

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



**MAHTOMEDI PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT 832
www.mahtomedi.k12.mn.us**

**1520 Mahtomedi Avenue, Mahtomedi, MN 55115
651-407-2000**

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

INDEPENDENT SCHOOL DISTRICT NO. 832
MAHTOMEDI, MINNESOTA

1520 Mahtomedi Avenue
Mahtomedi, MN 55115

Prepared by
Finance Department

Jeff Priess • Director of Finance and Operations

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INDEPENDENT SCHOOL DISTRICT NO. 832

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SECTION I – INTRODUCTORY SECTION



District Office
1520 Mahtomedi Avenue
Mahtomedi, MN 55115-1907
651-407-2000
Fax: 651-407-2025
www.mahtomedi.k12.mn.us

November 24, 2020

To the School Board, Citizens, and Employees of Independent School District No. 832:

State law requires that every public school district publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Malloy, Montague, Karnowski, Radosevich & Co. P.A., Certified Public Accountants, have issued an unmodified (“clean”) opinion on Independent School District No. 832’s (the District) financial statements for the year ended June 30, 2020. The independent auditor’s report is located at the front of the financial section of this report.

The management’s discussion and analysis (MD&A) immediately following the independent auditor’s report provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE ENTITY AND ITS SERVICES

The District was incorporated in 1950 and serves all or parts of nine communities on the northeastern edge of the Minneapolis/St. Paul metropolitan area. The District is governed by an elected six-member School Board. The School Board members are elected at large in even-numbered years. Members serve alternating four-year terms.

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

Mahtomedi High School is consistently rated a top 10 high school in Minnesota by U.S. News and World Report. The District is also highly rated in Minnesota Comprehensive Assessments in math, science, reading, and other achievement data. We strive to deliver an educational system dedicated to continuous improvement that defines excellence.

The District served 3,296 students in grades K–12 for the 2019–2020 school year and is projecting a slight decrease in enrollment for the 2020–2021 school year. We operate two elementary schools (K–2) and (3–5), one middle school (6–8), one high school (9–12), and a transitions program for 18–21-year-old students. An early childhood family education program serves families with young children, from birth to age five. The average age of the District’s buildings is approximately 46 years. Building ages include 1930s District Education Center, 1960s O.H. Anderson Elementary, 1970s High School, 1990s Middle School, and 2010s Wildwood Elementary.

The District is on the eastern shore of White Bear Lake in a scenic area between White Bear Lake Schools and Stillwater Schools in the northeast metro. The District covers approximately 28 square miles. The District encompasses all or parts of nine communities, including: Dellwood, Grant, Hugo, Lake Elmo, Mahtomedi, Oakdale, Pine Springs, White Bear Lake, and Willernie. The total district population is estimated at 15,100.

The mission of the Mahtomedi School District, the unified community of courageous hearts and curious minds dedicated to inspiring personal excellence, is to ensure that each student is a bold agent of learning who successfully pursues their passions while advancing the greater good, through a vital system distinguished by:

- Environments that inspire curiosity
- An inclusive learning community
- An array of exceptional learning experiences
- Teaching and learning that imparts a global view
- Culture of empathy that empowers the whole person

All finance and budgetary decisions made as a district are assessed through our mission and belief statements.

The District strives to develop learners who are innovative, creative, and prepared for a rapidly changing world. Expectations are high and students of all abilities are challenged, supported, and motivated at every level—from early childhood through high school. Students regularly earn top awards and recognitions in academics, and performing and visual arts programs. Student athletes also consistently appear in state competitions.

BUDGETARY PROCESS

The District’s budgeting process begins with a review and estimation of projected student enrollment. Student enrollment is the main driver of the allocation of the unrestricted revenue resources within the General Fund. A majority of the budgeting decisions are made by the District Leadership Team (Superintendent, Cabinet, and Building Principals). Decisions include staffing levels, capital expenditures, building supply allocations and infrastructure improvements. The budget plan is developed following a School Board approved timeline with completion and adoption in June, prior to the start of the school year.

School Board approval of the District’s budget includes the aforementioned General Fund, Special Revenue Funds (Food Service and Community Education), as well as the District’s Debt Service Funds. In addition, Board approval is received for the District’s Internal Service Fund and the Post-Employment Benefits Fiduciary Fund. Board approval is made at the fund level.

The School Board receives quarterly financial reports. These reports are publicly available as part of the School Board’s meeting materials. The reports provide budget to actual information, as well as a comparison to the prior year. If material budget to actual variances are detected, the School Board may be asked to approve a revised budget.

