

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

Financial Statements and
Supplemental Information

Year Ended
June 30, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 197

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 197

School Board and Administration
as of June 30, 2021

SCHOOL BOARD

	<u>Board Position</u>
Joanne Mansur	Board Chair
Maureen Ramirez	Vice Chair/Clerk
Byron Schwab	Treasurer
John Chandler	Member
Brenda Corbett	Member
Marcus Hill	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

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FINANCIAL SECTION

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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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 22, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 29, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

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, 2021. 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 assets and deferred outflows of resources at June 30, 2021 by \$28,121,366 (net position deficit). The District's total net position increased by \$1,353,032 during the fiscal year ended June 30, 2021.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$916,000 from the prior year, compared to a \$407,322 decrease, planned in the budget.
- The Capital Projects – Building Construction Fund had a year-end fund balance of \$4,031,287, decreasing by \$34,765,223, as the District utilized resources from bonds issued in prior years.

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 (such as the 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, 2021 and 2020		
	2021	2020
Assets		
Current and other assets	\$ 62,396,680	\$ 103,872,282
Capital assets, net of depreciation	166,752,405	132,487,525
Total assets	\$ 229,149,085	\$ 236,359,807
Deferred outflows of resources		
Pension plan deferments	\$ 23,095,086	\$ 36,592,497
OPEB plan deferments	611,166	796,297
Total deferred outflows of resources	\$ 23,706,252	\$ 37,388,794
Liabilities		
Current and other liabilities	\$ 13,913,115	\$ 21,593,772
Long-term liabilities, including due within one year	200,379,964	198,146,178
Total liabilities	\$ 214,293,079	\$ 219,739,950
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 28,565,456	\$ 28,238,935
Pension plan deferments	36,968,284	54,815,371
OPEB plan deferments	1,149,884	428,743
Total deferred inflows of resources	\$ 66,683,624	\$ 83,483,049
Net position		
Net investment in capital assets	\$ 31,112,937	\$ 26,722,022
Restricted	3,546,431	3,211,036
Unrestricted	(62,780,734)	(59,407,456)
Total net position	\$ (28,121,366)	\$ (29,474,398)

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 increase in net investment in capital assets is due mostly to the relationship between the rate at which the District repays debt, compared to the rate the related assets are being depreciated. The increase in restricted net position is mostly related to increases in net position restricted for capital asset acquisition and debt service. The change 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, current and other liabilities 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:

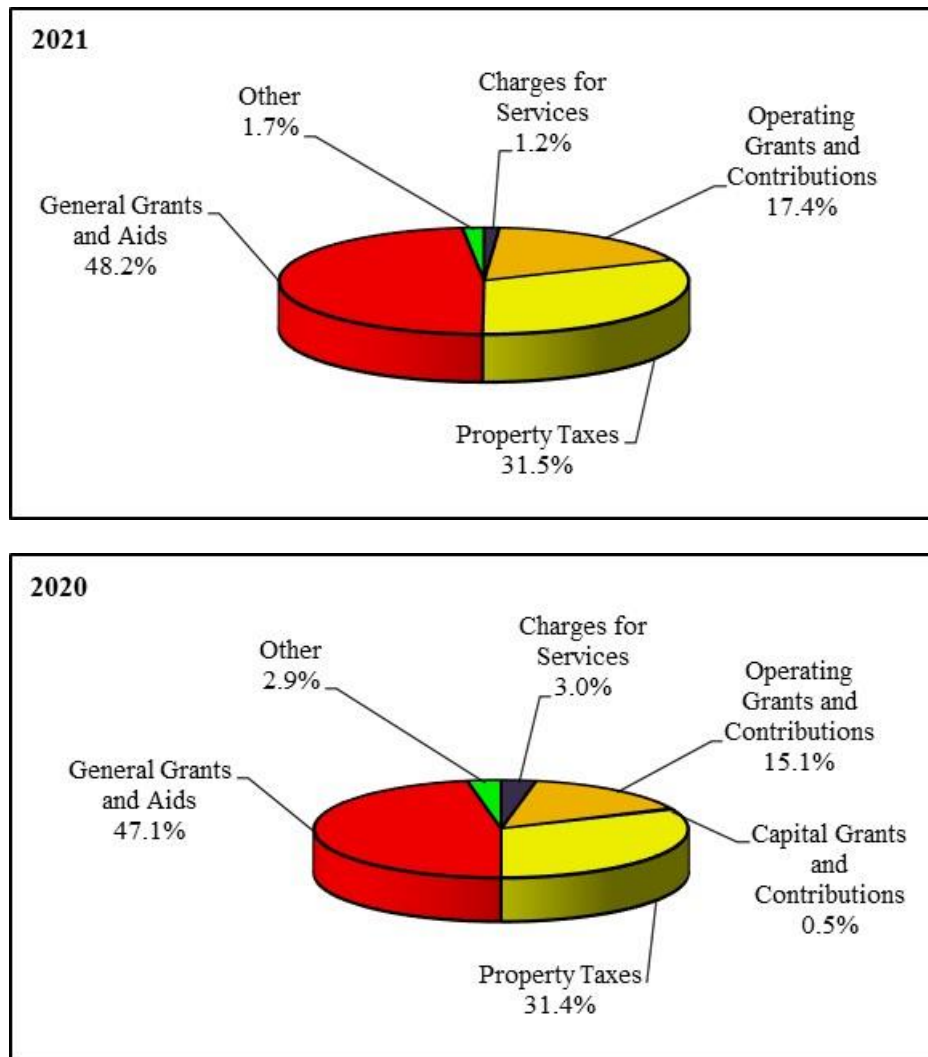
Table 2 Summary Statement of Activities for the Years Ended June 30, 2021 and 2020		
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 1,167,528	\$ 2,902,897
Operating grants and contributions	16,814,542	14,310,121
Capital grants and contributions	–	449,881
General revenues		
Property taxes	30,393,128	29,785,294
General grants and aids	46,445,283	44,641,227
Other	1,663,689	2,755,837
Total revenues	<u>96,484,170</u>	<u>94,845,257</u>
Expenses		
Administration	2,930,908	2,942,485
District support services	1,548,305	1,398,148
Elementary and secondary regular instruction	37,221,885	38,219,650
Vocational education instruction	639,421	537,144
Special education instruction	16,928,982	16,610,160
Community education instruction	61,630	59,500
Instructional support services	7,863,762	6,994,147
Pupil support services	6,996,723	7,905,983
Sites and buildings	7,234,897	12,563,400
Fiscal and other fixed cost programs	246,367	211,693
Food service	2,241,837	2,863,987
Community service	4,332,860	5,066,429
Depreciation not included in other functions	2,295,678	1,967,255
Interest and fiscal charges	4,587,883	4,826,348
Total expenses	<u>95,131,138</u>	<u>102,166,329</u>
Change in net position	1,353,032	(7,321,072)
Net position – beginning	<u>(29,474,398)</u>	<u>(22,153,326)</u>
Net position – ending	<u><u>\$ (28,121,366)</u></u>	<u><u>\$ (29,474,398)</u></u>

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 2021 were \$1,638,913 more than the prior 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. Charges for services decreased, due to less funds received in the food service program, as the District was operating under the Federal Summer Food Service Program in the current year. Due to COVID-19 pandemic, less community service fund classes were offered which also contributed to this decrease. Operating and general grants and aids increased in the current year, due to additional federal stimulus-related funding received as a result of the COVID-19 pandemic, as well as additional special education state aid funding received in the current year. Expenses decreased, due to the change in the District's proportionate share of the state-wide pension obligations for PERA and the TRA and lower sites and buildings expenses for improvements in the current year.

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

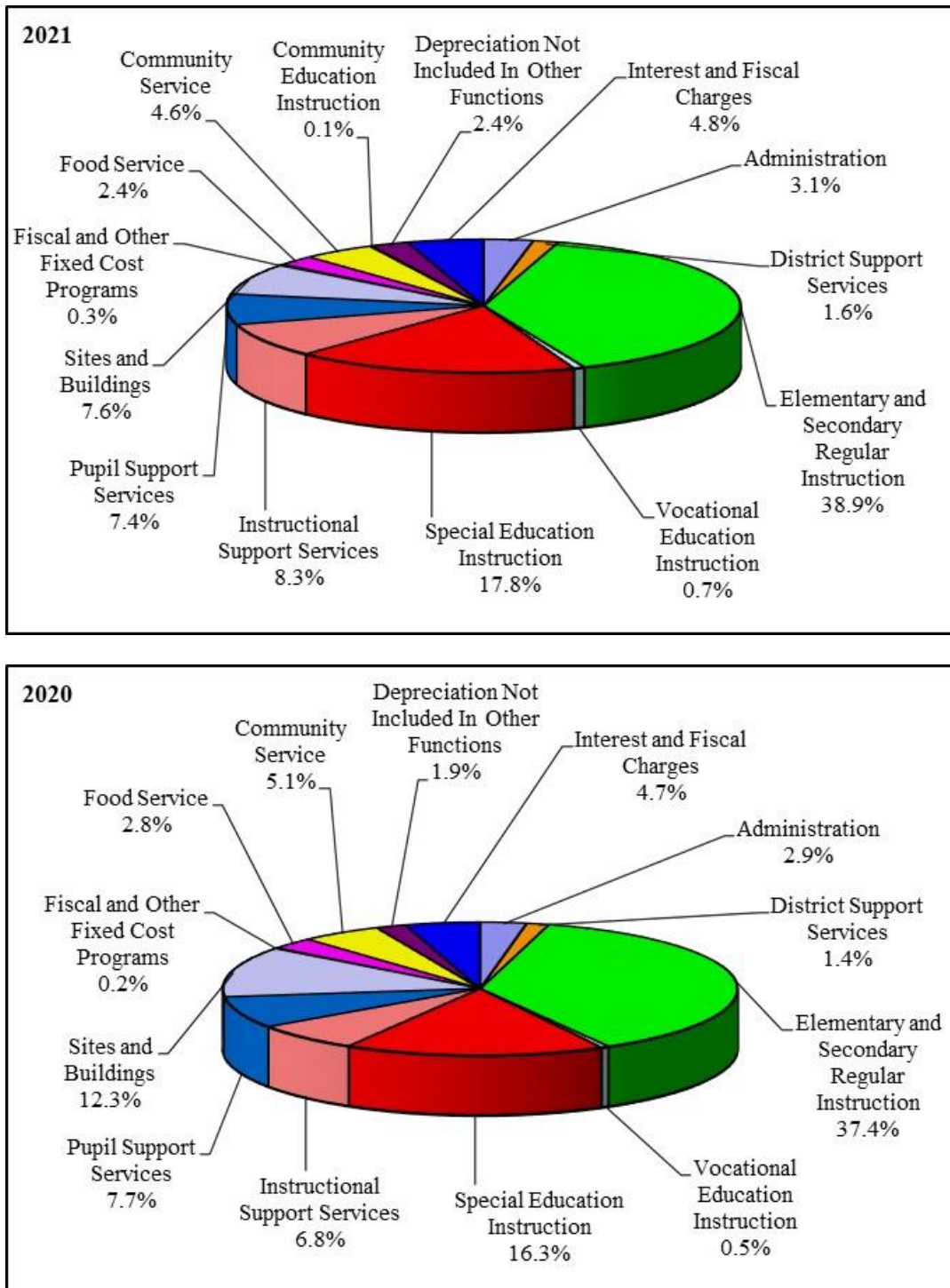
Figure A – Sources of Revenues for Fiscal Years 2021 and 2020



