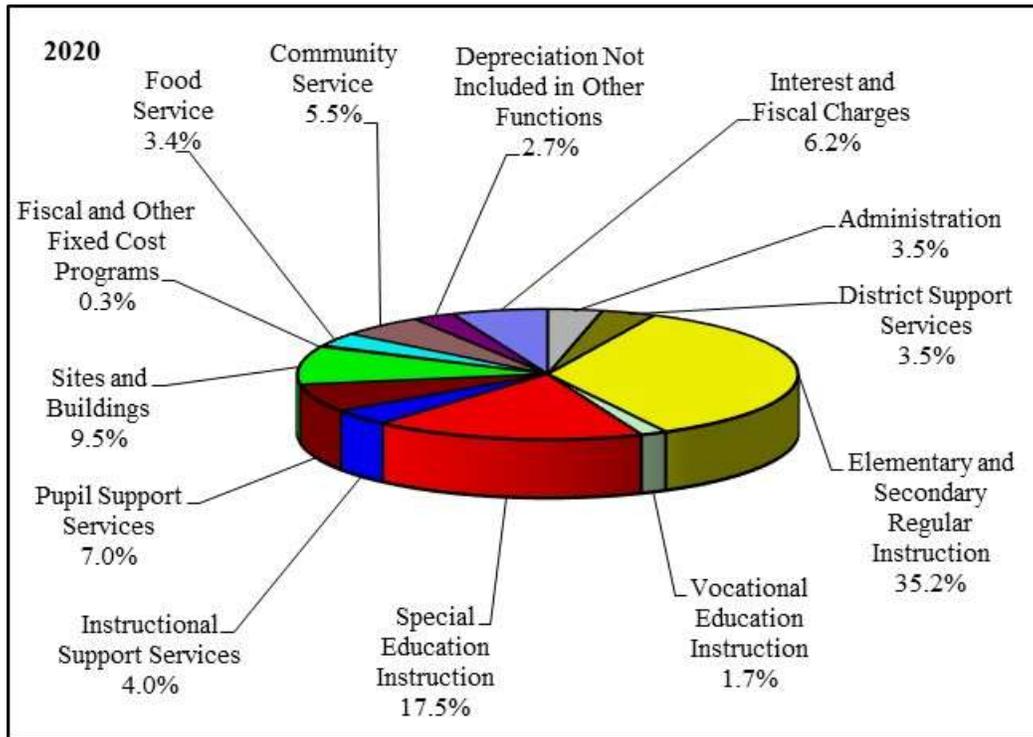
The largest share of the District’s revenue is received from the state, including the basic general education aid and most of the operating grants.

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

The decrease in charges for services from the prior year was directly related to the COVID-19 pandemic, which caused the cancellation of numerous activities beginning in March through the end of the fiscal year.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2020 and 2019



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

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

The increase in interest and fiscal charges relates to bonds issued in recent years.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Major funds			
General	\$ 38,412,433	\$ 32,280,838	\$ 6,131,595
Capital Projects – Building Construction	257,413,206	40,189,225	217,223,981
Debt Service			
Regular	3,686,693	2,592,721	1,093,972
OPEB	613,006	572,826	40,180
Nonmajor funds			
Food Service Special Revenue	2,166,502	1,683,321	483,181
Community Service Special Revenue	<u>2,727,058</u>	<u>3,294,150</u>	<u>(567,092)</u>
 Total governmental funds	 <u>\$305,018,898</u>	 <u>\$ 80,613,081</u>	 <u>\$224,405,817</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, 2020, the District's governmental funds reported combined fund balances of \$305,018,898, an increase of \$224,405,817 in comparison with the prior year (including the change in accounting principle). Of this amount, \$22,364,537 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either not in spendable form totaling \$683,227, restricted for particular purposes totaling \$280,343,801, or assigned for particular purposes totaling \$1,627,333.

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

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 150,424,612</u>	<u>\$ 155,485,408</u>	<u>\$ 5,060,796</u>	<u>3.4%</u>
Expenditures	<u>\$ 150,371,896</u>	<u>\$ 154,177,907</u>	<u>\$ 3,806,011</u>	<u>2.5%</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 amends the budget for known changes in circumstances, such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

	<u>2020 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 158,836,513	\$ 3,351,105	2.2%	\$ 3,567,075	2.3%
Expenditures and other financing uses	<u>154,040,147</u>	<u>(137,760)</u>	(0.1%)	<u>5,611,277</u>	3.8%
Net change in fund balances	<u>\$ 4,796,366</u>	<u>\$ 3,488,865</u>		<u>\$ (2,044,202)</u>	

The fund balance of the General Fund increased \$4,796,366 from the prior year (excluding the change in accounting principle), compared to a \$1,307,501 increase planned in the budget.

General Fund revenues and other financing sources were 2.2 percent over budget, primarily due to state special education aid and the impacts of the current year student and trust fund activity flowing through this fund after the change in accounting principle was implemented. The revenue growth over the prior year was due to an increase in state special education aid and the student and trust accounts being reported within the General Fund in the current year, which resulted from the change in accounting principle.

General Fund expenditures and other financing uses were 0.1 percent under budget, primarily due to planned activities that did not occur due to the COVID-19 pandemic. Expenditures increased from the prior year, due to contractual salary and benefit increases and the purchase of additional buses.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

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. This fund ended the year with a fund balance increase of \$217,223,981, due to the issuance of \$195,050,000 General Obligation School Building Bonds and \$61,325,000 General Obligation Facilities Maintenance Bonds. At June 30, 2020, this fund had a fund balance of \$257,413,206 restricted for long-term facilities maintenance (\$76,832,054), and capital projects (\$180,581,152) for future construction in accordance with the District's Facilities Plan.

Debt Service Fund

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,134,152 in the current year. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The District issued \$7,040,000 of refunding bonds that were used to refund outstanding debt in the current year in order to reduce future debt service costs for district taxpayers. The remaining fund balance of \$4,299,699 at June 30, 2020 is available for meeting future debt service obligations.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues and other financing sources exceeding expenditures, increasing equity by \$457,697 (excluding the change in accounting principle), compared to a planned fund balance decrease of \$495,732. Revenues were \$213,632 more than anticipated in the budget, mainly in state sources, due to additional funding received for the summer food service program. Expenditures were \$665,394 less than expected, mainly in supplies and materials, due to lower food costs than anticipated. As of June 30, 2020, the fund balance increased to 32.8 percent of expenditures.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by \$599,282 (excluding the change in accounting principle), compared to a planned fund balance decrease of \$827,215. Revenues exceeded budget by \$240,312, due to an increase in state grants, while expenditures ended the year \$12,379 over budget. As of June 30, 2020, the fund balance decreased to 26.3 percent of expenditures. This decrease was mainly caused by a decrease in program participation, due to COVID-19.

Internal Service Fund

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 one Internal Service Fund, which is used to account for the District's self-insured health insurance activities.

Operating revenues for the Internal Service Fund for fiscal 2020 totaled \$19,489,180, while operating expenses totaled \$18,184,099.

The net position for the Internal Service Fund as of June 30, 2020 was \$5,691,883, which represents a \$1,386,006 increase from the prior year. This increase is a direct result of medical expenses being lower than insurance premiums. This decrease in medical expenses is due to individuals postponing medical assistance due to the COVID-19 pandemic. As of June 30, 2020, the net position represents 31.3 percent of operating expenses.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

	2020	2019	Change
Land	\$ 19,577,877	\$ 19,577,877	\$ -
Construction in progress	22,400,164	23,120,257	(720,093)
Land improvements	12,621,784	11,009,255	1,612,529
Buildings and improvements	207,703,579	162,651,413	45,052,166
Furniture and equipment	21,698,060	22,031,408	(333,348)
Less accumulated depreciation	<u>(102,627,965)</u>	<u>(98,392,675)</u>	<u>(4,235,290)</u>
Total	<u>\$ 181,373,499</u>	<u>\$ 139,997,535</u>	<u>\$ 41,375,964</u>
Depreciation expense	<u>\$ 6,533,754</u>	<u>\$ 6,043,637</u>	<u>\$ 490,117</u>

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

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

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, together with the change from the prior year:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General obligation bonds payable	\$ 366,000,000	\$ 121,610,000	\$ 244,390,000
Certificates of participation payable	10,035,000	10,780,000	(745,000)
Premium (discount) on bonds payable and certificates of participation payable	13,309,293	5,319,827	7,989,466
Capital lease payable	1,259,342	1,656,344	(397,002)
Net/total pension liability	88,298,760	87,168,022	1,130,738
Net OPEB liability	25,808,173	25,375,348	432,825
Severance benefits payable	3,332,588	3,136,258	196,330
Compensated absences payable	<u>1,672,400</u>	<u>1,526,487</u>	<u>145,913</u>
Total	<u>\$ 509,715,556</u>	<u>\$ 256,572,286</u>	<u>\$ 253,143,270</u>

The increase in general obligation bonds payable and premium/discount is due to the issuance of general obligations bonds during fiscal year 2020.

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

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

District's market value	\$ 9,166,542,200
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,374,981,330</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

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

Given that the path of the COVID-19 pandemic and the resulting economic impact continue to be uncertain, it is not possible to accurately project state revenue and spending into the fiscal year 2022–2023 biennium. However, it is likely that the negative impact of the state budget in the next biennium will be significant, forcing challenges to school district budgets.

The District will continue to respond to this challenge by curtailing expenditures when possible, and is committed to engage staff and community members in future budget discussion, and to consider other options for increasing revenues and containing growth.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. If you have questions about these statements, or need additional information, please contact Randy Anderson, Director of Business Services, Independent School District No. 622, 2520 – East 12th Avenue, North St. Paul, Minnesota 55109. Randy Anderson may also be reached by telephone at (651) 748-7511 or randerson@isd622.org.

BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Net Position
as of June 30, 2020

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

	Governmental Activities	
	2020	2019
Assets		
Cash and temporary investments	\$ 324,994,767	\$ 96,153,729
Receivables		
Current taxes	31,065,061	27,191,850
Delinquent taxes	573,795	523,174
Accounts and interest	1,851,819	744,664
Due from other governmental units	15,708,186	17,018,872
Inventory	501,023	436,579
Prepaid items	187,005	150,615
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	–	7,329,499
Interest receivable for capital asset acquisition	–	68,055
Total restricted assets – temporarily restricted	–	7,397,554
Capital assets		
Not depreciated	41,978,041	42,698,134
Depreciated, net of accumulated depreciation	139,395,458	97,299,401
Total capital assets, net of accumulated depreciation	181,373,499	139,997,535
Total assets	556,255,155	289,614,572
Deferred outflows of resources		
Bond refunding deferments	162,594	182,918
OPEB plan deferments	1,159,636	984,682
Pension plan deferments	64,889,073	96,439,566
Total deferred outflows of resources	66,211,303	97,607,166
Total assets and deferred outflows of resources	\$ 622,466,458	\$ 387,221,738
Liabilities		
Salaries payable	\$ 609,060	\$ 663,305
Accounts and contracts payable	9,299,902	15,907,267
Accrued interest payable	7,058,475	2,938,027
Due to other governmental units	2,253,465	2,061,877
Unearned revenue	365,639	453,274
Long-term liabilities		
Due within one year	13,454,858	13,741,684
Due in more than one year	496,260,698	242,830,602
Total long-term liabilities	509,715,556	256,572,286
Total liabilities	529,302,097	278,596,036
Deferred inflows of resources		
Bond refunding deferments	616,045	704,051
Property taxes levied for subsequent year	51,172,896	45,156,351
OPEB plan deferments	3,396,031	3,756,049
Pension plan deferments	103,063,638	129,147,455
Total deferred inflows of resources	158,248,610	178,763,906
Net position		
Net investment in capital assets	60,029,619	54,284,456
Restricted for		
Capital asset acquisition	9,812,524	9,101,239
Debt service	–	376,095
Food service	2,166,502	1,683,321
Community service	2,740,162	3,308,442
Other purposes (state funding restrictions)	4,405,741	3,572,067
Unrestricted	(144,238,797)	(142,463,824)
Total net position	(65,084,249)	(70,138,204)
Total liabilities, deferred inflows of resources, and net position	\$ 622,466,458	\$ 387,221,738

INDEPENDENT SCHOOL DISTRICT NO. 622

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

Functions/Programs	2020		
	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Administration	\$ 6,668,941	\$ -	\$ -
District support services	6,658,582	-	-
Elementary and secondary regular instruction	67,588,760	896,954	2,029,797
Vocational education instruction	3,332,719	-	28,742
Special education instruction	33,575,951	569,089	23,143,329
Instructional support services	7,660,257	-	20,919
Pupil support services	13,469,001	-	289,940
Sites and buildings	18,191,945	15,000	-
Fiscal and other fixed cost programs	627,090	-	-
Food service	6,570,489	1,433,227	5,522,055
Community service	10,489,222	2,417,595	6,094,536
Depreciation not included in other functions (excludes amounts directly allocated)	5,170,911	-	-
Interest and fiscal charges	11,936,234	-	-
Total governmental activities	\$ 191,940,102	\$ 5,331,865	\$ 37,129,318
General revenues			
Taxes			
Property taxes levied for general purposes			
Property taxes levied for capital projects			
Property taxes levied for community service			
Property taxes levied for debt service			
General grants and aids			
Other general revenues			
Investment earnings			
Total general revenues			
Change in net position			
Net position – beginning, as previously reported			
Change in accounting principle			
Net position – beginning, as restated			
Net position – ending			

	2019	
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Governmental Activities	
\$ (6,668,941)	\$ (4,423,233)	
(6,658,582)	(6,907,285)	
(64,662,009)	(39,283,716)	
(3,303,977)	(1,961,301)	
(9,863,533)	(1,491,253)	
(7,639,338)	(4,171,151)	
(13,179,061)	(11,192,442)	
(18,176,945)	(12,649,060)	
(627,090)	(579,213)	
384,793	300,969	
(1,977,091)	(670,872)	
(5,170,911)	(4,703,063)	
<u>(11,936,234)</u>	<u>(5,314,873)</u>	
(149,478,919)	(93,046,493)	
31,668,746	31,837,809	
–	2,016,746	
1,169,525	1,224,887	
15,835,212	12,758,290	
97,804,719	92,067,945	
2,600,958	1,360,208	
4,060,811	2,303,587	
<u>153,139,971</u>	<u>143,569,472</u>	
3,661,052	50,522,979	
(70,138,204)	(120,661,183)	
1,392,903	–	
<u>(68,745,301)</u>	<u>(120,661,183)</u>	
<u>\$ (65,084,249)</u>	<u>\$ (70,138,204)</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

Balance Sheet
 Governmental Funds
 as of June 30, 2020
 (With Partial Comparative Information as of June 30, 2019)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 35,827,063	\$ 262,433,571	\$ 14,505,799
Cash and investments held by trustee	–	–	–
Receivables			
Current taxes	16,864,025	–	13,458,286
Delinquent taxes	389,897	–	168,121
Accounts and interest	275,055	1,498,080	–
Due from other governmental units	13,999,622	–	75,289
Inventory	20,647	–	–
Prepaid items	181,651	–	–
	<u>67,557,960</u>	<u>263,931,651</u>	<u>28,207,495</u>
	<u>\$ 67,557,960</u>	<u>\$ 263,931,651</u>	<u>\$ 28,207,495</u>
Liabilities			
Salaries payable	\$ 504,833	\$ 853	\$ –
Accounts and contracts payable	952,057	6,517,592	546
Due to other governmental units	1,278,224	–	–
Unearned revenue	–	–	–
	<u>2,735,114</u>	<u>6,518,445</u>	<u>546</u>
	<u>2,735,114</u>	<u>6,518,445</u>	<u>546</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	323,143	–	133,666
Property taxes levied for subsequent year	26,087,270	–	23,773,584
	<u>26,410,413</u>	<u>–</u>	<u>23,907,250</u>
	<u>26,410,413</u>	<u>–</u>	<u>23,907,250</u>
Fund balances			
Nonspendable	202,298	–	–
Restricted	14,218,265	257,413,206	4,299,699
Assigned	1,627,333	–	–
Unassigned	22,364,537	–	–
	<u>38,412,433</u>	<u>257,413,206</u>	<u>4,299,699</u>
	<u>38,412,433</u>	<u>257,413,206</u>	<u>4,299,699</u>
	<u>\$ 67,557,960</u>	<u>\$ 263,931,651</u>	<u>\$ 28,207,495</u>
	<u>\$ 67,557,960</u>	<u>\$ 263,931,651</u>	<u>\$ 28,207,495</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 67,557,960</u>	<u>\$ 263,931,651</u>	<u>\$ 28,207,495</u>
	<u>\$ 67,557,960</u>	<u>\$ 263,931,651</u>	<u>\$ 28,207,495</u>