LOCAL ECONOMY

According to census information from the Washington County website, the county continued to experience growth, increasing 18.4 percent since 2010. The Washington County's estimated population in 2018 was 261,512 making it the fifth largest county in the state of Minnesota. Washington County's population is expected to continue to grow. By the year 2040, the county's population is projected to increase to 335,790.

Source data from the U.S. Census Bureau shows that the median household income in 2018 for Washington County was \$95,124. Source data from the U.S. Census Bureau shows that the per capita income in 2017 for Washington County was \$63,651.

The poverty rate of Washington County continues to be low. Source data from the 2018 American Community Survey, as reported on the county's website, shows that 3.7 percent of Washington County's family population was below the federal poverty level.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

In November 2018, the taxpayers within the District generously approved a revoke and replace to the District's General Fund operating levy. The new authority has 3 tiers over 10 years as outlined below:

- \$1,020 per pupil for taxes payable in 2019 through 2021
- \$1,295 per pupil for taxes payable in 2022 through 2024
- \$1,570 per pupil for taxes payable in 2025 through 2028

The intention of the tiered levy authority is to maintain and enhance class sizes and programming over the longer term. We also need to ensure that revenues are sufficient to meet projected expenditures and to maintain a reasonable amount in reserve to cover any unforeseen expenditures and to maintain compliance with School Board-approved Fund Balance Policy (Policy 714).

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for the vast majority of its revenue authority. Recent experience demonstrates that legislated revenue increases are unpredictable and have not been sufficient to meet instructional program needs and increased costs, due to inflation.

RELEVANT FINANCIAL POLICIES

The District has adopted several financial policies, which were not significantly changed in the current year. The District is required to adopt an annual budget prior to the start of the fiscal year. Legal budgetary control is at the fund level. For the 2019–2020 fiscal year, the District adopted a General Fund budget estimating revenues and other financing sources to be \$41.3 million versus expenditures of \$41.2 million. In December, the District revised its General Fund budget reflecting updated enrollment and expenditure estimates to project revenues and other financing sources of \$42.0 million versus expenditures of \$41.6 million.

School Board Policy 714 states the School Board shall strive to maintain a minimum unassigned General Fund balance of 8 percent of total General Fund expenditures. Operational results for the year ending June 30, 2020 provide for compliance with School Board-approved policy.

AWARDS AND ACKNOWLEDGEMENTS

The District is honored to submit its Comprehensive Annual Financial Report for the fiscal year 2019–2020 to the Association of School Business Officials International for consideration of the Certificate of Excellence in Financial Reporting. The District has achieved this prestigious award in each of the two preceding years.

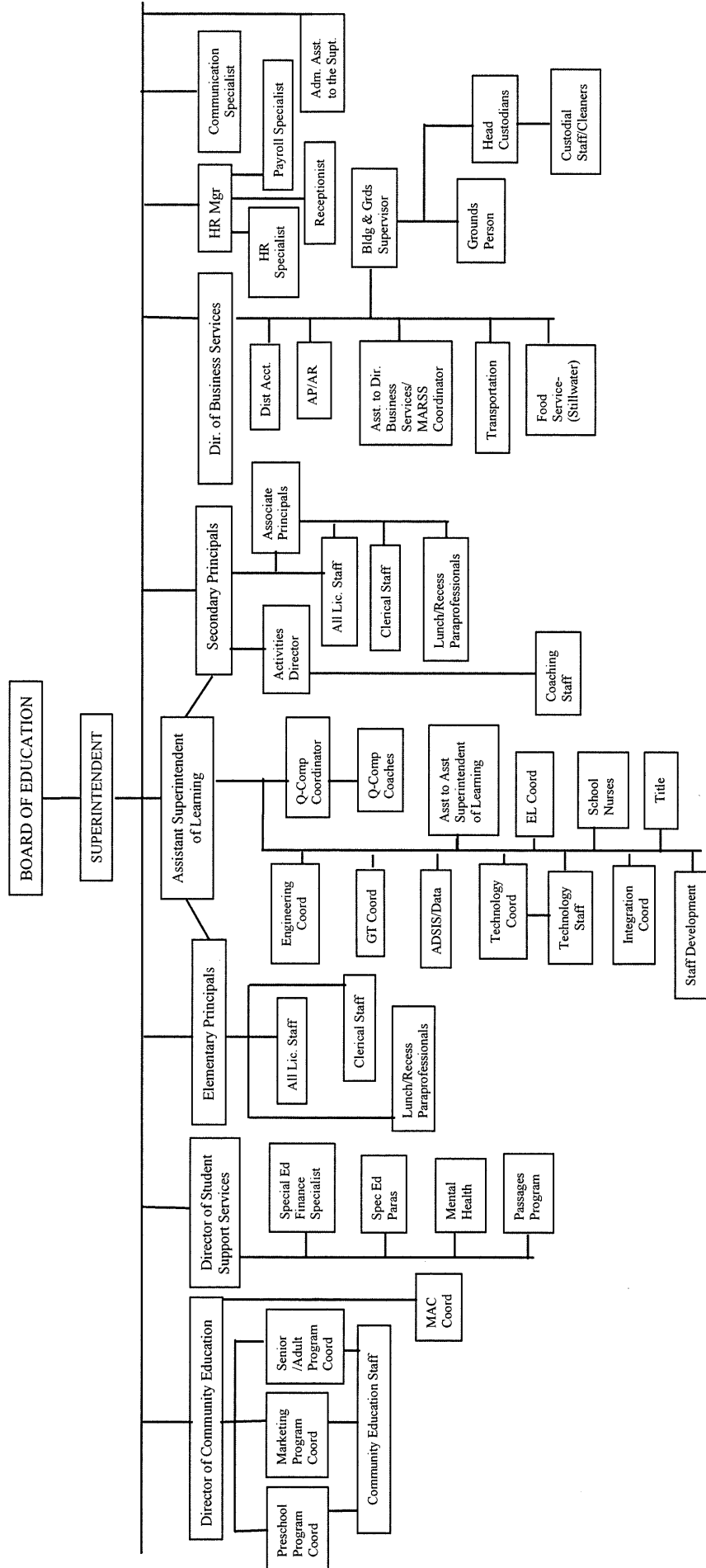
The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Business and District Office. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the School Board for their unfailing support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jeff Priess', with a long horizontal flourish extending to the right.

