INDEPENDENT SCHOOL DISTRICT NO. 197
WEST ST. PAUL – MENDOTA HEIGHTS – EAGAN,
MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 197

## Table of Contents

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# INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 197

School Board and Administration
as of June 30, 2020

**SCHOOL BOARD**

| | Board Position |
|---|---|
| Joanne Mansur | Board Chair |
| Stephanie Levine | Vice Chair/Clerk |
| Byron Schwab | Treasurer |
| John Chandler | Member |
| Brenda Corbett | Member |
| Maureen Ramirez | Member |
| Terry Stamman | Member |

**ADMINISTRATION**

| | |
|---|---|
| Peter Olson-Skog | Superintendent |
| Peter Mau | Assistant Superintendent |
| Brian Schultz | Director of Finance |
| Cari Jo Drewitz | Director of Curriculum, Instruction, and Assessment |
| Lisa Grathen | Director of Community Education |
| Mark Fortman | Director of Operations |
| Brenda Albrecht | Director of Human Resources |
| Dave Sandum | Director of Technology |
| Carrie Ardito | Director of Communications |
| Sara Lein | Director of Special Education |

# FINANCIAL SECTION

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

**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. 197
West St. Paul – Mendota Heights – Eagan, 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. 197 (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)



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**OPINIONS**

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

**EMPHASIS OF MATTER**

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

**OTHER MATTERS**

**Required Supplementary Information**

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

**Other Information**

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

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

(continued)

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

**Prior Year Comparative Information**

We have previously audited the District's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 20, 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 22, 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 22, 2020

This section of Independent School District No. 197's (the District) financial statements 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 financial statements.

## FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by $29,474,398 (deficit net position). The District's total net position decreased by $7,321,072 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 $390,765.

- The General Fund's total fund balance (under the governmental fund presentation) decreased $471,605 (excluding the change in accounting principle) from the prior year, compared to a $736,366 decrease planned in the budget.

- The Capital Projects – Building Construction Fund had a year-end fund balance of $38,796,510, decreasing by $64,956,262 as the District utilized resources from bonds issued in the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the financial statements 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 aid and property taxes.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major funds," rather than the District as a whole. Funds (Food Service Special Revenue Fund and Community Service Special Revenue Fund) 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 explain the relationship (or differences) between these two types of financial statement presentations.

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

**Table 1**
**Summary Statement of Net Position**
**as of June 30, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 103,872,282 | $ 164,839,745 |
| Capital assets, net of depreciation | 132,487,525 | 73,497,208 |
| Total assets | $ 236,359,807 | $ 238,336,953 |
| Deferred outflows of resources | | |
| Pension plan deferments | $ 36,592,497 | $ 53,928,950 |
| OPEB Plan deferments | 796,297 | 646,759 |
| Total deferred outflows of resources | $ 37,388,794 | $ 54,575,709 |
| Liabilities | | |
| Current and other liabilities | $ 21,593,772 | $ 15,597,849 |
| Long-term liabilities, including due within one year | 198,146,178 | 203,493,584 |
| Total liabilities | $ 219,739,950 | $ 219,091,433 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | $ 28,238,935 | $ 27,843,328 |
| Pension plan deferments | 54,815,371 | 68,325,847 |
| OPEB Plan deferments | 428,743 | 196,145 |
| Total deferred inflows of resources | $ 83,483,049 | $ 96,365,320 |
| Net position | | |
| Net investment in capital assets | $ 26,722,022 | $ 28,744,595 |
| Restricted | 3,211,036 | 5,210,349 |
| Unrestricted | (59,407,456) | (56,499,035) |
| Total net position | $ (29,474,398) | $ (22,544,091) |

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, pensions, and other post-employment benefits (OPEB), which impact the unrestricted portion of net position.

The District's decrease in net investment in capital assets is due to the relationship between the rate at which the District repays debt, compared to the rate the related assets are being depreciated. The decrease in restricted net position is mostly related to decreases in net position restricted for state funding requirements, food service, and debt service. The decrease in unrestricted net position was due to changes in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans. This also contributed to the change in deferred outflows of resources, deferred inflows of resources, and long-term liabilities.

Current and other assets decreased and capital assets, net of depreciation increased, as a result of the spending on capital projects accounted for in the Capital Projects – Building Construction Fund.

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

**Table 2**
**Summary Statement of Activities**
**for the Years Ended June 30, 2020 and 2019**

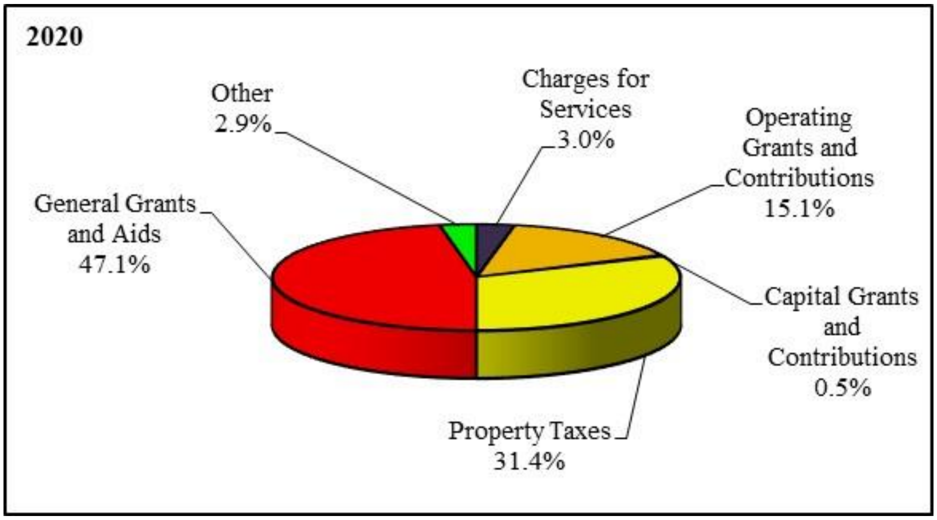
| | 2020 | 2019 |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Charges for services | $ 2,902,897 | $ 3,547,457 |
| Operating grants and contributions | 14,310,121 | 14,141,817 |
| Capital grants and contributions | 449,881 | – |
| General revenues | | |
| Property taxes | 29,785,294 | 25,242,325 |
| General grants and aids | 44,641,227 | 40,170,063 |
| Other | 2,755,837 | 6,148,385 |
| Total revenues | 94,845,257 | 89,250,047 |
| Expenses | | |
| Administration | 2,942,485 | 1,891,797 |
| District support services | 1,398,148 | 1,155,023 |
| Elementary and secondary regular instruction | 38,219,650 | 23,018,577 |
| Vocational education instruction | 537,144 | 129,085 |
| Special education instruction | 16,610,160 | 11,262,769 |
| Community education instruction | 59,500 | 67,520 |
| Instructional support services | 6,994,147 | 5,122,980 |
| Pupil support services | 7,905,983 | 6,228,535 |
| Sites and buildings | 12,563,400 | 7,199,220 |
| Fiscal and other fixed cost programs | 211,693 | 230,183 |
| Food service | 2,863,987 | 2,744,182 |
| Community service | 5,066,429 | 4,354,040 |
| Depreciation not included in other functions | 1,967,255 | 1,974,989 |
| Interest and fiscal charges | 4,826,348 | 5,271,593 |
| Total expenses | 102,166,329 | 70,650,493 |
| Change in net position | (7,321,072) | 18,599,554 |
| Net position – beginning, as previously reported | (22,544,091) | (41,143,645) |
| Change in accounting principle | 390,765 | – |
| Net position – beginning, as restated | (22,153,326) | (41,143,645) |
| Net position – ending | $ (29,474,398) | $ (22,544,091) |

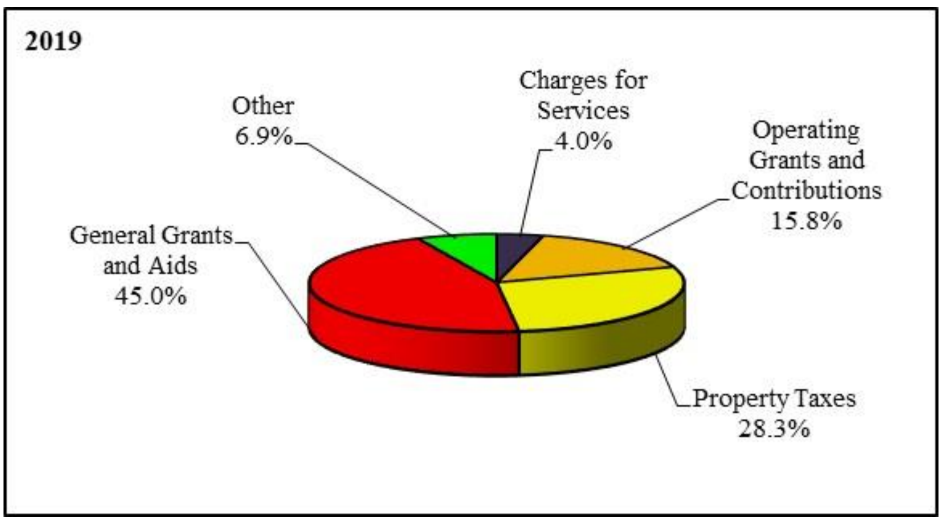
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

As seen above, total revenues for fiscal year 2020 were $5,595,210 more than the prior year, as a result of increased state aid revenue and an increase in property tax revenues in the current year. Other general revenues declined in the current year related to lower investment earnings in the Capital Projects – Building Construction Fund from the spend down of those resources. Expenses increased by $31,515,836, compared to fiscal year 2019, due to the change in the District’s proportionate share of the state-wide pension obligations for the PERA and the TRA.

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

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

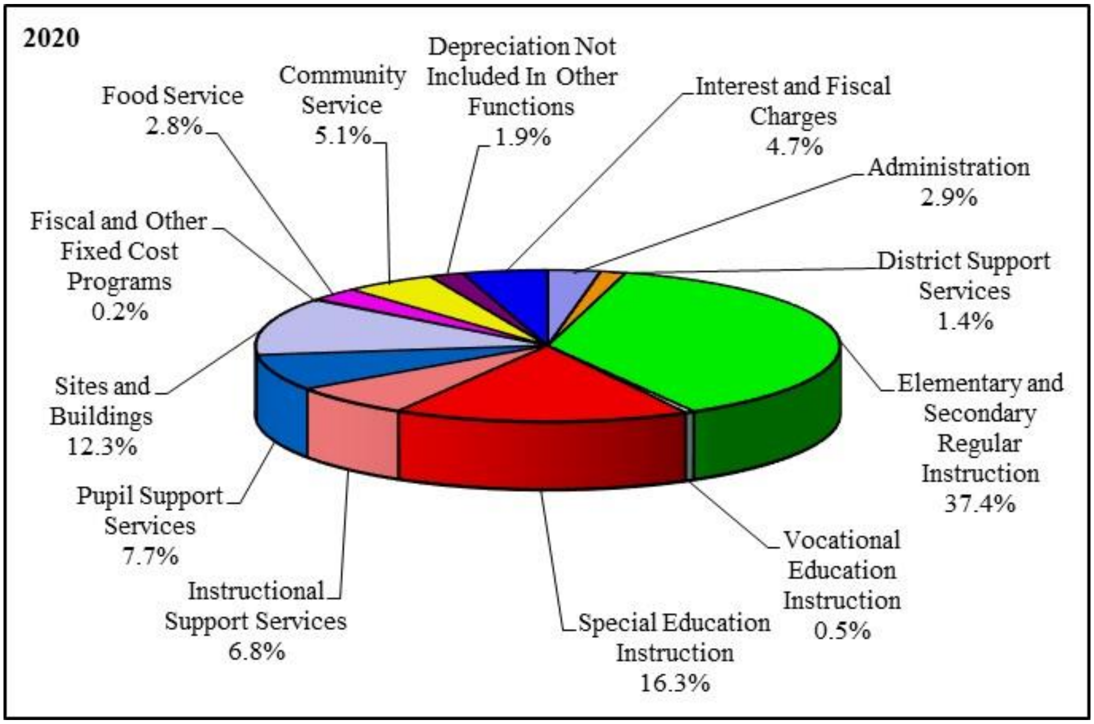


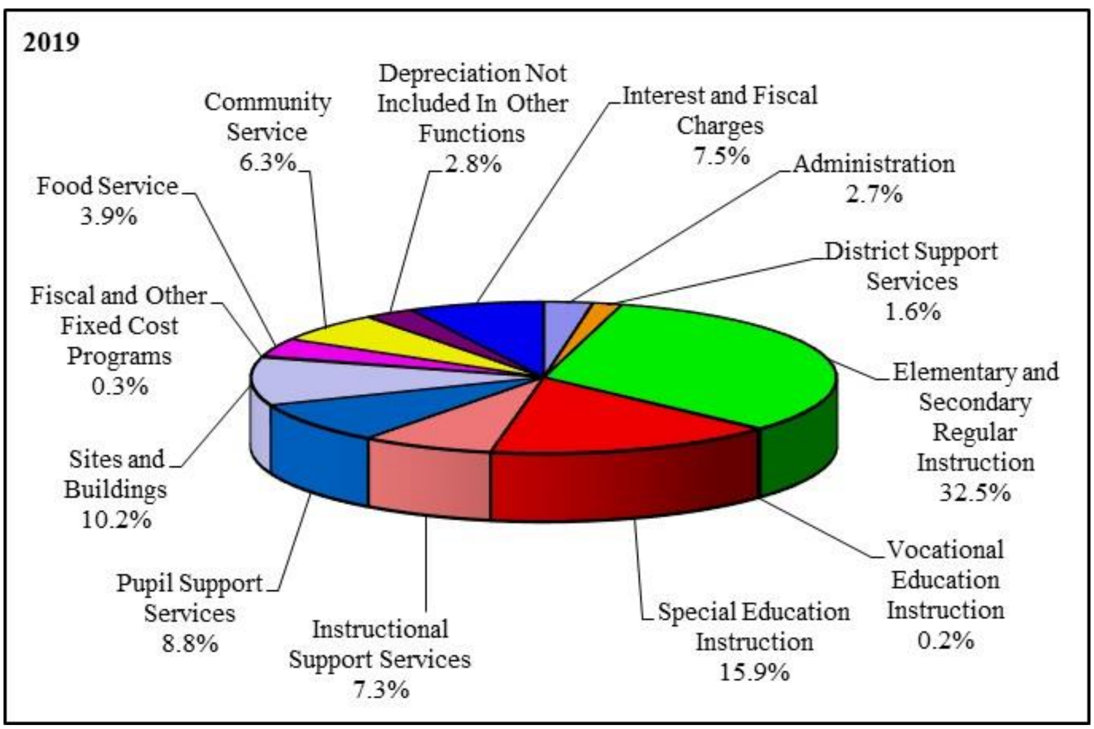




The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

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




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

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

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**Table 3**
**Governmental Fund Balances**
**as of June 30, 2020 and 2019**

| | 2020 | 2019 | Change |
|---|---|---|---|
| Major funds | | | |
| General | $ 10,463,709 | $ 10,544,549 | $ (80,840) |
| Capital Projects – Building Construction | 38,796,510 | 103,752,772 | (64,956,262) |
| Debt Service | 2,295,095 | 4,058,037 | (1,762,942) |
| Nonmajor funds | | | |
| Food Service Special Revenue | – | 130,499 | (130,499) |
| Community Service Special Revenue | 673,007 | 774,156 | (101,149) |
| Total governmental funds | $ 52,228,321 | $ 119,260,013 | $ (67,031,692) |

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

At June 30, 2020, the District's governmental funds reported combined fund balances of $52,228,321, a decrease of $67,031,692 in comparison with the prior year. Approximately 15.0 percent of this amount, $7,841,788, constitutes unassigned fund balance, which is available for spending at the District's discretion and meets the District's unassigned fund balance policy. The remainder of the fund balance is either nonspendable or restricted to indicate that it is: 1) not in spendable form – $265,143 or 2) restricted for particular purposes – $44,121,390.

## ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

**Table 4**
**General Fund**
**Budget**

| | Original Budget | Final Budget | Change | Percent Change |
|---|---|---|---|---|
| Revenue and other financing sources | $ 72,785,691 | $ 74,352,323 | $ 1,566,632 | 2.2% |
| Expenditures and other financing uses | $ 73,263,541 | $ 75,088,689 | $ 1,825,148 | 2.5% |

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

During the year, the District amended the budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

**Table 5**
**General Fund**
**Operating Results**

| | | Over (Under) Final Budget | | Over (Under) Prior Year | |
|---|---|---|---|---|---|
| | 2020 Actual | Amount | Percent | Amount | Percent |
| Revenue | $ 76,478,684 | $ 2,126,361 | 2.9% | $ 4,287,541 | 5.9% |
| Expenditures | 77,414,890 | 2,326,201 | 3.1% | $ 4,165,105 | 5.7% |
| Excess (deficiency) of revenue over expenditures | (936,206) | (199,840) | | | |
| Other financing sources (uses) | 464,601 | 464,601 | | $ (868,911) | (65.2%) |
| Net change in fund balances | $ (471,605) | $ 264,761 | | | |

Significant budget variances include the following:

| Type | Approximate Amount | Reason |
|---|---|---|
| Revenue | | |
| State sources | $ 257,000 | Pension benefits pass-through of financing sources received from the state of Minnesota were not budgeted for. |
| | $ 795,000 | Current year estimates for general education, safe schools, and special education aid came in higher than budget estimates. |
| | $ 376,000 | Prior year under accrual of state aid receivable not budgeted. |
| Federal sources | $ (140,000) | Budgeted based on full grant entitlements; however, spending came in under these amounts. Unspent funds will be carried over to future years. |
| Other | $ 349,000 | Student activities and trust/agency funds were moved to the General Fund, due to the change in accounting principle not budgeted for. |
| Expenditures | | |
| Salaries | $ (1,098,000) | Spending came in under budget estimates for severance, targeted services, quality compensation program (ATPPS), activities, operations, and grants. |
| Benefits | $ (164,000) | Spending came in under budget estimates for severance, targeted services, ATPPS, activities, operations, and grants. |
| Purchased services | $ 633,000 | Asbestos abatement health and safety project at the high school was not budgeted for. Received additional levy funds to cover the cost of the project. |
| | $ (349,000) | Budget for technology and maintenance programs was budgeted in purchased services, but actual spending was in supplies and materials Uniform Financial Accounting and Reporting System (UFARS) object codes. |
| | $ (114,000) | Contracted substitute costs came in under budget, due to moving to distance learning in the spring of 2020. |
| | $ 335,000 | Transportation costs for care and treatment programs, special transportation, and homeless students came in above budget estimates. |
| Supplies and materials | $ 349,000 | Budget for technology and maintenance programs was budgeted in purchased services, but actual spending was in supplies and materials UFARS object codes. |
| Capital expenditures | $ 746,200 | The District entered into capital lease agreements for technology equipment in fiscal year 2020 that were not included in the budget. |
| | $ 646,000 | Boiler replacement at both middle schools and elevator overhaul at high school were not budgeted. Costs were funded from long-term facilities maintenance program restricted reserve. |
| Other | $ 257,000 | Direct aid is included in expenditures related to the pass-through of pension costs, which were not budgeted. |
| | $ 342,000 | Student activities and trust/agency funds were moved to the General Fund, due to the change in accounting principle not budgeted for. |

Significant changes from the prior year include the following:

| Type | Approximate Amount | Reason |
|---|---|---|
| Revenue | | |
| Property taxes | $ 1,624,000 | Increase in tax levy, due to categories tied to enrollment: operating referendum, long-term facilities maintenance levy, and operating capital. Also had positive adjustments for adjusting prior levy estimates to actual. |
| State sources | $ 1,961,000 | Increase in state aid, due to an approved increase in general education formula allowance, an increase in student enrollment, and an increase in special education aid. |
| Other | $ 349,000 | Student activities and trust/agency funds were moved to the General Fund, due to the change in accounting principle not budgeted for. |
| Expenditures | | |
| Salaries | $ 1,342,000 | Increased staffing costs, due to negotiated contract increases and program additions. |
| Benefits | $ 720,000 | Increases in benefits tied to salary increases and premium increases in the District's health insurance program. |
| Purchased services | $ 833,000 | Asbestos abatement project in the current year, transportation costs for care and treatment programs and homeless students in the current year. |
| Capital expenditures | $ 646,000 | Boiler replacement at both middle schools and elevator overhaul at the high school in the current year. These one-time costs only occur approximately every 15 years. |
| Other | $ 342,000 | Student activities and trust/agency funds were moved to the General Fund, due to the change in accounting principle in the current year. |

Other financing sources (uses) were higher than budget, as the District issued capital leases in the current year totaling $746,200, that were not anticipated in the District's budget. The District also transferred $281,599 to the Food Service Special Revenue Fund in the current year to support operations that were also not anticipated in the District's budget.

Other financing sources (uses) were less than last year, as the capital lease amounts issued in fiscal 2019 exceeded current year amounts net of the transfer out.

## ANALYSIS OF OTHER FUNDS

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, decreasing fund balance by $130,499. A transfer in of $281,599 was made from the General Fund in the current year to eliminate the deficit fund balance at year-end.

**Community Service Special Revenue Fund** – The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing fund balance by $101,149.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund ended the year with expenditures exceeding revenues, decreasing fund balance by $64,956,262.

**Debt Service Fund** – The Debt Service Fund is controlled in accordance with each outstanding debt issue's financing plan. The restricted fund balance in this fund at June 30, 2020 is available to pay outstanding principal and interest on the general obligation bonds of the District.

**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. This fund is used to account for the District's self-insured health and dental insurance functions.

Operating revenue and nonoperating revenue for the Internal Service Fund for fiscal 2020 totaled $11,397, while operating expenses totaled $11,803,534. The net position balance for the Internal Service Fund as of June 30, 2020 was $3,846,143.

## 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:

**Table 6**
**Capital Assets**

| | 2020 | 2019 | Change |
|---|---|---|---|
| Land | $ 1,098,730 | $ 1,098,730 | $ – |
| Construction in progress | 66,935,768 | 14,846,249 | 52,089,519 |
| Buildings and improvements | 126,931,004 | 118,449,927 | 8,481,077 |
| Furniture and equipment | 13,091,950 | 11,657,916 | 1,434,034 |
| Less accumulated depreciation | (75,569,927) | (72,555,614) | (3,014,313) |
| Total | $ 132,487,525 | $ 73,497,208 | $ 58,990,317 |
| Depreciation expense | $ 3,105,463 | $ 3,211,021 | $ (105,558) |

The increase in construction in progress in fiscal 2020 is due to architect fees and projects started in the current year, which are scheduled to be completed in future fiscal years.

## Long-Term Liabilities

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

**Table 7**
**Outstanding Long-Term Liabilities**

| | 2020 | 2019 | Change |
|---|---|---|---|
| General obligation bonds payable | $ 136,015,000 | $ 142,045,000 | $ (6,030,000) |
| Premium on bonds payable | 6,164,663 | 6,738,116 | (573,453) |
| Capital leases payable | 2,382,350 | 2,744,989 | (362,639) |
| Total/net pension liability | 47,306,730 | 46,205,466 | 1,101,264 |
| Net OPEB liability | 5,561,908 | 5,054,373 | 507,535 |
| Severance benefits payable | 330,468 | 354,861 | (24,393) |
| Compensated absences payable | 385,059 | 350,779 | 34,280 |
| Total | $ 198,146,178 | $ 203,493,584 | $ (5,347,406) |

The decrease in general obligation bonds payable is due to debt payments made in the current fiscal year with no new bonds issued. The difference in the total/net pension liability primarily reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA pension plan liabilities.

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).

**Table 8**
**Limitations on Debt**

| | |
|---|---|
| District's market value | $ 6,919,691,425 |
| Limit rate | 15% |
| Legal debt limit | $ 1,037,953,714 |

Additional details of the District's capital assets and 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.

In the first several months of 2020, the novel coronavirus (COVID-19) spread to the United States. Currently, the District's evaluation of the future effects of the resulting pandemic is ongoing; however, this situation could result in declines in revenues and additional costs related to program changes and distance learning. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on future developments, including the duration and spread of the pandemic.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Independent School District No. 197, 1897 Delaware Avenue, Mendota Heights, Minnesota 55118.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 197

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 | $ 79,310,905 | $ 139,520,267 |
| Receivables | | |
| Current taxes | 16,655,729 | 15,626,210 |
| Delinquent taxes | 202,323 | 229,725 |
| Accounts and interest | 1,186,871 | 2,817,139 |
| Due from fiduciary fund | 300,064 | 287,245 |
| Due from other governmental units | 5,951,247 | 6,123,484 |
| Inventory | 95,804 | 66,063 |
| Prepaid items | 169,339 | 169,612 |
| Capital assets | | |
| Not depreciated | 68,034,498 | 15,944,979 |
| Depreciated, net of accumulated depreciation | 64,453,027 | 57,552,229 |
| Total capital assets, net of accumulated depreciation | 132,487,525 | 73,497,208 |
| Total assets | 236,359,807 | 238,336,953 |
| **Deferred outflows of resources** | | |
| Pension plan deferments | 36,592,497 | 53,928,950 |
| OPEB Plan deferments | 796,297 | 646,759 |
| Total deferred outflows of resources | 37,388,794 | 54,575,709 |
| Total assets and deferred outflows of resources | $ 273,748,601 | $ 292,912,662 |
| **Liabilities** | | |
| Salaries and compensated absences payable | $ 3,489,991 | $ 3,289,193 |
| Accounts and contracts payable | 15,457,405 | 9,463,187 |
| Accrued interest payable | 2,152,322 | 2,277,947 |
| Due to other governmental units | 409,075 | 503,043 |
| Unearned revenue | 84,979 | 64,479 |
| Long-term liabilities | | |
| Due within one year | 5,579,351 | 7,519,069 |
| Due in more than one year | 192,566,827 | 195,974,515 |
| Total long-term liabilities | 198,146,178 | 203,493,584 |
| Total liabilities | 219,739,950 | 219,091,433 |
| **Deferred inflows of resources** | | |
| Property taxes levied for subsequent year | 28,238,935 | 27,843,328 |
| Pension plan deferments | 54,815,371 | 68,325,847 |
| OPEB Plan deferments | 428,743 | 196,145 |
| Total deferred inflows of resources | 83,483,049 | 96,365,320 |
| **Net position** | | |
| Net investment in capital assets | 26,722,022 | 28,744,595 |
| Restricted for | | |
| Capital asset acquisition | 967,149 | 396,168 |
| Debt service | 174,628 | 1,829,324 |
| Food service | – | 130,499 |
| Community service | 677,444 | 780,439 |
| Other purposes (state funding restrictions) | 1,391,815 | 2,073,919 |
| Unrestricted | (59,407,456) | (56,499,035) |
| Total net position | (29,474,398) | (22,544,091) |
| Total liabilities, deferred inflows of resources, and net position | $ 273,748,601 | $ 292,912,662 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | | 2020 | | | | 2019 |
|---|---|---|---|---|---|---|
| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | Net (Expense) Revenue and Changes in Net Position |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Governmental Activities |
| Governmental activities | | | | | | |
| Administration | $ 2,942,485 | $ – | $ – | $ – | $ (2,942,485) | $ (1,891,797) |
| District support services | 1,398,148 | – | – | – | (1,398,148) | (1,153,684) |
| Elementary and secondary regular instruction | 38,219,650 | 258,389 | 778,233 | – | (37,183,028) | (21,800,281) |
| Vocational education instruction | 537,144 | 1,862 | 12,017 | – | (523,265) | (112,542) |
| Special education instruction | 16,610,160 | – | 9,980,289 | – | (6,629,871) | (1,623,605) |
| Community education instruction | 59,500 | – | – | – | (59,500) | (67,520) |
| Instructional support services | 6,994,147 | – | – | – | (6,994,147) | (5,122,980) |
| Pupil support services | 7,905,983 | 56,938 | 319,405 | – | (7,529,640) | (5,886,938) |
| Sites and buildings | 12,563,400 | – | – | 449,881 | (12,113,519) | (7,199,220) |
| Fiscal and other fixed cost programs | 211,693 | – | – | – | (211,693) | (230,183) |
| Food service | 2,863,987 | 748,443 | 1,722,655 | – | (392,889) | 35,467 |
| Community service | 5,066,429 | 1,837,265 | 1,497,522 | – | (1,731,642) | (661,354) |
| Depreciation not included in other functions | 1,967,255 | – | – | – | (1,967,255) | (1,974,989) |
| Interest and fiscal charges | 4,826,348 | – | – | – | (4,826,348) | (5,271,593) |
| Total governmental activities | $102,166,329 | $ 2,902,897 | $ 14,310,121 | $ 449,881 | (84,503,430) | (52,961,219) |
| | General revenue | | | | | |
| | Taxes | | | | | |
| | Property taxes, levied for general purposes | | | | 18,862,775 | 17,015,595 |
| | Property taxes, levied for community service | | | | 1,276,598 | 1,208,216 |
| | Property taxes, levied for debt service | | | | 9,645,921 | 7,018,514 |
| | General grants and aids | | | | 44,641,227 | 40,170,063 |
| | Other general revenues | | | | 1,706,661 | 1,391,150 |
| | Investment earnings | | | | 1,049,176 | 4,757,235 |
| | Total general revenue | | | | 77,182,358 | 71,560,773 |
| | Change in net position | | | | (7,321,072) | 18,599,554 |
| | Net position – beginning, as previously reported | | | | (22,544,091) | (41,143,645) |
| | Change in accounting principle | | | | 390,765 | – |
| | Net position – beginning, as restated | | | | (22,153,326) | (41,143,645) |
| | Net position – ending | | | | $ (29,474,398) | $ (22,544,091) |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 197

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 | $ 17,623,174 | $ 49,404,984 | $ 6,616,241 |
| Receivables | | | |
| Current taxes | 10,657,024 | – | 5,374,231 |
| Delinquent taxes | 128,333 | – | 65,290 |
| Accounts and interest | 102,988 | 917,856 | 11,945 |
| Due from other funds | 309,258 | – | – |
| Due from other governmental units | 5,825,119 | – | 94 |
| Inventory | 43,484 | – | – |
| Prepaid items | 167,153 | 2,154 | – |
| Total assets | $ 34,856,533 | $ 50,324,994 | $ 12,067,801 |
| Liabilities | | | |
| Salaries and compensated absences payable | $ 3,337,015 | $ – | $ – |
| Accounts and contracts payable | 3,150,201 | 11,528,484 | – |
| Due to other funds | – | – | – |
| Due to other governmental units | 373,270 | – | – |
| Unearned revenue | 84,979 | – | – |
| Total liabilities | 6,945,465 | 11,528,484 | – |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | 17,366,218 | – | 9,740,851 |
| Unavailable revenue – delinquent taxes | 81,141 | – | 31,855 |
| Total deferred inflows of resources | 17,447,359 | – | 9,772,706 |
| Fund balances | | | |
| Nonspendable | 210,637 | 2,154 | – |
| Restricted | 2,358,964 | 38,794,356 | 2,295,095 |
| Assigned | – | – | – |
| Unassigned | 7,894,108 | – | – |
| Total fund balances | 10,463,709 | 38,796,510 | 2,295,095 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 34,856,533 | $ 50,324,994 | $ 12,067,801 |

| Nonmajor Funds | Total Governmental Funds 2020 | Total Governmental Funds 2019 |
|---|---|---|
| $ 1,223,075 | $ 74,867,474 | $ 134,663,450 |
| 624,474 | 16,655,729 | 15,626,210 |
| 8,700 | 202,323 | 229,725 |
| 139,257 | 1,172,046 | 2,773,945 |
| – | 309,258 | 287,245 |
| 126,034 | 5,951,247 | 6,123,484 |
| 52,320 | 95,804 | 66,063 |
| 32 | 169,339 | 169,612 |
| $ 2,173,892 | $ 99,423,220 | $ 159,939,734 |
| $ 152,976 | $ 3,489,991 | $ 3,289,193 |
| 166,607 | 14,845,292 | 8,814,901 |
| 9,194 | 9,194 | – |
| 35,805 | 409,075 | 503,043 |
| – | 84,979 | 64,479 |
| 364,582 | 18,838,531 | 12,671,616 |
| 1,131,866 | 28,238,935 | 27,843,328 |
| 4,437 | 117,433 | 164,777 |
| 1,136,303 | 28,356,368 | 28,008,105 |
| 52,352 | 265,143 | 235,675 |
| 672,975 | 44,121,390 | 111,168,158 |
| – | – | 477,850 |
| (52,320) | 7,841,788 | 7,378,330 |
| 673,007 | 52,228,321 | 119,260,013 |
| $ 2,173,892 | $ 99,423,220 | $ 159,939,734 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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)

| | 2020 | 2019 |
|---|---|---|
| Total fund balances – governmental funds | $ 52,228,321 | $ 119,260,013 |
| 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 | 208,057,452 | 146,052,822 |
| Accumulated depreciation | (75,569,927) | (72,555,614) |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums 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 | (136,015,000) | (142,045,000) |
| Premium on bonds payable | (6,164,663) | (6,738,116) |
| Capital leases payable | (2,382,350) | (2,744,989) |
| Total/net pension liability | (47,306,730) | (46,205,466) |
| Net OPEB liability | (5,561,908) | (5,054,373) |
| Severance benefits payable | (330,468) | (354,861) |
| Compensated absences payable | (385,059) | (350,779) |
| Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable. | (2,152,322) | (2,277,947) |
| 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 are included in the governmental activities in the Statement of Net Position. | 3,846,143 | 4,251,725 |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | 36,592,497 | 53,928,950 |
| Deferred outflows of resources – OPEB Plan deferments | 796,297 | 646,759 |
| Deferred inflows of resources – pension plan deferments | (54,815,371) | (68,325,847) |
| Deferred inflows of resources – OPEB Plan deferments | (428,743) | (196,145) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes receivable | 117,433 | 164,777 |
| Total net position – governmental activities | $ (29,474,398) | $ (22,544,091) |

INDEPENDENT SCHOOL DISTRICT NO. 197

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)