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 5,024,357	\$ 317,790,790	\$ 90,179,962
–	–	7,329,499
742,750	31,065,061	27,191,850
15,777	573,795	523,174
78,684	1,851,819	812,719
1,633,275	15,708,186	17,018,872
480,376	501,023	436,579
553	182,204	150,615
<u>\$ 7,975,772</u>	<u>\$ 367,672,878</u>	<u>\$ 143,643,270</u>
\$ 103,374	\$ 609,060	\$ 663,305
312,812	7,783,007	14,239,377
975,241	2,253,465	2,061,877
365,639	365,639	453,274
<u>1,757,066</u>	<u>11,011,171</u>	<u>17,417,833</u>
13,104	469,913	456,005
1,312,042	51,172,896	45,156,351
<u>1,325,146</u>	<u>51,642,809</u>	<u>45,612,356</u>
480,929	683,227	587,194
4,412,631	280,343,801	60,586,470
–	1,627,333	–
–	22,364,537	19,439,417
<u>4,893,560</u>	<u>305,018,898</u>	<u>80,613,081</u>
<u>\$ 7,975,772</u>	<u>\$ 367,672,878</u>	<u>\$ 143,643,270</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Total fund balances – governmental funds	\$ 305,018,898	\$ 80,613,081
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	284,001,464	238,390,210
Accumulated depreciation	(102,627,965)	(98,392,675)
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	(366,000,000)	(121,610,000)
Certificates of participation payable	(10,035,000)	(10,780,000)
Premiums and discounts on debt	(13,309,293)	(5,319,827)
Capital leases payable	(1,259,342)	(1,656,344)
Net/total pension liability	(88,298,760)	(87,168,022)
Net OPEB liability	(25,808,173)	(25,375,348)
Severance benefits payable	(3,332,588)	(3,136,258)
Compensated absences payable	(1,672,400)	(1,526,487)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(7,058,475)	(2,938,027)
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 Fund is included in the governmental activities in the Statement of Net Position.	5,691,883	4,305,877
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 – bond refunding deferments	162,594	182,918
Deferred outflows of resources – OPEB plan deferments	1,159,636	984,682
Deferred outflows of resources – pension plan deferments	64,889,073	96,439,566
Deferred inflows of resources – bond refunding deferments	(616,045)	(704,051)
Deferred inflows of resources – OPEB plan deferments	(3,396,031)	(3,756,049)
Deferred inflows of resources – pension plan deferments	(103,063,638)	(129,147,455)
Deferred inflows of resources – unavailable revenue – delinquent taxes	469,913	456,005
Total net position – governmental activities	<u>\$ (65,084,249)</u>	<u>\$ (70,138,204)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Revenue			
Local sources			
Property taxes	\$ 31,638,741	\$ –	\$ 15,850,121
Investment earnings	649,465	3,038,320	188,560
Other	4,086,695	–	–
State sources	117,877,943	–	766,061
Federal sources	4,567,381	–	73,994
Total revenue	<u>158,820,225</u>	<u>3,038,320</u>	<u>16,878,736</u>
Expenditures			
Current			
Administration	6,398,476	–	–
District support services	6,592,282	–	–
Elementary and secondary regular instruction	64,129,244	–	–
Vocational education instruction	3,199,061	–	–
Special education instruction	32,296,691	–	–
Instructional support services	7,125,288	–	–
Pupil support services	13,874,495	–	–
Sites and buildings	18,054,395	–	–
Fiscal and other fixed cost programs	627,090	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	46,581,641	–
Debt service			
Principal	1,142,002	–	10,875,000
Interest and fiscal charges	526,720	2,872,341	5,399,074
Total expenditures	<u>153,965,744</u>	<u>49,453,982</u>	<u>16,274,074</u>
Excess (deficiency) of revenue over expenditures	4,854,481	(46,415,662)	604,662
Other financing sources (uses)			
Capital lease issued	–	–	–
Sale of assets	16,288	–	–
Debt issued	–	255,906,500	468,500
Certificates of participation issued	–	–	–
Refunding debt issued	–	–	7,040,000
Premium on debt issued	–	7,733,143	1,170,990
Payment on refunded debt	–	–	(8,150,000)
Transfers in	–	–	–
Transfers (out)	(74,403)	–	–
Total other financing sources (uses)	<u>(58,115)</u>	<u>263,639,643</u>	<u>529,490</u>
Net change in fund balances	4,796,366	217,223,981	1,134,152
Fund balances			
Beginning of year, as previously reported	32,280,838	40,189,225	3,165,547
Change in accounting principle	1,335,229	–	–
Beginning of year, as restated	<u>33,616,067</u>	<u>40,189,225</u>	<u>3,165,547</u>
End of year	<u>\$ 38,412,433</u>	<u>\$ 257,413,206</u>	<u>\$ 4,299,699</u>

Nonmajor Funds	Total Governmental Funds	
	2020	2019
\$ 1,170,713	\$ 48,659,575	\$ 47,730,721
103,541	3,979,886	2,200,477
3,850,822	7,937,517	7,548,353
6,140,168	124,784,172	121,475,797
5,476,423	10,117,798	9,679,362
<u>16,741,667</u>	<u>195,478,948</u>	<u>188,634,710</u>
–	6,398,476	6,123,786
–	6,592,282	7,033,681
–	64,129,244	61,855,615
–	3,199,061	2,856,573
–	32,296,691	30,833,016
–	7,125,288	7,313,652
–	13,874,495	13,062,086
–	18,054,395	17,341,987
–	627,090	579,213
6,477,956	6,477,956	6,590,513
10,278,737	10,278,737	10,330,248
200,962	46,782,603	22,816,994
–	12,017,002	11,496,478
–	8,798,135	4,472,612
<u>16,957,655</u>	<u>236,651,455</u>	<u>202,706,454</u>
(215,988)	(41,172,507)	(14,071,744)
–	–	853,607
–	16,288	17,962
–	256,375,000	50,925,000
–	–	9,405,000
–	7,040,000	17,515,000
–	8,904,133	955,346
–	(8,150,000)	(17,805,000)
74,403	74,403	–
–	(74,403)	–
<u>74,403</u>	<u>264,185,421</u>	<u>61,866,915</u>
(141,585)	223,012,914	47,795,171
4,977,471	80,613,081	32,817,910
57,674	1,392,903	–
<u>5,035,145</u>	<u>82,005,984</u>	<u>32,817,910</u>
<u>\$ 4,893,560</u>	<u>\$ 305,018,898</u>	<u>\$ 80,613,081</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2020</u>	<u>2019</u>
Total net change in fund balances – governmental funds.	\$ 223,012,914	\$ 47,795,171
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	47,996,480	29,010,714
Depreciation expense	(6,533,754)	(6,043,637)
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.		
	(86,762)	(11,849)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(256,375,000)	(50,925,000)
Certificates of participation payable	–	(9,405,000)
Refunding bonds payable	(7,040,000)	(17,515,000)
Capital lease payable	–	(853,607)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	19,025,000	27,985,000
Certificates of participation payable	745,000	915,000
Capital lease payable	397,002	401,478
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.		
	(4,120,448)	(1,419,993)
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.		
	(7,989,466)	(445,296)
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/total pension liability	(1,130,738)	149,892,596
Net OPEB liability	(432,825)	(811,464)
Severance benefits payable	(196,330)	(250,504)
Compensated absences payable	(145,913)	(63,004)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	1,386,006	(1,120,237)
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 – bond refunding deferments	(20,324)	(20,324)
Deferred outflows of resources – OPEB plan deferments	174,954	858,082
Deferred outflows of resources – pension plan deferments	(31,550,493)	(32,606,891)
Deferred inflows of resources – bond refunding deferments	88,006	88,006
Deferred inflows of resources – OPEB plan deferments	360,018	469,507
Deferred inflows of resources – pension plan deferments	26,083,817	(85,507,780)
Deferred inflows of resources – unavailable revenue – delinquent taxes	13,908	107,011
Change in net position – governmental activities	<u>\$ 3,661,052</u>	<u>\$ 50,522,979</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 27,904,838	\$ 31,120,899	\$ 31,638,741	\$ 517,842
Investment earnings	352,000	650,000	649,465	(535)
Other	3,785,200	2,990,405	4,086,695	1,096,290
State sources	113,739,574	116,081,104	117,877,943	1,796,839
Federal sources	4,643,000	4,643,000	4,567,381	(75,619)
Total revenue	<u>150,424,612</u>	<u>155,485,408</u>	<u>158,820,225</u>	<u>3,334,817</u>
Expenditures				
Current				
Administration	5,925,777	6,232,363	6,398,476	166,113
District support services	6,207,171	6,947,077	6,592,282	(354,795)
Elementary and secondary regular instruction	67,196,407	65,795,620	64,129,244	(1,666,376)
Vocational education instruction	2,861,106	2,823,898	3,199,061	375,163
Special education instruction	30,529,347	30,693,997	32,296,691	1,602,694
Instructional support services	7,561,626	7,740,411	7,125,288	(615,123)
Pupil support services	14,324,394	14,097,691	13,874,495	(223,196)
Sites and buildings	13,732,008	17,610,290	18,054,395	444,105
Fiscal and other fixed cost programs	550,000	567,500	627,090	59,590
Debt service				
Principal	980,818	1,140,818	1,142,002	1,184
Interest and fiscal charges	503,242	528,242	526,720	(1,522)
Total expenditures	<u>150,371,896</u>	<u>154,177,907</u>	<u>153,965,744</u>	<u>(212,163)</u>
Excess of revenue over expenditures	52,716	1,307,501	4,854,481	3,546,980
Other financing sources (uses)				
Sale of assets	—	—	16,288	16,288
Transfers (out)	—	—	(74,403)	(74,403)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(58,115)</u>	<u>(58,115)</u>
Net change in fund balances	<u>\$ 52,716</u>	<u>\$ 1,307,501</u>	4,796,366	<u>\$ 3,488,865</u>
Fund balances				
Beginning of year, as previously reported			32,280,838	
Change in accounting principle			<u>1,335,229</u>	
Beginning of year, as restated			<u>33,616,067</u>	
End of year			<u>\$ 38,412,433</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and temporary investments	\$ 7,203,977	\$ 5,973,767
Prepaid items	4,801	-
Total assets	<u>7,208,778</u>	<u>5,973,767</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	23,949	328,400
Claims incurred, but not reported	1,492,946	1,339,490
Total liabilities	<u>1,516,895</u>	<u>1,667,890</u>
Net position		
Unrestricted	<u>\$ 5,691,883</u>	<u>\$ 4,305,877</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2020</u>	<u>2019</u>
Operating revenue		
Charges for services	\$ 19,489,180	\$ 17,691,095
Operating expenses		
Claims and settlements	17,181,543	17,759,991
Fees and stop-loss	<u>1,002,556</u>	<u>1,154,451</u>
Total operating expenses	<u>18,184,099</u>	<u>18,914,442</u>
Operating income (loss)	1,305,081	(1,223,347)
Nonoperating revenue		
Investment earnings	<u>80,925</u>	<u>103,110</u>
Change in net position	1,386,006	(1,120,237)
Net position		
Beginning of year	<u>4,305,877</u>	<u>5,426,114</u>
End of year	<u>\$ 5,691,883</u>	<u>\$ 4,305,877</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 19,489,180	\$ 17,691,095
Payments for health claims	(17,337,339)	(17,322,937)
Payments for fees and stop-loss	(1,002,556)	(1,154,451)
Net cash flows from operating activities	<u>1,149,285</u>	<u>(786,293)</u>
Cash flows from investing activities		
Investment income received	<u>80,925</u>	<u>103,110</u>
Net change in cash and cash equivalents	1,230,210	(683,183)
Cash and cash equivalents		
Beginning of year	<u>5,973,767</u>	<u>6,656,950</u>
End of year	<u>\$ 7,203,977</u>	<u>\$ 5,973,767</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 1,305,081	\$ (1,223,347)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Prepaid items	(4,801)	-
Accounts and contracts payable	(304,451)	188,453
Claims incurred, but not reported	<u>153,456</u>	<u>248,601</u>
Net cash flows from operating activities	<u>\$ 1,149,285</u>	<u>\$ (786,293)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Fiduciary Net Position
as of June 30, 2020

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Assets		
Cash and temporary investments	\$ —	\$ 2,808,701
Investments, at fair value		
Local government obligations	—	7,385,114
MNTrust Investment Shares Portfolio	—	1,557,407
Investment pools/mutual funds	—	1,257,455
Receivables		
Accounts and interest	—	182,053
Total assets	<u> </u>	<u> 13,190,730</u>
Net position		
Held in trust for OPEB	<u> </u>	<u> \$ 13,190,730</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2020

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u> </u>	<u> </u>
Additions		
Contributions		
Employee	\$ —	\$ 1,134,151
Investment earnings		
Total investment earnings	—	331,375
Less investment expense	—	18,485
Net investment earnings	<u> —</u>	<u> 312,890</u>
Total additions	<u> —</u>	<u> 1,447,041</u>
Deductions		
Benefits paid to plan members	<u> —</u>	<u> 1,134,151</u>
Change in net position	—	312,890
Net position		
Beginning of year, as previously reported	1,248,835	12,877,840
Change in accounting principle	<u>(1,248,835)</u>	<u> —</u>
Beginning of year, as restated	<u> —</u>	<u> 12,877,840</u>
End of year	<u><u> —</u></u>	<u><u> 13,190,730</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Basic Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 622 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 (the 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. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial statement of the Proprietary Fund (Internal Service Fund) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust. 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, this fund is excluded from the government-wide financial statements.

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

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. Revenues are generally considered as available if 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. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Fund – 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 to pay principal, interest, and related costs on the 2018D Taxable OPEB Refunding Bond issue.

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 Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District’s Internal Service Fund is used to account for health insurance offered by the District to its employees as a self-insured plan.

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund was used to account for scholarship activity and other purposes in previous years that was moved to the General Fund through a change in accounting principle in the current year.

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. Budgetary Information

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is 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. Expenditures in the Community Service Special Revenue Fund and Capital Projects – Building Construction Fund exceeded budgeted appropriations by \$12,379 and \$4,516,641, respectively. The excess expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with revenues in excess of budget, other financing sources, or available fund balances.

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.

Earnings from the investments of the Capital Projects – Building Construction Fund are allocated specifically to that fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. 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 a cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date. Guaranteed investment contracts are valued on a cost-basis measure and, therefore, are not subject to the fair value disclosure.

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 delinquent property taxes receivable.

At June 30, 2020, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 14,216,578
Due from other Minnesota school districts	615,953
Due from Ramsey County	853,428
Due from other governmental units	<u>22,227</u>
Total due from other governmental units	<u>\$ 15,708,186</u>

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

The majority of district revenue 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 \$3,399,641 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as 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. No allowance for uncollectible taxes is considered necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated 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 is not capitalized.

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

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.

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. 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.

M. Compensated Absences Payable

- 1. Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when it has matured, due to employee termination or similar circumstances.
- 2. Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members of certain employee groups may also elect to receive district matching contributions paid into tax-deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total contributions made to such a plan over the course of that individual's employment. Severance or retirement benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

The amount of severance 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 becomes due and payable.

O. State-Wide Pension Plans

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

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

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

P. Other Post-Employment Benefits (OPEB) Plan

The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for 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.

Q. 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 insurance coverage in fiscal 2020.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under these plans, the Internal Service Fund provides coverage to participating employees and their dependents for various healthcare costs as described in the plans.