Jeff Priess
Director of Finance and Operations

CITIZENS OF MAHTOMEDI PUBLIC SCHOOLS
RESPONSIBILITY/ACCOUNTABILITY/SUPERVISION ORGANIZATIONAL CHART



INDEPENDENT SCHOOL DISTRICT NO. 832

School Board and Administration
as of June 30, 2020

SCHOOL BOARD

| | <u>Position</u> |
|-----------------|------------------|
| Dr. Lucy Payne | Chairperson |
| Julie McGraw | Clerk/Vice Chair |
| Stacey Stout | Treasurer |
| Mike Chevalier | Director |
| Kevin Donovan | Director |
| Judith Schwartz | Director |

ADMINISTRATION

| | |
|-----------------|------------------------------------|
| Barbara Duffrin | Superintendent of Schools |
| Jeff Priess | Director of Finance and Operations |



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Mahtomedi Public Schools ISD #832

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

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



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

Claire Hertz, SFO
President

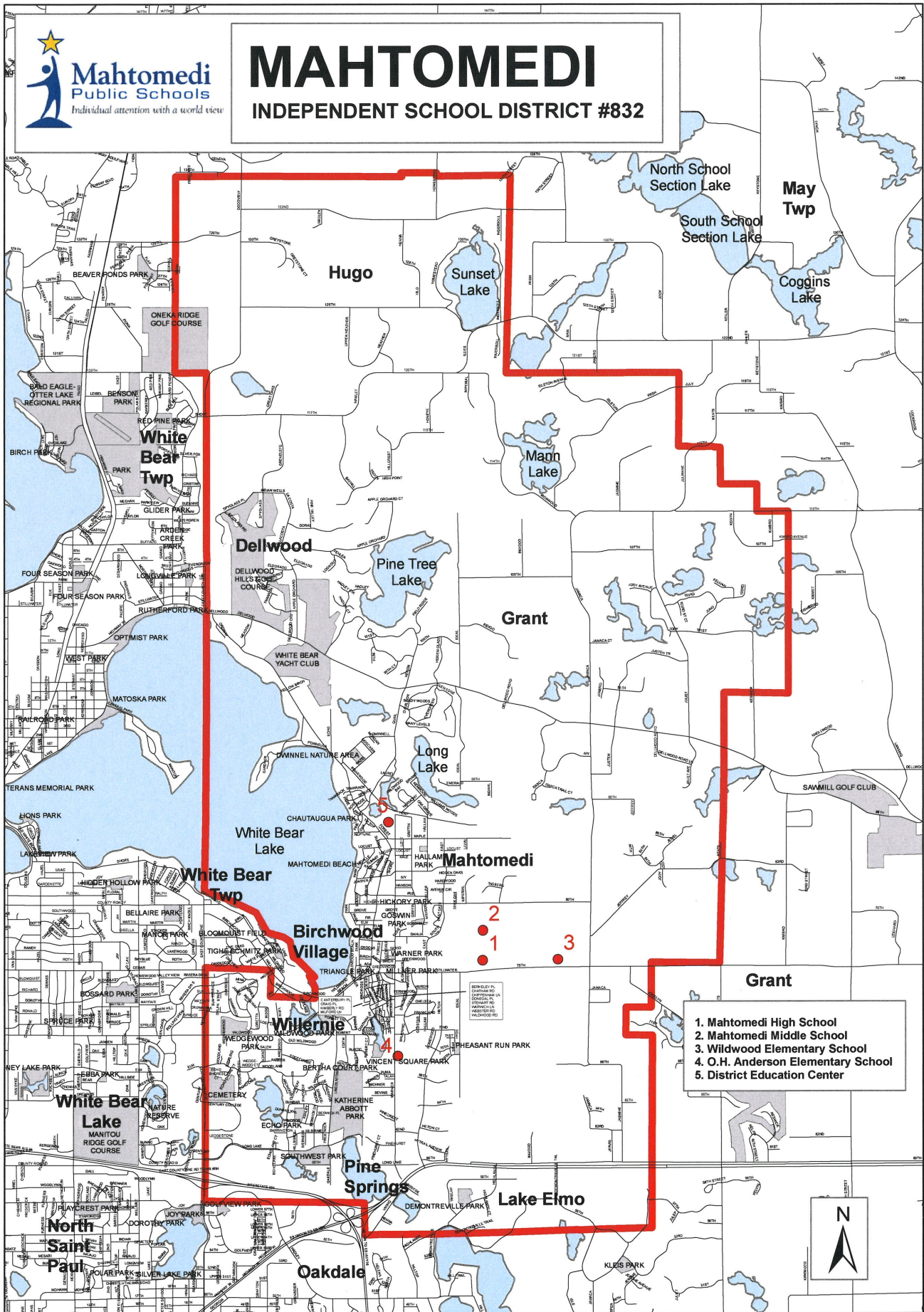
A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director



MAHTOMEDI

INDEPENDENT SCHOOL DISTRICT #832



1. Mahtomedi High School
2. Mahtomedi Middle School
3. Wildwood Elementary School
4. O.H. Anderson Elementary School
5. District Education Center



SECTION II – FINANCIAL SECTION



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 832
Mahtomedi, 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. 832 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

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 statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Prior Year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 6, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 24, 2020

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INDEPENDENT SCHOOL DISTRICT NO. 832

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