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

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

Figure B – Expenses for Fiscal Years 2021 and 2020



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

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, 2021 and 2020			
	2021	2020	Change
Major funds			
General	\$ 11,379,709	\$ 10,463,709	\$ 916,000
Capital Projects – Building Construction	4,031,287	38,796,510	(34,765,223)
Debt Service	2,558,021	2,295,095	262,926
Nonmajor funds			
Food Service Special Revenue	—	—	—
Community Service Special Revenue	588,576	673,007	(84,431)
Total governmental funds	<u>\$ 18,557,593</u>	<u>\$ 52,228,321</u>	<u>\$ (33,670,728)</u>

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

At June 30, 2021, the District's governmental funds reported combined fund balances of \$18,557,593, a decrease of \$33,670,728 in comparison with the prior year. Approximately 45.3 percent of this amount, \$8,409,934, 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 (\$503,707), or 2) restricted for particular purposes (\$9,643,952).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 75,989,814</u>	<u>\$ 80,744,495</u>	<u>\$ 4,754,681</u>	<u>6.3%</u>
Expenditures and other financing uses	<u>\$ 75,939,267</u>	<u>\$ 81,151,817</u>	<u>\$ 5,212,550</u>	<u>6.9%</u>

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

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2021 Actual</u>	<u>Over (Under)</u> <u>Final Budget</u>		<u>Over (Under)</u> <u>Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 80,004,468	\$ (740,027)	(0.9%)	\$ 3,525,784	4.6%
Expenditures	<u>79,721,693</u>	<u>(1,430,124)</u>	(1.8%)	\$ 2,306,803	3.0%
Excess (deficiency) of revenue over expenditures	282,775	690,097			
Other financing sources (uses)	<u>633,225</u>	<u>633,225</u>	100.0%	\$ 168,624	36.3%
Net change in fund balances	<u>\$ 916,000</u>	<u>\$ 1,323,322</u>			

Significant budget variances include the following:

Type	Approximate Amount	Reason
Revenue		
State sources	\$ 259,000	Pension benefits pass-through of financing sources received from the state of Minnesota were not budgeted for.
	\$ 376,000	Current year estimates for general education and special education aid came in higher than budget estimates.
	\$ 379,000	Prior year under accrual of state aid receivable not budgeted.
Federal sources	\$ (1,891,000)	Budgeted based on full grant entitlements; however, spending came in under these amounts. Unspent funds will be carried over to future years.
Expenditures		
Salaries	\$ (966,000)	Spending came in under budget estimates for severance, targeted services, quality compensation program (ATPPS), hot spot allocation, and activities.
	\$ (858,000)	Budgeted based on full grant entitlements; however, spending came in under these amounts. Unspent funds will be carried over to future years.
Benefits	\$ (364,000)	Spending came in under budget estimates for severance, targeted services, ATPPS, hot spot allocation, activities, and grants.
Purchased services	\$ (267,000)	Staff development came in under budget in this area, mainly due to less programs occurring during the pandemic.
	\$ (200,000)	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.
	\$ (208,000)	Contracted substitute costs came in under budget, due to moving to distance learning for most of the school year.
	\$ (691,000)	Budget for long-term facility maintenance (LTFM) projects was budgeted in purchased services, but majority of actual spending was in capital expenditure UFARS object codes.
Supplies and materials	\$ (718,000)	Budgeted based on full grant entitlements; however, spending came in under these amounts. Unspent funds will be carried over to future years.
	\$ 200,000	Budget for technology and maintenance programs was budgeted in purchased services, but actual spending was in supplies and materials UFARS object codes.
Capital expenditures	\$ 906,600	The District entered into capital lease agreements for technology equipment in fiscal year 2021 that were not included in the budget.
	\$ 691,000	Budget for LTFM projects was budgeted in purchased services, but majority of actual spending was in capital expenditure UFARS object codes.
Other	\$ 259,000	Direct aid is included in expenditures related to the pass-through of pension costs, which were not budgeted.
	\$ 200,000	Student activities and trust/agency funds were moved to the General Fund after the budget was adopted.

Significant changes from the prior year include the following:

Type	Approximate Amount	Reason
Revenue		
Property taxes	\$ 566,000	Increase in tax levy, due to following categories: operating referendum, capital project levy, and vocational education and OPEB levy. Also had positive adjustments for adjusting prior levy estimates to actual.
State sources	\$ 835,000	Increase in state aid, due to an approved increase in general education formula allowance (off-set by a decrease in student enrollment) and an increase in special education aid.
Federal sources	\$ 2,703,000	Significant increase in federal aid due to COVID-19 pandemic.
Investment earnings	\$ (178,000)	Significant decrease in investment rates of return. Currently in a very low interest rate environment.
Other	\$ (471,000)	Decreases in various miscellaneous sources due to pandemic: transportation fees, third party billing, parking fees, and student activities.
Expenditures		
Salaries	\$ 1,590,000	Increased staffing costs, due to negotiated contract increases and COVID-19 grant additions.
Benefits	\$ 595,000	Increases in benefits tied to salary increases, COVID-19 grant additions, and premium increases in the District's health insurance program.
Purchased services	\$ (1,343,000)	One-time asbestos abatement project in the prior year and decrease in substitute and contracted transportation costs from being in distance learning model for most of the school year.
Supplies and materials	\$ 1,407,000	Increased due to COVID-19 grant funding to support cleaning and disinfectant supplies, masks, face shields, mobile devices, protective barriers, and air filters, to name a few.

Other financing sources (uses) were greater than budget, as the District issued capital leases in the current year totaling \$906,558, that were not anticipated in the District's budget. The District also transferred \$273,333 to the Food Service Special Revenue Fund in the current year, to support operations that were not anticipated in the District's budget.

Other financing sources (uses) were greater than last year, as the capital lease amounts issued in current year exceeded fiscal 2020 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. A transfer in of \$273,333 was made from the General Fund in the current year to eliminate the deficit fund balance at year-end, resulting in no change in fund balance in the current year.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing fund balance by \$84,431.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund ended the year with expenditures exceeding revenues, decreasing fund balance by \$34,765,223.

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, 2021 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 2021 totaled \$11,669,223, while operating expenses totaled \$12,164,443. The net position balance for the Internal Service Fund as of June 30, 2021 was \$3,350,923.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6 Capital Assets			
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 1,098,730	\$ 1,098,730	\$ –
Construction in progress	79,735,095	66,935,768	12,799,327
Buildings and improvements	150,521,740	126,931,004	23,590,736
Furniture and equipment	13,971,828	13,091,950	879,878
Less accumulated depreciation	<u>(78,574,988)</u>	<u>(75,569,927)</u>	<u>(3,005,061)</u>
Total	<u>\$ 166,752,405</u>	<u>\$ 132,487,525</u>	<u>\$ 34,264,880</u>
Depreciation expense	<u>\$ 3,428,391</u>	<u>\$ 3,105,463</u>	<u>\$ 322,928</u>

The increase in construction in progress, buildings and improvements, and accumulated depreciation in fiscal 2021 is due to continued construction on projects related to previously issued building bonds, which are scheduled to be completed in future fiscal years, along with completion of construction in the current year.

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			
	2021	2020	Change
General obligation bonds payable	\$ 131,710,000	\$ 136,015,000	\$ (4,305,000)
Premium on bonds payable	5,598,929	6,164,663	(565,734)
Capital leases payable	2,361,826	2,382,350	(20,524)
Total/net pension liability	54,844,245	47,306,730	7,537,515
Net OPEB liability	5,198,592	5,561,908	(363,316)
Severance benefits payable	249,717	330,468	(80,751)
Compensated absences payable	416,655	385,059	31,596
Total	<u>\$ 200,379,964</u>	<u>\$ 198,146,178</u>	<u>\$ 2,233,786</u>

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	\$ 7,368,620,750
Limit rate	<u>15%</u>
Legal debt limit	<u>\$ 1,105,293,113</u>

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 \$161, or 2.45 percent, per pupil to the formula for fiscal year 2022, and an additional \$135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about 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, 2021
(With Partial Comparative Information as of June 30, 2020)

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	\$ 37,910,217	\$ 79,310,905
Receivables		
Current taxes	15,978,900	16,655,729
Delinquent taxes	265,495	202,323
Accounts and interest	310,787	1,186,871
Due from fiduciary fund	401,162	300,064
Due from other governmental units	7,026,412	5,951,247
Inventory	89,900	95,804
Prepaid items	413,807	169,339
Capital assets		
Not depreciated	80,833,825	68,034,498
Depreciated, net of accumulated depreciation	85,918,580	64,453,027
Total capital assets, net of accumulated depreciation	166,752,405	132,487,525
Total assets	229,149,085	236,359,807
Deferred outflows of resources		
Pension plan deferments	23,095,086	36,592,497
OPEB plan deferments	611,166	796,297
Total deferred outflows of resources	23,706,252	37,388,794
Total assets and deferred outflows of resources	\$ 252,855,337	\$ 273,748,601
Liabilities		
Salaries and compensated absences payable	\$ 3,528,065	\$ 3,489,991
Accounts and contracts payable	7,695,106	15,457,405
Accrued interest payable	2,090,322	2,152,322
Due to other governmental units	389,923	409,075
Unearned revenue	209,699	84,979
Long-term liabilities		
Due within one year	5,634,222	5,579,351
Due in more than one year	194,745,742	192,566,827
Total long-term liabilities	200,379,964	198,146,178
Total liabilities	214,293,079	219,739,950
Deferred inflows of resources		
Property taxes levied for subsequent year	28,565,456	28,238,935
Pension plan deferments	36,968,284	54,815,371
OPEB plan deferments	1,149,884	428,743
Total deferred inflows of resources	66,683,624	83,483,049
Net position		
Net investment in capital assets	31,112,937	26,722,022
Restricted for		
Capital asset acquisition	1,055,287	967,149
Debt service	488,989	174,628
Community service	591,374	677,444
Other purposes (state funding restrictions)	1,410,781	1,391,815
Unrestricted	(62,780,734)	(59,407,456)
Total net position	(28,121,366)	(29,474,398)
Total liabilities, deferred inflows of resources, and net position	\$ 252,855,337	\$ 273,748,601