The District makes premium payments to the Internal Service Fund on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2019	\$ 1,090,889	\$ 17,571,538	\$ 17,322,937	\$ 1,339,490
2020	\$ 1,339,490	\$ 17,490,795	\$ 17,337,339	\$ 1,492,946

R. Net Position

In the government-wide, internal service, and fiduciary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflow 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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 the School Board resolution, the District’s director of business services is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

T. 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 bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The District also reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, 2019, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

W. Change in Accounting Principle

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in the presentation of the District's extracurricular student activity accounts in the General Fund and its governmental activities, rather than excluding them from the reporting entity as it has in the past. The District previously presented a private-purpose trust fund for scholarship and other activity, which has also been combined into the General, Food Service Special Revenue, and Community Service Special Revenue Funds, and its governmental activities. The standard required retroactive implementation, which resulted in increases of \$1,335,229, \$25,484, and \$32,190 in the fund balances in the General, Food Service Special Revenue, and Community Service Special Revenue Funds, respectively, and net position of governmental activities as of July 1, 2019, and a decrease in the net position of the previously reported Private-Purpose Trust Fund of \$1,248,835.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 163,365,765
Investments	174,634,281
Cash on hand	<u>3,398</u>
Total	<u>\$ 338,003,444</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 324,994,767
Statement of Fiduciary Net Position	
Cash and temporary investments	
Post-Employment Benefits Trust Fund	2,808,701
Investments	
Post-Employment Benefits Trust Fund	<u>10,199,976</u>
Total	<u>\$ 338,003,444</u>

B. Deposits

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

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 policy does not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$163,365,765, while the balance on the bank records was \$170,081,529. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
Local government obligations	AAA	S&P	Level 2	\$ 2,043,160	\$ 3,578,815	\$ 5,621,975
Local government obligations	Aaa	Moody's	Level 2	\$ –	\$ 322,710	322,710
Local government obligations	AA	S&P	Level 2	\$ 5,517,255	\$ 10,109,600	15,626,855
Local government obligations	Aa	Moody's	Level 2	\$ 1,545,831	\$ 3,837,774	5,383,605
Guaranteed investment contract	N/R	N/A	N/A	\$ 146,635	\$ –	146,635
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 1,458,542	\$ 2,025,398	3,483,940
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund – Liquid Class	AAA	S&P	N/A	N/A	N/A	55,380
Minnesota School District Liquid Asset Fund – MAX Class	AAA	S&P	N/A	N/A	N/A	324,251
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	59,443,232
MNTrust Term Series	N/R	N/A	N/A	\$ 75,600,000	\$ –	75,600,000
MNTrust Limited Term Duration	AAA	S&P	N/A	N/A	N/A	7,368,117
First American Government Obligations Fund	AAA	S&P	Level 1	N/A	N/A	126
Goldman Sachs Government Institutional Fund	AAA	S&P	Level 3	N/A	N/A	6,036
Vanguard Total Bond Market ETF	N/R	N/A	Level 1	N/A	N/A	3,092
Vanguard Total Stock Market ETF	N/R	N/A	Level 1	N/A	N/A	1,248,327
Total						<u>\$ 174,634,281</u>

N/A – Not Applicable
N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Term Series, and MNTrust Limited Term Duration are regulated by Minnesota Statutes and are external investment pools not registered with the Securities and Exchange Commission. The District's investment in these investment pools is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF and MNTrust, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the MSDLAF Liquid Class; the redemption notice period is 14 days for the MSDLAF MAX Class and 7 days for the MNTrust Term Series. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require 7-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the MNTrust Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.

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

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

At year-end, \$1,257,455 of the District's investments were uninsured and not registered in the District's name, with the securities held by the purchasing agent, or by its trust department or agent, but not in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Post-Employment Benefits Trust Fund – This fund represents investments administered by the District’s OPEB Trust Fund investment managers. The District’s investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse repurchase agreements, and commercial paper if issued by a United States corporation or its Canadian subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency; and in the State Board of Investments. Investments are stated at fair value.

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 assets activity for the year ended June 30, 2020 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 19,577,877	\$ –	\$ –	\$ –	\$ 19,577,877
Construction in progress	23,120,257	45,503,665	–	(46,223,758)	22,400,164
Total capital assets, not depreciated	42,698,134	45,503,665	–	(46,223,758)	41,978,041
Capital assets, depreciated					
Land improvements	11,009,255	–	–	1,612,529	12,621,784
Buildings and improvements	162,651,413	440,937	–	44,611,229	207,703,579
Furniture and equipment	22,031,408	2,051,878	(2,385,226)	–	21,698,060
Total capital assets, depreciated	195,692,076	2,492,815	(2,385,226)	46,223,758	242,023,423
Less accumulated depreciation for					
Land improvements	(4,444,993)	(525,316)	–	–	(4,970,309)
Buildings and improvements	(80,496,002)	(4,494,065)	–	–	(84,990,067)
Furniture and equipment	(13,451,680)	(1,514,373)	2,298,464	–	(12,667,589)
Total accumulated depreciation	(98,392,675)	(6,533,754)	2,298,464	–	(102,627,965)
Net capital assets, depreciated	97,299,401	(4,040,939)	(86,762)	46,223,758	139,395,458
Total capital assets, net	<u>\$ 139,997,535</u>	<u>\$ 41,462,726</u>	<u>\$ (86,762)</u>	<u>\$ –</u>	<u>\$ 181,373,499</u>

Depreciation expense for the year ended June 30, 2020 was charged to the following governmental functions:

Elementary and secondary regular instruction	\$ 93,205
Special education instruction	30,795
Pupil support services	1,112,734
Food service	126,109
Depreciation not included in other functions	<u>5,170,911</u>
Total depreciation expense	<u>\$ 6,533,754</u>

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	Original Issue	Amounts of Installments	Remaining Maturities	Principal Outstanding
General obligation bonds payable						
2010C Crossover Refunding Bonds	10/28/2010	3.00–3.20%	\$ 4,750,000	\$415,000–\$470,000	02/01/2021–02/01/2024	\$ 1,805,000
2012A Refunding Bonds	04/25/2012	2.00–2.38%	8,955,000	800,000–910,000	02/01/2021–02/01/2025	4,325,000
2012B Alternative Facility Refunding Bonds	10/25/2012	2.13–3.00%	9,505,000	770,000–895,000	02/01/2021–02/01/2027	5,860,000
2016A Refunding Bonds	11/17/2016	5.00%	34,050,000	260,000–5,200,000	02/01/2021–02/01/2027	19,295,000
2017A Alternative Facility Refunding Bonds	05/18/2017	3.00%	6,600,000	575,000–760,000	02/01/2021–02/01/2028	5,320,000
2018A Facilities Maintenance Bonds	09/13/2018	3.00–5.00%	44,885,000	210,000–5,485,000	02/01/2026–02/01/2039	44,885,000
2018B Capital Facilities and Tax Abatement Bonds	09/13/2018	3.00%	6,040,000	510,000–690,000	02/01/2021–02/01/2029	5,530,000
2018D Taxable OPEB Refunding Bonds	11/15/2018	2.90–3.60%	13,985,000	1,595,000–1,935,000	02/01/2021–02/01/2027	12,300,000
2018E Alternative Facilities Refunding Bonds	11/15/2018	4.00–5.00%	3,530,000	265,000–445,000	02/01/2021–02/01/2029	3,265,000
2019A School Building Bonds	11/14/2019	3.00–5.00%	195,050,000	1,375,000–24,925,000	02/01/2022, 02/01/2030–02/01/2046	195,050,000
2019B Facilities Maintenance Bonds	11/14/2019	3.00–5.00%	61,325,000	325,000–5,295,000	02/01/2022–02/01/2042	61,325,000
2019C Alternative Facility Refunding Bond	11/14/2019	4.00–5.00%	7,040,000	415,000–845,000	02/01/2021–02/01/2031	7,040,000
Total general obligation bonds payable						<u>\$ 366,000,000</u>

These bonds were issued to finance acquisition and/or construction of capital facilities, to finance (refund) 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 are equal to 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.

In November 2019, the District issued \$7,040,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2019C. The proceeds of this issue were used to refund, in advance of their stated maturities, the remaining maturities of the District’s General Obligation Alternative Facility Bonds, Series 2010A and 2011A. This current refunding reduced the District’s total future debt service payments by \$426,958, and resulted in a present value savings of approximately \$379,972. The difference between the carrying amount of the refunded debt and its reacquisition price was not material, and was included in current year expense on the government-wide financial statements.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
2010B Certificates of Participation	09/30/2010	2.00–3.50%	\$ 2,500,000	02/01/2025	\$ 1,010,000
2018C Certificates of Participation	09/13/2018	3.00–4.00%	\$ 9,405,000	02/01/2034	9,025,000
Total certificates of participation payable					<u>\$ 10,035,000</u>

The District sold certificates of participation under Minnesota Statutes § 123B.51 and § 465.71 to finance additions and improvements to existing school facilities or to refund prior certificates of participation issued. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Capital Lease Payable

During fiscal year 2017, the District entered into a capital lease purchase to provide funds to finance the purchase of fiber optic equipment. The total amount of this capital lease was \$1,650,204, at a 2.20 percent interest rate, and a final payment date of June 30, 2023. This lease will be repaid through the General Fund. If the District does not pay the lease payments on the date which payments are due, the District shall pay lessor a charge at the rate of 12.00 percent per annum or the highest lawful rate, whichever is less, from such due date until paid. If the District breaches any term of this agreement, the lessor may require that the District return the equipment and pay any and all amounts which may then be due and payable under the lease, plus all lease payments remaining through the end of the then current fiscal period. The leased asset was recorded at \$1,650,204 (the present value of future minimum lease payments as of the inception date of the lease) as furniture and equipment. Total accumulated depreciation on this asset at June 30, 2020 was \$254,406.

During fiscal year 2019, the District entered into a capital lease purchase to provide funds to finance the purchase of school buses. The total amount of this capital lease was \$853,607, at a 3.65 percent interest rate, and a final payment date of February 15, 2023. This lease will be repaid through the General Fund. The leased asset was recorded at \$853,607 (the present value of future minimum lease payments as of the inception date of the lease) as furniture and equipment. Total accumulated depreciation on this asset at June 30, 2020 was \$183,891.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, OPEB, pension benefits, and compensated absences. 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 a Post-Employment Benefits Trust Fund to finance OPEB obligations.

The District has three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District.

The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2020:

<u>Pension Plans</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
State-wide, multiple-employer – PERA	\$ 19,184,852	\$ 2,464,336	\$ 3,755,398	\$ 1,640,670
State-wide, multiple-employer – TRA	68,750,191	62,403,864	99,030,034	12,447,492
Single-employer – District	363,717	20,873	278,206	(3,097)
Total	<u>\$ 88,298,760</u>	<u>\$ 64,889,073</u>	<u>\$ 103,063,638</u>	<u>\$ 14,085,065</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	\$121,610,000	\$263,415,000	\$ 19,025,000	\$366,000,000	\$ 10,375,000
Certificates of participation payable	10,780,000	–	745,000	10,035,000	705,000
Plus premium (discount)	5,319,827	8,904,133	914,667	13,309,293	–
Total bonds and certificates of participation payable	137,709,827	272,319,133	20,684,667	389,344,293	11,080,000
Capital lease payable	1,656,344	–	397,002	1,259,342	408,167
Net/total pension liability	87,168,022	8,574,260	7,443,522	88,298,760	–
Net OPEB liability	25,375,348	2,122,516	1,689,691	25,808,173	–
Severance benefits payable	3,136,258	345,689	149,359	3,332,588	294,291
Compensated absences payable	1,526,487	1,444,033	1,298,120	1,672,400	1,672,400
	<u>\$256,572,286</u>	<u>\$284,805,631</u>	<u>\$ 31,662,361</u>	<u>\$509,715,556</u>	<u>\$ 13,454,858</u>

F. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 10,375,000	\$ 14,062,066	\$ 705,000	\$ 337,571	\$ 408,167	\$ 32,449
2022	13,105,000	11,822,028	725,000	316,136	419,666	20,950
2023	10,045,000	11,269,188	745,000	293,996	431,509	9,105
2024	10,100,000	10,876,668	770,000	271,046	–	–
2025	9,900,000	10,481,096	800,000	241,506	–	–
2026–2030	36,200,000	47,470,754	3,275,000	819,856	–	–
2031–2035	50,505,000	40,197,875	3,015,000	255,606	–	–
2036–2040	100,890,000	28,238,681	–	–	–	–
2041–2045	117,180,000	11,914,500	–	–	–	–
2046	7,700,000	231,000	–	–	–	–
	<u>\$366,000,000</u>	<u>\$186,563,856</u>	<u>\$ 10,035,000</u>	<u>\$ 2,535,717</u>	<u>\$ 1,259,342</u>	<u>\$ 62,504</u>

NOTE 5 – FUND BALANCES

A. Classifications

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 20,647	\$ –	\$ –	\$ 480,376	\$ 501,023
Prepaid items	181,651	–	–	553	182,204
Total nonspendable	<u>202,298</u>	<u>–</u>	<u>–</u>	<u>480,929</u>	<u>683,227</u>
Restricted					
Student activities	151,033	–	–	–	151,033
Staff development	458,031	–	–	–	458,031
Operating capital	9,812,524	–	–	–	9,812,524
Basic skills	80,538	–	–	–	80,538
Achievement and integration	568,895	–	–	–	568,895
Safe schools	1,756,702	–	–	–	1,756,702
Medical Assistance	1,390,542	–	–	–	1,390,542
Long-term facilities maintenance	–	76,832,054	–	–	76,832,054
Capital projects	–	180,581,152	–	–	180,581,152
Debt service	–	–	3,686,693	–	3,686,693
OPEB debt service	–	–	613,006	–	613,006
Food service	–	–	–	1,686,126	1,686,126
Community education programs	–	–	–	1,809,016	1,809,016
Early childhood family education programs	–	–	–	392,480	392,480
School readiness	–	–	–	326,907	326,907
Adult basic education	–	–	–	195,113	195,113
Community service	–	–	–	2,989	2,989
Total restricted	<u>14,218,265</u>	<u>257,413,206</u>	<u>4,299,699</u>	<u>4,412,631</u>	<u>280,343,801</u>
Assigned					
Subsequent year’s budget	1,627,333	–	–	–	1,627,333
Unassigned					
Long-term facilities maintenance restricted account deficit	(37,183)	–	–	–	(37,183)
Unassigned	<u>22,401,720</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>22,401,720</u>
Total unassigned	<u>22,364,537</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>22,364,537</u>
Total	<u><u>\$ 38,412,433</u></u>	<u><u>\$ 257,413,206</u></u>	<u><u>\$ 4,299,699</u></u>	<u><u>\$ 4,893,560</u></u>	<u><u>\$ 305,018,898</u></u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 8.0 percent to 10.0 percent of the annual budget. At June 30, 2020, the unassigned fund balance of the General Fund (excluding restricted account deficits) was 14.5 percent of current year expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

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 of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent 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 2020 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, 2020, were \$1,927,545. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2020, were \$5,027,197. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$19,184,852 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.3470 percent at the end of the measurement period and 0.3500 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 19,184,852
State’s proportionate share of the net pension liability associated with the District	\$ 596,307

For the year ended June 30, 2020, the District recognized pension expense of \$1,596,012 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$44,658 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 536,791	\$ –
Changes in actuarial assumptions	–	1,527,021
Difference between projected and actual investment earnings	–	1,972,686
Changes in proportion	–	255,691
District’s contributions to the GERF subsequent to the measurement date	<u>1,927,545</u>	<u>–</u>
Total	<u>\$ 2,464,336</u>	<u>\$ 3,755,398</u>

A total of \$1,927,545 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (1,144,449)
2022	\$ (1,675,926)
2023	\$ (429,148)
2024	\$ 30,916

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$68,750,191 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 1.0786 percent at the end of the measurement period and 1.0682 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	\$ 68,750,191
State’s proportionate share of the net pension liability associated with the District	\$ 6,084,429

For the year ended June 30, 2020, the District recognized pension expense of \$11,985,003. It also recognized \$462,489 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ –	\$ 1,661,962
Changes in actuarial assumptions	56,546,091	90,376,969
Difference between projected and actual investment earnings	–	5,651,596
Changes in proportion	830,576	1,339,507
District’s contributions to the TRA subsequent to the measurement date	<u>5,027,197</u>	<u>–</u>
Total	<u>\$ 62,403,864</u>	<u>\$ 99,030,034</u>

A total of \$5,027,197 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ 2,781,125
2022	\$ (682,231)
2023	\$ (25,610,033)
2024	\$ (18,123,645)
2025	\$ (18,583)

E. Actuarial Assumptions

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

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

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

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

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

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

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

The Minnesota State Board of Investment, which manages the investments of the PERA 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90 %
Fixed income	20.0	0.75 %
International equity	17.5	5.30/5.90 %
Cash equivalents	2.0	– %
Total	<u>100.0 %</u>	

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

F. Discount Rate

1. GERF

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

2. TRA

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 31,538,865	\$ 19,184,852	\$ 8,984,160
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 109,604,614	\$ 68,750,191	\$ 35,066,321

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

H. Pension Plan Fiduciary Net Position

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

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

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and the District's contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement. 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 at their cost through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical and dental insurance for some period after retirement. 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.