This section of Independent School District No. 832's (the District) Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by \$13,477,247 (net position deficit). The District's total net position increased by \$1,474,533 during the fiscal year ended June 30, 2020.
- At June 30, 2020, the District's governmental funds reported a combined ending fund balance of \$6,869,587, an increase of \$1,710,445 from the prior year.
- The District's General Fund unassigned fund balance (excluding restricted account deficits) increased from \$1,683,097 to \$3,434,646 during fiscal year 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The Internal Service Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its self-insured risk of loss for employee health insurance plans. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

| | 2020 | 2019 |
|--|-----------------|-----------------|
| Assets | | |
| Current and other assets | \$ 23,838,374 | \$ 21,588,920 |
| Capital assets, net of depreciation | 65,873,397 | 67,616,021 |
| Total assets | \$ 89,711,771 | \$ 89,204,941 |
| Deferred outflows of resources | | |
| Pension and OPEB plan deferments | \$ 20,283,815 | \$ 3,079,304 |
| Liabilities | | |
| Current and other liabilities | \$ 4,259,448 | \$ 3,908,857 |
| Long-term liabilities, including due within one year | 72,440,134 | 76,643,329 |
| Total liabilities | \$ 76,699,582 | \$ 80,552,186 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | \$ 14,096,434 | \$ 14,019,315 |
| OPEB plan deferments | 48,657 | 156,276 |
| Pension plan deferments | 32,628,160 | 12,508,248 |
| Total deferred inflows of resources | \$ 46,773,251 | \$ 26,683,839 |
| Net position | | |
| Net investment in capital assets | \$ 20,334,346 | \$ 18,587,875 |
| Restricted | 1,533,781 | 1,592,858 |
| Unrestricted | (35,345,374) | (35,132,513) |
| Total net position | \$ (13,477,247) | \$ (14,951,780) |

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 factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits, which impacts the unrestricted portion of net position.