INDEPENDENT SCHOOL DISTRICT NO. 197

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

Functions/Programs	2021			2020
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Administration	\$ 2,930,908	\$ —	\$ —	\$ (2,930,908)
District support services	1,548,305	24,260	—	(1,524,045)
Elementary and secondary regular instruction	37,221,885	205,775	828,454	(36,187,656)
Vocational education instruction	639,421	40	20,137	(619,244)
Special education instruction	16,928,982	—	11,510,215	(5,418,767)
Community education instruction	61,630	—	—	(61,630)
Instructional support services	7,863,762	—	—	(7,863,762)
Pupil support services	6,996,723	30,089	302,375	(6,664,259)
Sites and buildings	7,234,897	—	—	(7,234,897)
Fiscal and other fixed cost programs	246,367	—	—	(246,367)
Food service	2,241,837	28,096	2,021,043	(192,698)
Community service	4,332,860	879,268	2,132,318	(1,321,274)
Depreciation not included in other functions	2,295,678	—	—	(2,295,678)
Interest and fiscal charges	4,587,883	—	—	(4,587,883)
Total governmental activities	<u>\$ 95,131,138</u>	<u>\$ 1,167,528</u>	<u>\$ 16,814,542</u>	(77,149,068)
General revenue				
Taxes				
Property taxes, levied for general purposes				19,542,966
Property taxes, levied for community service				1,129,154
Property taxes, levied for debt service				9,721,008
General grants and aids				46,445,283
Other general revenues				1,534,983
Investment earnings				128,706
Total general revenue				<u>78,502,100</u>
Change in net position				1,353,032
Net position – beginning				<u>(29,474,398)</u>
Net position – ending				<u>\$(28,121,366)</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 18,110,646	\$ 7,885,293	\$ 6,955,013
Receivables			
Current taxes	10,608,369	–	4,831,699
Delinquent taxes	169,734	–	85,494
Accounts and interest	93,624	87,319	51
Due from other governmental units	6,818,712	–	41
Due from other funds	401,162	–	–
Inventory	44,360	–	–
Prepaid items	413,807	–	–
	<u>\$ 36,660,414</u>	<u>\$ 7,972,612</u>	<u>\$ 11,872,298</u>
Liabilities			
Salaries and compensated absences payable	\$ 3,377,650	\$ –	\$ –
Accounts and contracts payable	3,027,465	3,941,325	–
Due to other funds	–	–	–
Due to other governmental units	353,947	–	–
Unearned revenue	209,699	–	–
Total liabilities	<u>6,968,761</u>	<u>3,941,325</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	18,236,117	–	9,292,987
Unavailable revenue – delinquent taxes	75,827	–	21,290
Total deferred inflows of resources	<u>18,311,944</u>	<u>–</u>	<u>9,314,277</u>
Fund balances			
Nonspendable	458,167	–	–
Restricted	2,466,068	4,031,287	2,558,021
Unassigned	8,455,474	–	–
Total fund balances	<u>11,379,709</u>	<u>4,031,287</u>	<u>2,558,021</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,660,414</u>	<u>\$ 7,972,612</u>	<u>\$ 11,872,298</u>

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 1,041,843	\$ 33,992,795	\$ 74,867,474
538,832	15,978,900	16,655,729
10,267	265,495	202,323
129,739	310,733	1,172,046
207,659	7,026,412	5,951,247
—	401,162	309,258
45,540	89,900	95,804
—	413,807	169,339
<u>\$ 1,973,880</u>	<u>\$ 58,479,204</u>	<u>\$ 99,423,220</u>
\$ 150,415	\$ 3,528,065	\$ 3,489,991
159,763	7,128,553	14,845,292
—	—	9,194
35,976	389,923	409,075
—	209,699	84,979
<u>346,154</u>	<u>11,256,240</u>	<u>18,838,531</u>
1,036,352	28,565,456	28,238,935
2,798	99,915	117,433
<u>1,039,150</u>	<u>28,665,371</u>	<u>28,356,368</u>
45,540	503,707	265,143
588,576	9,643,952	44,121,390
(45,540)	8,409,934	7,841,788
<u>588,576</u>	<u>18,557,593</u>	<u>52,228,321</u>
<u>\$ 1,973,880</u>	<u>\$ 58,479,204</u>	<u>\$ 99,423,220</u>

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Total fund balances – governmental funds	\$ 18,557,593	\$ 52,228,321
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	245,327,393	208,057,452
Accumulated depreciation	(78,574,988)	(75,569,927)
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	(131,710,000)	(136,015,000)
Premium on bonds payable	(5,598,929)	(6,164,663)
Capital leases payable	(2,361,826)	(2,382,350)
Net pension liability	(54,844,245)	(47,306,730)
Net OPEB liability	(5,198,592)	(5,561,908)
Severance benefits payable	(249,717)	(330,468)
Compensated absences payable	(416,655)	(385,059)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,090,322)	(2,152,322)
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.	3,350,923	3,846,143
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	23,095,086	36,592,497
Deferred outflows of resources – OPEB plan deferments	611,166	796,297
Deferred inflows of resources – pension plan deferments	(36,968,284)	(54,815,371)
Deferred inflows of resources – OPEB plan deferments	(1,149,884)	(428,743)
Deferred inflows of resources – unavailable revenue – delinquent taxes receivable	99,915	117,433
Total net position – governmental activities	<u>\$ (28,121,366)</u>	<u>\$ (29,474,398)</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 19,548,280	\$ –	\$ 9,731,573
Investment earnings	29,283	84,441	6,142
Other	1,427,813	367,334	–
State sources	54,011,169	–	409
Federal sources	4,987,923	–	–
Total revenue	80,004,468	451,775	9,738,124
Expenditures			
Current			
Administration	2,765,626	–	–
District support services	1,536,946	–	–
Elementary and secondary regular instruction	33,884,644	–	–
Vocational education instruction	589,325	–	–
Special education instruction	15,912,876	–	–
Community education services	61,630	–	–
Instructional support services	7,648,322	–	–
Pupil support services	6,698,751	–	–
Sites and buildings	9,404,705	–	–
Fiscal and other fixed cost programs	246,367	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	35,216,998	–
Debt service			
Principal	927,082	–	4,305,000
Interest and fiscal charges	45,419	–	5,170,198
Total expenditures	79,721,693	35,216,998	9,475,198
Excess (deficiency) of revenue over expenditures	282,775	(34,765,223)	262,926
Other financing sources (uses)			
Transfers in	–	–	–
Transfers out	(273,333)	–	–
Capital leases issued	906,558	–	–
Total other financing sources (uses)	633,225	–	–
Net change in fund balances	916,000	(34,765,223)	262,926
Fund balances			
Beginning of year	10,463,709	38,796,510	2,295,095
End of year	\$ 11,379,709	\$ 4,031,287	\$ 2,558,021

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 1,130,793	\$ 30,410,646	\$ 29,832,638
4,573	124,439	930,856
907,364	2,702,511	5,059,439
1,465,811	55,477,389	54,820,829
2,687,550	7,675,473	3,855,802
<u>6,196,091</u>	<u>96,390,458</u>	<u>94,499,564</u>
—	2,765,626	2,664,367
—	1,536,946	1,368,218
—	33,884,644	33,827,949
—	589,325	507,868
—	15,912,876	15,149,820
—	61,630	59,500
—	7,648,322	6,881,647
—	6,698,751	7,193,031
—	9,404,705	8,388,694
—	246,367	211,693
2,283,094	2,283,094	2,782,289
4,230,651	4,230,651	4,825,917
40,110	35,257,108	66,142,963
—	5,232,082	7,138,839
—	5,215,617	5,525,426
<u>6,553,855</u>	<u>130,967,744</u>	<u>162,668,221</u>
(357,764)	(34,577,286)	(68,168,657)
273,333	273,333	281,599
—	(273,333)	(281,599)
—	906,558	746,200
<u>273,333</u>	<u>906,558</u>	<u>746,200</u>
(84,431)	(33,670,728)	(67,422,457)
<u>673,007</u>	<u>52,228,321</u>	<u>119,650,778</u>
<u>\$ 588,576</u>	<u>\$ 18,557,593</u>	<u>\$ 52,228,321</u>

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INDEPENDENT SCHOOL DISTRICT NO. 197

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021

(With Partial Comparative Information for the Year Ended June 30, 2020)