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

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, 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	585
Active plan members	<u>1,469</u>
Total members	<u><u>2,054</u></u>

E. Net OPEB Liability of the District

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

Total OPEB liability	\$ 38,998,903
Plan fiduciary net position	<u>(13,190,730)</u>
District’s net OPEB liability	<u><u>\$ 25,808,173</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>33.8%</u></u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the entry-age, level percentage of pay actuarial cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.40%
Expected long-term investment return	3.00% (net of investment expenses)
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.50%, grading to 5.00% over 6 years
Dental trend rate	3.00%
Vision trend rate	5.00%
Medicare supplemental trend rate	4.00%

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

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	10.00 %	4.00 %
Fixed income	85.00	3.00 %
Cash	5.00	1.00 %
Total	100.00 %	3.00 %

G. Concentrations

At year-end, the District’s OPEB Plan held investments in Cobb County, Kane County Forest Preserve District, Lexington-Fayette Urban County Government, and State of Utah that represented 5 percent or more of the OPEB Plan’s fiduciary net position.

H. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

I. Discount Rate

The discount rate used to measure the total OPEB liability was 2.40 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 taken into account. The District discount rate used in the prior measurement date was 3.10 percent.

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

J. Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning balance – July 1, 2019	\$ 38,253,188	\$ 12,877,840	\$ 25,375,348
Changes for the year			
Service cost	1,725,232	–	1,725,232
Interest	1,205,112	–	1,205,112
Assumption changes	297,277	–	297,277
Plan changes	(135,589)	–	(135,589)
Contributions – employer	–	1,090,512	(1,090,512)
Contributions – employee	–	1,134,151	(1,134,151)
Projected investment return	–	386,335	(386,335)
Differences between expected and actual experience	(121,654)	(73,445)	(48,209)
Benefit payments – employer-financed	(1,090,512)	(1,090,512)	–
Benefit payments – employee-financed	(1,134,151)	(1,134,151)	–
Total net changes	<u>745,715</u>	<u>312,890</u>	<u>432,825</u>
Ending balance – June 30, 2020	<u>\$ 38,998,903</u>	<u>\$ 13,190,730</u>	<u>\$ 25,808,173</u>

Plan changes since the prior measurement date include the following:

- Only custodians hired before July 1, 2018 and not electing to participate in the Matching Retirement Plan are eligible to receive district paid medical and dental benefits.

Assumption changes since the prior measurement date include the following:

- The expected long-term investment rate was changed from 2.60 percent to 3.00 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.
- The healthcare trend rates, mortality tables, and salary increases were updated.

K. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability 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	1.40%	2.40%	3.40%
Net OPEB liability	\$ 29,660,878	\$ 25,808,173	\$ 22,512,238

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

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

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB healthcare trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
OPEB dental trend rate	2.00%	3.00%	4.00%
OPEB vision trend rate	4.00%	5.00%	6.00%
OPEB Medicare supplement trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 21,435,605	\$ 25,808,173	\$ 31,171,857

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

For the current year ended, the District recognized OPEB expense of \$2,122,516. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 2,964,376
Changes in actuarial assumptions	1,007,249	431,655
Difference between projected and actual investment earnings	152,387	–
	<u>\$ 1,159,636</u>	<u>\$ 3,396,031</u>

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

Year Ending June 30,	OPEB Expense Amount
2021	\$ (285,905)
2022	\$ (327,007)
2023	\$ (327,833)
2024	\$ (344,796)
2025	\$ (359,482)
Thereafter	\$ (591,372)

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance or retirement benefits in excess of one year's salary.

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District. There are no invested plan assets accumulated for payment of future benefits.

C. Membership

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

Retirees and beneficiaries receiving benefits	2
Active plan members	<u>65</u>
Total members	<u><u>67</u></u>

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2019, and a measurement date as of June 30, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.40%
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	Service graded table

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 2.40 percent. The District discount rate used in the prior measurement date was 3.10 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2019	\$ 658,500
Changes for the year	
Service cost	23,798
Interest	20,912
Assumption changes	9,739
Differences between expected and actual economic experience	(333,649)
Benefit payments – employer-financed	(15,583)
Total net changes	<u>(294,783)</u>
Ending balance – June 30, 2020	<u><u>\$ 363,717</u></u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.10 percent to 2.40 percent.
- The mortality tables and salary increases were updated.

G. Total Pension Liability Sensitivity to Discount Rate Changes

The following presents the total pension liability of the District, as well as what the District’s total pension liability 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>
Pension discount rate	1.40%	2.40%	3.40%
Total pension liability	\$ 371,448	\$ 363,717	\$ 355,897

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

For the current year ended, the District recognized a negative pension expense of \$3,097. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 12,050	\$ 278,040
Changes in actuarial assumptions	<u>8,823</u>	<u>166</u>
	<u><u>\$ 20,873</u></u>	<u><u>\$ 278,206</u></u>

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

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

Year Ending June 30,	Pension Expense Amount
2021	\$ (47,807)
2022	\$ (47,805)
2023	\$ (53,751)
2024	\$ (53,985)
2025	\$ (53,985)

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

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

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund and special revenue funds.

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 in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – INTERFUND BALANCES AND TRANSACTIONS

The District transferred \$74,403 from the General Fund to the Food Service Special Revenue Fund to help finance various program costs. Such transfers are eliminated in the government-wide financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Receivables

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.

B. Construction Contracts

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2020 was \$71,310,073.

C. Legal Claims

The District has 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 claims 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 Leases

The District leases buildings and equipment under operating leases that expire through June 30, 2024. Total costs for such leases were \$321,750 for the year ended June 30, 2020. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2021	\$ 228,800
2022	228,800
2023	228,800
2024	19,067
Total	<u>\$ 705,467</u>

NOTE 12 – SUBSEQUENT EVENTS

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

Effective July 1, 2020, the District will be self-insured for dental benefits.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

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

District Fiscal Year-End 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 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	0.4593%	\$ 21,575,613	\$ -	\$ 21,575,613	\$ 24,110,024	89.49%	78.70%
06/30/2016	06/30/2015	0.4116%	\$ 21,331,249	\$ -	\$ 21,331,249	\$ 24,164,168	88.28%	78.20%
06/30/2017	06/30/2016	0.3541%	\$ 28,751,165	\$ 375,475	\$ 29,126,640	\$ 21,939,530	131.05%	68.90%
06/30/2018	06/30/2017	0.3541%	\$ 22,605,512	\$ 284,216	\$ 22,889,728	\$ 22,809,532	99.11%	75.90%
06/30/2019	06/30/2018	0.3500%	\$ 19,416,564	\$ 636,932	\$ 20,053,496	\$ 23,496,733	82.64%	79.50%
06/30/2020	06/30/2019	0.3470%	\$ 19,184,852	\$ 596,307	\$ 19,781,159	\$ 24,554,191	78.13%	80.20%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,784,137	\$ 1,784,137	\$ -	\$ 24,164,168	7.38%
06/30/2016	\$ 1,645,472	\$ 1,645,472	\$ -	\$ 21,939,530	7.50%
06/30/2017	\$ 1,710,720	\$ 1,710,720	\$ -	\$ 22,809,532	7.50%
06/30/2018	\$ 1,762,249	\$ 1,762,249	\$ -	\$ 23,496,733	7.50%
06/30/2019	\$ 1,841,562	\$ 1,841,562	\$ -	\$ 24,554,191	7.50%
06/30/2020	\$ 1,927,545	\$ 1,927,545	\$ -	\$ 25,700,593	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. 622

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.2242%	\$ 56,410,255	\$ 3,968,323	\$ 60,378,578	\$ 55,880,148	100.95%	81.50%
06/30/2016	06/30/2015	1.1144%	\$ 68,936,661	\$ 8,455,794	\$ 77,392,455	\$ 56,560,535	121.88%	76.80%
06/30/2017	06/30/2016	1.0688%	\$254,934,302	\$ 25,589,195	\$280,523,497	\$ 55,599,679	458.52%	44.88%
06/30/2018	06/30/2017	1.0712%	\$213,830,952	\$ 20,669,481	\$234,500,433	\$ 57,658,824	370.86%	51.57%
06/30/2019	06/30/2018	1.0682%	\$ 67,092,958	\$ 6,303,801	\$ 73,396,759	\$ 59,013,621	113.69%	78.07%
06/30/2020	06/30/2019	1.0786%	\$ 68,750,191	\$ 6,084,429	\$ 74,834,620	\$ 61,234,275	112.27%	78.21%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 4,241,912	\$ 4,241,912	\$ -	\$ 56,560,535	7.50%
06/30/2016	\$ 4,169,871	\$ 4,169,871	\$ -	\$ 55,599,679	7.50%
06/30/2017	\$ 4,324,135	\$ 4,324,135	\$ -	\$ 57,658,824	7.50%
06/30/2018	\$ 4,426,203	\$ 4,426,203	\$ -	\$ 59,013,621	7.50%
06/30/2019	\$ 4,720,962	\$ 4,720,962	\$ -	\$ 61,234,275	7.71%
06/30/2020	\$ 5,027,197	\$ 5,027,197	\$ -	\$ 63,346,430	7.94%

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. 622

Pension Benefits Plan
 Schedule of Changes in the District's Total
 Pension Liability and Related Ratios
 Year Ended June 30, 2020

	District Fiscal Year-End Date			
	2017	2018	2019	2020
Total pension liability				
Service cost	\$ 30,840	\$ 22,811	\$ 24,596	\$ 23,798
Interest	20,359	20,199	21,834	20,912
Assumption changes	–	(418)	1,182	9,739
Differences between expected and actual experience	–	30,125	–	(333,649)
Benefit payments	(56,254)	(39,359)	(13,266)	(15,583)
Net change in total pension liability	(5,055)	33,358	34,346	(294,783)
Total pension liability – beginning of year	595,851	590,796	624,154	658,500
Total pension liability – end of year	<u>\$ 590,796</u>	<u>\$ 624,154</u>	<u>\$ 658,500</u>	<u>\$ 363,717</u>
Covered-employee payroll	<u>\$ 4,245,066</u>	<u>\$ 3,252,385</u>	<u>\$ 3,349,956</u>	<u>\$ 2,812,756</u>
Total pension liability as a percentage of covered-employee payroll	<u>13.92%</u>	<u>19.19%</u>	<u>19.66%</u>	<u>12.93%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 73-related benefits.

Note 2: The District implemented GASB Statement No. 73 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. 622

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

	District Fiscal Year-End Date			
	2017	2018	2019	2020
Total OPEB liability				
Service cost	\$ 1,418,232	\$ 1,386,666	\$ 1,513,621	\$ 1,725,232
Interest	1,409,951	1,420,441	1,271,446	1,205,112
Assumption changes	–	(616,650)	924,626	297,277
Plan changes	–	–	–	(135,589)
Differences between expected and actual experience	–	(4,078,413)	–	(121,654)
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)
Benefit payments – employee-financed	–	(886,342)	(988,965)	(1,134,151)
Net change in total OPEB liability	438,676	(4,476,325)	1,055,145	745,715
Total OPEB liability – beginning of year	41,235,692	41,674,368	37,198,043	38,253,188
Total OPEB liability – end of year	41,674,368	37,198,043	38,253,188	38,998,903
Plan fiduciary net position				
Contributions – employer	898,918	1,702,027	1,665,583	1,090,512
Contributions – employee	–	886,342	988,965	1,134,151
Investment earnings	149,619	320,268	328,488	386,335
Differences between expected and actual experience	–	(4,115)	(84,807)	(73,445)
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)
Benefit payments – employee-financed	–	(886,342)	(988,965)	(1,134,151)
Net change in plan fiduciary net position	(1,340,970)	316,153	243,681	312,890
Plan fiduciary net position – beginning of year	13,658,976	12,318,006	12,634,159	12,877,840
Plan fiduciary net position – end of year	12,318,006	12,634,159	12,877,840	13,190,730
Net OPEB liability	\$ 29,356,362	\$ 24,563,884	\$ 25,375,348	\$ 25,808,173
Plan fiduciary net position as a percentage of the total OPEB liability	29.56%	33.96%	33.66%	33.82%
Covered-employee payroll	\$ 76,079,920	\$ 72,697,272	\$ 74,878,190	\$ 80,898,370
Net OPEB liability as a percentage of covered-employee payroll	38.59%	33.79%	33.89%	31.90%

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. 622

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2020

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	1.1%
2018	2.6%
2019	1.9%
2020	2.4%

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. 622

Notes to Required Supplementary Information
June 30, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The 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. 622

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a 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.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

PENSION BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.10 percent to 2.40 percent.
- The mortality tables and salary increases were updated.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.40 percent to 3.10 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.40 percent.
- Retirement rates now begin at age 55 even if eligibility requirements have not been met.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2020 CHANGES IN PLAN PROVISIONS

- Only custodians hired before July 1, 2018 and not electing to participate in the Matching Retirement Plan are eligible to receive district paid medical and dental benefits.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment rate was changed from 2.60 percent to 3.00 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.40 percent to 3.10 percent.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

- Principals hired after July 1, 2018 need 10 years of service to be eligible for the subsidized retirement benefit.
- Custodians hired after July 1, 2018 are no longer eligible for subsidized medical and dental benefits. Custodians hired before July 1, 2018 may choose to have the current subsidized medical and dental benefits or make a one-time election to switch to a matching retirement plan.