Total net position increased by \$1,474,533, which is mostly due to the improvement in the General Fund balance. The increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being depreciated and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

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

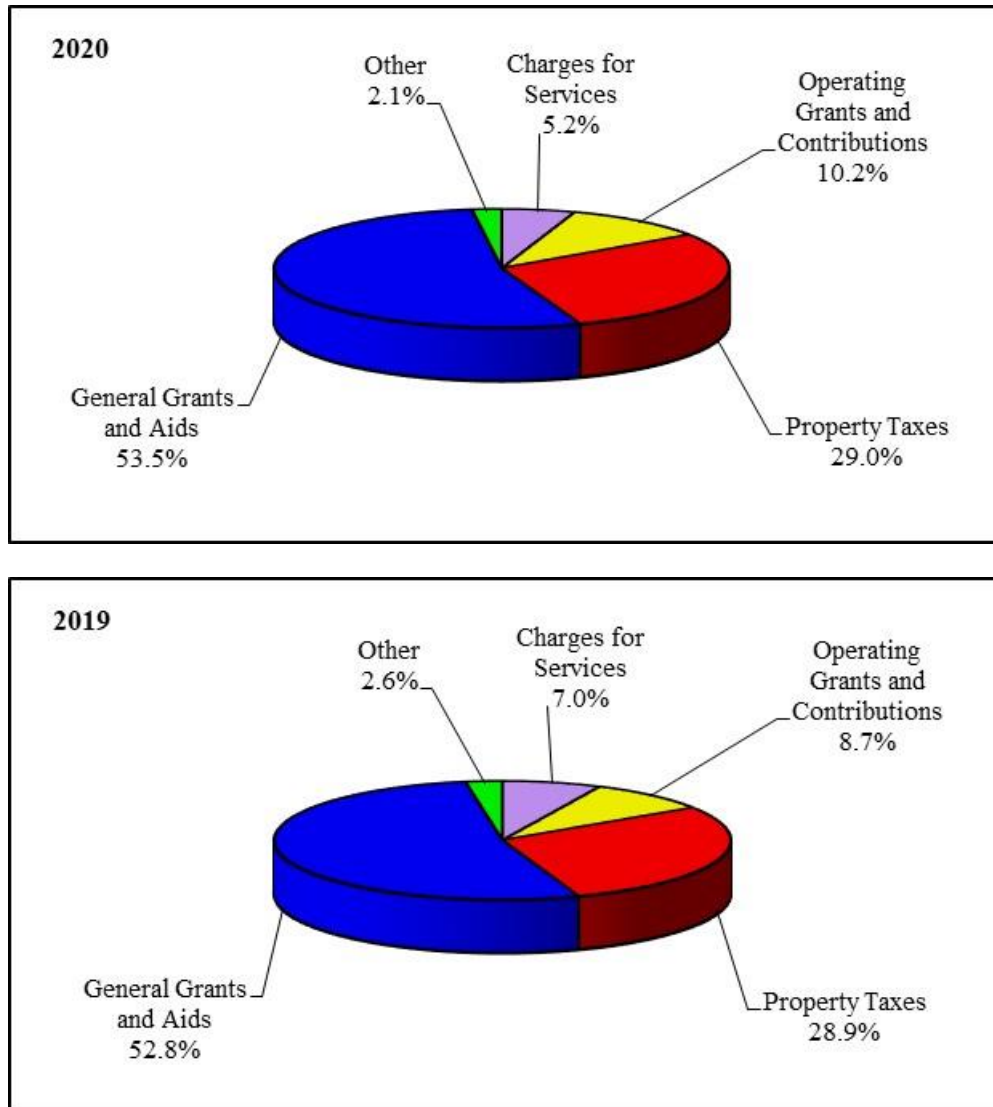
| | <u>2020</u> | <u>2019</u> |
|---|------------------------|------------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 2,632,761 | \$ 3,299,675 |
| Operating grants and contributions | 5,140,174 | 4,104,156 |
| General revenues | | |
| Property taxes | 14,658,336 | 13,660,067 |
| General grants and aids | 27,051,916 | 24,919,668 |
| Other | 1,065,692 | 1,223,882 |
| Total revenues | <u>50,548,879</u> | <u>47,207,448</u> |
| Expenses | | |
| Administration | 2,085,841 | 1,318,479 |
| District support services | 1,353,272 | 1,383,764 |
| Elementary and secondary regular instruction | 20,931,554 | 13,688,037 |
| Vocational education instruction | 883,650 | 559,872 |
| Special education instruction | 7,676,376 | 5,454,302 |
| Instructional support services | 1,803,914 | 1,411,241 |
| Pupil support services | 3,568,833 | 2,999,858 |
| Sites and buildings | 5,005,374 | 4,749,556 |
| Fiscal and other fixed cost programs | 121,405 | 130,465 |
| Food service | 1,268,643 | 1,301,930 |
| Community service | 1,973,416 | 2,091,177 |
| Depreciation not allocated to other functions | 1,118,675 | 1,125,891 |
| Interest and fiscal charges | 1,283,393 | 1,401,844 |
| Total expenses | <u>49,074,346</u> | <u>37,616,416</u> |
| Change in net position | 1,474,533 | 9,591,032 |
| Net position – beginning | <u>(14,951,780)</u> | <u>(24,542,812)</u> |
| Net position – ending | <u>\$ (13,477,247)</u> | <u>\$ (14,951,780)</u> |