	2021	2020
Total net change in fund balances – governmental funds	\$ (33,670,728)	\$ (67,422,457)
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	37,693,271	62,095,780
Depreciation expense	(3,428,391)	(3,105,463)
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.		
	(906,558)	(746,200)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	4,305,000	6,030,000
Capital leases payable	927,082	1,108,839
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	62,000	125,625
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.		
	565,734	573,453
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	(31,596)	(34,280)
Net pension liability	(7,537,515)	(1,101,264)
Severance benefits payable	80,751	24,393
Net OPEB liability	363,316	(507,535)
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.		
	(495,220)	(405,582)
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	(13,497,411)	(17,336,453)
Deferred outflows of resources – OPEB plan deferments	(185,131)	149,538
Deferred inflows of resources – pension plan deferments	17,847,087	13,510,476
Deferred inflows of resources – OPEB plan deferments	(721,141)	(232,598)
Deferred inflows of resources – delinquent taxes receivable	(17,518)	(47,344)
Change in net position – governmental activities	<u>\$ 1,353,032</u>	<u>\$ (7,321,072)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 19,440,969	\$ 19,440,969	\$ 19,548,280	\$ 107,311
Investment earnings	50,000	50,000	29,283	(20,717)
Other	1,128,000	1,368,734	1,427,813	59,079
State sources	53,153,948	53,006,339	54,011,169	1,004,830
Federal sources	2,216,897	6,878,453	4,987,923	(1,890,530)
Total revenue	75,989,814	80,744,495	80,004,468	(740,027)
Expenditures				
Current				
Administration	2,765,022	2,765,022	2,765,626	604
District support services	1,285,001	1,322,001	1,536,946	214,945
Elementary and secondary regular instruction	35,388,701	37,123,313	33,884,644	(3,238,669)
Vocational education instruction	197,957	208,957	589,325	380,368
Special education instruction	15,258,232	15,530,367	15,912,876	382,509
Community education instruction	33,670	33,670	61,630	27,960
Instructional support services	5,594,303	6,866,554	7,648,322	781,768
Pupil support services	6,863,961	6,710,121	6,698,751	(11,370)
Sites and buildings	7,763,208	9,718,574	9,404,705	(313,869)
Fiscal and other fixed cost programs	267,000	230,000	246,367	16,367
Debt service				
Principal	502,855	623,881	927,082	303,201
Interest and fiscal charges	19,357	19,357	45,419	26,062
Total expenditures	75,939,267	81,151,817	79,721,693	(1,430,124)
Excess (deficiency) of revenue over expenditures	50,547	(407,322)	282,775	690,097
Other financing sources (uses)				
Transfers out	—	—	(273,333)	(273,333)
Capital leases issued	—	—	906,558	906,558
Total other financing sources (uses)	—	—	633,225	633,225
Net change in fund balances	\$ 50,547	\$ (407,322)	916,000	\$ 1,323,322
Fund balances				
Beginning of year			10,463,709	
End of year			\$ 11,379,709	

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and temporary investments	\$ 3,917,422	\$ 4,443,431
Receivables		
Accounts and interest	<u>54</u>	<u>14,825</u>
Total current assets	<u>3,917,476</u>	<u>4,458,256</u>
Liabilities		
Current liabilities		
Claims incurred, but not reported	<u>566,553</u>	<u>612,113</u>
Net position		
Unrestricted	<u>\$ 3,350,923</u>	<u>\$ 3,846,143</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 11,664,956	\$ 11,279,632
Operating expenses		
Health benefit claims	11,610,639	11,313,687
Dental benefit claims	<u>553,804</u>	<u>489,847</u>
Total operating expenses	<u>12,164,443</u>	<u>11,803,534</u>
Operating income (loss)	(499,487)	(523,902)
Nonoperating revenue		
Investment earnings	<u>4,267</u>	<u>118,320</u>
Change in net position	(495,220)	(405,582)
Net position		
Beginning of year	<u>3,846,143</u>	<u>4,251,725</u>
End of year	<u><u>\$ 3,350,923</u></u>	<u><u>\$ 3,846,143</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 11,679,727	\$ 11,308,001
Payment for health claims	(11,657,590)	(11,357,914)
Payment for dental claims	(552,413)	(481,793)
Net cash flows from operating activities	<u>(530,276)</u>	<u>(531,706)</u>
Cash flows from investing activities		
Investment income received	<u>4,267</u>	<u>118,320</u>
Net change in cash and cash equivalents	(526,009)	(413,386)
Cash and cash equivalents		
Beginning of year	<u>4,443,431</u>	<u>4,856,817</u>
End of year	<u><u>\$ 3,917,422</u></u>	<u><u>\$ 4,443,431</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (499,487)	\$ (523,902)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	14,771	28,369
Claims incurred, but not reported	<u>(45,560)</u>	<u>(36,173)</u>
Net cash flows from operating activities	<u><u>\$ (530,276)</u></u>	<u><u>\$ (531,706)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 197

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2021

	Post-Employment Benefits Trust Fund	Custodial Fund
Assets		
Cash and temporary investments	\$ —	\$ 28,989
Minnesota State Board of Investment Retirement Money Fund	7,196,996	—
Total assets	<u>7,196,996</u>	<u>28,989</u>
Liabilities		
Accounts payable	—	358
Due to governmental funds	401,162	—
Total liabilities	<u>401,162</u>	<u>358</u>
Net position		
Restricted for other purposes	—	28,631
Restricted for OPEB	6,795,834	—
Total net position	<u>\$ 6,795,834</u>	<u>\$ 28,631</u>

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2021

	Post-Employment Benefits Trust Fund	Custodial Fund
Additions		
Contributions		
Private donations	\$ —	\$ 2,925
Retiree contributions	98,129	—
Investment earnings	89,257	36
Total additions	<u>187,386</u>	<u>2,961</u>
Deductions		
Other post-employment benefits	499,291	—
Other deductions	—	2,276
Total deductions	<u>499,291</u>	<u>2,276</u>
Change in net position	(311,905)	685
Net position		
Beginning of year	<u>7,107,739</u>	<u>27,946</u>
End of year	<u>\$ 6,795,834</u>	<u>\$ 28,631</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

Notes to Basic Financial Statements June 30, 2021

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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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 prepaid items in both government-wide and fund financial statements. Prepaid items 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 \$2,085,647 of property tax levy collectible in 2021 as revenue to the District in fiscal year 2020–2021. The remaining portion of the taxes collectible in 2021 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.”

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance Classifications

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability – End of Year
2020	\$ 9,975	\$ 489,847	\$ 481,793	\$ 18,029
2021	\$ 18,029	\$ 553,804	\$ 552,413	\$ 19,420

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

Year Ended June 30,	Claim Liability – Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability – End of Year
2020	\$ 638,311	\$ 11,313,687	\$ 11,357,914	\$ 594,084
2021	\$ 594,084	\$ 11,610,639	\$ 11,657,590	\$ 547,133

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. 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 \$1,903,705 and the balance on the bank records was \$2,003,400. At June 30, 2021, 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.

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, 2021, and information relating to potential investment risks:

Investment/Deposit	Credit Risk		Fair Value Measurements Using	Interest Rate Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
Local government obligations	AA	S&P	Level 2	\$ 487,270	\$ –	\$ 487,270
Local government obligations	Aa	Moody's	Level 2	\$ 336,229	\$ –	336,229
U.S. agency securities	AA	S&P	Level 2	\$ 1,749,751	\$ –	1,749,751
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund						
Liquid Class	AAA	S&P	N/A	N/A	N/A	4,657,563
MAX Class	AAA	S&P	N/A	N/A	N/A	19,519,970
Minnesota State Board of Investment						
Retirement Money Fund	N/R	N/R	N/A	N/A	N/A	7,196,947
MN Trust Limited Term Duration Series	N/R	N/R	N/A	\$ 4,859,807	\$ –	4,859,807
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	4,424,960
Total investments						<u>43,232,497</u>
Deposits						<u>1,903,705</u>
Total cash and investments						<u>\$ 45,136,202</u>

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	\$ 37,910,217
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	7,196,996
Cash and temporary investments – Custodial Fund	<u>28,989</u>
Total cash and investments	<u>\$ 45,136,202</u>

The amount in investment pools/mutual funds includes amounts invested in the MNTrust Investment Shares Portfolio (MNTrust), MNTrust Limited Term Duration 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. Investments in the MNTrust Limited Term Duration Series must be deposited for a minimum of 30 calendar days.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021 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	66,935,768	36,579,438	–	(23,780,111)	79,735,095
Total capital assets, not depreciated	68,034,498	36,579,438	–	(23,780,111)	80,833,825
Capital assets, depreciated					
Buildings and improvements	126,931,004	209,246	(304,271)	23,685,761	150,521,740
Furniture and equipment	13,091,950	904,587	(119,059)	94,350	13,971,828
Total capital assets, depreciated	140,022,954	1,113,833	(423,330)	23,780,111	164,493,568
Less accumulated depreciation for					
Buildings and improvements	(66,133,031)	(2,828,608)	304,271	–	(68,657,368)
Furniture and equipment	(9,436,896)	(599,783)	119,059	–	(9,917,620)
Total accumulated depreciation	(75,569,927)	(3,428,391)	423,330	–	(78,574,988)
Net capital assets, depreciated	64,453,027	(2,314,558)	–	23,780,111	85,918,580
Total capital assets, net	\$ 132,487,525	\$ 34,264,880	\$ –	\$ –	\$ 166,752,405

Depreciation expense for the year ended June 30, 2021 was charged to the following governmental functions:

Administration	\$ 5,957
District support services	15,307
Elementary and secondary regular instruction	715,369
Vocational education instruction	2,783
Instructional support services	13,400
Pupil support services	368,723
Food service	11,174
Depreciation not included in other functions	2,295,678
Total depreciation expense	<u>\$ 3,428,391</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2012 Refunding Bonds	08/22/2012	3.00–4.00%	\$ 33,070,000	02/01/2025	\$ 13,845,000
2015 Building Bonds	02/12/2015	2.00%	\$ 3,275,000	02/01/2025	2,565,000
2018 School Building Bonds	07/12/2018	2.00–5.00%	\$ 155,760,000	02/01/2041	115,300,000
Total general obligation bonds payable					<u>\$ 131,710,000</u>

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 zero 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 \$2,044,798, with an accumulated depreciation of \$806,495 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 \$250,535. 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, 2021:

Pension Plans	Total/Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 10,995,670	\$ 1,525,609	\$ 621,671	\$ 603,217
State-wide, multiple-employer – TRA	43,848,575	21,569,477	36,346,613	6,877,224
Total	<u>\$ 54,844,245</u>	<u>\$ 23,095,086</u>	<u>\$ 36,968,284</u>	<u>\$ 7,480,441</u>

D. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 4,325,000	\$ 5,016,773	\$ 871,840	\$ 41,283
2023	4,680,000	4,851,973	636,964	26,464
2024	4,860,000	4,670,823	533,477	14,206
2025	5,050,000	4,482,473	319,545	2,947
2026	5,210,000	4,323,073	–	–
2027–2031	29,750,000	17,869,463	–	–
2032–2036	35,355,000	12,261,063	–	–
2037–2041	42,480,000	5,135,870	–	–
	<u>\$ 131,710,000</u>	<u>\$ 58,611,511</u>	<u>\$ 2,361,826</u>	<u>\$ 84,900</u>