2018 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-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 1,432,584	\$ 3,591,773	\$ 5,024,357
Receivables			
Current taxes	–	742,750	742,750
Delinquent taxes	–	15,777	15,777
Accounts and interest	–	78,684	78,684
Due from other governmental units	641,518	991,757	1,633,275
Inventory	480,376	–	480,376
Prepaid items	–	553	553
Total assets	\$ 2,554,478	\$ 5,421,294	\$ 7,975,772
Liabilities			
Salaries payable	\$ 30,581	\$ 72,793	\$ 103,374
Accounts and contracts payable	205,499	107,313	312,812
Due to other governmental units	2,111	973,130	975,241
Unearned revenue	149,785	215,854	365,639
Total liabilities	387,976	1,369,090	1,757,066
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	13,104	13,104
Property taxes levied for subsequent year	–	1,312,042	1,312,042
Total deferred inflows of resources	–	1,325,146	1,325,146
Fund balances			
Nonspendable for inventory	480,376	–	480,376
Nonspendable for prepaid items	–	553	553
Restricted	1,686,126	2,726,505	4,412,631
Total fund balances	2,166,502	2,727,058	4,893,560
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,554,478	\$ 5,421,294	\$ 7,975,772

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ -	\$ 1,170,713	\$ 1,170,713
Investment earnings	23,850	79,691	103,541
Other	1,433,227	2,417,595	3,850,822
State sources	381,692	5,758,476	6,140,168
Federal sources	5,140,363	336,060	5,476,423
Total revenue	<u>6,979,132</u>	<u>9,762,535</u>	<u>16,741,667</u>
Expenditures			
Current			
Food service	6,477,956	-	6,477,956
Community service	-	10,278,737	10,278,737
Capital outlay	117,882	83,080	200,962
Total expenditures	<u>6,595,838</u>	<u>10,361,817</u>	<u>16,957,655</u>
Excess (deficiency) of revenue over expenditures	383,294	(599,282)	(215,988)
Other financing sources			
Transfers in	<u>74,403</u>	<u>-</u>	<u>74,403</u>
Net change in fund balances	457,697	(599,282)	(141,585)
Fund balances			
Beginning of year, as previously reported	1,683,321	3,294,150	4,977,471
Change in accounting principle	25,484	32,190	57,674
Beginning of year, as restated	<u>1,708,805</u>	<u>3,326,340</u>	<u>5,035,145</u>
End of year	<u>\$ 2,166,502</u>	<u>\$ 2,727,058</u>	<u>\$ 4,893,560</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 35,827,063	\$ 29,003,142
Receivables		
Current taxes	16,864,025	17,563,165
Delinquent taxes	389,897	338,709
Accounts and interest	275,055	89,055
Due from other governmental units	13,999,622	15,949,498
Inventory	20,647	23,396
Prepaid items	<u>181,651</u>	<u>144,719</u>
Total assets	<u>\$ 67,557,960</u>	<u>\$ 63,111,684</u>
Liabilities		
Salaries payable	\$ 504,833	\$ 523,144
Accounts and contracts payable	952,057	901,579
Due to other governmental units	<u>1,278,224</u>	<u>1,057,704</u>
Total liabilities	2,735,114	2,482,427
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	323,143	293,138
Property taxes levied for subsequent year	<u>26,087,270</u>	<u>28,055,281</u>
Total deferred inflows of resources	26,410,413	28,348,419
Fund balances		
Nonspendable for inventory	20,647	23,396
Nonspendable for prepaid items	181,651	144,719
Restricted for student activities	151,033	–
Restricted for staff development	458,031	288,472
Restricted for operating capital	9,812,524	9,101,239
Restricted for basic skills	80,538	80,538
Restricted for achievement and integration	568,895	170,994
Restricted for safe schools	1,756,702	1,568,357
Restricted for Medical Assistance	1,390,542	1,463,706
Assigned for subsequent year’s budget	1,627,333	–
Unassigned – long-term facilities maintenance restricted account deficit	(37,183)	–
Unassigned	<u>22,401,720</u>	<u>19,439,417</u>
Total fund balances	<u>38,412,433</u>	<u>32,280,838</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 67,557,960</u>	 <u>\$ 63,111,684</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2020		Over (Under)	2019
	Budget	Actual	Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 31,120,899	\$ 31,638,741	\$ 517,842	\$ 31,745,839
Investment earnings	650,000	649,465	(535)	649,419
Other	2,990,405	4,086,695	1,096,290	2,488,928
State sources	116,081,104	117,877,943	1,796,839	114,812,153
Federal sources	4,643,000	4,567,381	(75,619)	4,701,530
Total revenue	155,485,408	158,820,225	3,334,817	154,397,869
Expenditures				
Current				
Administration				
Salaries	4,428,472	4,556,587	128,115	4,317,172
Employee benefits	1,574,353	1,613,884	39,531	1,510,438
Purchased services	102,693	103,197	504	91,538
Supplies and materials	17,745	23,175	5,430	30,459
Capital expenditures	17,900	26,429	8,529	97,469
Other expenditures	91,200	75,204	(15,996)	76,710
Total administration	6,232,363	6,398,476	166,113	6,123,786
District support services				
Salaries	3,123,514	3,077,996	(45,518)	2,750,081
Employee benefits	1,153,940	1,251,925	97,985	1,135,932
Purchased services	1,159,427	771,678	(387,749)	986,179
Supplies and materials	657,548	1,459,620	802,072	809,004
Capital expenditures	796,848	8,348	(788,500)	1,330,816
Other expenditures	55,800	22,715	(33,085)	21,669
Total district support services	6,947,077	6,592,282	(354,795)	7,033,681
Elementary and secondary regular instruction				
Salaries	40,929,220	40,186,445	(742,775)	39,233,295
Employee benefits	16,095,469	16,369,196	273,727	15,636,383
Purchased services	5,881,449	5,347,686	(533,763)	4,961,587
Supplies and materials	2,312,719	1,646,993	(665,726)	1,478,473
Capital expenditures	240,313	239,231	(1,082)	212,800
Other expenditures	336,450	339,693	3,243	333,077
Total elementary and secondary regular instruction	65,795,620	64,129,244	(1,666,376)	61,855,615

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,507,882	1,777,793	269,911	1,574,740
Employee benefits	662,718	719,167	56,449	649,909
Purchased services	453,809	514,453	60,644	438,991
Supplies and materials	56,695	43,592	(13,103)	57,419
Capital expenditures	2,000	10,522	8,522	–
Other expenditures	140,794	133,534	(7,260)	135,514
Total vocational education instruction	2,823,898	3,199,061	375,163	2,856,573
Special education instruction				
Salaries	19,620,085	19,289,458	(330,627)	18,352,353
Employee benefits	7,362,644	7,491,035	128,391	7,168,817
Purchased services	2,917,538	4,443,625	1,526,087	4,568,853
Supplies and materials	478,204	320,921	(157,283)	418,764
Capital expenditures	50,126	472,473	422,347	38,631
Other expenditures	265,400	279,179	13,779	285,598
Total special education instruction	30,693,997	32,296,691	1,602,694	30,833,016
Instructional support services				
Salaries	5,649,696	5,121,339	(528,357)	5,010,899
Employee benefits	1,434,031	1,334,751	(99,280)	1,316,683
Purchased services	356,096	233,705	(122,391)	354,758
Supplies and materials	203,925	355,378	151,453	553,121
Capital expenditures	14,000	–	(14,000)	–
Other expenditures	82,663	80,115	(2,548)	78,191
Total instructional support services	7,740,411	7,125,288	(615,123)	7,313,652
Pupil support services				
Salaries	6,015,692	5,912,628	(103,064)	5,623,050
Employee benefits	2,032,961	2,089,449	56,488	1,965,298
Purchased services	4,529,638	3,860,976	(668,662)	3,567,304
Supplies and materials	783,200	828,279	45,079	851,570
Capital expenditures	720,700	1,157,080	436,380	1,031,080
Other expenditures	15,500	26,083	10,583	23,784
Total pupil support services	14,097,691	13,874,495	(223,196)	13,062,086

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	4,451,512	4,233,962	(217,550)	4,075,638
Employee benefits	2,027,234	2,024,127	(3,107)	2,058,850
Purchased services	4,920,624	3,902,844	(1,017,780)	4,565,298
Supplies and materials	521,600	656,872	135,272	637,086
Capital expenditures	5,294,310	6,841,142	1,546,832	5,536,691
Other expenditures	395,010	395,448	438	468,424
Total sites and buildings	<u>17,610,290</u>	<u>18,054,395</u>	<u>444,105</u>	<u>17,341,987</u>
Fiscal and other fixed cost programs				
Purchased services	550,000	608,340	58,340	579,213
Other expenditures	17,500	18,750	1,250	—
Total sites and buildings	<u>567,500</u>	<u>627,090</u>	<u>59,590</u>	<u>579,213</u>
Debt service				
Principal	1,140,818	1,142,002	1,184	1,316,478
Interest and fiscal charges	528,242	526,720	(1,522)	112,783
Total debt service	<u>1,669,060</u>	<u>1,668,722</u>	<u>(338)</u>	<u>1,429,261</u>
Total expenditures	<u>154,177,907</u>	<u>153,965,744</u>	<u>(212,163)</u>	<u>148,428,870</u>
Excess of revenue over expenditures	1,307,501	4,854,481	3,546,980	5,968,999
Other financing sources (uses)				
Capital lease issued	—	—	—	853,607
Sale of assets	—	16,288	16,288	17,962
Transfers (out)	—	(74,403)	(74,403)	—
Total other financing sources (uses)	<u>—</u>	<u>(58,115)</u>	<u>(58,115)</u>	<u>871,569</u>
Net change in fund balances	<u>\$ 1,307,501</u>	4,796,366	<u>\$ 3,488,865</u>	6,840,568
Fund balances				
Beginning of year, as previously reported		32,280,838		25,440,270
Change in accounting principle		1,335,229		—
Beginning of year, as restated		<u>33,616,067</u>		<u>25,440,270</u>
End of year		<u>\$ 38,412,433</u>		<u>\$ 32,280,838</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 1,432,584	\$ 1,511,239
Receivables		
Due from other governmental units	641,518	-
Inventory	480,376	413,183
Prepaid items	-	4,820
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,554,478</u>	<u>\$ 1,929,242</u>
Liabilities		
Salaries payable	\$ 30,581	\$ 33,104
Accounts and contracts payable	205,499	82,859
Due to other governmental units	2,111	1,049
Unearned revenue	149,785	128,909
	<u> </u>	<u> </u>
Total liabilities	387,976	245,921
Fund balances		
Nonspendable for inventory	480,376	413,183
Nonspendable for prepaid items	-	4,820
Restricted for food service	1,686,126	1,265,318
	<u> </u>	<u> </u>
Total fund balances	2,166,502	1,683,321
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,554,478</u>	<u>\$ 1,929,242</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 5,000	\$ 23,850	\$ 18,850	\$ 28,645
Other – primarily meal sales	1,404,000	1,433,227	29,227	1,992,335
State sources	251,000	381,692	130,692	349,009
Federal sources	5,105,500	5,140,363	34,863	4,606,022
Total revenue	<u>6,765,500</u>	<u>6,979,132</u>	<u>213,632</u>	<u>6,976,011</u>
Expenditures				
Current				
Salaries	1,942,450	1,977,726	35,276	1,901,160
Employee benefits	802,782	807,847	5,065	749,233
Purchased services	242,500	165,754	(76,746)	270,081
Supplies and materials	4,098,500	3,521,611	(576,889)	3,660,738
Other expenditures	25,000	5,018	(19,982)	9,301
Capital outlay	150,000	117,882	(32,118)	178,578
Total expenditures	<u>7,261,232</u>	<u>6,595,838</u>	<u>(665,394)</u>	<u>6,769,091</u>
Excess (deficiency) of revenue over expenditures	(495,732)	383,294	879,026	206,920
Other financing sources				
Transfers in	<u>–</u>	<u>74,403</u>	<u>74,403</u>	<u>–</u>
Net change in fund balances	<u><u>\$ (495,732)</u></u>	<u>457,697</u>	<u><u>\$ 953,429</u></u>	<u>206,920</u>
Fund balances				
Beginning of year, as previously reported		1,683,321		1,476,401
Change in accounting principle		<u>25,484</u>		<u>–</u>
Beginning of year, as restated		<u>1,708,805</u>		<u>1,476,401</u>
End of year		<u><u>\$ 2,166,502</u></u>		<u><u>\$ 1,683,321</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 3,591,773	\$ 4,236,501
Receivables		
Current taxes	742,750	662,415
Delinquent taxes	15,777	16,284
Accounts and interest	78,684	90,771
Due from other governmental units	991,757	986,681
Prepaid items	<u>553</u>	<u>1,076</u>
Total assets	<u>\$ 5,421,294</u>	<u>\$ 5,993,728</u>
Liabilities		
Salaries payable	\$ 72,793	\$ 107,057
Accounts and contracts payable	107,313	74,255
Due to other governmental units	973,130	1,003,124
Unearned revenue	<u>215,854</u>	<u>324,365</u>
Total liabilities	1,369,090	1,508,801
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	13,104	14,292
Property taxes levied for subsequent year	<u>1,312,042</u>	<u>1,176,485</u>
Total deferred inflows of resources	1,325,146	1,190,777
Fund balances		
Nonspendable for prepaid items	553	1,076
Restricted for community education programs	1,809,016	1,888,819
Restricted for early childhood family education programs	392,480	594,359
Restricted for school readiness	326,907	472,979
Restricted for adult basic education	195,113	336,054
Restricted for community service	<u>2,989</u>	<u>863</u>
Total fund balances	<u>2,727,058</u>	<u>3,294,150</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,421,294</u>	<u>\$ 5,993,728</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2020		Over (Under) Budget	2019
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 1,184,064	\$ 1,170,713	\$ (13,351)	\$ 1,224,840
Investment earnings	50,000	79,691	29,691	107,428
Other – primarily tuition and fees	2,280,777	2,417,595	136,818	3,067,090
State sources	5,576,747	5,758,476	181,729	5,475,147
Federal sources	430,635	336,060	(94,575)	291,546
Total revenue	<u>9,522,223</u>	<u>9,762,535</u>	<u>240,312</u>	<u>10,166,051</u>
Expenditures				
Current				
Salaries	4,380,575	4,389,520	8,945	4,425,651
Employee benefits	1,574,197	1,520,699	(53,498)	1,441,544
Purchased services	3,880,726	3,867,372	(13,354)	3,813,429
Supplies and materials	364,173	435,897	71,724	564,494
Other expenditures	75,717	65,249	(10,468)	85,130
Capital outlay	74,050	83,080	9,030	116,894
Total expenditures	<u>10,349,438</u>	<u>10,361,817</u>	<u>12,379</u>	<u>10,447,142</u>
Net change in fund balances	<u>\$ (827,215)</u>	<u>(599,282)</u>	<u>\$ 227,933</u>	<u>(281,091)</u>
Fund balances				
Beginning of year, as previously reported		3,294,150		3,575,241
Change in accounting principle		<u>32,190</u>		<u>–</u>
Beginning of year, as restated		<u>3,326,340</u>		<u>3,575,241</u>
End of year		<u>\$ 2,727,058</u>		<u>\$ 3,294,150</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$262,433,571	\$ 45,407,517
Cash and investments held by trustee	–	7,329,499
Receivables		
Accounts and interest	<u>1,498,080</u>	<u>632,893</u>
Total assets	<u><u>\$263,931,651</u></u>	<u><u>\$ 53,369,909</u></u>
Liabilities		
Salaries payable	\$ 853	\$ –
Accounts and contracts payable	<u>6,517,592</u>	<u>13,180,684</u>
Total liabilities	<u>6,518,445</u>	<u>13,180,684</u>
Fund balances		
Restricted for projects funded by certificates of participation	–	3,917,981
Restricted for long-term facilities maintenance	76,832,054	32,612,005
Restricted for capital projects	<u>180,581,152</u>	<u>3,659,239</u>
Total fund balances	<u>257,413,206</u>	<u>40,189,225</u>
Total liabilities and fund balances	<u><u>\$263,931,651</u></u>	<u><u>\$ 53,369,909</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ –	\$ –	\$ –	\$ 2,016,746
Investment earnings	2,500,000	3,038,320	538,320	1,166,408
Total revenue	2,500,000	3,038,320	538,320	3,183,154
Expenditures				
Capital outlay				
Salaries	–	205,019	205,019	946
Employee benefits	–	58,113	58,113	152
Purchased services	8,465,000	12,514,305	4,049,305	4,218,347
Supplies and materials	–	3,065	3,065	–
Capital expenditures	33,600,000	33,801,139	201,139	18,302,077
Debt service				
Interest and fiscal charges	2,872,341	2,872,341	–	623,010
Total expenditures	44,937,341	49,453,982	4,516,641	23,144,532
Excess (deficiency) of revenue over expenditures	(42,437,341)	(46,415,662)	(3,978,321)	(19,961,378)
Other financing sources				
Debt issued	255,906,500	255,906,500	–	50,925,000
Certificates of participation issued	–	–	–	9,405,000
Premium on debt issued	7,733,143	7,733,143	–	583,217
Total other financing sources	263,639,643	263,639,643	–	60,913,217
Net change in fund balances	\$ 221,202,302	217,223,981	\$ (3,978,321)	40,951,839
Fund balances (deficit)				
Beginning of year		40,189,225		(762,614)
End of year		\$ 257,413,206		\$ 40,189,225