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund |
|---|---|---|---|
| Revenue | | | |
| Local sources | | | |
| Property taxes | $ 18,890,894 | $ – | $ 9,663,300 |
| Investment earnings | 207,309 | 605,583 | 74,994 |
| Other | 1,927,105 | 449,881 | – |
| State sources | 53,165,517 | – | 926 |
| Federal sources | 2,287,859 | – | – |
| Total revenue | 76,478,684 | 1,055,464 | 9,739,220 |
| Expenditures | | | |
| Current | | | |
| Administration | 2,664,367 | – | – |
| District support services | 1,368,218 | – | – |
| Elementary and secondary regular instruction | 33,827,949 | – | – |
| Vocational education instruction | 507,868 | – | – |
| Special education instruction | 15,149,820 | – | – |
| Community education services | 59,500 | – | – |
| Instructional support services | 6,881,647 | – | – |
| Pupil support services | 7,193,031 | – | – |
| Sites and buildings | 8,388,694 | – | – |
| Fiscal and other fixed cost programs | 211,693 | – | – |
| Food service | – | – | – |
| Community service | – | – | – |
| Capital outlay | – | 66,011,726 | – |
| Debt service | | | |
| Principal | 1,108,839 | – | 6,030,000 |
| Interest and fiscal charges | 53,264 | – | 5,472,162 |
| Total expenditures | 77,414,890 | 66,011,726 | 11,502,162 |
| Excess (deficiency) of revenue over expenditures | (936,206) | (64,956,262) | (1,762,942) |
| Other financing sources (uses) | | | |
| Bonds issued | – | – | – |
| Premium on debt issued | – | – | – |
| Transfers in | – | – | – |
| Transfers out | (281,599) | – | – |
| Capital leases issued | 746,200 | – | – |
| Total other financing sources (uses) | 464,601 | – | – |
| Net change in fund balances | (471,605) | (64,956,262) | (1,762,942) |
| Fund balances | | | |
| Beginning of year, as previously reported | 10,544,549 | 103,752,772 | 4,058,037 |
| Change in accounting principle | 390,765 | – | – |
| Beginning of year, as restated | 10,935,314 | 103,752,772 | 4,058,037 |
| End of year | $ 10,463,709 | $ 38,796,510 | $ 2,295,095 |

See notes to basic financial statements

| Nonmajor Funds | Total Governmental Funds 2020 | Total Governmental Funds 2019 |
|---|---|---|
| $ 1,278,444 | $ 29,832,638 | $ 25,250,736 |
| 42,970 | 930,856 | 4,616,187 |
| 2,682,453 | 5,059,439 | 4,938,607 |
| 1,654,386 | 54,820,829 | 52,629,439 |
| 1,567,943 | 3,855,802 | 3,978,307 |
| 7,226,196 | 94,499,564 | 91,413,276 |
| | | |
| – | 2,664,367 | 2,567,830 |
| – | 1,368,218 | 1,270,427 |
| – | 33,827,949 | 32,585,724 |
| – | 507,868 | 201,288 |
| – | 15,149,820 | 14,698,814 |
| – | 59,500 | 67,520 |
| – | 6,881,647 | 6,076,311 |
| – | 7,193,031 | 7,360,851 |
| – | 8,388,694 | 6,639,849 |
| – | 211,693 | 230,183 |
| 2,782,289 | 2,782,289 | 2,762,189 |
| 4,825,917 | 4,825,917 | 4,690,130 |
| 131,237 | 66,142,963 | 15,454,997 |
| | | |
| – | 7,138,839 | 7,251,654 |
| – | 5,525,426 | 4,099,625 |
| 7,739,443 | 162,668,221 | 105,957,392 |
| | | |
| (513,247) | (68,168,657) | (14,544,116) |
| | | |
| – | – | 115,760,000 |
| – | – | 4,816,810 |
| 281,599 | 281,599 | – |
| – | (281,599) | – |
| – | 746,200 | 1,333,512 |
| 281,599 | 746,200 | 121,910,322 |
| | | |
| (231,648) | (67,422,457) | 107,366,206 |
| | | |
| 904,655 | 119,260,013 | 11,893,807 |
| – | 390,765 | – |
| 904,655 | 119,650,778 | 11,893,807 |
| | | |
| $ 673,007 | $ 52,228,321 | $ 119,260,013 |

# 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)

| | 2020 | 2019 |
|---|---|---|
| Total net change in fund balances – governmental funds | $ (67,422,457) | $107,366,206 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase. | | |
| Capital outlays | 62,095,780 | 15,762,316 |
| Depreciation expense | (3,105,463) | (3,211,021) |
| 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. | (746,200) | (117,093,512) |
| Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. | | |
| General obligation bonds payable | 6,030,000 | 5,740,000 |
| Capital leases payable | 1,108,839 | 1,511,654 |
| 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. | 125,625 | (1,737,968) |
| 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. | 573,453 | (4,250,810) |
| Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances. | | |
| Compensated absences payable | (34,280) | 10,781 |
| Total/net pension liability | (1,101,264) | 80,289,472 |
| Severance benefits payable | 24,393 | 119,125 |
| Net OPEB liability | (507,535) | (850,963) |
| 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 Fund is included in the governmental activities in the Statement of Activities. | (405,582) | (255,081) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | (17,336,453) | (17,704,693) |
| Deferred outflows of resources – OPEB Plan deferments | 149,538 | 308,548 |
| Deferred inflows of resources – pension plan deferments | 13,510,476 | (47,390,299) |
| Deferred inflows of resources – OPEB Plan deferments | (232,598) | (5,790) |
| Deferred inflows of resources – delinquent taxes receivable | (47,344) | (8,411) |
| Change in net position – governmental activities | $ (7,321,072) | $ 18,599,554 |

See notes to basic financial statements

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

| | Budgeted Amounts | | | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 18,839,701 | $ 18,839,701 | $ 18,890,894 | $ 51,193 |
| Investment earnings | 130,000 | 130,000 | 207,309 | 77,309 |
| Other | 1,128,000 | 1,246,955 | 1,927,105 | 680,150 |
| State sources | 50,471,093 | 51,708,555 | 53,165,517 | 1,456,962 |
| Federal sources | 2,216,897 | 2,427,112 | 2,287,859 | (139,253) |
| Total revenue | 72,785,691 | 74,352,323 | 76,478,684 | 2,126,361 |
| Expenditures | | | | |
| Current | | | | |
| Administration | 2,693,099 | 2,705,499 | 2,664,367 | (41,132) |
| District support services | 1,037,026 | 1,278,026 | 1,368,218 | 90,192 |
| Elementary and secondary regular instruction | 34,187,141 | 34,915,895 | 33,827,949 | (1,087,946) |
| Vocational education instruction | 183,191 | 183,191 | 507,868 | 324,677 |
| Special education instruction | 14,755,004 | 15,122,715 | 15,149,820 | 27,105 |
| Community education instruction | 38,118 | 38,118 | 59,500 | 21,382 |
| Instructional support services | 5,425,505 | 5,837,788 | 6,881,647 | 1,043,859 |
| Pupil support services | 6,460,660 | 6,560,660 | 7,193,031 | 632,371 |
| Sites and buildings | 7,460,084 | 7,460,084 | 8,388,694 | 928,610 |
| Fiscal and other fixed cost programs | 267,000 | 230,000 | 211,693 | (18,307) |
| Debt service | | | | |
| Principal | 742,048 | 742,048 | 1,108,839 | 366,791 |
| Interest and fiscal charges | 14,665 | 14,665 | 53,264 | 38,599 |
| Total expenditures | 73,263,541 | 75,088,689 | 77,414,890 | 2,326,201 |
| Excess (deficiency) of revenue over expenditures | (477,850) | (736,366) | (936,206) | (199,840) |
| Other financing sources (uses) | | | | |
| Transfers out | – | – | (281,599) | (281,599) |
| Capital leases issued | – | – | 746,200 | 746,200 |
| Total other financing sources (uses) | – | – | 464,601 | 464,601 |
| Net change in fund balances | $ (477,850) | $ (736,366) | (471,605) | $ 264,761 |
| Fund balances | | | | |
| Beginning of year, as previously reported | | | 10,544,549 | |
| Change in accounting principle | | | 390,765 | |
| Beginning of year, as restated | | | 10,935,314 | |
| End of year | | | $ 10,463,709 | |

See notes to basic financial statements

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

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and temporary investments | $ 4,443,431 | $ 4,856,817 |
| Receivables | | |
| Accounts and interest | 14,825 | 43,194 |
| Total current assets | 4,458,256 | 4,900,011 |
| Liabilities | | |
| Current liabilities | | |
| Claims incurred, but not reported | 612,113 | 648,286 |
| Net position | | |
| Unrestricted | $ 3,846,143 | $ 4,251,725 |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 197

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)

| | 2020 | 2019 |
|---|---|---|
| Operating revenue | | |
| Charges for services | | |
| Contributions from governmental funds | $ 11,279,632 | $ 10,700,381 |
| Operating expenses | | |
| Health benefit claims | 11,313,687 | 10,556,472 |
| Dental benefit claims | 489,847 | 540,038 |
| Total operating expenses | 11,803,534 | 11,096,510 |
| Operating income (loss) | (523,902) | (396,129) |
| Nonoperating revenue | | |
| Investment earnings | 118,320 | 141,048 |
| Change in net position | (405,582) | (255,081) |
| Net position | | |
| Beginning of year | 4,251,725 | 4,506,806 |
| End of year | $ 3,846,143 | $ 4,251,725 |

INDEPENDENT SCHOOL DISTRICT NO. 197

Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Contributions from governmental funds | $ 11,308,001 | $ 10,689,047 |
| Payment for health claims | (11,357,914) | (10,183,344) |
| Payment for dental claims | (481,793) | (542,107) |
| Net cash flows from operating activities | (531,706) | (36,404) |
| Cash flows from investing activities | | |
| Investment income received | 118,320 | 141,048 |
| Net change in cash and cash equivalents | (413,386) | 104,644 |
| Cash and cash equivalents | | |
| Beginning of year | 4,856,817 | 4,752,173 |
| End of year | $ 4,443,431 | $ 4,856,817 |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | |
| Operating income (loss) | $ (523,902) | $ (396,129) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | |
| Changes in assets and liabilities | | |
| Accounts receivable | 28,369 | (11,334) |
| Claims incurred, but not reported | (36,173) | 371,059 |
| Net cash flows from operating activities | $ (531,706) | $ (36,404) |

## Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2020

| | Post-Employment Benefits Trust Fund | Private-Purpose Trust Fund | Custodial Fund |
|---|---|---|---|
| Assets | | | |
| Cash and temporary investments | $ – | $ – | $ 27,946 |
| Cash and investments held by trustee | – | – | – |
| Minnesota State Board of Investment | | | |
| Retirement Money Fund | 7,407,803 | – | – |
| Total assets | 7,407,803 | – | 27,946 |
| Liabilities | | | |
| Due to governmental funds | 300,064 | – | – |
| Net position | | | |
| Restricted for other purposes | – | – | 27,946 |
| Restricted for OPEB | 7,107,739 | – | – |
| Total net position | $ 7,107,739 | $ – | $ 27,946 |

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

| | Post-Employment Benefits Trust Fund | Private-Purpose Trust Fund | Custodial Fund |
|---|---|---|---|
| Additions | | | |
| Contributions | | | |
| Private donations | $ – | $ – | $ 5,071 |
| Retiree contributions | 84,544 | – | – |
| Investment earnings | 575,129 | – | 85 |
| Total additions | 659,673 | – | 5,156 |
| Deductions | | | |
| Other post-employment benefits | 384,609 | – | – |
| Other deductions | – | – | 4,666 |
| Total deductions | 384,609 | – | 4,666 |
| Change in net position | 275,064 | – | 490 |
| Net position | | | |
| Beginning of year, as previously reported | 6,832,675 | 362,167 | – |
| Change in accounting principle | – | (362,167) | 27,456 |
| Beginning of year, as restated | 6,832,675 | – | 27,456 |
| End of year | $ 7,107,739 | $ – | $ 27,946 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization

Independent School District No. 197 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

### C. Government-Wide Financial Statement Presentation

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts 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.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. 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. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered 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 long-term debt, which is recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. An internal service fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The principal operating revenue of the District's internal service fund is charges to other district funds for service. Operating expenses for the internal service fund include the costs of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. 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.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation bond 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 was used for the 2008 taxable 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 Funds** – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service fund is used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

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

### Fiduciary Funds

**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.

**Private-Purpose Trust Fund** – The Private-Purpose Trust Fund was used to account for resources received and held by the District in the capacity as the trustee for others. This fund was used to account for gifts donated for scholarships and other school activities. This Fund was eliminated in the current year, due to the implementation of GASB Statement No. 84, *Fiduciary Activities.*

**Custodial Fund** – The Custodial Fund is used to account for resources received and held by the District for outside organizations. This fund is used to account for gifts donated for specific purposes.

### E. Budgetary Information

Each June, the School Board adopts an annual budget for all governmental funds, except the Capital Projects – Building Construction Fund. 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. Expenditures exceeded budgeted amounts in the General Fund by $2,326,201. Expenditures exceeded budgeted amounts in the Food Service Special Revenue Fund by $46,706. Budgeted expenditure appropriations lapse at year-end.

### F. Cash and 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 investments in the Capital Projects – Building Construction Fund are allocated directly to those accounts.

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, trust accounts are established to pay OPEB. Interest earned on these investments is allocated directly to those accounts.

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

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

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

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

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

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

**G. Receivables**

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be fully collected within one year are property taxes receivable.

**H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost computed 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 prepaids. Prepaids are reported using the consumption method and recorded as expenses/expenditures at the time of consumption.

**J. Property Taxes**

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $1,949,751 of property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund-based 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.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks 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. 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. Vacation pay is accrued in the governmental fund financial statements only when used or matured, due to employee termination or similar circumstances.

2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. For certain bargaining units, unused sick leave enters into the calculation of an employee's severance upon termination.

These obligations are paid by the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

### N. Severance Benefits

The District provides lump sum severance pay benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. Retirement benefits for certain employee groups are paid into a post-employment tax sheltered annuity account.

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

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

### O. State-Wide Pension Plans

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

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

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

### P. Other Post-Employment Benefits (OPEB) Plan

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. Deferred Outflows/Inflows of Resources

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

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

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

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

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.

### 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 inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

### 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.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

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

### T. Use of Estimates

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

### U. Risk Management and Self-Insurance

**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 the current year.

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

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

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

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

| Year Ended June 30, | Claim Liability – Beginning of | Current Year Claims and Changes in Estimates | Claim Payments | Claim Liability – End of Year |
|---|---|---|---|---|
| 2019 | $ 12,044 | $ 537,969 | $ 540,038 | $ 9,975 |
| 2020 | $ 9,975 | $ 489,847 | $ 481,793 | $ 18,029 |

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

| Year Ended June 30, | Claim Liability – Beginning of | Current Year Claims and Changes in Estimates | Claim Payments | Claim Liability – End of Year |
|---|---|---|---|---|
| 2019 | $ 265,183 | $ 10,929,600 | $ 10,556,472 | $ 638,311 |
| 2020 | $ 638,311 | $ 11,313,687 | $ 11,357,914 | $ 594,084 |

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

### 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 has resulted in changing the presentation of the financial statements by accounting for the extracurricular student activity funds and the District's Private-Purpose Trust Fund in the General Fund and its governmental activities, rather than in a separate audit report and as a fiduciary fund, respectively, as in the past. This also resulted in the reporting of a Custodial Fund, which was previously reported in the Private-Purpose Trust Fund. This standard required retroactive implementation, which resulted in the restatement of fund balance in the General Fund, net position of governmental activities, and net position of the Custodial Fund as of June 30, 2019. The restatement resulted in an increase in fund balance in the General Fund and net position in the governmental activities of $390,765 as of July 1, 2019. Net position of the Custodial Fund increased by $27,456 as of July 1, 2019.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was $20,136,264 and the balance on the bank records was $19,890,364. At June 30, 2020, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments**

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

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

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

Minnesota Statutes authorize the Post-Employment Benefits 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 agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the Minnesota State Board of Investment. Investments are stated at amortized cost methods that approximate 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 policy does not address concentration risk. As of June 30, 2020, the District invested a significant percentage of its total portfolio in Fannie Mae and Los Angeles government securities totaling 5.4 percent and 8.3 percent, respectively.

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The following table presents the District's deposit and investment balances at June 30, 2020, and information relating to potential investment risks:

| Investment/Deposit | Credit Risk – Credit Rating | Credit Risk – Rating Agency | Fair Value Measurements Using | Interest Rate Risk – Maturity Duration in Years – Less Than 1 | Interest Rate Risk – Maturity Duration in Years – 1 to 5 | Total |
|---|---|---|---|---|---|---|
| Local government obligations | AA | S&P | Level 2 | $ 6,509,131 | $ 505,815 | $ 7,014,946 |
| Local government obligations | AA | Moody's | Level 2 | $ 151,134 | $ 337,246 | 488,380 |
| U.S. agency securities | AA | S&P | Level 2 | $ 5,920,444 | $ 1,794,506 | 7,714,950 |
| Negotiable certificates of deposit | N/R | N/R | Level 2 | $ 1,495,956 | $ – | 1,495,956 |
| Investment pools/mutual funds | | | | | | |
| Minnesota School District Liquid Asset Fund | | | | | | |
| Liquid Class | AAA | S&P | Amortized cost | N/A | N/A | 477,900 |
| MAX Class | AAA | S&P | Amortized cost | N/A | N/A | 15,873,656 |
| Term Series | AAA | Fitch | Amortized cost | $ 4,000,000 | $ – | 4,000,000 |
| Minnesota State Board of Investment Retirement Money Fund | N/R | N/R | Amortized cost | N/A | N/A | 7,407,803 |
| MNTrust Term Series | N/R | N/R | Amortized cost | $ 11,000,000 | $ – | 11,000,000 |
| MN Trust Limited Term Duration Series | N/R | N/R | Amortized cost | $ 1,500,986 | $ – | 1,500,986 |
| MNTrust Investment Shares Portfolio | AAA | S&P | Amortized cost | N/A | N/A | 9,635,813 |
| Total investments | | | | | | 66,610,390 |
| Deposits | | | | | | 20,136,264 |
| Total cash and investments | | | | | | $ 86,746,654 |

N/A – Not Applicable
N/R – Not Rated

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

| | |
|---|---|
| Statement of Net Position | |
| Cash and temporary investments | $ 79,310,905 |
| Statement of Fiduciary Net Position | |
| Cash and investments held by trustee – Post-Employment Benefits Trust Fund | 7,407,803 |
| Cash and temporary investments – Custodial Fund | 27,946 |
| Total cash and investments | $ 86,746,654 |

The amount in investment pools/mutual funds includes amounts invested in the MNTrust Investment Shares Portfolio (MNTrust), MNTrust Limited Term Duration Series, and Term Series, the Minnesota School District Liquid Asset Fund (MSDLAF), and the Minnesota State Board of Investment Retirement Money Fund, which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value.