E. Changes in Long-Term Liabilities

	June 30, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
General obligation bonds payable	\$ 136,015,000	\$ –	\$ 4,305,000	\$ 131,710,000	\$ 4,325,000
Premium on bonds payable	6,164,663	–	565,734	5,598,929	–
Capital leases payable	2,382,350	906,558	927,082	2,361,826	871,840
Net pension liability	47,306,730	11,578,175	4,040,660	54,844,245	–
Net OPEB liability	5,561,908	781,856	1,175,172	5,198,592	–
Severance benefits payable	330,468	9,889	90,640	249,717	20,727
Compensated absences payable	385,059	416,655	385,059	416,655	416,655
	<u>\$ 198,146,178</u>	<u>\$ 13,693,133</u>	<u>\$ 11,489,347</u>	<u>\$ 200,379,964</u>	<u>\$ 5,634,222</u>

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Prepaid items	\$ 413,807	\$ –	\$ –	\$ –	\$ 413,807
Inventory	44,360	–	–	45,540	89,900
Total nonspendable	458,167	–	–	45,540	503,707
Restricted					
Student activities	112,481	–	–	–	112,481
Staff development	483,097	–	–	–	483,097
Operating capital	1,055,287	–	–	–	1,055,287
Medical Assistance	815,203	–	–	–	815,203
Capital projects	–	4,031,287	–	–	4,031,287
General debt service	–	–	2,558,021	–	2,558,021
Community education	–	–	–	312,219	312,219
Adult basic education	–	–	–	12,128	12,128
Community service programs	–	–	–	252,088	252,088
Early childhood family education	–	–	–	12,141	12,141
Total restricted	2,466,068	4,031,287	2,558,021	588,576	9,643,952
Unassigned					
Food service restricted account deficit	–	–	–	(45,540)	(45,540)
Long-term facilities maintenance restricted account deficit	(586,662)	–	–	–	(586,662)
Unassigned	9,042,136	–	–	–	9,042,136
Total unassigned	8,455,474	–	–	(45,540)	8,409,934
Total	<u>\$ 11,379,709</u>	<u>\$ 4,031,287</u>	<u>\$ 2,558,021</u>	<u>\$ 588,576</u>	<u>\$ 18,557,593</u>

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, 2021, the unrestricted fund balance as a percentage of current year expenditures (excluding capital-related expenditures) is 13.1 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 (DCP) administered by Minnesota State.

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 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, 2021, were \$977,752. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2021, were \$2,928,390. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2021, the District reported a liability of \$10,995,670 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$339,147. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1834 percent at the end of the measurement period and 0.1779 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 10,995,670
State's proportionate share of the net pension liability associated with the District	\$ 339,147

For the year ended June 30, 2021, the District recognized pension expense of \$573,701 for its proportionate share of the GERF's pension expense. In addition, the District recognized \$29,516 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 134,543	\$ 41,602
Changes in actuarial assumptions	–	402,121
Net collective difference between projected and actual investment earnings	185,252	–
Changes in proportion	228,062	177,948
District's contributions to the GERF subsequent to the measurement date	<u>977,752</u>	<u>–</u>
Total	<u>\$ 1,525,609</u>	<u>\$ 621,671</u>

The \$977,752 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ (701,581)
2023	\$ 40,275
2024	\$ 284,585
2025	\$ 302,907

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$43,848,575 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5935 percent at the end of the measurement period and 0.5873 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	\$ 43,848,575
State's proportionate share of the net pension liability associated with the District	\$ 3,674,426

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

For the year ended June 30, 2021, the District recognized pension expense of \$6,540,622. It also recognized \$336,602 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 879,341	\$ 649,025
Changes in actuarial assumptions	14,926,086	35,697,588
Net difference between projected and actual investment earnings on pension plan investments	772,483	–
Changes in proportion	2,063,177	–
District's contributions to the TRA subsequent to the measurement date	2,928,390	–
Total	<u>\$ 21,569,477</u>	<u>\$ 36,346,613</u>

A total of \$2,928,390 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 1,431,721
2023	\$ (12,100,188)
2024	\$ (8,456,878)
2025	\$ 1,171,485
2026	\$ 248,334

E. Actuarial Assumptions

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

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

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

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

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

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

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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

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

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

F. Discount Rate

1. GERS

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

2. TRA

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

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

G. Pension Liability Sensitivity

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

	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	\$ 17,622,242	\$ 10,995,670	\$ 5,529,277
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 67,131,705	\$ 43,848,575	\$ 24,664,453

H. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through 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.

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

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.

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	44
Active plan members	<u>826</u>
Total members	<u><u>870</u></u>

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2021, 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	\$ 11,994,426
Plan fiduciary net position	<u>(6,795,834)</u>
District's net OPEB liability	<u><u>\$ 5,198,592</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>56.7%</u></u>

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

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 with a measurement date of June 30, 2021, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.30%
Expected long-term investment return	3.90% (net of investment expenses)
20-year municipal bond yield	2.10%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.50% grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Dental trend rate	4.00%

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	2.00 %	0.50 %
Fixed income	<u>98.00</u>	4.00 %
Total	<u>100.00 %</u>	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 1.3 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**H. Discount Rate**

The discount rate used to measure the total OPEB liability was 2.30 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 2.50 percent.

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, 2020	\$ 12,669,647	\$ 7,107,739	\$ 5,561,908
Changes for the year			
Service cost	777,727	–	777,727
Interest	328,179	–	328,179
Assumption changes	(333,280)	–	(333,280)
Differences between expected and actual economic experience	(803,410)	–	(803,410)
Contributions – district and member	–	243,275	(243,275)
Net investment income	–	90,202	(90,202)
Benefit payments – paid through trust	(499,291)	(499,291)	–
Benefit payments – district and member-financed	(145,146)	(145,146)	–
Administrative expenses	–	(945)	945
Total net changes	<u>(675,221)</u>	<u>(311,905)</u>	<u>(363,316)</u>
Ending balance – June 30, 2021	<u>\$ 11,994,426</u>	<u>\$ 6,795,834</u>	<u>\$ 5,198,592</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	1.30%	2.30%	3.30%
Net OPEB liability	\$ 5,751,634	\$ 5,198,592	\$ 4,641,315

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:

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
OPEB medical trend rate	5.50% decreasing to 4.00% then 3.00%	6.50% decreasing to 5.00% then 4.00%	7.50% decreasing to 6.00% then 5.00%
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 4,200,064	\$ 5,198,592	\$ 6,352,307

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 \$786,231. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 207,656	\$ 669,508
Changes in actuarial assumptions	403,510	353,913
Difference between projected and actual investment earnings	—	126,463
	<u>\$ 611,166</u>	<u>\$ 1,149,884</u>

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

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

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2022	\$ (85,715)
2023	\$ (138,538)
2024	\$ (28,737)
2025	\$ (96,274)
2026	\$ (189,454)

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

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 9 – INTERFUND TRANSACTIONS

During the year ended June 30, 2021, the District transferred \$273,333 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, 2021, the District's General Fund had an interfund receivable of \$401,162 from the Post-Employment Benefits Trust Fund, representing post-employment benefit costs to be reimbursed. Such interfund balances are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

During the year ended June 30, 2021, the District transferred \$697,254 from the OPEB Debt Service Account to the Regular Debt Service Account. Such interfund transfers are reported in the individual fund financial statements by account, but were eliminated in the combined fund financial statements.

NOTE 10 – 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.

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 2021 totaled approximately \$292,138. The future minimum lease payments for this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 300,337
2023	<u>50,284</u>
Total	<u><u>\$ 350,621</u></u>

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NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 2021 totaled approximately \$383,702. Future minimum payments on this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 391,036
2023	398,371
2024	405,978
2025	<u>413,856</u>
Total	<u>\$ 1,609,241</u>

In October 2018, the District entered into a lease agreement for transportation vehicles with payments over five years. Lease expenditures during fiscal 2021 totaled approximately \$156,847. The future minimum lease payments for this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 156,847
2023	<u>156,847</u>
Total	<u>\$ 313,694</u>

D. Construction Commitments

At June 30, 2021, the District had commitments totaling \$3,394,466 under various construction contracts for which the work was not yet completed.

E. COVID-19

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

NOTE 11 – SUBSEQUENT EVENTS

General Obligation Bonds

On November 4, 2021, the District issued \$9,640,000 of General Obligation School Building Refunding Bonds, Series 2021A. The proceeds of this refunding will be used to redeem the remaining maturities of the District's General Obligation School Building Refunding Bonds, Series 2012A. This refunding will result in present value savings of \$596,755. The new bonds bear an interest rate of 5.00 percent and mature on February 1, 2025.

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, 2021

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the 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%
06/30/2021	06/30/2020	0.1834%	\$ 10,995,670	\$ 339,147	\$ 11,334,817	\$ 13,081,579	84.05%	79.10%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 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%
06/30/2021	\$ 977,752	\$ 977,752	\$ —	\$ 13,029,660	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, 2021

District Fiscal Year-End	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%
06/30/2021	06/30/2020	0.5935%	\$ 43,848,575	\$ 3,674,426	\$ 47,523,001	\$ 34,486,820	127.15%	75.48%

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

District Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 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%
06/30/2021	\$ 2,928,390	\$ 2,928,390	\$ —	\$ 36,020,598	8.13%

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	District Fiscal Year-End Date				
	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 578,701	\$ 559,908	\$ 647,717	\$ 729,958	\$ 777,727
Interest	346,801	345,050	387,196	380,936	328,179
Assumption changes	—	(228,427)	360,798	334,669	(333,280)
Plan changes	—	—	(11,941)	—	—
Differences between expected and actual experience	—	—	415,313	—	(803,410)
Benefit payments	(919,592)	(1,010,675)	(648,524)	(662,964)	(644,437)
Net change in total OPEB liability	5,910	(334,144)	1,150,559	782,599	(675,221)
Total OPEB liability – beginning of year	11,064,723	11,070,633	10,736,489	11,887,048	12,669,647
Total OPEB liability – end of year	11,070,633	10,736,489	11,887,048	12,669,647	11,994,426
Plan fiduciary net position					
Contributions	283,418	477,763	361,279	363,399	243,275
Investment earnings	71,748	(23,106)	587,341	575,129	90,202
Benefit payments	(919,592)	(1,010,675)	(648,524)	(662,964)	(644,437)
Administrative expenses	—	(884)	(500)	(500)	(945)
Net change in plan fiduciary net position	(564,426)	(556,902)	299,596	275,064	(311,905)
Plan fiduciary net position – beginning of year	7,654,407	7,089,981	6,533,079	6,832,675	7,107,739
Plan fiduciary net position – end of year	7,089,981	6,533,079	6,832,675	7,107,739	6,795,834
Net OPEB liability	<u>\$ 3,980,652</u>	<u>\$ 4,203,410</u>	<u>\$ 5,054,373</u>	<u>\$ 5,561,908</u>	<u>\$ 5,198,592</u>
Fiduciary net position as a percentage of the total OPEB liability	<u>64.04%</u>	<u>60.85%</u>	<u>57.48%</u>	<u>56.10%</u>	<u>56.66%</u>
Covered-employee payroll	<u>\$ 37,814,873</u>	<u>\$ 38,949,319</u>	<u>\$ 42,887,513</u>	<u>\$ 44,174,138</u>	<u>\$ 42,543,012</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>10.53%</u>	<u>10.79%</u>	<u>11.79%</u>	<u>12.59%</u>	<u>12.22%</u>

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, 2021

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	0.9 %
2018	(0.3) %
2019	9.0 %
2020	8.4 %
2021	1.3 %

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

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INDEPENDENT SCHOOL DISTRICT NO. 197

Notes to Required Supplementary Information
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

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.