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2020	2019
Assets				
Cash and temporary investments	\$ 13,062,107	\$ 1,443,692	\$ 14,505,799	\$ 10,021,563
Receivables				
Current taxes	12,367,949	1,090,337	13,458,286	8,966,270
Delinquent taxes	137,425	30,696	168,121	168,181
Due from other governmental units	75,286	3	75,289	82,693
Total assets	\$ 25,642,767	\$ 2,564,728	\$ 28,207,495	\$ 19,238,707
Liabilities				
Accounts and contracts payable	\$ 546	\$ -	\$ 546	\$ -
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	107,986	25,680	133,666	148,575
Property taxes levied for subsequent year	21,847,542	1,926,042	23,773,584	15,924,585
Total deferred inflows of resources	21,955,528	1,951,722	23,907,250	16,073,160
Fund balances				
Restricted for debt service	3,686,693	613,006	4,299,699	3,165,547
Total liabilities, deferred inflows of resources, and fund balances	\$ 25,642,767	\$ 2,564,728	\$ 28,207,495	\$ 19,238,707

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2020			Total
	Budget	Regular Debt Service Account	OPEB Debt Service Account	
Revenue				
Local sources				
Property taxes	\$ 15,924,584	\$ 13,589,014	\$ 2,261,107	\$ 15,850,121
Investment earnings	17,000	165,371	23,189	188,560
State sources (charges)	727,088	766,107	(46)	766,061
Federal sources	73,876	73,994	—	73,994
Total revenue	<u>16,742,548</u>	<u>14,594,486</u>	<u>2,284,250</u>	<u>16,878,736</u>
Expenditures				
Debt service				
Principal	10,875,000	9,190,000	1,685,000	10,875,000
Interest	5,291,914	4,733,319	558,595	5,291,914
Fiscal charges and other	114,188	106,685	475	107,160
Total expenditures	<u>16,281,102</u>	<u>14,030,004</u>	<u>2,244,070</u>	<u>16,274,074</u>
Excess (deficiency) of revenue over expenditures	461,446	564,482	40,180	604,662
Other financing sources (uses)				
Debt issued	468,500	468,500	—	468,500
Refunding debt issued	7,040,000	7,040,000	—	7,040,000
Premium on debt issued	1,170,990	1,170,990	—	1,170,990
Payment on refunded debt	<u>(8,150,000)</u>	<u>(8,150,000)</u>	<u>—</u>	<u>(8,150,000)</u>
Total other financing sources (uses)	<u>529,490</u>	<u>529,490</u>	<u>—</u>	<u>529,490</u>
Net change in fund balances	<u>\$ 990,936</u>	1,093,972	40,180	1,134,152
Fund balances				
Beginning of year		<u>2,592,721</u>	<u>572,826</u>	<u>3,165,547</u>
End of year		<u>\$ 3,686,693</u>	<u>\$ 613,006</u>	<u>\$ 4,299,699</u>

	<u>2019</u>
<u>Over (Under) Budget</u>	<u>Actual</u>
\$ (74,463)	\$ 12,743,296
171,560	248,577
38,973	839,488
118	80,264
<u>136,188</u>	<u>13,911,625</u>
–	10,180,000
–	3,569,638
<u>(7,028)</u>	<u>167,181</u>
<u>(7,028)</u>	<u>13,916,819</u>
143,216	(5,194)
–	–
–	17,515,000
–	372,129
–	<u>(17,805,000)</u>
–	<u>82,129</u>
<u>\$ 143,216</u>	76,935
	<u>3,088,612</u>
	<u>\$ 3,165,547</u>

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Section III

STATISTICAL



School District 622

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STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 622's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Fiscal Year 2014</u>
Governmental activities				
Net investment in capital assets	\$ (13,752,261)	\$ (10,393,853)	\$ (3,627,039)	\$ 2,818,638
Restricted	2,976,334	2,896,897	2,169,170	2,153,681
Unrestricted	<u>14,336,990</u>	<u>17,743,374</u>	<u>7,875,488</u>	<u>(1,847,732)</u>
Total governmental activities net position	<u>\$ 3,561,063</u>	<u>\$ 10,246,418</u>	<u>\$ 6,417,619</u>	<u>\$ 3,124,587</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$88.6 million. Prior years were not restated.

Note 2: The District implemented GASB Statement Nos. 73, 74, and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$40.7 million. Prior years were not restated.

Note 3: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard that increased net position by approximately \$1.4 million. Prior years were not restated.

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 10,969,313	\$ 18,616,494	\$ 30,883,474	\$ 42,479,174	\$ 54,284,456	\$ 60,029,619
3,437,107	9,894,250	11,882,766	17,937,368	18,041,164	19,124,929
<u>(91,684,692)</u>	<u>(85,069,651)</u>	<u>(157,811,420)</u>	<u>(181,077,725)</u>	<u>(142,463,824)</u>	<u>(144,238,797)</u>
<u><u>\$ (77,278,272)</u></u>	<u><u>\$ (56,558,907)</u></u>	<u><u>\$ (115,045,180)</u></u>	<u><u>\$ (120,661,183)</u></u>	<u><u>\$ (70,138,204)</u></u>	<u><u>\$ (65,084,249)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Expenses				
Administration	\$ 5,390,352	\$ 5,309,820	\$ 5,696,613	\$ 5,870,601
District support services	3,290,211	2,965,928	3,746,860	5,323,307
Elementary and secondary regular instruction	56,608,582	57,322,341	60,757,308	61,107,836
Vocational education instruction	1,529,476	1,907,747	2,720,883	2,363,819
Special education instruction	22,371,541	21,709,308	22,326,972	24,410,545
Instructional support services	9,097,765	8,335,422	7,489,802	7,283,020
Pupil support services	10,011,663	10,896,900	11,547,693	11,787,561
Sites and buildings	8,305,688	8,851,610	9,870,233	11,215,056
Fiscal and other fixed cost programs	287,433	313,049	383,858	463,639
Food service	5,978,174	5,943,051	5,796,121	6,079,470
Community service	8,309,716	8,191,135	7,960,612	8,004,445
Depreciation not included in other functions	3,390,729	3,368,647	3,704,183	3,880,837
Interest and fiscal charges	7,622,134	7,461,262	6,965,589	6,632,460
Total governmental activities expenses	<u>142,193,464</u>	<u>142,576,220</u>	<u>148,966,727</u>	<u>154,422,596</u>
Program revenues				
Charges for services				
Administration	16,716	33,680	20,702	-
District support services	-	-	-	755
Elementary and secondary regular instruction	719,163	681,808	700,148	622,423
Special education instruction	51,508	-	113,680	120,144
Instructional support services	15	-	1,775	-
Pupil support services	-	-	-	14,810
Sites and buildings	28,391	42,587	28,391	28,391
Food service	2,728,733	2,695,103	2,584,370	2,400,712
Community service	2,865,304	2,956,822	2,449,255	2,587,985
Operating grants and contributions	22,364,002	23,812,733	22,034,721	25,576,890
Capital grants and contributions	717,093	776,859	952,882	-
Total governmental activities program revenues	<u>29,490,925</u>	<u>30,999,592</u>	<u>28,885,924</u>	<u>31,352,110</u>
Net (expense) revenue	(112,702,539)	(111,576,628)	(120,080,803)	(123,070,486)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	26,085,727	18,702,539	18,502,147	12,076,889
Property taxes, levied for community service	2,109,875	1,477,016	1,535,454	801,183
Property taxes, levied for capital projects	-	-	-	595,000
Property taxes, levied for debt service	14,270,241	15,144,895	14,786,406	14,708,372
General grants and aids	72,155,166	81,936,669	80,141,530	89,699,343
Other general revenues	1,094,118	969,237	1,199,488	1,804,768
Investment earnings	255,087	31,627	86,979	91,899
Special item – joint school proceeds	-	-	-	-
Total general revenues and other changes in net position	<u>115,970,214</u>	<u>118,261,983</u>	<u>116,252,004</u>	<u>119,777,454</u>
Change in net position	<u>\$ 3,267,675</u>	<u>\$ 6,685,355</u>	<u>\$ (3,828,799)</u>	<u>\$ (3,293,032)</u>

2015	2016	2017	2018	2019	2020
\$ 6,245,577	\$ 5,771,511	\$ 7,466,083	\$ 7,433,391	\$ 4,423,233	\$ 6,668,941
5,774,518	5,488,991	5,966,624	5,236,940	6,907,285	6,658,582
60,183,399	59,768,865	79,932,765	78,793,770	42,145,810	67,588,760
2,515,435	2,516,188	3,397,939	3,610,472	1,993,449	3,332,719
24,607,274	26,599,484	34,871,665	34,039,463	22,991,502	33,575,951
6,131,212	5,660,427	8,670,260	9,479,409	4,192,984	7,660,257
11,916,602	10,920,870	13,068,258	13,398,446	11,520,302	13,469,001
10,812,813	11,170,601	11,726,835	13,438,257	12,677,451	18,191,945
555,882	470,182	474,151	489,040	579,213	627,090
6,141,087	6,370,475	6,544,722	6,459,417	6,646,397	6,570,489
7,985,251	7,805,422	9,551,438	9,925,090	9,504,655	10,489,222
3,910,796	4,163,925	4,390,145	4,442,365	4,703,063	5,170,911
5,758,210	5,036,685	5,376,641	2,518,357	5,314,873	11,936,234
152,538,056	151,743,626	191,437,526	189,264,417	133,600,217	191,940,102
—	—	—	—	—	—
650	584	252	—	—	—
628,944	607,666	512,913	476,094	452,147	896,954
497,901	472,197	1,415,409	828,527	636,686	569,089
—	—	—	—	—	—
6,058	21,400	66,827	372	14,675	—
91,272	32,432	28,391	28,391	28,391	15,000
2,289,582	2,092,912	1,997,179	1,989,753	1,992,335	1,433,227
2,517,772	2,589,207	3,020,126	2,984,453	3,067,090	2,417,595
26,964,610	31,942,343	29,999,231	31,322,826	34,362,400	37,129,318
—	—	—	—	—	—
32,996,789	37,758,741	37,040,328	37,630,416	40,553,724	42,461,183
(119,541,267)	(113,984,885)	(154,397,198)	(151,634,001)	(93,046,493)	(149,478,919)
19,282,605	19,224,086	25,272,032	32,998,727	31,837,809	31,668,746
1,724,194	1,752,007	1,749,722	1,465,393	1,224,887	1,169,525
3,274,500	5,067,600	—	—	2,016,746	—
14,744,302	15,225,727	13,677,118	13,188,145	12,758,290	15,835,212
87,618,485	88,736,879	94,256,869	94,724,709	92,067,945	97,804,719
1,078,630	1,446,262	1,512,578	3,069,617	1,360,208	2,600,958
64,637	65,189	178,049	571,407	2,303,587	4,060,811
—	3,186,500	—	—	—	—
127,787,353	134,704,250	136,646,368	146,017,998	143,569,472	153,139,971
\$ 8,246,086	\$ 20,719,365	\$ (17,750,830)	\$ (5,616,003)	\$ 50,522,979	\$ 3,661,052

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

Fiscal Year	Property Tax				Total
	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service	
2011	\$ 26,085,727	\$ 2,109,875	\$ –	\$ 14,270,241	\$ 42,465,843
2012	18,702,539	1,477,016	–	15,144,895	35,324,450
2013	18,502,147	1,535,454	–	14,786,406	34,824,007
2014	12,076,889	801,183	595,000	14,708,372	28,181,444
2015	19,282,605	1,724,194	3,274,500	14,744,302	39,025,601
2016	19,224,086	1,752,007	5,067,600	15,225,727	41,269,420
2017	25,272,032	1,749,722	–	13,677,118	40,698,872
2018	32,998,727	1,465,393	–	13,188,145	47,652,265
2019	31,837,809	1,224,887	2,016,746	12,758,290	47,837,732
2020	31,668,746	1,169,525	–	15,835,212	48,673,483

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 140,074	\$ 353,634	\$ 300,392	\$ 219,027
Restricted	2,606,956	1,042,296	662,931	682,388
Committed	850,000	719,451	-	-
Assigned	4,717,358	6,945,944	906,131	2,416,709
Unassigned	14,929,483	16,356,881	13,624,343	3,859,715
Total General Fund	<u>\$ 23,243,871</u>	<u>\$ 25,418,206</u>	<u>\$ 15,493,797</u>	<u>\$ 7,177,839</u>
All other governmental funds				
Nonspendable	\$ 312,933	\$ 322,420	\$ 410,243	\$ 384,206
Restricted	15,403,978	15,970,193	23,966,355	13,089,039
Unassigned	-	-	-	(953,601)
Total all other governmental funds	<u>\$ 15,716,911</u>	<u>\$ 16,292,613</u>	<u>\$ 24,376,598</u>	<u>\$ 12,519,644</u>
Total all governmental funds	<u>\$ 38,960,782</u>	<u>\$ 41,710,819</u>	<u>\$ 39,870,395</u>	<u>\$ 19,697,483</u>

2015	2016	2017	2018	2019	2020
\$ 123,613	\$ 110,472	\$ 135,441	\$ 67,208	\$ 168,115	\$ 202,298
686,109	4,965,791	7,083,939	11,167,322	12,673,306	14,218,265
-	-	-	-	-	-
-	688,388	-	-	-	1,627,333
3,165,529	7,219,267	8,333,657	14,205,740	19,439,417	22,364,537
<u>\$ 3,975,251</u>	<u>\$ 12,983,918</u>	<u>\$ 15,553,037</u>	<u>\$ 25,440,270</u>	<u>\$ 32,280,838</u>	<u>\$ 38,412,433</u>
\$ 348,973	\$ 387,054	\$ 359,746	\$ 378,461	\$ 419,079	\$ 480,929
4,352,026	6,305,882	7,039,779	7,761,793	47,913,164	266,125,536
(1,050,458)	(111,117)	-	(762,614)	-	-
<u>\$ 3,650,541</u>	<u>\$ 6,581,819</u>	<u>\$ 7,399,525</u>	<u>\$ 7,377,640</u>	<u>\$ 48,332,243</u>	<u>\$ 266,606,465</u>
<u>\$ 7,625,792</u>	<u>\$ 19,565,737</u>	<u>\$ 22,952,562</u>	<u>\$ 32,817,910</u>	<u>\$ 80,613,081</u>	<u>\$ 305,018,898</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Local sources				
Property taxes	\$ 42,800,096	\$ 35,282,395	\$ 34,707,494	\$ 28,200,652
Investment earnings	255,087	31,627	86,979	91,899
Other	7,503,948	7,379,237	7,097,809	7,579,988
State sources	85,657,465	96,565,761	94,808,633	106,725,356
Federal sources	9,578,796	9,960,500	8,320,500	8,550,877
Total revenues	<u>145,795,392</u>	<u>149,219,520</u>	<u>145,021,415</u>	<u>151,148,772</u>
Expenditures				
Current				
Administration	5,305,595	5,155,823	5,611,039	5,641,309
District support services	4,002,664	2,830,572	3,675,221	5,106,056
Elementary and secondary regular instruction	55,465,285	55,575,039	59,133,667	59,860,270
Vocational education instruction	1,529,476	1,907,747	2,720,883	2,363,819
Special education instruction	22,357,187	21,683,444	22,317,638	24,385,026
Instructional support services	9,072,127	8,343,843	8,796,278	7,559,074
Pupil support services	10,097,762	10,630,685	11,242,143	11,512,561
Sites and buildings	12,173,859	8,339,015	11,375,982	11,928,628
Fiscal and other fixed cost programs	287,433	313,049	383,858	463,639
Food service	5,570,270	5,745,350	5,625,832	5,846,417
Community service	8,208,257	8,139,559	7,950,933	7,984,285
Capital outlay	6,753,005	4,771,801	1,232,397	2,993,148
Debt service				
Principal	8,465,000	9,315,000	9,525,000	9,890,000
Interest and fiscal charges	7,781,161	7,677,399	7,233,800	7,042,452
Total expenditures	<u>157,069,081</u>	<u>150,428,326</u>	<u>156,824,671</u>	<u>162,576,684</u>
Excess of revenues over (under) expenditures	(11,273,689)	(1,208,806)	(11,803,256)	(11,427,912)
Other financing sources (uses)				
Debt issued (bonds, COP, and leases)	13,970,000	12,630,000	9,505,000	-
Refunding debt issued	-	-	-	-
Premium (discount) on debt issued	240,957	233,843	457,832	-
Payment on refunded debt	(8,110,000)	(8,905,000)	-	(8,745,000)
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>6,100,957</u>	<u>3,958,843</u>	<u>9,962,832</u>	<u>(8,745,000)</u>
Net change in fund balances before special item	(5,172,732)	2,750,037	(1,840,424)	(20,172,912)
Special item – joint school proceeds	-	-	-	-
Net change in fund balances	<u>\$ (5,172,732)</u>	<u>\$ 2,750,037</u>	<u>\$ (1,840,424)</u>	<u>\$ (20,172,912)</u>
Debt service as a percentage of noncapital expenditures	<u>11.2%</u>	<u>11.7%</u>	<u>11.0%</u>	<u>10.7%</u>