There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio, the MSDLAF Liquid Class, or the Minnesota State Board of Investment Retirement Money Fund. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MSDLAF Term Series investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require seven days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the MNTrust Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.

The District's investment policy allows the District to invest within the various accounts of the Supplemental Investment Fund, as administered by the Minnesota State Board of Investment. Investments held in the external investment pools of the Supplemental Investment Fund are presented in the table on the previous page and in the Post-Employment Benefits Trust Fund in the Statement of Fiduciary Net Position.

## NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation 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 | $ 1,098,730 | $ – | $ – | $ – | $ 1,098,730 |
| Construction in progress | 14,846,249 | 60,498,770 | – | (8,409,251) | 66,935,768 |
| Total capital assets, not depreciated | 15,944,979 | 60,498,770 | – | (8,409,251) | 68,034,498 |
| Capital assets, depreciated | | | | | |
| Buildings and improvements | 118,449,927 | 71,826 | – | 8,409,251 | 126,931,004 |
| Furniture and equipment | 11,657,916 | 1,525,184 | (91,150) | – | 13,091,950 |
| Total capital assets, depreciated | 130,107,843 | 1,597,010 | (91,150) | 8,409,251 | 140,022,954 |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | (63,553,649) | (2,579,382) | – | – | (66,133,031) |
| Furniture and equipment | (9,001,965) | (526,081) | 91,150 | – | (9,436,896) |
| Total accumulated depreciation | (72,555,614) | (3,105,463) | 91,150 | – | (75,569,927) |
| Net capital assets, depreciated | 57,552,229 | (1,508,453) | – | 8,409,251 | 64,453,027 |
| Total capital assets, net | $ 73,497,208 | $ 58,990,317 | $ – | $ – | $ 132,487,525 |

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

| | |
|---|---|
| Administration | $ 5,977 |
| District support services | 13,937 |
| Elementary and secondary regular instruction | 745,688 |
| Vocational education instruction | 783 |
| Instructional support services | 13,400 |
| Pupil support services | 346,547 |
| Food service | 11,876 |
| Depreciation not included in other functions | 1,967,255 |
| Total depreciation expense | $ 3,105,463 |

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds Payable

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

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|---|---|---|---|---|---|
| 2012 Refunding Bonds | 08/22/2012 | 3.00–4.00% | $ 33,070,000 | 02/01/2025 | $ 16,980,000 |
| 2015 Building Bonds | 02/12/2015 | 2.00% | $ 3,275,000 | 02/01/2025 | 3,275,000 |
| 2018 School Building Bonds | 07/12/2018 | 2.00–5.00% | $ 155,760,000 | 02/01/2041 | 115,760,000 |
| Total general obligation bonds payable | | | | | $ 136,015,000 |

**General Obligation School Building and Refunding Bonds** – These bonds were issued to finance acquisition and/or construction of capital facilities or refinance (refund) previous bond issues. 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.

### B. Capital Leases

The District is obligated under capital lease agreements for vans, buses, and technology equipment. The leases, which bear interest rates ranging from 1.2 percent to 5.5 percent, call for periodic principal and interest payments through July 2024, and are being paid through the General Fund. At the end of each lease term, the District has the option to purchase these assets for $1. The vans and buses acquired through these leases are reported in furniture and equipment at a cost of $1,801,680, with an accumulated depreciation of $555,960 at year-end. Amortization of assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year was $225,210. Technology equipment was below the District's capitalization threshold and was not capitalized.

If the District fails to make the rental payments specified in these agreements or otherwise defaults on these leases, the lessor may 1) enter the leased property and take possession without such possession and the rent due under this agreement, 2) exclude the District from possession of the property and attempt to sell or again lease the property, holding the District responsible for the rent due under this agreement until the property is sold or leased again, or 3) take legal action to force performance under the terms of the lease.

### C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, pension benefits, OPEB, and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid from the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

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

District employees participate in 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:

| Pension Plans | Total/Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| State-wide, multiple-employer – PERA | $ 9,835,694 | $ 1,543,284 | $ 2,186,717 | $ 1,270,618 |
| State-wide, multiple-employer – TRA | 37,434,625 | 35,049,213 | 52,628,654 | 7,654,720 |
| Single-employer – District | 36,411 | – | – | 3,007 |
| Total | $ 47,306,730 | $ 36,592,497 | $ 54,815,371 | $ 8,928,345 |

### D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and capital leases are as follows:

| Year Ending | General Obligation Bonds | | Capital Leases | |
|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest |
| 2021 | $ 4,305,000 | $ 5,165,573 | $ 861,863 | $ 45,418 |
| 2022 | 4,325,000 | 5,016,773 | 649,373 | 32,807 |
| 2023 | 4,680,000 | 4,851,973 | 411,801 | 20,683 |
| 2024 | 4,860,000 | 4,670,823 | 305,491 | 11,249 |
| 2025 | 5,050,000 | 4,482,473 | 153,822 | 2,947 |
| 2026–2030 | 28,570,000 | 19,056,959 | – | – |
| 2031–2035 | 34,130,000 | 13,487,238 | – | – |
| 2036–2040 | 40,940,000 | 6,679,068 | – | – |
| 2041 | 9,155,000 | 366,200 | – | – |
| | $ 136,015,000 | $ 63,777,080 | $ 2,382,350 | $ 113,104 |

### E. Changes in Long-Term Liabilities

| | June 30, 2019 | Additions | Retirements | June 30, 2020 | Due Within One Year |
|---|---|---|---|---|---|
| General obligation bonds payable | $ 142,045,000 | $ – | $ 6,030,000 | $ 136,015,000 | $ 4,305,000 |
| Premium on bonds payable | 6,738,116 | – | 573,453 | 6,164,663 | – |
| Capital leases payable | 2,744,989 | 746,200 | 1,108,839 | 2,382,350 | 861,863 |
| Total/net pension liability | 46,205,466 | 4,955,946 | 3,854,682 | 47,306,730 | – |
| Net OPEB liability | 5,054,373 | 953,995 | 446,460 | 5,561,908 | – |
| Severance benefits payable | 354,861 | 73,355 | 97,748 | 330,468 | 27,429 |
| Compensated absences payable | 350,779 | 385,059 | 350,779 | 385,059 | 385,059 |
| | $ 203,493,584 | $ 7,114,555 | $ 12,461,961 | $ 198,146,178 | $ 5,579,351 |

## NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. Any such restrictions, which have an accumulated deficit rather than a positive 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. However, a description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

### A. Classifications

At June 30, 2020, a summary of the District's governmental fund balance classifications are as follows:

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| Nonspendable | | | | | |
| Prepaid items | $ 167,153 | $ 2,154 | $ – | $ 32 | $ 169,339 |
| Inventory | 43,484 | – | – | 52,320 | 95,804 |
| Total nonspendable | 210,637 | 2,154 | – | 52,352 | 265,143 |
| Restricted | | | | | |
| Student activities | 115,214 | – | – | – | 115,214 |
| Staff development | 451,211 | – | – | – | 451,211 |
| Operating capital | 967,149 | – | – | – | 967,149 |
| Medical Assistance | 825,390 | – | – | – | 825,390 |
| Capital projects | – | 38,794,356 | – | – | 38,794,356 |
| General debt service | – | – | 1,608,618 | – | 1,608,618 |
| OPEB bonds debt service | – | – | 686,477 | – | 686,477 |
| Community education | – | – | – | 352,726 | 352,726 |
| Adult basic education | – | – | – | 11,822 | 11,822 |
| Community service programs | – | – | – | 308,427 | 308,427 |
| Total restricted | 2,358,964 | 38,794,356 | 2,295,095 | 672,975 | 44,121,390 |
| Unassigned | | | | | |
| Food service restricted account deficit | – | – | – | (52,320) | (52,320) |
| Long-term facilities maintenance restricted account deficit | (172,531) | – | – | – | (172,531) |
| Unassigned | 8,066,639 | – | – | – | 8,066,639 |
| Total unassigned | 7,894,108 | – | – | (52,320) | 7,841,788 |
| Total | $ 10,463,709 | $ 38,796,510 | $ 2,295,095 | $ 673,007 | $ 52,228,321 |

### B. Minimum Unrestricted Fund Balance Policy

The School Board has formally adopted a fund balance policy that states the School Board will maintain an unrestricted fund balance (all fund balances not restricted) as of June 30 each year at a minimum of 8.0 percent of the District's General Fund operating expenditure budget. At June 30, 2020, the unrestricted fund balance as a percentage of current year expenditures (excluding capital-related expenditures) is 11.5 percent.

When the unrestricted (all fund balances not restricted) fund balance is projected to decrease below 8.0 percent of the General Fund operating expenditures budget, the District shall initiate one or more of the following measures to ensure that the year-end General Fund unrestricted fund balance for the budget year in question does not fall below 8.0 percent:

1. Reduce expenditures through implementation of cost-containment measures.
2. Seek opportunities to increase revenue.
3. Develop and initiate a plan to achieve an 8.0 percent unrestricted fund balance over a designated period of time.

**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.

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

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

### 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 $981,011. 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 $2,731,306. 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:

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

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 $9,835,694 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 0.1779 percent at the end of the measurement period and 0.1800 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 $16.0 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 | $ | 9,835,694 |
| State's proportionate share of the net pension liability associated with the District | $ | 305,820 |

For the year ended June 30, 2020, the District recognized pension expense of $1,247,727 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $22,891 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 | $ 316,658 | $ – |
| Changes in actuarial assumptions | – | 796,324 |
| Difference between projected and actual investment earnings | – | 1,063,621 |
| Changes in proportion | 245,615 | 326,772 |
| District's contributions to the GERF subsequent to the measurement date | 981,011 | – |
| Total | $ 1,543,284 | $ 2,186,717 |

A total of $981,011 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 | $ (478,767) |
| 2022 | $ (970,316) |
| 2023 | $ (228,460) |
| 2024 | $ 53,099 |

### 2. TRA Pension Costs

At June 30, 2020, the District reported a liability of $37,434,625 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5873 percent at the end of the measurement period and 0.5760 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 School 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 | $ 37,434,625 |
| State's proportionate share of the net pension liability associated with the District | $ 3,312,985 |

For the year ended June 30, 2020, the District recognized pension expense of $7,402,894. It also recognized $251,826 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ – | $ 896,133 |
| Changes in actuarial assumptions | 29,786,161 | 48,666,102 |
| Difference between projected and actual investment earnings | – | 3,066,419 |
| Changes in proportion | 2,531,746 | – |
| District's contributions to the TRA subsequent to the measurement date | 2,731,306 | – |
| Total | $ 35,049,213 | $ 52,628,654 |

A total of $2,731,306 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:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2021 | $ 2,133,483 |
| 2022 | $ 309,129 |
| 2023 | $ (13,222,780) |
| 2024 | $ (9,579,470) |
| 2025 | $ 48,891 |

## 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:

| Assumptions | GERF | TRA |
|---|---|---|
| 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 GERF 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. **GERF**

   **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:

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

## 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:

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| GERF discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the GERF net pension liability | $ 16,169,349 | $ 9,835,694 | $ 4,606,000 |
| TRA discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the TRA net pension liability | $ 59,679,946 | $ 37,434,625 | $ 19,093,687 |

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

### H. Pension Plan Fiduciary Net Position

Detailed information about the GERF'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 – DEFINED BENEFIT PENSION 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. 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. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

### 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 periodically by the District. The District has not established a trust fund to finance these pension benefits.

### C. Membership

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

| | |
|---|---|
| Active plan members | 44 |

## NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

### D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2018, 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 | 3.00% |

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

### F. Changes in the Total Pension Liability

| | Total Pension Liability |
|---|---|
| Beginning balance – July 1, 2019 | $ 41,612 |
| Changes for the year | |
| Service cost | 1,814 |
| Interest | 1,220 |
| Assumption changes | (27) |
| Benefit payments | (8,208) |
| Total net changes | (5,201) |
| Ending balance – June 30, 2020 | $ 36,411 |

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.10 percent to 2.40 percent.

### 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:

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| Pension discount rate | 1.40% | 2.40% | 3.40% |
| Total pension liability | $ 36,616 | $ 36,411 | $ 36,163 |

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

For the current year ended, the District recognized pension expense of $3,007. As of year-end, the District reported no deferred outflows of resources or deferred inflows of resources related to this pension plan.

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

### A. Plan Description

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

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund. 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 have the option under state law to continue their medical insurance coverage 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 for all or part of the eligible retiree's premiums for medical and/or dental insurance. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

### D. Membership

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

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 41 |
| Active plan members | 806 |
| Total members | 847 |

### 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 | $ 12,669,647 |
| Plan fiduciary net position | (7,107,739) |
| District's net OPEB liability | $ 5,561,908 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 56.1% |

### F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 with a measurement date 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 | 2.50% |
| Expected long-term investment return | 3.90% (net of investment expenses) |
| 20-year municipal bond yield | 2.40% |
| Inflation rate | 2.50% |
| Salary increases | 3.00% |
| Medical trend rate | 6.25%, grading to 5.00% over 5 years |
| Dental trend rate | 4.00% |

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

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|---|---|---|
| Cash | 2.00 % | 0.50 % |
| Fixed income | 98.00 | 4.00 % |
| Total | 100.00 % | 3.90 % |

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 8.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.50 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been taken into account. The District discount rate used in the prior measurement date was 3.10 percent.

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**I. Changes in the Net OPEB Liability**

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a-b) |
|---|---|---|---|
| Beginning balance – July 1, 2019 | $ 11,887,048 | $ 6,832,675 | $ 5,054,373 |
| Changes for the year | | | |
| Service cost | 729,958 | – | 729,958 |
| Interest | 380,936 | – | 380,936 |
| Assumption changes | 334,669 | – | 334,669 |
| Plan changes | – | – | – |
| Differences between expected and actual economic experience | – | 309,100 | (309,100) |
| Contributions – district and member | – | 363,399 | (363,399) |
| Net investment income | – | 266,029 | (266,029) |
| Benefit payments – paid through trust | (384,109) | (384,109) | – |
| Benefit payments – district and member-financed | (278,855) | (278,855) | – |
| Administrative expenses | – | (500) | 500 |
| Total net changes | 782,599 | 275,064 | 507,535 |
| Ending balance – June 30, 2020 | $ 12,669,647 | $ 7,107,739 | $ 5,561,908 |

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.10 percent to 2.50 percent.
- The expected long-term investment return was changed from 3.50 percent to 3.90 percent.

**J. 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:

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| OPEB discount rate | 1.50% | 2.50% | 3.50% |
| Net OPEB liability | $ 6,230,168 | $ 5,561,908 | $ 4,897,109 |

## NOTE 8 – 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 medical trend rate | 5.25% decreasing to 4.00% over 5 years | 6.25% decreasing to 5.00% over 5 years | 7.25% decreasing to 6.00% over 5 years |
| OPEB dental trend rate | 3.00% | 4.00% | 5.00% |
| Net OPEB liability | $ 4,384,007 | $ 5,561,908 | $ 6,931,347 |

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

For the current year ended, the District recognized OPEB expense of $953,995. 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 | $ 276,875 | $ – |
| Changes in actuarial assumptions | 519,422 | 114,211 |
| Difference between projected and actual investment earnings | – | 314,532 |
| | $ 796,297 | $ 428,743 |

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 | $ 108,629 |
| 2022 | $ 66,332 |
| 2023 | $ 13,509 |
| 2024 | $ 123,310 |
| 2025 | $ 55,774 |

## 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, 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 healthcare portion of the Plan, whether or not such contributions have been made.

The Plan is being administered by an independent contract administrator for healthcare and dependent care expense reimbursements. The District holds contributions to the Plan for healthcare and dependent care expense reimbursements until requests for reimbursement of claims are received from the administrator. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the claim payments when due. The accounting for the activities of the flexible benefit plan is included within the General Fund.

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

## NOTE 10 – INTERFUND TRANSACTIONS

During the year ended June 30, 2020, the District transferred $281,599 from the General Fund to the Food Service Special Revenue Fund to cover deficit operations in food service programs. Such interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

At June 30, 2020, the District's General Fund had an interfund receivable of $300,064 from the Post-Employment Benefits Trust Fund, representing post-employment benefit costs to be reimbursed. The General Fund also had an interfund receivable from the Food Service Special Revenue Fund of $9,194 made for cash flow purposes. Such interfund balances are reported in the fund financial statements, but are eliminated as necessary 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. Legal Contingencies

The District is a defendant in various lawsuits. 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.

## NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### C. Operating Leases

The District entered into a lease agreement for use of space for an Alternative Learning Center effective September 1, 2012. Lease expenditures during fiscal 2020 totaled approximately $283,587. The future minimum lease payments for this lease are as follows:

| Fiscal Year | Amount |
|---|---|
| 2021 | $ 292,138 |
| 2022 | 300,337 |
| 2023 | 50,284 |
| Total | $ 642,759 |

In July 2015, the District leased a building at 1970 Christensen Avenue in West St. Paul, Minnesota. The lease term began on the date of possession and continues through the last day of the calendar month that is 120 months from the date of possession. Rent is based on the square footage being used multiplied by the agreed-upon rate per square foot. Lease expenditures during fiscal 2020 totaled approximately $376,910. Future minimum payments on this lease are as follows:

| Fiscal Year | Amount |
|---|---|
| 2021 | $ 383,702 |
| 2022 | 391,036 |
| 2023 | 398,371 |
| 2024 | 405,978 |
| 2025 | 413,856 |
| Total | $ 1,992,943 |

In October 2018, the District entered into a lease agreement for transportation vehicles with payments over five years. Lease expenditures during fiscal 2020 totaled approximately $156,847. The future minimum lease payments for this lease are as follows:

| Fiscal Year | Amount |
|---|---|
| 2021 | $ 156,847 |
| 2022 | 156,847 |
| 2023 | 156,847 |
| Total | $ 470,541 |

### D. Construction Commitments

At June 30, 2020, the District had commitments totaling $35,413,382 under various construction contracts for which the work was not yet completed.

## NOTE 12 – SUBSEQUENT EVENTS

### A. Operating Lease

On September 11, 2020, the District entered into a lease agreement for transportation vehicles with payments over four years starting in fiscal 2021. Total lease expenditures for this lease will total approximately $260,880.

### B. COVID-19 Pandemic

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.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 197

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 State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 06/30/2015 | 06/30/2014 | 0.1877% | $ 8,817,206 | $ – | $ 8,817,206 | $ 9,854,575 | 89.47% | 78.70% |
| 06/30/2016 | 06/30/2015 | 0.1749% | $ 9,064,226 | $ – | $ 9,064,226 | $ 10,271,570 | 88.25% | 78.20% |
| 06/30/2017 | 06/30/2016 | 0.1754% | $ 14,241,610 | $ 186,010 | $ 14,427,620 | $ 10,873,967 | 130.97% | 68.90% |
| 06/30/2018 | 06/30/2017 | 0.1875% | $ 11,969,877 | $ 150,528 | $ 12,120,405 | $ 12,092,570 | 98.99% | 75.90% |
| 06/30/2019 | 06/30/2018 | 0.1800% | $ 9,985,663 | $ 327,540 | $ 10,313,203 | $ 12,099,942 | 82.53% | 79.50% |
| 06/30/2020 | 06/30/2019 | 0.1779% | $ 9,835,694 | $ 305,820 | $ 10,141,514 | $ 12,534,528 | 78.47% | 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 | $ 758,311 | $ 758,311 | $ – | $ 10,271,570 | 7.38% |
| 06/30/2016 | $ 815,665 | $ 815,665 | $ – | $ 10,873,967 | 7.50% |
| 06/30/2017 | $ 906,034 | $ 906,034 | $ – | $ 12,092,570 | 7.49% |
| 06/30/2018 | $ 907,687 | $ 907,687 | $ – | $ 12,099,942 | 7.50% |
| 06/30/2019 | $ 943,550 | $ 943,550 | $ – | $ 12,534,528 | 7.53% |
| 06/30/2020 | $ 981,011 | $ 981,011 | $ – | $ 13,081,579 | 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. 197

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 | 0.5808% | $ 26,762,846 | $ 1,882,856 | $ 28,645,702 | $ 26,507,780 | 100.96% | 81.50% |
| 06/30/2016 | 06/30/2015 | 0.5457% | $ 33,756,942 | $ 4,140,372 | $ 37,897,314 | $ 27,692,813 | 121.90% | 76.80% |
| 06/30/2017 | 06/30/2016 | 0.5630% | $134,288,933 | $ 13,478,876 | $147,767,809 | $ 29,277,163 | 458.68% | 44.88% |
| 06/30/2018 | 06/30/2017 | 0.5736% | $114,500,965 | $ 11,067,595 | $125,568,560 | $ 30,871,242 | 370.90% | 51.57% |
| 06/30/2019 | 06/30/2018 | 0.5760% | $ 36,178,191 | $ 3,398,960 | $ 39,577,151 | $ 31,834,936 | 113.64% | 78.07% |
| 06/30/2020 | 06/30/2019 | 0.5873% | $ 37,434,625 | $ 3,312,985 | $ 40,747,610 | $ 33,354,525 | 112.23% | 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 | $ 2,076,970 | $ 2,076,970 | $ – | $ 27,692,813 | 7.50% |
| 06/30/2016 | $ 2,196,169 | $ 2,196,169 | $ – | $ 29,277,163 | 7.50% |
| 06/30/2017 | $ 2,315,946 | $ 2,315,946 | $ – | $ 30,871,242 | 7.50% |
| 06/30/2018 | $ 2,386,227 | $ 2,386,227 | $ – | $ 31,834,936 | 7.50% |
| 06/30/2019 | $ 2,570,756 | $ 2,570,756 | $ – | $ 33,354,525 | 7.71% |
| 06/30/2020 | $ 2,731,306 | $ 2,731,306 | $ – | $ 34,486,820 | 7.92% |

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

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 | $ 1,473 | $ 1,380 | $ 1,576 | $ 1,814 |
| Interest | 1,694 | 1,086 | 662 | 1,220 |
| Assumption changes | – | (260) | 111 | (27) |
| Plan changes | – | – | (2,992) | – |
| Differences between expected and actual experience | – | – | 31,809 | – |
| Benefit payments | (20,010) | (28,139) | (13,650) | (8,208) |
| Net change in total pension liability | (16,843) | (25,933) | 17,516 | (5,201) |
| Total pension liability – beginning of year | 66,872 | 50,029 | 24,096 | 41,612 |
| Total pension liability – end of year | $ 50,029 | $ 24,096 | $ 41,612 | $ 36,411 |
| Covered-employee payroll | $ 4,881,026 | $ 5,027,457 | $ 3,862,007 | $ 3,977,867 |
| Total pension liability as a percentage of covered-employee payroll | 1.02% | 0.48% | 1.08% | 0.92% |

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. 197

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 | $ 578,701 | $ 559,908 | $ 647,717 | $ 729,958 |
| Interest | 346,801 | 345,050 | 387,196 | 380,936 |
| Assumption changes | – | (228,427) | 360,798 | 334,669 |
| Plan changes | – | – | (11,941) | – |
| Differences between expected and actual experience | – | – | 415,313 | – |
| Benefit payments | (919,592) | (1,010,675) | (648,524) | (662,964) |
| Net change in total OPEB liability | 5,910 | (334,144) | 1,150,559 | 782,599 |
| Total OPEB liability – beginning of year | 11,064,723 | 11,070,633 | 10,736,489 | 11,887,048 |
| Total OPEB liability – end of year | 11,070,633 | 10,736,489 | 11,887,048 | 12,669,647 |
| Plan fiduciary net position | | | | |
| Contributions | 283,418 | 477,763 | 361,279 | 363,399 |
| Investment earnings | 71,748 | (23,106) | 587,341 | 575,129 |
| Benefit payments | (919,592) | (1,010,675) | (648,524) | (662,964) |
| Administrative expenses | – | (884) | (500) | (500) |
| Net change in plan fiduciary net position | (564,426) | (556,902) | 299,596 | 275,064 |
| Plan fiduciary net position – beginning of year | 7,654,407 | 7,089,981 | 6,533,079 | 6,832,675 |
| Plan fiduciary net position – end of year | 7,089,981 | 6,533,079 | 6,832,675 | 7,107,739 |
| Net OPEB liability | $ 3,980,652 | $ 4,203,410 | $ 5,054,373 | $ 5,561,908 |
| Fiduciary net position as a percentage of the total OPEB liability | 64.04% | 60.85% | 57.48% | 56.10% |
| Covered-employee payroll | $ 37,814,873 | $ 38,949,319 | $ 42,887,513 | $ 44,174,138 |
| Net OPEB liability as a percentage of covered-employee payroll | 10.53% | 10.79% | 11.79% | 12.59% |

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. 197

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

| Year | Annual Money-Weighted Rate of Return, Net of Investment Expense |
|---|---|
| 2017 | 0.9 % |
| 2018 | (0.3) % |
| 2019 | 9.0 % |
| 2020 | 8.4 % |

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.

## 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.

## 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.

## 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.

## 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.

## PENSION BENEFITS PLAN

### 2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.10 percent to 2.40 percent.

### 2019 CHANGES IN PLAN PROVISIONS

- The subsidized teachers' benefit increased to $28,000 (minus cumulative employer matching contributions) and the employer matching contributions for teachers and principals increased.

### 2019 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-2017 Generational Improvement Scale.

- Discount rate was changed from 3.50 percent to 3.10 percent.

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.50 percent.

## OTHER POST-EMPLOYMENT BENEFITS PLAN

### 2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.10 percent to 2.50 percent.
- The expected long-term investment return was changed from 3.50 percent to 3.90 percent.

### 2019 CHANGES IN PLAN PROVISIONS

- The subsidized teachers' benefit increased to $28,000 and the benefit offset (cumulative employer matching contributions) also increased.
- The principals' life insurance amount increased to $300,000.
- The new superintendent does not have a post-employment subsidized benefit.

### 2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale, to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.10 percent.
- The expected long-term investment return was changed from 3.40 percent to 3.50 percent.

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 3.70 percent to 3.40 percent.
- The discount rate was changed from 3.10 percent to 3.50 percent.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | Special Revenue Funds | | |
|---|---|---|---|
| | Food Service | Community Service | Total |
| **Assets** | | | |
| Cash and temporary investments | $ – | $ 1,223,075 | $ 1,223,075 |
| Receivables | | | |
| Current taxes | – | 624,474 | 624,474 |
| Delinquent taxes | – | 8,700 | 8,700 |
| Accounts and interest | 33,550 | 105,707 | 139,257 |
| Due from other governmental units | 20,567 | 105,467 | 126,034 |
| Inventory | 52,320 | – | 52,320 |
| Prepaid items | – | 32 | 32 |
| Total assets | $ 106,437 | $ 2,067,455 | $ 2,173,892 |
| **Liabilities** | | | |
| Salaries and compensated absences payable | $ 45,030 | $ 107,946 | $ 152,976 |
| Accounts and contracts payable | 52,213 | 114,394 | 166,607 |
| Due to other funds | 9,194 | – | 9,194 |
| Due to other governmental units | – | 35,805 | 35,805 |
| Total liabilities | 106,437 | 258,145 | 364,582 |
| **Deferred inflows of resources** | | | |
| Property taxes levied for subsequent year | – | 1,131,866 | 1,131,866 |
| Unavailable revenue – delinquent taxes | – | 4,437 | 4,437 |
| Total deferred inflows of resources | – | 1,136,303 | 1,136,303 |
| **Fund balances (deficit)** | | | |
| Nonspendable | 52,320 | 32 | 52,352 |
| Restricted | – | 672,975 | 672,975 |
| Unassigned | (52,320) | – | (52,320) |
| Total fund balances | – | 673,007 | 673,007 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 106,437 | $ 2,067,455 | $ 2,173,892 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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 | $ – | $ 1,278,444 | $ 1,278,444 |
| Investment earnings | 3,439 | 39,531 | 42,970 |
| Other | 758,224 | 1,924,229 | 2,682,453 |
| State sources | 154,711 | 1,499,675 | 1,654,386 |
| Federal sources | 1,567,943 | – | 1,567,943 |
| Total revenue | 2,484,317 | 4,741,879 | 7,226,196 |
| Expenditures | | | |
| Current | | | |
| Food service | 2,782,289 | – | 2,782,289 |
| Community service | – | 4,825,917 | 4,825,917 |
| Capital outlay | 114,126 | 17,111 | 131,237 |
| Total expenditures | 2,896,415 | 4,843,028 | 7,739,443 |
| Excess (deficiency) of revenue over expenditures | (412,098) | (101,149) | (513,247) |
| Other financing sources | | | |
| Transfers in | 281,599 | – | 281,599 |
| Net change in fund balances | (130,499) | (101,149) | (231,648) |
| Fund balances | | | |
| Beginning of year | 130,499 | 774,156 | 904,655 |
| End of year | $ – | $ 673,007 | $ 673,007 |

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

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash and temporary investments | $ 17,623,174 | $ 16,896,055 |
| Receivables | | |
| Current taxes | 10,657,024 | 9,854,501 |
| Delinquent taxes | 128,333 | 150,061 |
| Accounts and interest | 102,988 | 114,336 |
| Due from other governmental units | 5,825,119 | 6,051,139 |
| Due from other funds | 309,258 | 287,245 |
| Inventory | 43,484 | 48,670 |
| Prepaid items | 167,153 | 169,612 |
| Total assets | $ 34,856,533 | $ 33,571,619 |
| **Liabilities** | | |
| Salaries and compensated absences payable | $ 3,337,015 | $ 3,138,170 |
| Accounts and contracts payable | 3,150,201 | 2,351,308 |
| Due to other governmental units | 373,270 | 497,107 |
| Unearned revenue | 84,979 | 64,479 |
| Total liabilities | 6,945,465 | 6,051,064 |
| **Deferred inflows of resources** | | |
| Property taxes levied for subsequent year | 17,366,218 | 16,866,746 |
| Unavailable revenue – delinquent taxes | 81,141 | 109,260 |
| Total deferred inflows of resources | 17,447,359 | 16,976,006 |
| **Fund balances** | | |
| Nonspendable for inventory | 43,484 | 48,670 |
| Nonspendable for prepaid items | 167,153 | 169,612 |
| Restricted for student activities | 115,214 | – |
| Restricted for staff development | 451,211 | 412,283 |
| Restricted for operating capital | 967,149 | 396,168 |
| Restricted for long-term facilities maintenance | – | 840,077 |
| Restricted for Medical Assistance | 825,390 | 821,559 |
| Assigned for subsequent year’s budget | – | 477,850 |
| Unassigned – long-term facilities maintenance restricted account deficit | (172,531) | – |
| Unassigned | 8,066,639 | 7,378,330 |
| Total fund balances | 10,463,709 | 10,544,549 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 34,856,533 | $ 33,571,619 |

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 | | | 2019 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 18,839,701 | $ 18,890,894 | $ 51,193 | $ 17,013,964 |
| Investment earnings | 130,000 | 207,309 | 77,309 | 231,351 |
| Other | 1,246,955 | 1,927,105 | 680,150 | 1,664,326 |
| State sources | 51,708,555 | 53,165,517 | 1,456,962 | 50,951,580 |
| Federal sources | 2,427,112 | 2,287,859 | (139,253) | 2,329,922 |
| Total revenue | 74,352,323 | 76,478,684 | 2,126,361 | 72,191,143 |
| Expenditures | | | | |
| Current | | | | |
| Administration | | | | |
| Salaries | 1,926,557 | 1,919,395 | (7,162) | 1,868,813 |
| Employee benefits | 649,008 | 626,792 | (22,216) | 576,704 |
| Purchased services | 57,825 | 33,343 | (24,482) | 43,516 |
| Supplies and materials | 29,763 | 37,707 | 7,944 | 30,709 |
| Capital expenditures | 2,500 | – | (2,500) | – |
| Other expenditures | 39,846 | 47,130 | 7,284 | 48,088 |
| Total administration | 2,705,499 | 2,664,367 | (41,132) | 2,567,830 |
| District support services | | | | |
| Salaries | 832,214 | 811,568 | (20,646) | 779,795 |
| Employee benefits | 316,707 | 347,973 | 31,266 | 319,968 |
| Purchased services | 179,305 | 194,013 | 14,708 | 182,468 |
| Supplies and materials | 18,000 | 11,002 | (6,998) | 14,733 |
| Other expenditures | (68,200) | 3,662 | 71,862 | (26,537) |
| Total district support services | 1,278,026 | 1,368,218 | 90,192 | 1,270,427 |
| Elementary and secondary regular instruction | | | | |
| Salaries | 23,862,626 | 22,616,358 | (1,246,268) | 22,041,869 |
| Employee benefits | 8,177,913 | 8,241,272 | 63,359 | 7,894,354 |
| Purchased services | 1,962,336 | 1,779,168 | (183,168) | 1,946,128 |
| Supplies and materials | 766,422 | 637,562 | (128,860) | 468,055 |
| Capital expenditures | 104,150 | 44,517 | (59,633) | 65,505 |
| Other expenditures | 42,448 | 509,072 | 466,624 | 169,813 |
| Total elementary and secondary regular instruction | 34,915,895 | 33,827,949 | (1,087,946) | 32,585,724 |



(continued)