INDEPENDENT SCHOOL DISTRICT NO. 197

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 CHANGES IN PLAN PROVISION

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

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, 2021

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 50,258	\$ 991,585	\$ 1,041,843
Receivables			
Current taxes	—	538,832	538,832
Delinquent taxes	—	10,267	10,267
Accounts and interest	2	129,737	129,739
Due from other governmental units	—	207,659	207,659
Inventory	45,540	—	45,540
Total assets	<u>\$ 95,800</u>	<u>\$ 1,878,080</u>	<u>\$ 1,973,880</u>
Liabilities			
Salaries and compensated absences payable	\$ 46,834	\$ 103,581	\$ 150,415
Accounts and contracts payable	48,966	110,797	159,763
Due to other governmental units	—	35,976	35,976
Total liabilities	<u>95,800</u>	<u>250,354</u>	<u>346,154</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	—	1,036,352	1,036,352
Unavailable revenue – delinquent taxes	—	2,798	2,798
Total deferred inflows of resources	<u>—</u>	<u>1,039,150</u>	<u>1,039,150</u>
Fund balances (deficit)			
Nonspendable	45,540	—	45,540
Restricted	—	588,576	588,576
Unassigned	(45,540)	—	(45,540)
Total fund balances	<u>—</u>	<u>588,576</u>	<u>588,576</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 95,800</u>	<u>\$ 1,878,080</u>	<u>\$ 1,973,880</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 1,130,793	\$ 1,130,793
Investment earnings	74	4,499	4,573
Other	28,096	879,268	907,364
State sources	391	1,465,420	1,465,811
Federal sources	2,020,652	666,898	2,687,550
Total revenue	2,049,213	4,146,878	6,196,091
Expenditures			
Current			
Food service	2,283,094	—	2,283,094
Community service	—	4,230,651	4,230,651
Capital outlay	39,452	658	40,110
Total expenditures	2,322,546	4,231,309	6,553,855
Excess (deficiency) of revenue over expenditures	(273,333)	(84,431)	(357,764)
Other financing sources			
Transfers in	273,333	—	273,333
Net change in fund balances	—	(84,431)	(84,431)
Fund balances			
Beginning of year	—	673,007	673,007
End of year	\$ —	\$ 588,576	\$ 588,576

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 18,110,646	\$ 17,623,174
Receivables		
Current taxes	10,608,369	10,657,024
Delinquent taxes	169,734	128,333
Accounts and interest	93,624	102,988
Due from other governmental units	6,818,712	5,825,119
Due from other funds	401,162	309,258
Inventory	44,360	43,484
Prepaid items	<u>413,807</u>	<u>167,153</u>
Total assets	<u>\$ 36,660,414</u>	<u>\$ 34,856,533</u>
Liabilities		
Salaries and compensated absences payable	\$ 3,377,650	\$ 3,337,015
Accounts and contracts payable	3,027,465	3,150,201
Due to other governmental units	353,947	373,270
Unearned revenue	<u>209,699</u>	<u>84,979</u>
Total liabilities	6,968,761	6,945,465
Deferred inflows of resources		
Property taxes levied for subsequent year	18,236,117	17,366,218
Unavailable revenue – delinquent taxes	<u>75,827</u>	<u>81,141</u>
Total deferred inflows of resources	18,311,944	17,447,359
Fund balances		
Nonspendable for inventory	44,360	43,484
Nonspendable for prepaid items	413,807	167,153
Restricted for student activities	112,481	115,214
Restricted for staff development	483,097	451,211
Restricted for operating capital	1,055,287	967,149
Restricted for Medical Assistance	815,203	825,390
Unassigned – long-term facilities maintenance restricted account deficit	(586,662)	(172,531)
Unassigned	<u>9,042,136</u>	<u>8,066,639</u>
Total fund balances	<u>11,379,709</u>	<u>10,463,709</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,660,414</u>	<u>\$ 34,856,533</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 19,440,969	\$ 19,548,280	\$ 107,311	\$ 18,890,894
Investment earnings	50,000	29,283	(20,717)	207,309
Other	1,368,734	1,427,813	59,079	1,927,105
State sources	53,006,339	54,011,169	1,004,830	53,165,517
Federal sources	6,878,453	4,987,923	(1,890,530)	2,287,859
Total revenue	80,744,495	80,004,468	(740,027)	76,478,684
Expenditures				
Current				
Administration				
Salaries	1,975,310	2,015,692	40,382	1,919,395
Employee benefits	663,178	663,275	97	626,792
Purchased services	57,825	23,144	(34,681)	33,343
Supplies and materials	30,363	16,498	(13,865)	37,707
Capital expenditures	2,500	2,199	(301)	—
Other expenditures	35,846	44,818	8,972	47,130
Total administration	2,765,022	2,765,626	604	2,664,367
District support services				
Salaries	848,826	847,911	(915)	811,568
Employee benefits	333,070	438,402	105,332	347,973
Purchased services	189,805	278,883	89,078	194,013
Supplies and materials	18,500	15,259	(3,241)	11,002
Other expenditures	(68,200)	(43,509)	24,691	3,662
Total district support services	1,322,001	1,536,946	214,945	1,368,218
Elementary and secondary regular instruction				
Salaries	25,559,897	22,978,760	(2,581,137)	22,616,358
Employee benefits	8,583,472	8,115,321	(468,151)	8,241,272
Purchased services	1,999,145	1,436,821	(562,324)	1,779,168
Supplies and materials	834,201	823,745	(10,456)	637,562
Capital expenditures	104,150	137,533	33,383	44,517
Other expenditures	42,448	392,464	350,016	509,072
Total elementary and secondary regular instruction	37,123,313	33,884,644	(3,238,669)	33,827,949

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	153,171	412,814	259,643	361,394
Employee benefits	35,881	146,766	110,885	123,753
Purchased services	560	149	(411)	2,209
Supplies and materials	10,345	27,170	16,825	19,227
Capital expenditures	9,000	—	(9,000)	307
Other expenditures	—	2,426	2,426	978
Total vocational education instruction	208,957	589,325	380,368	507,868
Special education instruction				
Salaries	10,809,518	10,878,752	69,234	10,327,714
Employee benefits	3,903,766	4,092,365	188,599	3,822,166
Purchased services	602,987	723,268	120,281	814,336
Supplies and materials	145,208	117,881	(27,327)	114,583
Capital expenditures	12,500	6,624	(5,876)	4,472
Other expenditures	56,388	93,986	37,598	66,549
Total special education instruction	15,530,367	15,912,876	382,509	15,149,820
Community education instruction				
Salaries	29,056	43,774	14,718	41,133
Employee benefits	4,614	14,192	9,578	7,397
Purchased services	—	3,226	3,226	10,775
Supplies and materials	—	438	438	195
Total community education instruction	33,670	61,630	27,960	59,500
Instructional support services				
Salaries	3,089,439	3,315,792	226,353	3,129,470
Employee benefits	1,075,942	1,203,333	127,391	1,084,594
Purchased services	1,285,692	796,243	(489,449)	861,267
Supplies and materials	1,374,814	1,566,139	191,325	922,778
Capital expenditures	18,470	731,774	713,304	858,988
Other expenditures	22,197	35,041	12,844	24,550
Total instructional support services	6,866,554	7,648,322	781,768	6,881,647

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Pupil support services				
Salaries	3,866,280	3,598,391	(267,889)	3,620,122
Employee benefits	1,516,003	1,407,836	(108,167)	1,414,698
Purchased services	888,788	1,225,369	336,581	1,740,398
Supplies and materials	189,200	178,853	(10,347)	281,623
Capital expenditures	249,600	270,806	21,206	118,773
Other expenditures	250	17,496	17,246	17,417
Total pupil support services	6,710,121	6,698,751	(11,370)	7,193,031
Sites and buildings				
Salaries	2,399,572	2,336,884	(62,688)	2,045,505
Employee benefits	921,008	825,275	(95,733)	729,463
Purchased services	3,880,927	3,215,119	(665,808)	3,376,912
Supplies and materials	1,500,067	1,005,921	(494,146)	311,721
Capital expenditures	1,017,000	2,012,874	995,874	1,915,569
Other expenditures	—	8,632	8,632	9,524
Total sites and buildings	9,718,574	9,404,705	(313,869)	8,388,694
Fiscal and other fixed cost programs				
Purchased services	230,000	246,367	16,367	211,693
Debt service				
Principal	623,881	927,082	303,201	1,108,839
Interest and fiscal charges	19,357	45,419	26,062	53,264
Total debt service	643,238	972,501	329,263	1,162,103
Total expenditures	81,151,817	79,721,693	(1,430,124)	77,414,890
Excess (deficiency) of revenue over expenditures	(407,322)	282,775	690,097	(936,206)
Other financing sources (uses)				
Transfers out	—	(273,333)	(273,333)	(281,599)
Capital leases issued	—	906,558	906,558	746,200
Total other financing sources (uses)	—	633,225	633,225	464,601
Net change in fund balances	\$ (407,322)	916,000	\$ 1,323,322	(471,605)
Fund balances				
Beginning of year		10,463,709		10,935,314
End of year		\$ 11,379,709		\$ 10,463,709