2015	2016	2017	2018	2019	2020
\$ 39,301,527	\$ 41,241,560	\$ 40,817,821	\$ 47,647,300	\$ 47,730,721	\$ 48,659,575
64,637	60,511	160,556	498,788	2,200,477	3,979,886
7,110,809	7,262,660	8,412,015	9,385,723	7,548,353	7,937,517
105,986,111	111,966,489	111,781,088	116,623,750	121,475,797	124,784,172
8,423,874	8,712,733	9,230,012	9,458,712	9,679,362	10,117,798
<u>160,886,958</u>	<u>169,243,953</u>	<u>170,401,492</u>	<u>183,614,273</u>	<u>188,634,710</u>	<u>195,478,948</u>
6,204,965	5,654,357	5,783,733	6,021,308	6,123,786	6,398,476
5,735,305	5,388,840	7,333,244	5,408,214	7,033,681	6,592,282
59,933,326	58,694,319	57,954,053	60,768,822	61,855,615	64,129,244
2,588,707	2,548,516	2,614,558	2,881,870	2,856,573	3,199,061
25,137,862	27,069,630	26,955,254	27,340,010	30,833,016	32,296,691
6,292,004	5,912,360	6,316,256	7,094,088	7,313,652	7,125,288
11,819,255	10,501,822	11,924,489	12,438,955	13,062,086	13,874,495
11,578,003	10,510,561	17,993,944	19,502,211	17,341,987	18,054,395
555,882	470,182	474,151	489,040	579,213	627,090
6,029,586	6,220,243	6,299,829	6,395,767	6,590,513	6,477,956
8,030,226	7,826,285	8,626,479	9,153,833	10,330,248	10,278,737
3,575,719	3,781,807	567,162	1,157,139	22,816,994	46,782,603
10,075,000	10,555,000	11,210,555	10,695,434	11,496,478	12,017,002
6,185,195	5,360,627	5,078,944	4,417,107	4,472,612	8,798,135
<u>163,741,035</u>	<u>160,494,549</u>	<u>169,132,651</u>	<u>173,763,798</u>	<u>202,706,454</u>	<u>236,651,455</u>
(2,854,077)	8,749,404	1,268,841	9,850,475	(14,071,744)	(41,172,507)
–	–	1,650,204	–	61,183,607	256,375,000
–	–	40,650,000	–	17,515,000	7,040,000
–	–	5,554,794	–	955,346	8,904,133
(9,240,000)	–	(45,878,674)	–	(17,805,000)	(8,150,000)
22,386	4,041	141,660	14,873	17,962	16,288
–	–	–	–	–	74,403
–	–	–	–	–	(74,403)
<u>(9,217,614)</u>	<u>4,041</u>	<u>2,117,984</u>	<u>14,873</u>	<u>61,866,915</u>	<u>264,185,421</u>
(12,071,691)	8,753,445	3,386,825	9,865,348	47,795,171	223,012,914
–	3,186,500	–	–	–	–
<u>\$ (12,071,691)</u>	<u>\$ 11,939,945</u>	<u>\$ 3,386,825</u>	<u>\$ 9,865,348</u>	<u>\$ 47,795,171</u>	<u>\$ 223,012,914</u>
<u>10.3%</u>	<u>10.2%</u>	<u>10.2%</u>	<u>9.1%</u>	<u>9.2%</u>	<u>11.0%</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

Fiscal Year	Property Tax				Total
	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Community Service Special Revenue Fund	
2011	\$ 26,288,166	\$ –	\$ 14,392,118	\$ 2,119,812	\$ 42,800,096
2012	18,697,893	–	15,110,919	1,473,583	35,282,395
2013	18,454,543	–	14,724,362	1,528,589	34,707,494
2014	12,083,629	595,000	14,721,038	800,985	28,200,652
2015	19,420,261	3,274,500	14,870,547	1,736,219	39,301,527
2016	19,209,883	5,067,600	15,212,498	1,751,579	41,241,560
2017	25,352,714	–	13,713,233	1,751,874	40,817,821
2018	32,975,199	–	13,203,868	1,468,233	47,647,300
2019	31,745,839	2,016,746	12,743,296	1,224,840	47,730,721
2020	31,638,741	–	15,850,121	1,170,713	48,659,575

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation			
	Agricultural	Nonagricultural	Fiscal Disparities	
			Contribution	Distribution
2011	\$ 212,756	\$ 90,381,843	\$ (14,370,959)	\$ 12,667,198
2012	201,037	82,534,347	(13,682,390)	12,035,579
2013	165,549	76,691,891	(13,335,710)	11,567,832
2014	223,970	78,001,023	(12,698,773)	11,458,013
2015	430,038	84,043,471	(12,968,373)	11,680,027
2016	483,265	85,701,033	(12,907,022)	12,212,058
2017	285,764	90,107,004	(13,134,465)	13,170,723
2018	318,512	96,865,289	(13,169,645)	14,066,923
2019	325,055	103,830,911	(14,925,918)	14,686,489
2020	259,256	111,278,472	(15,668,595)	15,587,524

Note: The District has presented taxable market value, which is the best information available to represent estimated actual value of property.

Source: State of Minnesota School Tax Report

<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ (1,172,302)	\$ 87,718,536	27.79 %	\$ 7,100,019,400	1.24 %
(1,171,893)	79,916,680	28.34	6,828,952,000	1.17
(1,088,314)	74,001,248	32.55	6,299,805,800	1.17
(1,457,211)	75,527,022	37.64	6,424,286,100	1.18
(1,334,853)	81,850,310	35.86	6,970,239,000	1.17
(1,978,412)	83,510,922	35.57	7,129,353,400	1.17
(2,421,303)	88,007,723	33.58	7,463,934,900	1.18
(2,780,741)	95,300,338	30.09	7,972,970,100	1.20
(2,999,419)	100,917,118	29.04	8,533,938,800	1.18
(3,155,727)	108,300,930	32.50	9,166,542,200	1.18

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	ISD No. 622	Overlapping Rates Municipalities (1)				
			City of Lake Elmo	City of Landfall	City of Maplewood	City of North St. Paul	City of Oakdale
Tax capacity rate	2011	27.785%	21.832%	40.389%	39.050%	29.022%	35.868%
Market value rate	2011	0.15070%	–	–	0.02050%	0.06035%	–
Tax capacity rate	2012	28.337%	27.272%	39.046%	44.056%	33.380%	39.252%
Market value rate	2012	0.14834%	–	–	0.02045%	0.06254%	–
Tax capacity rate	2013	32.552%	27.818%	37.704%	48.659%	36.719%	44.065%
Market value rate	2013	0.16666%	–	–	0.02230%	0.05985%	–
Tax capacity rate	2014	37.643%	27.761%	47.797%	48.378%	36.185%	41.201%
Market value rate	2014	0.15062%	–	–	0.01965%	0.07060%	–
Tax capacity rate	2015	35.864%	23.798%	48.731%	46.353%	35.169%	39.131%
Market value rate	2015	0.14365%	–	–	0.00870%	0.06663%	–
Tax capacity rate	2016	35.569%	23.121%	55.903%	48.507%	38.707%	39.492%
Market value rate	2016	0.13668%	–	–	0.00913%	0.05610%	–
Tax capacity rate	2017	33.582%	20.018%	56.649%	47.248%	41.866%	39.721%
Market value rate	2017	0.21590%	–	–	0.00767%	0.05321%	–
Tax capacity rate	2018	30.089%	22.442%	80.742%	45.911%	42.465%	38.544%
Market value rate	2018	0.19486%	–	–	0.00725%	0.05024%	–
Tax capacity rate	2019	29.039%	22.927%	50.012%	44.693%	43.363%	39.227%
Market value rate	2019	0.18694%	–	–	0.00657%	0.04713%	–
Tax capacity rate	2020	32.504%	23.477%	51.212%	44.646%	40.689%	37.616%
Market value rate	2020	0.18509%	–	–	0.00633%	0.04704%	–

(1) Municipalities listed include those with district learning sites.

(2) Counties listed include those with district learning sites.

(3) The miscellaneous other levy includes Metro Watershed, Metropolitan Council, Metropolitan Mosquito Control District, Ramsey-Washington Metro Watershed District, Regional Railroad Authority, Regional Rail 519, South Washington Watershed District, Transit District 509, Washington County HRA 187, Woodbury HRA 316, and Valley Branch Watershed District.

Source: Ramsey County and Washington County

City of Pine Springs	City of White Bear Lake	City of Woodbury	Counties (2)		Miscellaneous Other (3)	Total North St. Paul Resident
			Ramsey County	Washington County		
6.527%	17.705%	34.921%	54.678%	29.771%	20.056%	131.541%
-	-	0.02572%	-	0.00229%	-	0.211%
7.139%	19.942%	35.921%	56.944%	31.939%	22.605%	141.266%
-	-	0.02566%	-	0.00180%	-	0.211%
7.901%	21.496%	39.440%	65.240%	34.225%	26.464%	160.975%
-	-	0.02700%	-	0.00191%	-	0.227%
7.451%	21.102%	38.076%	59.105%	32.811%	25.512%	158.445%
-	-	0.02594%	-	0.00449%	-	0.221%
6.850%	20.368%	34.657%	54.462%	30.186%	24.083%	149.578%
-	-	0.01308%	-	0.00406%	-	0.210%
7.235%	19.690%	35.287%	54.012%	30.564%	24.527%	152.815%
-	-	0.01216%	-	0.00390%	-	0.193%
9.110%	18.969%	35.122%	51.173%	30.448%	23.442%	150.063%
-	-	0.04119%	-	0.00378%	-	0.269%
8.730%	19.058%	33.670%	49.473%	29.983%	23.720%	145.747%
-	-	0.01116%	-	0.00353%	-	0.245%
9.285%	20.190%	33.177%	48.565%	29.682%	26.019%	146.986%
-	-	0.00664%	-	0.00330%	-	0.234%
9.193%	20.629%	32.489%	48.081%	28.944%	24.027%	145.301%
-	-	0.00615%	-	0.00342%	-	0.232%

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INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2020			2011		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
3M	\$ 3,687,201	1	3.40 %	\$ 4,333,525	1	4.94 %
Tamarack Village Shopping Center	1,865,716	2	1.72	1,345,972	3	1.53
Xcel Energy	1,841,290	3	1.70	1,263,142	4	1.44
Ramco-Gershenson Properties, LP	1,441,424	4	1.33	-	-	-
Maplewood Mall, LLC	1,412,686	5	1.30	1,582,260	2	1.80
IRPF Woodbury City Place, LLC	1,185,984	6	1.10	-	-	-
RCG-Oakdale MN, LLC	608,638	7	0.56	-	-	-
Birch Run Station Shopping Center	532,902	8	0.49	522,420	8	0.60
Tria Orthopedic Center, LLC	465,002	9	0.43	-	-	-
Larson Family Real Estate	431,440	10	0.40	-	-	-
DBRA Red Woodbury LLC	-	-	-	978,690	5	1.12
Imation Corporation	-	-	-	937,684	6	1.07
State Farm Mutual Insurance	-	-	-	561,762	7	0.64
I&G Oakdale, LLC	-	-	-	505,700	9	0.58
Menards Inc.	-	-	-	482,998	10	0.55
Total	<u>\$ 13,472,283</u>		<u>12.44 %</u>	<u>\$ 12,514,153</u>		<u>14.27 %</u>

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized Amount	Percentage of Levy
2011	\$ 30,539,758	\$ 4,951,226	\$ 1,082,317	\$ 36,573,301	\$ 36,108,053	98.7 %
2012	29,383,091	5,055,103	–	34,438,194	34,107,661	99.0
2013	30,881,429	5,004,519	–	35,885,948	35,526,707	99.0
2014	33,892,337	5,656,755	–	39,549,092	39,299,428	99.4
2015	35,275,869	6,160,750	–	41,436,619	41,140,417	99.3
2016	35,150,119	6,122,239	–	41,272,358	40,994,167	99.3
2017	41,335,193	6,484,783	–	47,819,976	47,537,122	99.4
2018	40,021,342	7,753,031	–	47,774,373	47,500,513	99.4
2019	41,037,488	7,227,934	–	48,265,422	47,965,017	99.4
2020	47,162,174	7,410,363	–	54,572,537	23,507,476	43.1

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

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

Source: State of Minnesota School Tax Report

Received in Subsequent Years	Total to Date		Uncollected Taxes Receivable as of June 30, 2020			
	Amount	Percentage of Levy	Delinquent		Current	
			Amount	Percent	Amount	Percent
\$ 465,248	\$ 36,573,301	100.0 %	\$ -	- %	\$ -	- %
330,533	34,438,194	100.0	-	-	-	-
359,241	35,885,948	100.0	-	-	-	-
194,930	39,494,358	99.9	54,734	0.1	-	-
273,764	41,414,181	99.9	22,438	0.1	-	-
252,120	41,246,287	99.9	26,071	0.1	-	-
217,829	47,754,951	99.9	65,025	0.1	-	-
168,738	47,669,251	99.8	105,122	0.2	-	-
-	47,965,017	99.4	300,405	0.6	-	-
-	23,507,476	43.1	-	-	31,065,061	56.9
			<u>\$ 573,795</u>		<u>\$ 31,065,061</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Capital Leases			
2011	\$155,405,000	\$ 1,173,352	\$ 8,625,000	\$ -	\$165,203,352	38.66 %	\$ 2,158
2012	151,150,000	1,294,193	7,290,000	-	159,734,193	36.79	2,066
2013	151,900,000	1,620,109	6,520,000	-	160,040,109	36.13	2,073
2014	134,065,000	1,530,035	5,720,000	-	141,315,035	30.32	1,806
2015	115,575,000	1,429,255	4,895,000	-	121,899,255	24.97	1,542
2016	105,860,000	1,277,180	4,055,000	-	111,192,180	32.94	1,331
2017	90,730,000	5,456,546	3,185,000	1,429,649	100,801,195	28.00	1,221
2018	81,155,000	4,874,531	2,290,000	1,204,215	89,523,746	23.36	1,128
2019	121,610,000	5,319,827	10,780,000	1,656,344	139,366,171	N/A	1,755
2020	366,000,000	13,309,293	10,035,000	1,259,342	390,603,635	N/A	4,692

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and total ISD No. 622 population data.