INDEPENDENT SCHOOL DISTRICT NO. 197

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 | | | 2019 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Vocational education instruction | | | | |
| Salaries | 140,942 | 361,394 | 220,452 | 136,972 |
| Employee benefits | 33,344 | 123,753 | 90,409 | 40,481 |
| Purchased services | 560 | 2,209 | 1,649 | 3,869 |
| Supplies and materials | 8,345 | 19,227 | 10,882 | 11,820 |
| Capital expenditures | – | 307 | 307 | 7,137 |
| Other expenditures | – | 978 | 978 | 1,009 |
| Total vocational education instruction | 183,191 | 507,868 | 324,677 | 201,288 |
| Special education instruction | | | | |
| Salaries | 10,485,850 | 10,327,714 | (158,136) | 9,865,053 |
| Employee benefits | 3,767,563 | 3,822,166 | 54,603 | 3,628,211 |
| Purchased services | 639,887 | 814,336 | 174,449 | 992,097 |
| Supplies and materials | 160,527 | 114,583 | (45,944) | 121,527 |
| Capital expenditures | 12,500 | 4,472 | (8,028) | – |
| Other expenditures | 56,388 | 66,549 | 10,161 | 91,926 |
| Total special education instruction | 15,122,715 | 15,149,820 | 27,105 | 14,698,814 |
| Community education instruction | | | | |
| Salaries | 33,103 | 41,133 | 8,030 | 44,113 |
| Employee benefits | 5,015 | 7,397 | 2,382 | 6,681 |
| Purchased services | – | 10,775 | 10,775 | 10,000 |
| Supplies and materials | – | 195 | 195 | 6,726 |
| Total community education instruction | 38,118 | 59,500 | 21,382 | 67,520 |
| Instructional support services | | | | |
| Salaries | 3,025,003 | 3,129,470 | 104,467 | 3,050,037 |
| Employee benefits | 1,058,000 | 1,084,594 | 26,594 | 1,005,964 |
| Purchased services | 1,229,371 | 861,267 | (368,104) | 702,925 |
| Supplies and materials | 475,194 | 922,778 | 447,584 | 804,244 |
| Capital expenditures | 21,470 | 858,988 | 837,518 | 477,020 |
| Other expenditures | 28,750 | 24,550 | (4,200) | 36,121 |
| Total instructional support services | 5,837,788 | 6,881,647 | 1,043,859 | 6,076,311 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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 | | | 2019 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Pupil support services | | | | |
| Salaries | 3,564,391 | 3,620,122 | 55,731 | 3,522,689 |
| Employee benefits | 1,398,531 | 1,414,698 | 16,167 | 1,302,699 |
| Purchased services | 1,048,688 | 1,740,398 | 691,710 | 1,330,422 |
| Supplies and materials | 299,200 | 281,623 | (17,577) | 283,584 |
| Capital expenditures | 249,600 | 118,773 | (130,827) | 906,035 |
| Other expenditures | 250 | 17,417 | 17,167 | 15,422 |
| Total pupil support services | 6,560,660 | 7,193,031 | 632,371 | 7,360,851 |
| Sites and buildings | | | | |
| Salaries | 2,255,541 | 2,045,505 | (210,036) | 2,047,075 |
| Employee benefits | 868,480 | 729,463 | (139,017) | 734,808 |
| Purchased services | 3,225,238 | 3,376,912 | 151,674 | 2,760,729 |
| Supplies and materials | 276,725 | 311,721 | 34,996 | 330,749 |
| Capital expenditures | 834,000 | 1,915,569 | 1,081,569 | 752,396 |
| Other expenditures | 100 | 9,524 | 9,424 | 14,092 |
| Total sites and buildings | 7,460,084 | 8,388,694 | 928,610 | 6,639,849 |
| Fiscal and other fixed cost programs | | | | |
| Purchased services | 230,000 | 211,693 | (18,307) | 230,183 |
| Debt service | | | | |
| Principal | 742,048 | 1,108,839 | 366,791 | 1,511,654 |
| Interest and fiscal charges | 14,665 | 53,264 | 38,599 | 39,334 |
| Total debt service | 756,713 | 1,162,103 | 405,390 | 1,550,988 |
| Total expenditures | 75,088,689 | 77,414,890 | 2,326,201 | 73,249,785 |
| Excess (deficiency) of revenue over expenditures | (736,366) | (936,206) | (199,840) | (1,058,642) |
| Other financing sources (uses) | | | | |
| Transfers out | – | (281,599) | (281,599) | – |
| Capital leases issued | – | 746,200 | 746,200 | 1,333,512 |
| Total other financing sources (uses) | – | 464,601 | 464,601 | 1,333,512 |
| Net change in fund balances | $ (736,366) | (471,605) | $ 264,761 | 274,870 |
| Fund balances | | | | |
| Beginning of year, as previously reported | | 10,544,549 | | 10,269,679 |
| Change in accounting principle | | 390,765 | | – |
| Beginning of year, as restated | | 10,935,314 | | 10,269,679 |
| End of year | | $ 10,463,709 | | $ 10,544,549 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ – | $ 207,630 |
| Receivables | | |
| Accounts and interest | 33,550 | 2,224 |
| Due from other governmental units | 20,567 | – |
| Inventory | 52,320 | 17,393 |
| Total assets | $ 106,437 | $ 227,247 |
| Liabilities | | |
| Salaries and compensated absences payable | $ 45,030 | $ 41,212 |
| Accounts and contracts payable | 52,213 | 54,736 |
| Due to other funds | 9,194 | – |
| Due to other governmental units | – | 800 |
| Total liabilities | 106,437 | 96,748 |
| Fund balances (deficit) | | |
| Nonspendable for inventory | 52,320 | 17,393 |
| Restricted for food service | – | 113,106 |
| Unassigned – food service restricted account deficit | (52,320) | – |
| Total fund balances | – | 130,499 |
| Total liabilities and fund balances | $ 106,437 | $ 227,247 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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 | | | 2019 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | $ 3,000 | $ 3,439 | $ 439 | $ 7,946 |
| Other – primarily meal sales | 965,380 | 758,224 | (207,156) | 964,943 |
| State sources | 178,500 | 154,711 | (23,789) | 174,243 |
| Federal sources | 1,651,800 | 1,567,943 | (83,857) | 1,648,385 |
| Total revenue | 2,798,680 | 2,484,317 | (314,363) | 2,795,517 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 926,446 | 960,406 | 33,960 | 916,151 |
| Employee benefits | 367,615 | 382,255 | 14,640 | 346,255 |
| Purchased services | 271,598 | 267,438 | (4,160) | 208,567 |
| Supplies and materials | 1,229,750 | 1,170,942 | (58,808) | 1,290,036 |
| Other expenditures | 1,300 | 1,248 | (52) | 1,180 |
| Capital outlay | 53,000 | 114,126 | 61,126 | 8,081 |
| Total expenditures | 2,849,709 | 2,896,415 | 46,706 | 2,770,270 |
| Excess (deficiency) of revenue over expenditures | (51,029) | (412,098) | (361,069) | 25,247 |
| Other financing sources | | | | |
| Transfers in | – | 281,599 | 281,599 | – |
| Net change in fund balances | $ (51,029) | (130,499) | $ (79,470) | 25,247 |
| Fund balances | | | | |
| Beginning of year | | 130,499 | | 105,252 |
| End of year | | $ – | | $ 130,499 |

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

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | 1,223,075 | 1,432,929 |
| Receivables | | |
| Current taxes | 624,474 | 674,498 |
| Delinquent taxes | 8,700 | 10,126 |
| Accounts and interest | 105,707 | 171,526 |
| Due from other governmental units | 105,467 | 72,205 |
| Prepaid items | 32 | – |
| Total assets | $ 2,067,455 | $ 2,361,284 |
| Liabilities | | |
| Salaries and compensated absences payable | $ 107,946 | $ 109,811 |
| Accounts and contracts payable | 114,394 | 182,709 |
| Due to other governmental units | 35,805 | 5,136 |
| Total liabilities | 258,145 | 297,656 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 1,131,866 | 1,283,189 |
| Unavailable revenue – delinquent taxes | 4,437 | 6,283 |
| Total deferred inflows of resources | 1,136,303 | 1,289,472 |
| Fund balances | | |
| Nonspendable for prepaid items | 32 | – |
| Restricted for community education | 352,726 | 304,755 |
| Restricted for early childhood family education programs | – | 2,512 |
| Restricted for school readiness | – | 10,714 |
| Restricted for adult basic education | 11,822 | 18,791 |
| Restricted for community service programs | 308,427 | 437,384 |
| Total fund balances | 673,007 | 774,156 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 2,067,455 | $ 2,361,284 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | 2020 | | | 2019 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 1,283,188 | $ 1,278,444 | $ (4,744) | $ 1,208,048 |
| Investment earnings | 10,000 | 39,531 | 29,531 | 44,280 |
| Other – primarily tuition and fees | 2,287,702 | 1,924,229 | (363,473) | 2,309,338 |
| State sources | 1,509,664 | 1,499,675 | (9,989) | 1,502,233 |
| Total revenue | 5,090,554 | 4,741,879 | (348,675) | 5,063,899 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 2,994,261 | 2,772,600 | (221,661) | 2,711,678 |
| Employee benefits | 1,014,907 | 950,992 | (63,915) | 868,921 |
| Purchased services | 570,688 | 809,259 | 238,571 | 759,729 |
| Supplies and materials | 369,757 | 291,418 | (78,339) | 348,445 |
| Other expenditures | 1,805 | 1,648 | (157) | 1,357 |
| Capital outlay | 18,000 | 17,111 | (889) | 876 |
| Total expenditures | 4,969,418 | 4,843,028 | (126,390) | 4,691,006 |
| Net change in fund balances | $ 121,136 | (101,149) | $ (222,285) | 372,893 |
| Fund balances | | | | |
| Beginning of year | | 774,156 | | 401,263 |
| End of year | | $ 673,007 | | $ 774,156 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 49,404,984 | $ 107,548,209 |
| Receivables | | |
| Accounts and interest | 917,856 | 2,430,711 |
| Prepaid items | 2,154 | – |
| Total assets | $ 50,324,994 | $ 109,978,920 |
| Liabilities | | |
| Accounts and contracts payable | $ 11,528,484 | $ 6,226,148 |
| Fund balances | | |
| Nonspendable for prepaid items | 2,154 | – |
| Restricted for capital projects | 38,794,356 | 103,752,772 |
| Total fund balances | 38,796,510 | 103,752,772 |
| Total liabilities and fund balances | $ 50,324,994 | $ 109,978,920 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | 2020 | 2019 |
|---|---|---|
| Revenue | | |
| Local sources | | |
| Investment earnings | $ 605,583 | $ 4,136,871 |
| Other | 449,881 | – |
| Total revenue | 1,055,464 | 4,136,871 |
| Expenditures | | |
| Capital outlay | | |
| Salaries | 150,816 | 151,128 |
| Employee benefits | 48,549 | 47,488 |
| Purchased services | 3,293,729 | 5,218,047 |
| Capital expenditures | 62,518,632 | 10,029,377 |
| Debt service | | |
| Interest and fiscal charges | – | 295,120 |
| Total expenditures | 66,011,726 | 15,741,160 |
| Excess (deficiency) of revenue over expenditures | (64,956,262) | (11,604,289) |
| Other financing sources | | |
| Bonds issued | – | 111,287,100 |
| Premium on debt issued | – | 4,630,691 |
| Total other financing sources | – | 115,917,791 |
| Net change in fund balances | (64,956,262) | 104,313,502 |
| Fund balances (deficit) | | |
| Beginning of year | 103,752,772 | (560,730) |
| End of year | $ 38,796,510 | $ 103,752,772 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | Regular Debt Service Account | OPEB Debt Service Account | Totals 2020 | Totals 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and temporary investments | $ 5,940,699 | $ 675,542 | $ 6,616,241 | $ 8,578,627 |
| Receivables | | | | |
| Current taxes | 5,374,231 | – | 5,374,231 | 5,097,211 |
| Delinquent taxes | 43,611 | 21,679 | 65,290 | 69,538 |
| Accounts and interest | 11,945 | – | 11,945 | 55,148 |
| Due from other governmental units | 61 | 33 | 94 | 140 |
| Total assets | $ 11,370,547 | $ 697,254 | $ 12,067,801 | $ 13,800,664 |
| **Deferred inflows of resources** | | | | |
| Property taxes levied for subsequent year | $ 9,740,851 | $ – | $ 9,740,851 | $ 9,693,393 |
| Unavailable revenue – delinquent taxes | 21,078 | 10,777 | 31,855 | 49,234 |
| Total deferred inflows of resources | 9,761,929 | 10,777 | 9,772,706 | 9,742,627 |
| **Fund balances** | | | | |
| Restricted for debt service | 1,608,618 | 686,477 | 2,295,095 | 4,058,037 |
| Total deferred inflows of of resources and fund balances | $ 11,370,547 | $ 697,254 | $ 12,067,801 | $ 13,800,664 |

INDEPENDENT SCHOOL DISTRICT NO. 197

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 | | | |
|---|---|---|---|---|
| | | Actual | | |
| | Budget | Regular Debt Service Account | OPEB Debt Service Account | Total |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 9,693,393 | $ 6,367,429 | $ 3,295,871 | $ 9,663,300 |
| Investment earnings | 35,000 | 74,994 | – | 74,994 |
| State sources | – | 610 | 316 | 926 |
| Total revenue | 9,728,393 | 6,443,033 | 3,296,187 | 9,739,220 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 6,030,000 | 3,015,000 | 3,015,000 | 6,030,000 |
| Interest | 5,467,072 | 5,286,172 | 180,900 | 5,467,072 |
| Fiscal charges and other | 7,500 | 4,615 | 475 | 5,090 |
| Total expenditures | 11,504,572 | 8,305,787 | 3,196,375 | 11,502,162 |
| Excess (deficiency) of revenue over expenditures | (1,776,179) | (1,862,754) | 99,812 | (1,762,942) |
| Other financing sources | | | | |
| Bonds issued | – | – | – | – |
| Premium on debt issued | – | – | – | – |
| Total other financing sources | – | – | – | – |
| Net change in fund balances | $ (1,776,179) | (1,862,754) | 99,812 | (1,762,942) |
| Fund balances | | | | |
| Beginning of year | | 3,471,372 | 586,665 | 4,058,037 |
| End of year | | $ 1,608,618 | $ 686,477 | $ 2,295,095 |

| | 2019 |
|---|---|
| Over (Under) Budget | Total |
| $ (30,093) | $ 7,028,724 |
| 39,994 | 195,739 |
| 926 | 1,383 |
| 10,827 | 7,225,846 |
| – | 5,740,000 |
| – | 3,759,969 |
| (2,410) | 5,202 |
| (2,410) | 9,505,171 |
| 13,237 | (2,279,325) |
| – | 4,472,900 |
| – | 186,119 |
| – | 4,659,019 |
| $ 13,237 | 2,379,694 |
| | 1,678,343 |
| | $ 4,058,037 |

# OTHER DISTRICT INFORMATION

(UNAUDITED)

## Government-Wide Revenue by Type
Last Ten Fiscal Years

| | Program Revenues | | | General Revenues | | | |
|---|---|---|---|---|---|---|---|
| Year Ended June 30, | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Property Taxes | General Grants and Aids | Investment Earnings and Other | Total |
| 2011 | $ 3,350,804 | $ 10,463,659 | $ – | $ 21,459,124 | $ 28,831,153 | $ 413,448 | $ 64,518,188 |
| 2012 | 3,690,045 | 11,277,048 | – | 19,466,029 | 30,232,890 | 482,916 | 65,148,928 |
| 2013 | 3,629,207 | 12,266,501 | – | 21,923,449 | 32,683,255 | 346,233 | 70,848,645 |
| 2014 | 3,532,962 | 11,519,000 | – | 17,585,848 | 39,743,815 | 727,974 | 73,109,599 |
| 2015 | 3,553,159 | 11,695,269 | – | 23,417,595 | 37,380,784 | 393,960 | 76,440,767 |
| 2016 | 3,558,864 | 12,119,900 | – | 24,496,152 | 38,397,409 | 479,694 | 79,052,019 |
| 2017 | 3,437,851 | 13,082,105 | – | 23,953,277 | 41,016,863 | 1,028,598 | 82,518,694 |
| 2018 | 3,579,240 | 13,242,441 | – | 24,452,163 | 40,748,007 | 1,181,158 | 83,203,009 |
| 2019 | 3,547,457 | 14,141,817 | – | 25,242,325 | 40,170,063 | 6,148,385 | 89,250,047 |
| 2020 | 2,902,897 | 14,310,121 | 449,881 | 29,785,294 | 44,641,227 | 2,755,837 | 94,845,257 |