This format is similar to the fund financial statements except that this is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

The change in expenses is related to the two state-wide pension plans mentioned earlier, which impact the various functional areas based on relative salary and benefit levels.

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

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

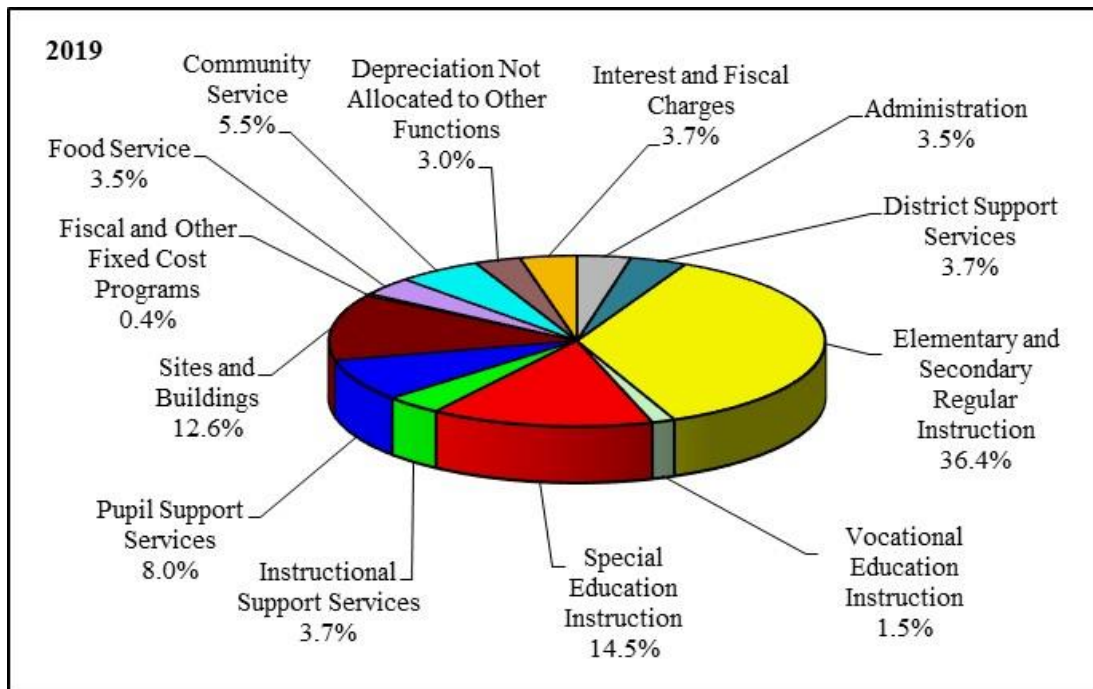
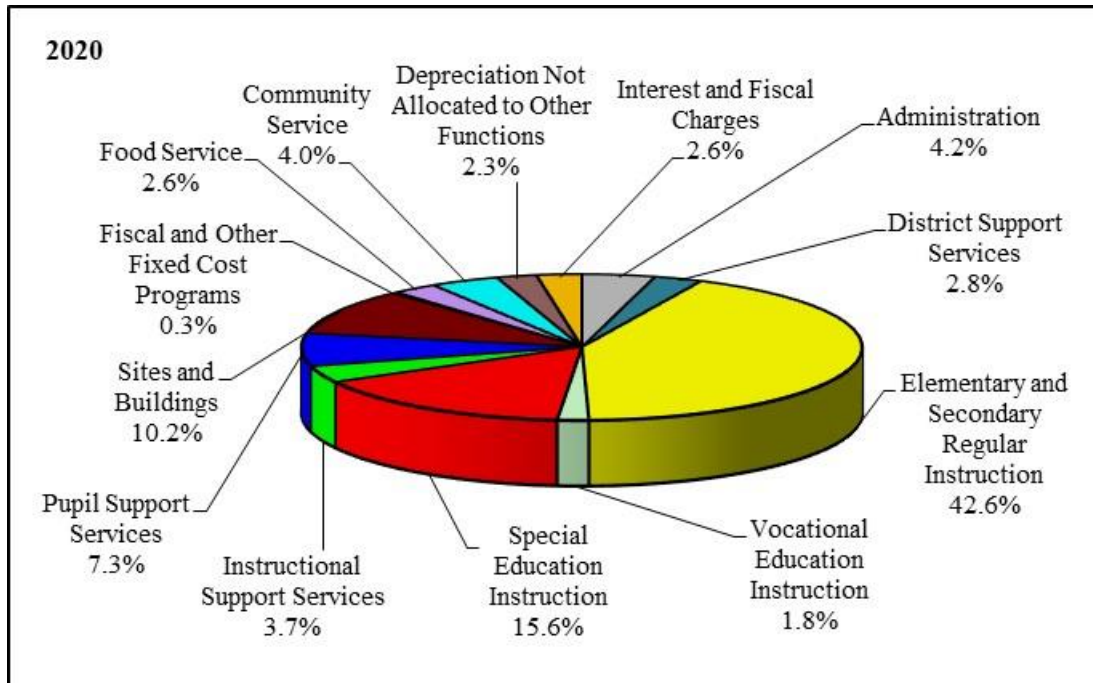