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Ratio of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt
per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2011	\$ 156,578,352	\$ 7,585,204	\$ 148,993,148	\$7,100,019,400	2.10 %	76,567	\$ 1,946
2012	152,444,193	12,430,393	140,013,800	6,828,952,000	2.05	77,297	1,811
2013	153,520,109	21,612,076	131,908,033	6,299,805,800	2.09	77,210	1,708
2014	135,595,035	12,032,786	123,562,249	6,424,286,100	1.92	78,239	1,579
2015	117,004,255	2,729,885	114,274,370	6,970,329,000	1.64	79,060	1,445
2016	107,137,180	3,278,833	103,858,347	7,129,353,400	1.46	83,540	1,243
2017	96,186,546	2,980,193	93,206,353	7,463,934,900	1.25	82,540	1,129
2018	86,029,531	3,088,612	82,940,919	7,972,970,100	1.04	79,342	1,045
2019	126,929,827	3,165,547	123,764,280	8,533,938,800	1.45	79,394	1,559
2020	379,309,293	4,299,699	375,009,594	9,166,542,200	4.09	83,254	4,504

Source: Annual school district census and U.S. Census

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INDEPENDENT SCHOOL DISTRICT NO. 622

Direct and Overlapping Debt
as of June 30, 2020

Governmental Unit	2019–2020 Taxable Net Tax Capacity	Bonded Debt	Percent Allocable to ISD No. 622	Portion Allocable to ISD No. 622
Independent School District No. 622	\$ 108,300,930	\$ 379,309,293	100.00 %	\$ 379,309,293
Overlapping debt				
Ramsey County	663,489,369	160,510,000	8.41	13,498,891
Washington County	344,797,210	125,410,000	13.68	17,156,088
City of Lake Elmo	21,109,191	14,545,000	25.35	3,687,158
City of Maplewood	51,380,474	54,477,165	84.72	46,153,054
City of North St. Paul	12,248,916	13,460,000	100.00	13,460,000
City of Oakdale	33,898,373	19,745,000	98.69	19,486,341
City of White Bear Lake	33,574,636	18,050,000	0.03	5,776
City of Woodbury	113,842,053	52,005,000	11.01	5,725,751
Metropolitan Council	4,576,187,142	230,225,000	2.37	<u>5,456,333</u>
Total overlapping debt				<u>124,629,390</u>
Total direct and overlapping debt				<u><u>\$ 503,938,683</u></u>

Note 1: The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Note 2: The Washington County HRA, Metropolitan Council, and Metropolitan Airports Commission are governmental units with overlapping debt applicable to the District. Overlapping debt information for these units of government applicable to the District was not readily available.

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Debt limit	\$ 1,065,002,910	\$ 1,024,342,800	\$ 944,970,870	\$ 963,642,915
Total net debt applicable to the limit	<u>147,819,796</u>	<u>138,719,607</u>	<u>130,287,924</u>	<u>122,032,214</u>
Legal debt margin	<u>\$ 917,183,114</u>	<u>\$ 885,623,193</u>	<u>\$ 814,682,946</u>	<u>\$ 841,610,701</u>
Total net debt applicable to the limit as a percentage of debt limit	13.88%	13.54%	13.79%	12.66%

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

Source: State of Minnesota School Tax Report

2015	2016	2017	2018	2019	2020
\$ 1,045,549,350	\$ 1,069,403,010	\$ 1,119,590,235	\$ 1,195,945,515	\$ 1,280,090,820	\$ 1,374,981,330
112,845,115	102,581,167	87,749,807	78,066,388	118,444,453	361,700,301
<u>\$ 932,704,235</u>	<u>\$ 966,821,843</u>	<u>\$ 1,031,840,428</u>	<u>\$ 1,117,879,127</u>	<u>\$ 1,161,646,367</u>	<u>\$ 1,013,281,029</u>
10.79%	9.59%	7.84%	6.53%	9.25%	26.31%

Legal Debt Margin Calculation for Fiscal Year 2020

Market value	\$ 9,166,542,200
Debt limit (15% of market value)	1,374,981,330
Debt applicable to the limit	
General obligation bonds	366,000,000
Less amount set aside for repayment of general obligation debt	<u>(4,299,699)</u>
Total net debt applicable to the limit	<u>361,700,301</u>
Legal debt margin	<u>\$ 1,013,281,029</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City of North St. Paul			Total ISD No. 622 Population (3)	School Enrollment (4)	Ramsey County Unemployment Rate (5)
	Population (1)	Personal Income (1)	Per Capita Personal Income (2)			
2011	11,460	\$ 427,274,304	\$ 37,284	76,567	10,978	6.6 %
2012	11,485	434,178,940	37,804	77,297	10,885	5.7
2013	11,618	442,931,688	38,116	77,210	10,912	4.9
2014	11,951	466,089,000	39,000	78,239	10,727	4.0
2015	12,006	488,211,984	40,664	79,060	10,715	3.5
2016	12,104	337,520,040	27,885	83,540	10,669	3.6
2017	12,069	359,994,132	29,828	82,540	10,480	3.3
2018	12,099	383,223,726	31,674	79,342	10,633	2.7
2019	12,159	N/A	N/A	79,394	10,636	3.3
2020	N/A	N/A	N/A	83,254	10,454	6.9

N/A – Not Available

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

Note 2: Unemployment rate for 2020 is an average through June 2020.

Sources:

- (1) City of North St. Paul's CAFR for the year ended December 31, 2019.
- (2) The per capita personal income used is for that of Ramsey County, in which the City of North St. Paul resides.
- (3) Annual school district census and U.S. Census.
- (4) The District.
- (5) Minnesota Department of Employment and Economic Development.

INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year			
	2020		2011	
	Employees	Rank	Employees	Rank
3M Company	11,000	1	10,000	1
Independent School District No. 622	1,589	2	1,671	3
HealthEast Care System/St. John's Hospital	1,500	3	1,750	2
REM Ramsey	600	4	–	–
Target Stores	550	5	267	6
First Student Charter	400	6	–	–
Cub Foods	350	7	265	7
City of Maplewood	345	8	–	–
Canvas Health, Inc.	300	9	–	–
Berwald Roofing and Sheet Metal	300	9	–	–
Imation Corporation	–	–	1,450	4
Maplewood Care Center	–	–	270	5
Sears	–	–	155	8
Macy's	–	–	150	9
MnDOT	–	–	139	10
Total	16,934		16,117	
Total ISD No. 622 population (see the Schedule of Demographic and Economic Statistics)	83,254		76,567	
Percent of principal employers to total ISD No. 622 population	20.3%		21.0%	

Note: Total number of employees working for employers within the District's boundaries is not readily available. The District has provided total population to provide a comparison base to reference between current year and nine years ago.

INDEPENDENT SCHOOL DISTRICT NO. 622

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2011	2012	2013	2014
District directors/superintendent	7	7	7	7
Supervisors, coordinators, specialists, and technical support	88	88	87	83
Principals and assistant principals	25	27	26	28
Teachers	697	693	727	751
Clerical staff	84	81	85	81
Educational support (paras, EAs, behavior staff, etc.)	378	387	407	416
Engineers, custodians, drivers, and monitors	190	189	207	204
Nutrition services	74	70	70	74
Community education (ABE, building supervisors)	41	44	43	44
Total	<u>1,584</u>	<u>1,586</u>	<u>1,659</u>	<u>1,688</u>

(1) This schedule is a headcount based on contract group; if an employee has multiple contract groups, they are reflected multiple times. Full-time and part-time employees count the same.

Source: The District's Human Resources Department

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
7	7	7	8	8	8
92	90	107	107	126	126
23	23	24	22	23	25
726	715	739	732	746	775
80	74	68	67	64	74
402	388	440	469	430	406
205	201	195	202	177	174
74	75	73	74	72	71
<u>41</u>	<u>39</u>	<u>34</u>	<u>39</u>	<u>36</u>	<u>26</u>
<u><u>1,650</u></u>	<u><u>1,612</u></u>	<u><u>1,687</u></u>	<u><u>1,720</u></u>	<u><u>1,682</u></u>	<u><u>1,685</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Teacher Data
Year Ended June 30, 2020

	Salary Schedule				
	BA	BA + 15	BA + 30	BA + 45	MA
Low range	\$ 39,820	\$ 41,120	\$ 42,421	\$ 43,723	\$ 45,025
High range	\$ 58,014	\$ 61,044	\$ 64,071	\$ 67,095	\$ 70,123
Number of teachers	195	36	22	51	325
Average salary	\$ 63,632				
Average education	MA				
Number of full-time equivalents	775				

N/A – Not Applicable

Source: The District's Human Resources Department

	MA + 15	MA + 30	MA + 45	MA + 60	PHD	Total
\$	46,398	\$ 47,771	\$ 49,145	\$ 50,514	\$ 51,886	N/A
\$	72,317	\$ 74,510	\$ 76,698	\$ 78,892	\$ 81,085	N/A
	35	36	24	47	4	775

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student to Staff Ratios
Last Ten Fiscal Years

Fiscal Year	ISD No. 622 Student to Teacher Ratios (1)	Minnesota Department of Education Student to Staff Ratio (2)			
		ISD No. 622	Washington County Average	Ramsey County Average	State Average
2011	15.75	15.21	14.57	14.20	13.04
2012	15.71	15.12	14.48	14.20	13.04
2013	15.01	14.49	14.17	14.00	12.93
2014	14.28	13.77	13.85	13.60	12.82
2015	14.76	14.31	14.21	13.40	12.56
2016	14.92	14.46	14.42	13.40	12.69
2017	14.18	13.74	13.66	13.40	12.49
2018	14.53	14.10	13.92	13.40	12.45
2019	14.26	13.83	13.72	11.87	12.45
2020	13.49	13.07	N/A	N/A	N/A

N/A – Not Available

- (1) This data is computed using only full-time equivalent licensed classroom teaching staff.
- (2) This data is computed by dividing total students (Minnesota Department of Education enrollment numbers pre-kindergarten through Grade 12) by total certified staff. Certified staff includes classroom teachers, administrators, special education teachers, and all other licensed professionals measured in full-time equivalents.

Source: Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 622

Operating Indicators by Function
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year				
	2011	2012	2013	2014	2015
Standardized tests					
MCA Reading (1)					
Grade 3	76 %	78 %	54 %	53 %	58 %
Grade 5	77	77	62	64	64
Grade 7	68	62	39	44	46
Grade 10	72	71	57	57	56
MCA Math (1)					
Grade 3	73	79	78	71	75
Grade 5	59	66	68	64	65
Grade 7	46	52	46	51	52
Grade 11	44	39	52	49	49
ACT					
Average composite score	N/A	N/A	N/A	N/A	N/A
Graduation data (2)					
ISD No. 622's graduation rate	N/A	N/A	82	81	83
State graduation rate	93	78	80	81	82

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test (II). Percentages not available for 2020 due to COVID-19.
- (2) Starting in 2012, Minnesota began using the federally-required adjusted cohort graduation rate model. This model follows students in a cohort throughout high school and determines if they graduate within four, five, or six years. The four-year graduation rate shows the number of students graduating from high school within four years after entering Grade 9.

Source: Minnesota Department of Education, the District's Testing Department, and the District's Registrar and ACT Corporation

2016	2017	2018	2019	2020
55 %	53 %	52 %	46 %	N/A %
64	64	66	63	N/A
50	47	46	45	N/A
53	59	62	58	N/A
70	67	65	50	N/A
61	64	59	55	N/A
52	53	45	44	N/A
50	48	49	50	N/A
19.7	20.1	19.5	19.0	21.3
82	82	85	84	N/A
82	83	83	84	N/A

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INDEPENDENT SCHOOL DISTRICT NO. 622

School Facilities
as of June 30, 2020

Facility	Use	Constructed	Acres	Square Footage	Capacity	Enrollment (1)
Carver Elementary	School	1958–1960–1996–2000	10	61,691	560	551
Castle Elementary	School	1969–1988–2019	10	74,604	650	412
Cowern Elementary	School	1953–1958–1962–2004	9	51,283	400	442
Oakdale Elementary	School	1967–1970–1990–2000	10	63,550	500	501
Richardson Elementary	School	1954–1966–2004–2019	8	80,773	650	472
Skyview Elementary	School	1996	49	206,000	500	603
Eagle Point Elementary	School	1965–1966–2004	20	53,904	375	458
Weaver Elementary	School	1967–1969	12	44,850	425	548
Webster Elementary	School	1964–1966	9	43,775	350	420
District Education Center (DEC)	School/Office	1967–1999	1	91,900	N/A	N/A
Gladstone Community Education Center	Early Child/ Adult Ed	1951–1955–1957–1961	9	43,803	N/A	18
Beaver Lake Education Center	Early Child/ Pre-K	1940–1951–1962–2013	9	41,450	N/A	22
Harmony Learning Center	Special Ed/ Adult Ed/ Care and Treatment	1962–1992–2000	10	40,555	N/A	50
John Glenn Middle	School	1962–1967–1977–1988	21	137,084	1,050	784
Maplewood Middle	School	1961–1967	25	113,400	1,050	715
Skyview Middle	School	1996	49	206,000	1,050	784
North High	School	1997	23	265,000	1,695	1,622
Tartan High	School	1971–1976	46	259,700	1,575	1,645
Polar Arena	Ice Arena	1969–1970–1975	N/A	32,827	N/A	N/A
Tartan Arena	Ice Arena	1996	N/A	64,816	N/A	N/A

N/A – Not Available

(1) Enrollment data from October 19, 2020.

Source: The District’s Operations and Maintenance Department and Enrollment Department, and ADM served per Minnesota School District Profiles Report

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service
 School Lunch Program Data
 Last Ten Fiscal Years

Fiscal Year	Total Lunches Served	Days	Average Daily Participation	Free Lunch	
				Number Served	Percent of Total
2011	1,290,529	173	7,460	504,551	39.10 %
2012	1,297,771	173	7,502	547,379	42.18
2013	1,292,609	173	7,472	581,380	44.98
2014	1,258,602	169	7,447	591,275	46.98
2015	1,318,624	173	7,622	624,210	47.34
2016	1,320,613	172	7,678	624,498	47.29
2017	1,287,654	172	7,486	629,546	48.89
2018	1,267,024	170	7,453	602,634	47.56
2019	1,232,355	166	7,424	585,728	47.53
2020	1,107,654	208	5,325	661,606	59.73

Source: The District's Food Service Department

Reduced-Price Lunch

<u>Number Served</u>	<u>Percent of Total</u>
156,239	12.11 %
148,958	11.48
146,577	11.34
137,725	10.94
154,099	11.69
173,808	13.16
168,921	13.12
202,397	15.97
202,166	16.40
144,542	13.05

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2011	166.67	595.86	4,388.31	5,827.65	10,978.49	12,899.49
2012	176.24	671.49	4,334.03	5,702.81	10,884.57	12,733.87
2013	170.78	688.57	4,451.89	5,601.03	10,912.27	12,738.68
2014	189.04	662.05	4,499.22	5,376.75	10,727.06	12,501.65
2015	201.93	641.06	4,497.53	5,374.84	10,715.36	11,790.31
2016	221.12	625.09	4,534.08	5,288.64	10,668.93	11,726.67
2017	273.72	569.58	4,430.34	5,206.78	10,480.42	11,521.79
2018	352.61	594.81	4,474.14	5,211.11	10,632.67	11,674.89
2019	391.38	608.30	4,443.69	5,192.62	10,635.99	11,674.52
2020	378.60	619.99	4,335.95	5,119.72	10,454.26	11,478.20

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2011 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2020	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

INDEPENDENT SCHOOL DISTRICT NO. 622

Expenditures per Student
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Expenditures per student (ADM) (1)				
General Fund				
District level administration	\$ 341	\$ 343	\$ 400	\$ 522
School level administration	441	453	476	505
Regular instruction	4,564	4,603	4,829	5,058
Career and technical instruction	132	165	232	209
Special education	1,909	1,872	1,905	2,161
Student activities/athletics	191	192	205	218
Instructional support services	640	551	515	519
Pupil support services	228	292	289	302
Operations, maintenance, and other	632	636	735	849
Student transportation	578	573	626	667
Capital expenditures	783	378	595	533
Total General Fund expenditures	<u>\$ 10,439</u>	<u>\$ 10,058</u>	<u>\$ 10,807</u>	<u>\$ 11,543</u>
ADM used per profile model format	<u>11,609</u>	<u>11,537</u>	<u>11,690</u>	<u>11,253</u>

N/A – Not Available

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

Source: Minnesota Department of Education School District Profiles Report

2015	2016	2017	2018	2019	2020
\$ 574	\$ 541	\$ 601	\$ 616	\$ 664	N/A
491	472	491	507	513	N/A
5,082	5,009	5,004	5,191	5,329	N/A
231	228	238	259	259	N/A
2,235	2,408	2,445	2,457	2,789	N/A
226	242	247	252	250	N/A
462	443	468	529	548	N/A
296	254	277	305	343	N/A
865	826	850	888	920	N/A
706	664	751	735	748	N/A
508	379	1,114	1,165	1,007	N/A
<u>\$ 11,676</u>	<u>\$ 11,466</u>	<u>\$ 12,486</u>	<u>\$ 12,904</u>	<u>\$ 13,368</u>	<u>N/A</u>
<u>11,212</u>	<u>11,140</u>	<u>10,933</u>	<u>11,064</u>	<u>11,004</u>	<u>N/A</u>

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