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. 197

Government-Wide Expenses by Function
Last Ten Fiscal Years

| Year Ended June 30, | Administration | District Support Services | Elementary and Secondary Regular Instruction | Vocational Education Instruction | Special Education Instruction | Community Education Instruction | Instructional Support Services |
|---|---|---|---|---|---|---|---|
| 2011 | $ 2,005,636 | $ 1,048,470 | $ 24,570,374 | $ 141,297 | $ 9,593,964 | $ – | $ 5,289,566 |
| 2012 | 2,101,658 | 1,146,938 | 25,937,075 | 139,463 | 9,489,475 | – | 4,140,279 |
| 2013 | 1,988,353 | 1,084,747 | 26,651,339 | 176,528 | 9,685,706 | – | 5,488,540 |
| 2014 | 2,193,695 | 1,132,039 | 26,415,767 | 185,532 | 10,720,519 | – | 5,390,644 |
| 2015 | 2,272,017 | 1,168,582 | 28,474,670 | 214,634 | 11,258,782 | – | 5,214,306 |
| 2016 | 2,392,415 | 1,211,351 | 30,410,328 | 184,771 | 12,508,454 | – | 9,400,257 |
| 2017 | 3,281,110 | 1,348,014 | 43,877,337 | 274,028 | 16,697,402 | – | 7,115,333 |
| 2018 | 3,275,089 | 1,385,122 | 44,687,715 | 290,758 | 17,327,793 | 48,804 | 7,497,520 |
| 2019 | 1,891,797 | 1,155,023 | 23,018,577 | 129,085 | 11,262,769 | 67,520 | 5,122,980 |
| 2020 | 2,942,485 | 1,398,148 | 38,219,650 | 537,144 | 16,610,160 | 59,500 | 6,994,147 |

| Pupil Support Services | Sites and Buildings | Fiscal and Other Fixed Cost Programs | Food Service | Community Service | Depreciation Not Included in Other Functions | Interest and Fiscal Charges | Total |
|---|---|---|---|---|---|---|---|
| $ 4,140,404 | $ 4,291,061 | $ 152,116 | $ 2,492,884 | $ 3,257,971 | $ 1,817,567 | $ 3,180,313 | $ 61,981,623 |
| 4,663,722 | 4,276,024 | 163,184 | 2,505,549 | 3,414,721 | 1,816,000 | 3,042,948 | 62,837,036 |
| 4,877,629 | 4,506,177 | 204,009 | 2,712,199 | 3,599,914 | 1,788,638 | 3,765,692 | 66,529,471 |
| 4,565,104 | 5,113,990 | 216,140 | 2,593,328 | 3,601,543 | 1,885,384 | 2,062,058 | 66,075,743 |
| 4,692,008 | 5,083,451 | 213,543 | 2,791,457 | 3,458,258 | 1,876,078 | 1,767,570 | 68,485,356 |
| 5,356,033 | 6,112,340 | 193,846 | 2,706,681 | 3,659,170 | 1,914,460 | 1,575,321 | 77,625,427 |
| 6,786,337 | 6,222,441 | 199,237 | 2,861,786 | 4,845,349 | 2,254,120 | 1,387,929 | 97,150,423 |
| 7,281,551 | 6,774,025 | 214,066 | 2,894,893 | 5,040,042 | 1,970,953 | 1,120,965 | 99,809,296 |
| 6,228,535 | 7,199,220 | 230,183 | 2,744,182 | 4,354,040 | 1,974,989 | 5,271,593 | 70,650,493 |
| 7,905,983 | 12,563,400 | 211,693 | 2,863,987 | 5,066,429 | 1,967,255 | 4,826,348 | 102,166,329 |

INDEPENDENT SCHOOL DISTRICT NO. 197

General Fund Revenue by Source
Last Ten Fiscal Years

| Year Ended June 30, | Local Property Tax Revenue | State Revenue | Federal Revenue | Other Local and Miscellaneous | Total |
|---|---|---|---|---|---|
| 2011 | $ 12,509,025 | $ 31,683,250 | $ 5,454,407 | $ 1,066,193 | $ 50,712,875 |
| | 24% | 63% | 11% | 2% | 100% |
| 2012 | 11,076,625 | 35,097,389 | 3,999,516 | 1,224,713 | 51,398,243 |
| | 22% | 68% | 8% | 2% | 100% |
| 2013 | 12,938,263 | 38,262,473 | 4,073,058 | 1,131,388 | 56,405,182 |
| | 23% | 68% | 7% | 2% | 100% |
| 2014 | 8,945,050 | 45,682,006 | 2,649,674 | 1,404,074 | 58,680,804 |
| | 15% | 78% | 5% | 2% | 100% |
| 2015 | 14,591,080 | 44,159,238 | 2,152,009 | 1,179,886 | 62,082,213 |
| | 24% | 71% | 3% | 2% | 100% |
| 2016 | 15,519,233 | 45,503,634 | 2,083,686 | 1,304,520 | 64,411,073 |
| | 24% | 71% | 3% | 2% | 100% |
| 2017 | 15,667,436 | 47,038,573 | 2,123,935 | 1,324,326 | 66,154,270 |
| | 24% | 71% | 3% | 2% | 100% |
| 2018 | 15,924,963 | 48,616,794 | 2,139,550 | 1,450,832 | 68,132,139 |
| | 23% | 72% | 3% | 2% | 100% |
| 2019 | 17,013,964 | 50,951,580 | 2,329,922 | 1,895,677 | 72,191,143 |
| | 23% | 71% | 3% | 3% | 100% |
| 2020 | 18,890,894 | 53,165,517 | 2,287,859 | 2,134,414 | 76,478,684 |
| | 25% | 69% | 3% | 3% | 100% |

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

General Fund Expenditures by Program
Last Ten Fiscal Years

| Year Ended June 30, | Administration | District Support Services | Elementary and Secondary Regular Instruction | Vocational Education Instruction | Special Education Instruction | Community Education Instruction |
|---|---|---|---|---|---|---|
| 2011 | $ 1,910,915 | $ 1,106,939 | $ 22,814,448 | $ 141,297 | $ 9,593,964 | $ – |
| | 5% | 2% | 45% | – | 19% | – |
| 2012 | 2,009,709 | 1,101,331 | 23,487,786 | 139,463 | 9,489,475 | – |
| | 4% | 2% | 47% | – | 19% | – |
| 2013 | 1,933,016 | 1,051,693 | 24,953,263 | 176,528 | 9,685,706 | – |
| | 4% | 2% | 46% | – | 18% | – |
| 2014 | 2,200,264 | 1,127,422 | 25,290,373 | 191,564 | 11,093,208 | – |
| | 3% | 2% | 45% | – | 20% | – |
| 2015 | 2,281,630 | 1,167,212 | 27,437,971 | 221,798 | 11,628,950 | – |
| | 4% | 2% | 46% | – | 20% | – |
| 2016 | 2,351,424 | 1,205,122 | 29,107,133 | 185,070 | 12,807,507 | – |
| | 3% | 2% | 42% | – | 19% | – |
| 2017 | 2,436,796 | 1,297,236 | 30,495,933 | 188,271 | 12,611,155 | – |
| | 4% | 2% | 46% | – | 19% | – |
| 2018 | 2,454,020 | 1,313,697 | 31,623,170 | 209,670 | 13,258,849 | 48,804 |
| | 3% | 2% | 46% | – | 19% | – |
| 2019 | 2,567,830 | 1,270,427 | 32,585,724 | 201,288 | 14,698,814 | 67,520 |
| | 4% | 2% | 45% | – | 20% | – |
| 2020 | 2,664,367 | 1,368,218 | 33,827,949 | 507,868 | 15,149,820 | 59,500 |
| | 3% | 2% | 44% | – | 20% | – |

| Instructional Support Services | Pupil Support Services | Sites and Buildings | Other Programs | Total |
|---|---|---|---|---|
| $ 5,290,810 | $ 4,218,014 | $ 4,546,040 | $ 919,026 | $ 50,541,453 |
| 10% | 8% | 9% | 2% | 100% |
| 4,148,851 | 4,702,611 | 4,546,098 | 722,565 | 50,347,889 |
| 8% | 9% | 9% | 2% | 100% |
| 5,480,689 | 4,907,782 | 5,275,965 | 1,036,679 | 54,501,321 |
| 9% | 9% | 10% | 2% | 100% |
| 5,490,580 | 5,088,147 | 5,252,753 | 689,673 | 56,423,984 |
| 10% | 9% | 10% | 1% | 100% |
| 5,349,297 | 5,013,193 | 5,150,304 | 634,514 | 58,884,869 |
| 9% | 9% | 9% | 1% | 100% |
| 9,464,335 | 5,424,087 | 7,048,064 | 1,263,427 | 68,856,169 |
| 14% | 8% | 10% | 2% | 100% |
| 5,946,446 | 6,001,783 | 6,318,045 | 1,243,389 | 66,539,054 |
| 9% | 9% | 9% | 2% | 100% |
| 6,374,998 | 7,113,859 | 6,692,455 | 1,503,641 | 70,593,163 |
| 9% | 10% | 9% | 2% | 100% |
| 6,076,311 | 7,360,851 | 6,639,849 | 1,781,171 | 73,249,785 |
| 8% | 10% | 9% | 2% | 100% |
| 6,881,647 | 7,193,031 | 8,388,694 | 1,373,796 | 77,414,890 |
| 9% | 9% | 11% | 2% | 100% |

INDEPENDENT SCHOOL DISTRICT NO. 197

School Tax Levies, Tax Capacity Rates, and Market Value Rates by Fund
Last Ten Fiscal Years

| | Year Collectible | General Fund | Community Service Special Revenue Fund | Debt Service Fund | Total All Funds |
|---|---|---|---|---|---|
| Levies | | | | | |
| | 2011 | $ 9,625,942 | $ 695,749 | $ 7,984,446 | $ 18,306,137 |
| | 2012 | 12,158,610 | 777,487 | 8,322,800 | 21,258,897 |
| | 2013 | 13,505,509 | 864,681 | 8,364,952 | 22,735,142 |
| | 2014 | 14,482,514 | 890,943 | 8,071,949 | 23,445,406 |
| | 2015 | 15,471,359 | 898,894 | 8,312,231 | 24,682,484 |
| | 2016 | 15,713,768 | 966,076 | 7,433,486 | 24,113,330 |
| | 2017 | 15,810,548 | 1,128,722 | 7,386,069 | 24,325,339 |
| | 2018 | 16,997,815 | 1,217,957 | 7,064,074 | 25,279,846 |
| | 2019 | 18,739,703 | 1,283,189 | 9,693,393 | 29,716,285 |
| | 2020 | 19,315,969 | 1,131,866 | 9,740,851 | 30,188,686 |
| Tax capacity rates | | | | | |
| | 2011 | 0.05296 | 0.01154 | 0.13242 | 0.19692 |
| | 2012 | 0.05681 | 0.01382 | 0.14794 | 0.21857 |
| | 2013 | 0.07097 | 0.01624 | 0.15708 | 0.24429 |
| | 2014 | 0.07479 | 0.01629 | 0.14755 | 0.23863 |
| | 2015 | 0.07911 | 0.01544 | 0.14608 | 0.24063 |
| | 2016 | 0.08576 | 0.01564 | 0.12030 | 0.22170 |
| | 2017 | 0.08800 | 0.01789 | 0.11706 | 0.22295 |
| | 2018 | 0.09307 | 0.01752 | 0.10165 | 0.21224 |
| | 2019 | 0.09426 | 0.01732 | 0.13088 | 0.24246 |
| | 2020 | 0.08855 | 0.01381 | 0.11889 | 0.22125 |
| Market value rates | | | | | |
| | 2011 | 0.0011186 | – | – | 0.0011186 |
| | 2012 | 0.0016493 | – | – | 0.0016493 |
| | 2013 | 0.0018537 | – | – | 0.0018537 |
| | 2014 | 0.0019384 | – | – | 0.0019384 |
| | 2015 | 0.0018941 | – | – | 0.0018941 |
| | 2016 | 0.0017649 | – | – | 0.0017649 |
| | 2017 | 0.0016955 | – | – | 0.0016955 |
| | 2018 | 0.0016017 | – | – | 0.0016017 |
| | 2019 | 0.0016862 | – | – | 0.0016862 |
| | 2020 | 0.0015911 | – | – | 0.0015911 |

Note: Tax rates are expressed in terms of "net tax capacity." A property's tax capacity is determined by multiplying its taxable market value by a state-determined class rate. Class rates vary by property type and change periodically based on state legislation.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 197

Tax Capacities and Market Values
Last Ten Fiscal Years

| For Taxes Collectible | Net Tax Capacities | | | |
|---|---|---|---|---|
| | Real Agriculture | Real Nonagricultural | Fiscal Disparities Contribution | Fiscal Disparities Distribution |
| 2011 | $ 6,541 | $ 69,818,009 | $ (13,072,055) | $ 5,626,060 |
| 2012 | 6,059 | 65,666,369 | (12,275,717) | 5,188,050 |
| 2013 | 21,084 | 62,186,681 | (11,772,054) | 4,872,997 |
| 2014 | 21,594 | 63,154,038 | (11,607,913) | 4,898,962 |
| 2015 | 22,388 | 65,904,165 | (11,282,312) | 4,898,619 |
| 2016 | 22,575 | 68,692,682 | (11,218,335) | 5,012,111 |
| 2017 | 17,100 | 70,219,141 | (11,397,427) | 5,459,243 |
| 2018 | 51,683 | 76,095,042 | (11,740,170) | 5,986,246 |
| 2019 | 3,781 | 82,226,527 | (12,532,519) | 6,295,554 |
| 2020 | – | 89,143,780 | (13,328,563) | 6,672,767 |

Note: Tax capacity is calculated by applying class rates (for specific property classifications such as residential, commercial, etc.) to the assessed market value. Class rates are periodically changed by the state.

Source: State of Minnesota School Tax Report

| Tax Increment | Total Taxable | Market Value |
|---|---|---|
| $ (1,840,797) | $ 60,537,758 | $ 5,272,644,825 |
| (1,813,113) | 56,771,648 | 5,096,730,428 |
| (1,543,025) | 53,765,683 | 4,818,570,950 |
| (1,874,247) | 54,592,434 | 4,898,881,201 |
| (1,300,844) | 58,242,016 | 5,142,038,575 |
| (1,147,181) | 61,361,852 | 5,382,458,225 |
| (1,169,377) | 63,128,680 | 5,507,775,025 |
| (1,193,339) | 69,199,462 | 5,969,114,825 |
| (1,142,524) | 74,850,819 | 6,408,981,450 |
| (1,196,541) | 81,291,443 | 6,919,691,425 |

INDEPENDENT SCHOOL DISTRICT NO. 197

Property Tax Levies and Receivables
Last Ten Fiscal Years

| | Original Levy | | | |
|---|---|---|---|---|
| For Taxes Collectible | Local Spread | Fiscal Disparities | Property Tax Credits | Total Spread |
| 2011 | $ 16,316,685 | $ 1,611,740 | $ 377,712 | $ 18,306,137 |
| 2012 | 19,680,031 | 1,578,866 | – | 21,258,897 |
| 2013 | 20,875,959 | 1,859,183 | – | 22,735,142 |
| 2014 | 21,353,659 | 2,091,747 | – | 23,445,406 |
| 2015 | 22,577,461 | 2,105,023 | – | 24,682,484 |
| 2016 | 21,992,264 | 2,121,066 | – | 24,113,330 |
| 2017 | 22,194,651 | 2,130,688 | – | 24,325,339 |
| 2018 | 22,975,871 | 2,303,975 | – | 25,279,846 |
| 2019 | 27,428,145 | 2,288,140 | – | 29,716,285 |
| 2020 | 27,518,843 | 2,669,843 | – | 30,188,686 |

Note 1: Delinquent taxes receivable are written off after seven years.

Note 2: A portion of the total spread levy is paid with state aid through various property tax credits for residential homestead properties. Property tax credits were eliminated for taxes collectible in 2012.

Source: State of Minnesota School Tax Report

| Uncollected Taxes Receivable as of June 30, 2020 | | | |
|---|---|---|---|
| Delinquent | | Current | |
| Amount | Percent | Amount | Percent |
| $ – | – % | $ – | – % |
| – | – | – | – |
| – | – | – | – |
| 9,703 | 0.04 | – | – |
| 2,756 | 0.01 | – | – |
| 7,558 | 0.03 | | – |
| 11,057 | 0.05 | – | – |
| 22,462 | 0.09 | – | – |
| 148,787 | 0.50 | – | – |
| – | – | 16,655,729 | 55.17 |
| $ 202,323 | | $ 16,655,729 | |

INDEPENDENT SCHOOL DISTRICT NO. 197

Students Served
Last Ten Fiscal Years

| Year Ended June 30, | Average Daily Membership (ADM) (for Students Served or Tuition Paid) Pre-Kindergarten and Handicapped Kindergarten | Kindergarten | Elementary | Secondary | Total | Total Pupil Units |
|---|---|---|---|---|---|---|
| 2011 | 94 | 301 | 2,023 | 2,071 | 4,489 | 5,185 |
| 2012 | 113 | 326 | 2,145 | 2,068 | 4,652 | 5,350 |
| 2013 | 99 | 340 | 2,207 | 2,103 | 4,749 | 5,458 |
| 2014 | 106 | 352 | 2,298 | 2,079 | 4,835 | 5,337 |
| 2015 | 111 | 372 | 2,308 | 2,102 | 4,893 | 5,313 |
| 2016 | 107 | 345 | 2,364 | 2,097 | 4,913 | 5,333 |
| 2017 | 114 | 347 | 2,339 | 2,192 | 4,992 | 5,430 |
| 2018 | 136 | 374 | 2,408 | 2,186 | 5,104 | 5,542 |
| 2019 | 157 | 320 | 2,474 | 2,224 | 5,175 | 5,620 |
| 2020 | 155 | 348 | 2,458 | 2,268 | 5,229 | 5,683 |

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

Note 2: Beginning in fiscal 2015, changes in ADM weightings as noted below reduced the calculated pupil units.