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 50,258	\$ —
Receivables		
Accounts and interest	2	33,550
Due from other governmental units	—	20,567
Inventory	<u>45,540</u>	<u>52,320</u>
Total assets	<u>\$ 95,800</u>	<u>\$ 106,437</u>
Liabilities		
Salaries and compensated absences payable	\$ 46,834	\$ 45,030
Accounts and contracts payable	48,966	52,213
Due to other funds	<u>—</u>	<u>9,194</u>
Total liabilities	95,800	106,437
Fund balances (deficit)		
Nonspendable for inventory	45,540	52,320
Unassigned – food service restricted account deficit	<u>(45,540)</u>	<u>(52,320)</u>
Total fund balances	<u>—</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 95,800</u>	<u>\$ 106,437</u>

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 1,000	\$ 74	\$ (926)	\$ 3,439
Other – primarily meal sales	1,054,400	28,096	(1,026,304)	758,224
State sources	190,500	391	(190,109)	154,711
Federal sources	1,690,665	2,020,652	329,987	1,567,943
Total revenue	<u>2,936,565</u>	<u>2,049,213</u>	<u>(887,352)</u>	<u>2,484,317</u>
Expenditures				
Current				
Salaries	952,596	938,873	(13,723)	960,406
Employee benefits	375,142	349,233	(25,909)	382,255
Purchased services	232,670	185,263	(47,407)	267,438
Supplies and materials	1,352,780	808,577	(544,203)	1,170,942
Other expenditures	1,400	1,148	(252)	1,248
Capital outlay	23,000	39,452	16,452	114,126
Total expenditures	<u>2,937,588</u>	<u>2,322,546</u>	<u>(615,042)</u>	<u>2,896,415</u>
Excess (deficiency) of revenue over expenditures	(1,023)	(273,333)	(272,310)	(412,098)
Other financing sources				
Transfers in	<u>–</u>	<u>273,333</u>	<u>273,333</u>	<u>281,599</u>
Net change in fund balances	<u>\$ (1,023)</u>	<u>–</u>	<u>\$ 1,023</u>	<u>(130,499)</u>
Fund balances				
Beginning of year		<u>–</u>		<u>130,499</u>
End of year		<u>\$ –</u>		<u>\$ –</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 991,585	\$ 1,223,075
Receivables		
Current taxes	538,832	624,474
Delinquent taxes	10,267	8,700
Accounts and interest	129,737	105,707
Due from other governmental units	207,659	105,467
Prepaid items	<u>—</u>	<u>32</u>
Total assets	<u><u>\$ 1,878,080</u></u>	<u><u>\$ 2,067,455</u></u>
Liabilities		
Salaries and compensated absences payable	\$ 103,581	\$ 107,946
Accounts and contracts payable	110,797	114,394
Due to other governmental units	<u>35,976</u>	<u>35,805</u>
Total liabilities	250,354	258,145
Deferred inflows of resources		
Property taxes levied for subsequent year	1,036,352	1,131,866
Unavailable revenue – delinquent taxes	<u>2,798</u>	<u>4,437</u>
Total deferred inflows of resources	1,039,150	1,136,303
Fund balances		
Nonspendable for prepaid items	—	32
Restricted for early childhood family education	12,141	—
Restricted for community education	312,219	352,726
Restricted for adult basic education	12,128	11,822
Restricted for community service programs	<u>252,088</u>	<u>308,427</u>
Total fund balances	<u>588,576</u>	<u>673,007</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,878,080</u></u>	<u><u>\$ 2,067,455</u></u>

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,131,865	\$ 1,130,793	\$ (1,072)	\$ 1,278,444
Investment earnings	2,000	4,499	2,499	39,531
Other – primarily tuition and fees	2,167,635	879,268	(1,288,367)	1,924,229
State sources	1,542,730	1,465,420	(77,310)	1,499,675
Federal sources	531,815	666,898	135,083	–
Total revenue	<u>5,376,045</u>	<u>4,146,878</u>	<u>(1,229,167)</u>	<u>4,741,879</u>
Expenditures				
Current				
Salaries	3,242,232	2,518,808	(723,424)	2,772,600
Employee benefits	1,153,316	906,266	(247,050)	950,992
Purchased services	611,298	557,998	(53,300)	809,259
Supplies and materials	336,527	245,835	(90,692)	291,418
Other expenditures	1,805	1,744	(61)	1,648
Capital outlay	18,500	658	(17,842)	17,111
Total expenditures	<u>5,363,678</u>	<u>4,231,309</u>	<u>(1,132,369)</u>	<u>4,843,028</u>
Net change in fund balances	<u>\$ 12,367</u>	<u>(84,431)</u>	<u>\$ (96,798)</u>	<u>(101,149)</u>
Fund balances				
Beginning of year		<u>673,007</u>		<u>774,156</u>
End of year		<u>\$ 588,576</u>		<u>\$ 673,007</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 7,885,293	\$ 49,404,984
Receivables		
Accounts and interest	87,319	917,856
Prepaid items	<u>–</u>	<u>2,154</u>
Total assets	<u><u>\$ 7,972,612</u></u>	<u><u>\$ 50,324,994</u></u>
Liabilities		
Accounts and contracts payable	\$ 3,941,325	\$ 11,528,484
Fund balances		
Nonspendable for prepaid items	–	2,154
Restricted for capital projects	<u>4,031,287</u>	<u>38,794,356</u>
Total fund balances	<u><u>4,031,287</u></u>	<u><u>38,796,510</u></u>
Total liabilities and fund balances	<u><u>\$ 7,972,612</u></u>	<u><u>\$ 50,324,994</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	<u>2021</u>	<u>2020</u>
Revenue		
Local sources		
Investment earnings	\$ 84,441	\$ 605,583
Other	<u>367,334</u>	<u>449,881</u>
Total revenue	<u>451,775</u>	<u>1,055,464</u>
Expenditures		
Capital outlay		
Salaries	—	150,816
Employee benefits	—	48,549
Purchased services	1,409,006	3,293,729
Capital expenditures	<u>33,807,992</u>	<u>62,518,632</u>
Total expenditures	<u>35,216,998</u>	<u>66,011,726</u>
Net change in fund balances	(34,765,223)	(64,956,262)
Fund balances		
Beginning of year	<u>38,796,510</u>	<u>103,752,772</u>
End of year	<u>\$ 4,031,287</u>	<u>\$ 38,796,510</u>

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2021	2020
Assets				
Cash and temporary investments	\$ 6,955,013	\$ —	\$ 6,955,013	\$ 6,616,241
Receivables				
Current taxes	4,831,699	—	4,831,699	5,374,231
Delinquent taxes	85,494	—	85,494	65,290
Accounts and interest	51	—	51	11,945
Due from other governmental units	41	—	41	94
Total assets	<u>\$ 11,872,298</u>	<u>\$ —</u>	<u>\$ 11,872,298</u>	<u>\$ 12,067,801</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 9,292,987	\$ —	\$ 9,292,987	\$ 9,740,851
Unavailable revenue – delinquent taxes	21,290	—	21,290	31,855
Total deferred inflows of resources	<u>9,314,277</u>	<u>—</u>	<u>9,314,277</u>	<u>9,772,706</u>
Fund balances				
Restricted for debt service	<u>2,558,021</u>	<u>—</u>	<u>2,558,021</u>	<u>2,295,095</u>
Total deferred inflows of of resources and fund balances	<u>\$ 11,872,298</u>	<u>\$ —</u>	<u>\$ 11,872,298</u>	<u>\$ 12,067,801</u>

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			
		Actual		
		Regular	OPEB	
	Budget	Debt Service	Debt Service	Total
		Account	Account	
Revenue				
Local sources				
Property taxes	\$ 9,740,851	\$ 9,720,796	\$ 10,777	\$ 9,731,573
Investment earnings	10,000	6,142	—	6,142
State sources	—	409	—	409
Total revenue	9,750,851	9,727,347	10,777	9,738,124
Expenditures				
Debt service				
Principal	4,305,000	4,305,000	—	4,305,000
Interest	5,165,572	5,165,573	—	5,165,573
Fiscal charges and other	7,000	4,625	—	4,625
Total expenditures	9,477,572	9,475,198	—	9,475,198
Excess (deficiency) of revenue over expenditures	273,279	252,149	10,777	262,926
Other financing sources (uses)				
Transfers in	—	697,254	—	697,254
Transfers out	—	—	(697,254)	(697,254)
Total other financing sources (uses)	—	697,254	(697,254)	—
Net change in fund balances	\$ 273,279	949,403	(686,477)	262,926
Fund balances				
Beginning of year		1,608,618	686,477	2,295,095
End of year		\$ 2,558,021	\$ —	\$ 2,558,021

	2020	
Over (Under) Budget	Total	
\$ (9,278)	\$ 9,663,300	
(3,858)	74,994	
409	926	
<u>(12,727)</u>	<u>9,739,220</u>	
—	6,030,000	
1	5,467,072	
<u>(2,375)</u>	<u>5,090</u>	
<u>(2,374)</u>	<u>11,502,162</u>	
(10,353)	(1,762,942)	
697,254	—	
<u>(697,254)</u>	<u>—</u>	
<u>—</u>	<u>—</u>	
<u>\$ (10,353)</u>	<u>(1,762,942)</u>	
	<u>4,058,037</u>	
	<u>\$ 2,295,095</u>	

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OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 197

Government-Wide Revenue by Type
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues			General Revenues			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	
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
2021	1,167,528	16,814,542	—	30,393,128	46,445,283	1,663,689	96,484,170

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

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
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
2021	2,930,908	1,548,305	37,221,885	639,421	16,928,982	61,630	7,863,762

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
\$ 4,663,722	\$ 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
6,996,723	7,234,897	246,367	2,241,837	4,332,860	2,295,678	4,587,883	95,131,138

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INDEPENDENT SCHOOL DISTRICT NO. 197