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2020 and 2019



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|--|---------------------|---------------------|---------------------|
| Major funds | | | |
| General | \$ 5,067,496 | \$ 3,177,461 | \$ 1,890,035 |
| Capital Projects – Building Construction | 13 | 13 | – |
| Debt Service | | | |
| Regular | 1,045,884 | 1,077,176 | (31,292) |
| OPEB | 65,737 | 65,313 | 424 |
| Nonmajor funds | | | |
| Food Service Special Revenue | 243,798 | 304,750 | (60,952) |
| Community Service Special Revenue | 446,659 | 534,429 | (87,770) |
| Total governmental funds | <u>\$ 6,869,587</u> | <u>\$ 5,159,142</u> | <u>\$ 1,710,445</u> |

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

At June 30, 2020, the District's governmental funds reported combined fund balances of \$6,869,587, an increase of \$1,710,445 in comparison with the prior year.

General Fund

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. The General Fund is used to account for: K–12 educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and other legal school district expenditures not specifically designated to be accounted for in any other fund.

Table 4 summarizes the amendments to the General Fund budget:

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Change</u> | <u>Percent Change</u> |
|--------------|------------------------|----------------------|-------------------|-----------------------|
| Revenue | <u>\$ 41,346,508</u> | <u>\$ 41,992,194</u> | <u>\$ 645,686</u> | <u>1.6%</u> |
| Expenditures | <u>\$ 41,249,570</u> | <u>\$ 41,554,371</u> | <u>\$ 304,801</u> | <u>0.7%</u> |

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amends the budget for known changes in circumstances, such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

| | <u>2020</u> | <u>Over (Under) Final Budget</u> | | <u>Over (Under) Prior Year</u> | |
|-----------------------------|---------------------|--------------------------------------|----------------|------------------------------------|----------------|
| | | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Revenue | \$ 42,276,199 | \$ 284,005 | 0.7% | \$ 2,401,261 | 6.0% |
| Expenditures | <u>(40,386,164)</u> | \$ (1,168,207) | (2.8%) | \$ 383,137 | 1.0% |
| Net change in fund balances | <u>\$ 1,890,035</u> | | | | |

The largest revenue variances in the General Fund occurred in state sources. Favorable variances in special education funding sources and conservative budgeting contributed to state sources of revenue exceeding budget by \$372,677. The expenditure variance to budget was mainly in elementary and secondary regular instruction and special education instruction programs, which were a combined \$835,468 under budget in salaries and benefits.

The increase in revenue from the prior year was due to higher state aids totaling \$1,644,135, due to increases in both general education aid and special education state aid. Property tax revenue increased \$967,177, mainly due to increases in the referendum levy.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund was established to account for the 2016A Tax Abatement Bonds and ended the year with a fund balance of \$13. Abatement bond funds provided an important funding mechanism for parking lot improvements district-wide, as well as sidewalks and exterior lighting. Another benefit to the Abatement Bond Project was infrastructure improvements and water main replacements throughout the District.

Debt Service Fund

The Debt Service Fund balance ended fiscal year 2020 at \$1,111,621, a decrease of \$30,868. The Debt Service Fund balance is restricted for payments on future debt service obligations.

Other Governmental Funds

The Food Service Special Revenue Fund balance decreased \$60,952 in fiscal year 2020. The fund balance at the end of the fiscal year was \$243,798, or 19.4 percent, of current year expenditures. This was the 14th year of a successful joint powers agreement for food service with Independent School District No. 834, Stillwater Area Public Schools.