Note 3: 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 |

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Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA No. | Federal Expenditures | | | Noncash Assistance |
|---|---|---|---|---|---|
| **U.S. Department of Education** | | | | | |
| Passed through Minnesota Department of Education | | | | | |
| Special education cluster | | | | | |
| Special Education Grants to States | 84.027 | | $ 1,444,273 | | |
| Special Education Preschool Grants | 84.173 | | 44,074 | | |
| Total special education cluster | | | | $ 1,488,347 | |
| Title I Grants to Local Educational Agencies | 84.010 | | | 469,433 | |
| English Language Acquisition State Grants | 84.365 | | | 97,632 | |
| Supporting Effective Instruction State Grants | 84.367 | | | 158,374 | |
| Special Education – Grants for Infants and Families | 84.181 | | | 39,083 | |
| Passed through Intermediate School District No. 917 | | | | | |
| Career and Technical Education – Basic Grants to States | 84.048 | | | 12,017 | |
| **National Science Foundation** | | | | | |
| Passed through California State University | | | | | |
| Education and Human Resources | 47.076 | | | 22,973 | |
| **U.S. Department of Agriculture** | | | | | |
| Passed through Minnesota Department of Education | | | | | |
| Child nutrition cluster | | | | | |
| National School Lunch Program | 10.555 | | 975,660 | | $ 207,786 |
| Special Milk Program for Children | 10.556 | | 332 | | |
| School Breakfast Program | 10.553 | | 244,375 | | |
| Summer Food Service Program for Children | 10.559 | $ 65,174 | | | |
| COVID-19 – Summer Food Service Program for Children | 10.559 | 267,674 | | | |
| Subtotal CFDA 10.559 | | | 332,848 | | |
| Total for child nutrition cluster | | | | 1,553,215 | |
| Total federal awards | | | | $ 3,841,074 | |

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

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

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

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Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

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

To the School Board and Management of
Independent School District No. 197
West St. Paul – Mendota Heights – Eagan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 197 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2020.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify three deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as findings 2020-001, 2020-002, and 2020-003 that we consider to be significant deficiencies.

(continued)



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**COMPLIANCE AND OTHER MATTERS**

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

**DISTRICT'S RESPONSES TO FINDINGS**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota
December 22, 2020

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

To the School Board and Management of
Independent School District No. 197
West St. Paul – Mendota Heights – Eagan, Minnesota

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 197's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

## MANAGEMENT'S RESPONSIBILITY

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

## AUDITOR'S RESPONSIBILITY

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

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

(continued)



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**OPINION ON EACH MAJOR FEDERAL PROGRAM**

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

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota
December 22, 2020

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# INDEPENDENT AUDITOR'S REPORT

# ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 197
West St. Paul – Mendota Heights – Eagan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 197 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2020.

## MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, except as described in the Schedule of Findings and Questioned Costs as findings 2020-004 and 2020-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## DISTRICT'S RESPONSES TO FINDINGS

The District's responses to the legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The District's responses were not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on them.

## PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 22, 2020



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

## A. SUMMARY OF AUDIT RESULTS

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

**Financial Statements**

| | | |
|---|---|---|
| What type of auditor's report is issued? | X Unmodified<br>__ Qualified<br>__ Adverse<br>__ Disclaimer | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | __ Yes | X No |
| Significant deficiencies identified? | X Yes | __ None reported |
| Noncompliance material to the financial statements noted? | __ Yes | X No |

**Federal Awards**

| | | |
|---|---|---|
| Internal controls over major federal award programs: | | |
| Material weakness(es) identified? | __ Yes | X No |
| Significant deficiencies identified? | __ Yes | X None reported |
| Type of auditor's report issued on compliance for major programs? | X Unmodified<br>__ Qualified<br>__ Adverse<br>__ Disclaimer | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | __ Yes | X No |

Programs tested as major programs:

| Program or Cluster | CFDA No. |
|---|---|
| The U.S. Department of Education – special education cluster consisting of: | |
| – Special Education Grants to States | 84.027 |
| – Special Education Preschool Grants | 84.173 |
| The U.S. Department of Education – child nutrition cluster consisting of: | |
| National School Lunch Program | 10.555 |
| Special Milk Program for Children | 10.556 |
| Summer Food Service Program for Children | 10.559 |
| COVID-19 – Summer Food Service Program for Children | 10.559 |
| School Breakfast Program | 10.553 |

| | | |
|---|---|---|
| Threshold for distinguishing type A and B programs. | $ 750,000 | |
| Does the auditee qualify as a low-risk auditee? | __ Yes | X No |

## B. FINANCIAL STATEMENT FINDINGS

### SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

### 2020-001 Segregation of Duties

**Criteria** – Generally, a system of internal control contemplates a segregation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

**Condition** – Due to the limited size of Independent School District No. 197's (the District) office staff, the District has limited segregation of duties in several areas. These areas include cash receipts, cash disbursements, bank reconciliations, investment accounting, and payroll.

**Questioned Costs** – Not applicable.

**Context** – In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements.

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

**Cause** – The internal controls over cash receipts, cash disbursements, bank reconciliations, investment accounting, and payroll are not properly segregated.

**Effect** – This lack of ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

**Recommendation** – We recommend that the District segregate duties as best it can within the limits of the staff available. Any modifications in internal controls in this area should be viewed from a cost-benefit perspective.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding and has separately issued a Corrective Action Plan related to this finding.

## B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

### SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

### 2020-002 Insufficient Receipt Support

**Criteria** – Internal controls over financial reporting, including cash receipts.

**Condition** – During our audit, we noted that there were multiple receipts with insufficient supporting documentation to support the source of the resources and how the potential use of the amounts received can be appropriately used.

**Questioned Costs** – Not applicable.

**Context** – Six of twenty-five receipts tested lacked sufficient support.

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

**Cause** – The District does not have consistent receipt documentation internal control procedures for receipt documentation at each of its locations.

**Effect** – This condition subjects the District to a higher risk that receipts are received without proper supporting documentation and the potential use of these amounts are used appropriately.

**Recommendation** – We recommend that District management communicate proper supporting documentation procedures needed to ensure receipts have sufficient supporting documentation.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. District management will communicate with all district sites the requirements needed to properly document receipts going forward. The District has separately issued a Corrective Action Plan related to this finding.

## B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

### SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

### 2020-003 Timeliness and Accuracy of Cash Reconciliations

**Criteria** – Internal controls over financial reporting are intended to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. To be effective, control procedures, such as periodic and year-end account and subledger reconciliations, must be performed regularly, accurately, and in a timely manner.

**Condition** – During our audit, we noted that the monthly cash reconciliations prepared by the District's staff were not being performed in a timely manner, and contained discrepancies when compared to the District's general ledger and underlying records. In previous audits of the District, we have generally found the District's internal controls in this area to be well designed, implemented, and functioning properly. In the current year, although the internal controls were still considered to be well designed, the effectiveness of some control procedures was diminished, due to a lack of timeliness and accuracy.

**Questioned Costs** – Not applicable.

**Context** – Monthly bank reconciliations were not being completed accurately in a timely manner.

**Repeat Finding –** This is a current year finding only.

**Cause** – The District was not fully reconciling cash for all differences and they were not being reviewed timely or to the level of review required to detect and correct errors.

**Effect** – This condition subjects the District to a higher risk that misstatements could occur, due to errors or fraud, and not be prevented or detected in a timely manner.

**Recommendation** – We recommend that district management continue to provide training to employees to ensure all financial transactions are posting to the correct period in the general ledger, thereby facilitating the timely and accurate completion of monthly cash reconciliations.

**View of Responsible Official and Planned Corrective Actions –** The District agrees with the finding. District management will continue to review its internal control procedures to ensure monthly cash reconciliations are accurately completed in a timely manner going forward. The District has separately issued a Corrective Action Plan related to this finding.

## C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

## D. MINNESOTA LEGAL COMPLIANCE FINDINGS

### 2020-004 PAYMENT OF INVOICES

**Criteria** – Minnesota Statutes § 471.425.

**Condition** – Minnesota Statutes require the District to pay each vendor obligation according to the terms of each contract within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, the District must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For 5 of 40 disbursements selected for testing, the District did not pay the obligation within the required time period, and did not pay interest on the unpaid obligation.

**Questioned Costs** – Not applicable.

**Context** – Five of forty disbursements tested were not in compliance.

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

**Cause** – This was an oversight by the District's management.

**Effect** – The invoices were not paid within the 35-day period as required by Minnesota Statutes.

**Recommendation** – We recommend that the District review procedures in place to ensure that all invoices are paid within statutory requirements.

**View of Responsible Official and Planned Corrective Actions** – The District's management will review payment schedules and processes to ensure invoices are paid within statutory timelines. The District has issued a separate Corrective Action Plan related to this finding.

## D. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)

### 2020-005 Unclaimed Property Report

**Criteria** – Minnesota Statutes § 345.41 and § 345.43.

**Condition** – Minnesota Statutes require unclaimed property held for more than three years (or one year for unpaid compensation) to be reported and paid or delivered to the state Commissioner of Commerce each year. This requirement was not met by the District for the current fiscal year.

**Questioned Costs** – Not applicable.

**Context** – The District did not file the unclaimed property report to the state Commissioner of Commerce in the current fiscal year.

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

**Cause** – This was an oversight by district personnel.

**Effect** – The District was not in compliance with state unclaimed property requirements.

**Recommendation** – We recommend that the District comply with state statutory unclaimed property requirements in the future.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review its procedures relating to unclaimed property laws to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 197

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

| | | | Audit | | UFARS | | Audit – UFARS |
|---|---|---|---|---|---|---|---|
| **General Fund** | | | | | | | |
| Total revenue | | $ | 76,478,684 | $ | 76,478,684 | $ | – |
| Total expenditures | | $ | 77,414,890 | $ | 77,414,887 | $ | 3 |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | 210,637 | $ | 210,637 | $ | – |
| Restricted | | | | | | | |
| 401 | Student activities | $ | 115,214 | $ | 115,214 | $ | – |
| 402 | Scholarships | $ | – | $ | – | $ | – |
| 403 | Staff development | $ | 451,211 | $ | 451,211 | $ | – |
| 407 | Capital projects levy | $ | – | $ | – | $ | – |
| 408 | Cooperative revenue | $ | – | $ | – | $ | – |
| 413 | Projects funded by COP | $ | – | $ | – | $ | – |
| 414 | Operating debt | $ | – | $ | – | $ | – |
| 416 | Levy reduction | $ | – | $ | – | $ | – |
| 417 | Taconite building maintenance | $ | – | $ | – | $ | – |
| 424 | Operating capital | $ | 967,149 | $ | 967,149 | $ | – |
| 426 | $25 taconite | $ | – | $ | – | $ | – |
| 427 | Disabled accessibility | $ | – | $ | – | $ | – |
| 428 | Learning and development | $ | – | $ | – | $ | – |
| 434 | Area learning center | $ | – | $ | – | $ | – |
| 435 | Contracted alternative programs | $ | – | $ | – | $ | – |
| 436 | State approved alternative program | $ | – | $ | – | $ | – |
| 438 | Gifted and talented | $ | – | $ | – | $ | – |
| 440 | Teacher development and evaluation | $ | – | $ | – | $ | – |
| 441 | Basic skills programs | $ | – | $ | – | $ | – |
| 448 | Achievement and integration | $ | – | $ | – | $ | – |
| 449 | Safe schools levy | $ | – | $ | – | $ | – |
| 451 | QZAB payments | $ | – | $ | – | $ | – |
| 452 | OPEB liability not in trust | $ | – | $ | – | $ | – |
| 453 | Unfunded severance and retirement levy | $ | – | $ | – | $ | – |
| 459 | Basic skills extended time | $ | – | $ | – | $ | – |
| 467 | Long-term facilities maintenance | $ | (172,531) | $ | (172,531) | $ | – |
| 472 | Medical Assistance | $ | 825,390 | $ | 825,390 | $ | – |
| 473 | PPP loans | $ | – | $ | – | $ | – |
| 474 | EIDL loans | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | – | $ | – | $ | – |
| 475 | Title VII – Impact Aid | $ | – | $ | – | $ | – |
| 476 | PILT | $ | – | $ | – | $ | – |
| Committed | | | | | | | |
| 418 | Committed for separation | $ | – | $ | – | $ | – |
| 461 | Committed fund balance | $ | – | $ | – | $ | – |
| Assigned | | | | | | | |
| 462 | Assigned fund balance | $ | – | $ | – | $ | – |
| Unassigned | | | | | | | |
| 422 | Unassigned fund balance | $ | 8,066,639 | $ | 8,066,639 | $ | – |
| **Food Service** | | | | | | | |
| Total revenue | | $ | 2,484,317 | $ | 2,484,318 | $ | (1) |
| Total expenditures | | $ | 2,896,415 | $ | 2,896,416 | $ | (1) |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | 52,320 | $ | 52,320 | $ | – |
| Restricted | | | | | | | |
| 452 | OPEB liability not in trust | $ | – | $ | – | $ | – |
| 474 | EIDL loans | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | – | $ | – | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | (52,320) | $ | (52,320) | $ | – |
| **Community Service** | | | | | | | |
| Total revenue | | $ | 4,741,879 | $ | 4,741,881 | $ | (2) |
| Total expenditures | | $ | 4,843,028 | $ | 4,843,030 | $ | (2) |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | 32 | $ | 32 | $ | – |
| Restricted | | | | | | | |
| 426 | $25 taconite | $ | – | $ | – | $ | – |
| 431 | Community education | $ | 352,726 | $ | 352,726 | $ | – |
| 432 | ECFE | $ | – | $ | – | $ | – |
| 440 | Teacher development and evaluation | $ | – | $ | – | $ | – |
| 444 | School readiness | $ | – | $ | – | $ | – |
| 447 | Adult basic education | $ | 11,822 | $ | 11,822 | $ | – |
| 452 | OPEB liability not in trust | $ | – | $ | – | $ | – |
| 473 | PPP loans | $ | – | $ | – | $ | – |
| 474 | EIDL loans | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | 308,427 | $ | 308,427 | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |

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

| | | | Audit | | UFARS | | Audit – UFARS |
|---|---|---|---|---|---|---|---|
| **Building Construction** | | | | | | | |
| Total revenue | | $ | 1,055,464 | $ | 1,055,465 | $ | (1) |
| Total expenditures | | $ | 66,011,726 | $ | 66,011,727 | $ | (1) |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | 2,154 | $ | 2,154 | $ | – |
| Restricted | | | | | | | |
| 407 | Capital projects levy | $ | – | $ | – | $ | – |
| 413 | Projects funded by COP | $ | – | $ | – | $ | – |
| 467 | Long-term facilities maintenance | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | 38,794,356 | $ | 38,794,356 | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |
| **Debt Service** | | | | | | | |
| Total revenue | | $ | 6,443,033 | $ | 6,443,033 | $ | – |
| Total expenditures | | $ | 8,305,787 | $ | 8,305,788 | $ | (1) |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | – | $ | – | $ | – |
| Restricted | | | | | | | |
| 425 | Bond refundings | $ | – | $ | – | $ | – |
| 433 | Maximum effort loan | $ | – | $ | – | $ | – |
| 451 | QZAB payments | $ | – | $ | – | $ | – |
| 467 | Long-term facilities maintenance | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | 1,608,618 | $ | 1,608,618 | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |
| **Trust** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| 401 | Student activities | $ | – | $ | – | $ | – |
| 402 | Scholarships | $ | – | $ | – | $ | – |
| 422 | Net position | $ | – | $ | – | $ | – |
| **Custodial** | | | | | | | |
| Total revenue | | $ | 5,156 | $ | 5,156 | $ | – |
| Total expenditures | | $ | 4,666 | $ | 4,666 | $ | – |
| 401 | Student activities | $ | – | $ | – | $ | – |
| 402 | Scholarships | $ | – | $ | – | $ | – |
| 448 | Achievement and integration | $ | – | $ | – | $ | – |
| 464 | Restricted | $ | 27,946 | $ | 27,946 | $ | – |
| **Internal Service** | | | | | | | |
| Total revenue | | $ | 11,397,952 | $ | 11,397,952 | $ | – |
| Total expenditures | | $ | 11,803,534 | $ | 11,803,534 | $ | – |
| 422 | Net position | $ | 3,846,143 | $ | 3,846,143 | $ | – |
| **OPEB Revocable Trust Fund** | | | | | | | |
| Total revenue | | $ | – | $ | – | $ | – |
| Total expenditures | | $ | – | $ | – | $ | – |
| 422 | Net position | $ | – | $ | – | $ | – |
| **OPEB Irrevocable Trust Fund** | | | | | | | |
| Total revenue | | $ | 659,673 | $ | 659,672 | $ | 1 |
| Total expenditures | | $ | 384,609 | $ | 384,609 | $ | – |
| 422 | Net position | $ | 7,107,739 | $ | 7,107,738 | $ | 1 |
| **OPEB Debt Service Fund** | | | | | | | |
| Total revenue | | $ | 3,296,187 | $ | 3,296,187 | $ | – |
| Total expenditures | | $ | 3,196,375 | $ | 3,196,375 | $ | – |
| Nonspendable | | | | | | | |
| 460 | Nonspendable fund balance | $ | – | $ | – | $ | – |
| Restricted | | | | | | | |
| 425 | Bond refundings | $ | – | $ | – | $ | – |
| 464 | Restricted fund balance | $ | 686,477 | $ | 686,477 | $ | – |
| Unassigned | | | | | | | |
| 463 | Unassigned fund balance | $ | – | $ | – | $ | – |

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