General Fund Revenue by Source
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Local Property Tax Revenue</u>	<u>State Revenue</u>	<u>Federal Revenue</u>	<u>Other Local and Miscellaneous</u>	<u>Total</u>
2012	\$ 11,076,625 22%	\$ 35,097,389 68%	\$ 3,999,516 8%	\$ 1,224,713 2%	\$ 51,398,243 100%
2013	12,938,263 23%	38,262,473 68%	4,073,058 7%	1,131,388 2%	56,405,182 100%
2014	8,945,050 15%	45,682,006 78%	2,649,674 5%	1,404,074 2%	58,680,804 100%
2015	14,591,080 24%	44,159,238 71%	2,152,009 3%	1,179,886 2%	62,082,213 100%
2016	15,519,233 24%	45,503,634 71%	2,083,686 3%	1,304,520 2%	64,411,073 100%
2017	15,667,436 24%	47,038,573 71%	2,123,935 3%	1,324,326 2%	66,154,270 100%
2018	15,924,963 23%	48,616,794 72%	2,139,550 3%	1,450,832 2%	68,132,139 100%
2019	17,013,964 23%	50,951,580 71%	2,329,922 3%	1,895,677 3%	72,191,143 100%
2020	18,890,894 25%	53,165,517 69%	2,287,859 3%	2,134,414 3%	76,478,684 100%
2021	19,548,280 24%	54,011,169 68%	4,987,923 6%	1,457,096 2%	80,004,468 100%

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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
2012	\$ 2,009,709 4%	\$ 1,101,331 2%	\$ 23,487,786 47%	\$ 139,463 —	\$ 9,489,475 19%	\$ — —
2013	1,933,016 4%	1,051,693 2%	24,953,263 46%	176,528 —	9,685,706 18%	— —
2014	2,200,264 3%	1,127,422 2%	25,290,373 45%	191,564 —	11,093,208 20%	— —
2015	2,281,630 4%	1,167,212 2%	27,437,971 46%	221,798 —	11,628,950 20%	— —
2016	2,351,424 3%	1,205,122 2%	29,107,133 42%	185,070 —	12,807,507 19%	— —
2017	2,436,796 4%	1,297,236 2%	30,495,933 46%	188,271 —	12,611,155 19%	— —
2018	2,454,020 3%	1,313,697 2%	31,623,170 46%	209,670 —	13,258,849 19%	48,804 —
2019	2,567,830 4%	1,270,427 2%	32,585,724 45%	201,288 —	14,698,814 20%	67,520 —
2020	2,664,367 3%	1,368,218 2%	33,827,949 44%	507,868 —	15,149,820 20%	59,500 —
2021	2,765,626 3%	1,536,946 2%	33,884,644 43%	589,325 —	15,912,876 20%	61,630 —

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
\$ 4,148,851 8%	\$ 4,702,611 9%	\$ 4,546,098 9%	\$ 722,565 2%	\$ 50,347,889 100%
5,480,689 9%	4,907,782 9%	5,275,965 10%	1,036,679 2%	54,501,321 100%
5,490,580 10%	5,088,147 9%	5,252,753 10%	689,673 1%	56,423,984 100%
5,349,297 9%	5,013,193 9%	5,150,304 9%	634,514 1%	58,884,869 100%
9,464,335 14%	5,424,087 8%	7,048,064 10%	1,263,427 2%	68,856,169 100%
5,946,446 9%	6,001,783 9%	6,318,045 9%	1,243,389 2%	66,539,054 100%
6,374,998 9%	7,113,859 10%	6,692,455 9%	1,503,641 2%	70,593,163 100%
6,076,311 8%	7,360,851 10%	6,639,849 9%	1,781,171 2%	73,249,785 100%
6,881,647 9%	7,193,031 9%	8,388,694 11%	1,373,796 2%	77,414,890 100%
7,648,322 10%	6,698,751 8%	9,404,705 12%	1,218,868 2%	79,721,693 100%

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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					
	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
	2021	20,321,764	1,036,352	9,292,987	30,651,103
Tax capacity rates					
	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
	2021	0.09988	0.01195	0.10717	0.21900
Market value rates					
	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
	2021	0.0014432	—	—	0.0014432

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	Distribution
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
2021	—	95,588,999	(14,502,315)	6,962,268

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

<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Market Value</u>
\$ (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
(1,407,842)	86,641,110	7,368,620,750

INDEPENDENT SCHOOL DISTRICT NO. 197

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
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
2021	28,083,417	2,567,686	—	30,651,103

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, 2021

Delinquent			Current		
Amount		Percent	Amount		Percent
\$ —		— %	\$ —		— %
—		—	—		—
—		—	—		—
10,418		0.04	—		—
3,073		0.01	—		—
5,369		0.02	—		—
10,900		0.04	—		—
31,627		0.11	—		—
204,108		0.68	—		—
—		—	15,978,900		52.13
<u>\$ 265,495</u>			<u>\$ 15,978,900</u>		

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)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
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	2,457	2,276	5,236	5,691
2021	141	285	2,349	2,245	5,020	5,469

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 2012 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2021	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 197

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
Special Milk Program for Children	10.556	\$	204
Summer Food Service Program for Children	10.559	\$	201,579
COVID-19 – Summer Food Service Program for Children	10.559	<u>1,840,575</u>	
Subtotal ALN 10.559		<u>2,042,154</u>	
Total for child nutrition cluster			\$ 2,042,358
U.S. Department of the Treasury			
Passed through Dakota County			
COVID-19 – Coronavirus Relief Fund	21.019		189,040
Passed through Minnesota Department of Human Services			
COVID-19 – Coronavirus Relief Fund	21.019		54,000
Passed through Minnesota Department of Education			
COVID-19 – Coronavirus Relief Fund	21.019	<u>1,547,606</u>	
Total ALN 21.019			1,790,646
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		4,812
National Science Foundation			
Passed through California State University			
Education and Human Resources	47.076		3,841
U.S. Department of Education			
Direct			
Indian Education Grants to Local Educational Agencies	84.060		3,593
Passed through Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010		549,020
Special education cluster			
Special Education Grants to States	84.027	1,398,347	
Special Education Preschool Grants	84.173	<u>39,684</u>	
Total special education cluster			1,438,031
Special Education – Grants for Infants and Families	84.181		36,743
English Language Acquisition State Grants	84.365		94,531
Supporting Effective Instruction State Grants	84.367		138,616
Education Stabilization Fund			
COVID-19 – Governor’s Emergency Education Relief (GEER) Fund	84.425C	115,892	
COVID-19 – Elementary and Secondary School			
Emergency Relief (ESSER) Fund	84.425D	<u>1,380,209</u>	
Total Education Stabilization Fund			1,496,101
Passed through Intermediate School District No. 917			
Career and Technical Education – Basic Grants to States	84.048		20,137
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Human Services			
Child Care and Development Fund Cluster			
COVID-19 – Child Care and Development Block Grant	93.575		<u>78,750</u>
Total federal awards			<u>\$ 7,697,179</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2021

- 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 Assistance Listing Numbers (ALN) as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.
- Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.
- Note 4: The District had \$197,861 of noncash assistance included in the Summer Food Service Program for Children, ALN 10.559.
- Note 5: (Unaudited Disclosure) The District received donated personal protective equipment (PPE) with an estimated value of \$10,210. The District was unable to determine whether federal dollars were used to purchase the donated PPE.
- Note 6: The District transferred \$34,029 into Supportive Effective Instruction State Grants (ALN 84.367) from other Title programs.

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

To the School Board and Management of
Independent School District No. 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-001 that we consider to be a significant deficiency.

(continued)

COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 29, 2021

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

To the School Board and Management of
Independent School District No. 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 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

(continued)

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 29, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2021.

MINNESOTA LEGAL COMPLIANCE

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 29, 2021

INDEPENDENT SCHOOL DISTRICT NO. 197

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

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

What type of auditor's report is issued?

☒ Unmodified
☐ Qualified
☐ Adverse
☐ Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified?

☒ Yes ☐ None reported

Noncompliance material to the financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified?

☐ Yes ☒ None reported

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

☒ Unmodified
☐ Qualified
☐ Adverse
☐ Disclaimer

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Programs tested as major programs:

Program or Cluster	Federal ALN
U.S. Department of the Treasury – COVID-19 Coronavirus Relief Fund	21.019
U.S. Department of Education – COVID-19 Education Stabilization Fund	84.425

Threshold for distinguishing type A and B programs.

\$ 750,000

Does the auditee qualify as a low-risk auditee?

☐ Yes ☒ No

INDEPENDENT SCHOOL DISTRICT NO. 197

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

B. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001 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.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 197

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 80,004,468	\$ 80,004,468	\$ –
Total expenditures		\$ 79,721,693	\$ 79,721,694	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ 458,167	\$ 458,168	\$ (1)
Restricted				
401	Student activities	\$ 112,481	\$ 112,481	\$ –
402	Scholarships	\$ –	\$ –	\$ –
403	Staff development	\$ 483,097	\$ 483,097	\$ –
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	\$ 1,055,287	\$ 1,055,287	\$ –
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	\$ (586,662)	\$ (586,662)	\$ –
472	Medical Assistance	\$ 815,203	\$ 815,203	\$ –
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	\$ 9,042,136	\$ 9,042,135	\$ 1
Food Service				
Total revenue		\$ 2,049,213	\$ 2,049,213	\$ –
Total expenditures		\$ 2,322,546	\$ 2,322,546	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 45,540	\$ 45,540	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ (45,540)	\$ (45,540)	\$ –
Community Service				
Total revenue		\$ 4,146,878	\$ 4,146,878	\$ –
Total expenditures		\$ 4,231,309	\$ 4,231,308	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 312,219	\$ 312,219	\$ –
432	ECFE	\$ 12,141	\$ 12,141	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ 12,128	\$ 12,128	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 252,088	\$ 252,088	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 197

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ 451,775	\$ 451,775	\$ –
Total expenditures		\$ 35,216,998	\$ 35,216,998	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 4,031,287	\$ 4,031,287	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 9,727,347	\$ 9,727,346	\$ 1
Total expenditures		\$ 9,475,198	\$ 9,475,198	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Maximum effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 2,558,021	\$ 2,558,021	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
Custodial				
Total revenue		\$ 2,961	\$ 2,961	\$ –
Total expenditures		\$ 2,276	\$ 2,276	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
464	Restricted	\$ 28,631	\$ 28,631	\$ –
Internal Service				
Total revenue		\$ 11,669,223	\$ 11,669,223	\$ –
Total expenditures		\$ 12,164,443	\$ 12,164,443	\$ –
422	Net position	\$ 3,350,923	\$ 3,350,923	\$ –
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ 187,386	\$ 187,387	\$ (1)
Total expenditures		\$ 499,291	\$ 499,291	\$ –
422	Net position	\$ 6,795,834	\$ 6,795,834	\$ –
OPEB Debt Service Fund				
Total revenue		\$ 10,777	\$ 10,777	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

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

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