The Community Service Special Revenue Fund balance decreased \$87,770, compared to a planned increase of \$42,865.

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 insurance function. Operating revenues for the Internal Service Fund for fiscal year 2020 totaled \$5,633,134. Operating expenses totaled \$5,592,042 for health benefit claims. The net position for the Internal Service Fund as of June 30, 2020 totaled a deficit of (\$664,113).

Post-Employment Benefits Trust Fund

This irrevocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. The fund ended the year with a net position of \$959,513 held in trust for future benefit obligations.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|-------------------------------|----------------------|----------------------|-----------------------|
| Land | \$ 1,561,766 | \$ 1,561,766 | \$ - |
| Buildings | 72,169,607 | 71,570,345 | 599,262 |
| Land improvements | 21,318,675 | 21,239,559 | 79,116 |
| Furniture and equipment | 3,518,730 | 3,199,446 | 319,284 |
| Less accumulated depreciation | <u>(32,695,381)</u> | <u>(29,955,095)</u> | <u>(2,740,286)</u> |
| Total | <u>\$ 65,873,397</u> | <u>\$ 67,616,021</u> | <u>\$ (1,742,624)</u> |
| Depreciation expense | <u>\$ 2,757,633</u> | <u>\$ 2,756,371</u> | <u>\$ 1,262</u> |

Long-Term Liabilities

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

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|----------------------------------|----------------------|----------------------|-----------------------|
| General obligation bonds payable | \$ 42,470,000 | \$ 45,465,000 | \$ (2,995,000) |
| Net (discount) premium | 4,208,369 | 4,954,793 | (746,424) |
| Net pension liability | 23,911,617 | 24,599,021 | (687,404) |
| Net OPEB liability | 1,575,657 | 1,261,335 | 314,322 |
| Severance benefits payable | 147,164 | 212,643 | (65,479) |
| Compensated absences payable | <u>127,327</u> | <u>150,537</u> | <u>(23,210)</u> |
| Total | <u>\$ 72,440,134</u> | <u>\$ 76,643,329</u> | <u>\$ (4,203,195)</u> |

The decrease in general obligation bonds payable is primarily due to the planned repayment schedule reflecting principal payments during fiscal year 2020. The differences in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

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

| | |
|-------------------------|-----------------------|
| District’s market value | \$ 2,400,602,400 |
| Limit rate | <u>15.0%</u> |
| Legal debt limit | <u>\$ 360,090,360</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. For the current school year, 2020–2021 the state is providing a 2 percent increase to the Basic General Education funding formula. Basic General Education funding provides 56 percent of total General Fund revenue. The increase for the 2020–2021 fiscal year marks seven consecutive years that the funding formula has been increased 2 percent. However, the onset of COVID-19 in March of 2020 introduced a high degree of funding uncertainty at the end of the current biennium. State funding commitments remain intact through the current fiscal year, but steady revenue increases to keep up with inflation in future years are in doubt. For the 2022–2023 biennium and beyond, sustaining all district programs will depend primarily on the strength of the economic recovery at both the state and national level.

In November 2018, the taxpayers in the District generously approved a revoke and replace to the District’s General Fund operating levy. The new authority has 3 tiers over 10 years as outlined below:

- \$1,020 per pupil for taxes payable in 2019 through 2021
- \$1,295 per pupil for taxes payable in 2022 through 2024
- \$1,570 per pupil for taxes payable in 2025 through 2028

The intention of the tiered levy authority is to maintain and enhance class sizes and programming over the longer term. The District also needs to ensure that revenues are sufficient to meet projected expenditures and to maintain a reasonable amount in reserve to cover any unforeseen expenditures and to maintain compliance with School Board-approved Fund Balance Policy (Policy 714).

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This CAFR is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the resources it receives and utilizes. Should you have questions about these statements or need additional information, please contact the Mahtomedi School District Business Office (phone 651-407-2003), Independent School District No. 832, 1520 Mahtomedi Avenue, Mahtomedi, Minnesota 55115.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Position
as of June 30, 2020

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

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2020 | 2019 |
| Assets | | |
| Cash and temporary investments | \$ 11,973,416 | \$ 10,263,211 |
| Receivables | | |
| Current taxes | 7,851,779 | 7,674,203 |
| Delinquent taxes | 134,694 | 131,987 |
| Accounts and interest | 368,146 | 116,613 |
| Due from fiduciary fund | 129,236 | 110,887 |
| Due from other governmental units | 3,351,044 | 3,096,756 |
| Inventory | 12,200 | 12,201 |
| Prepaid items | 17,859 | 183,062 |
| Capital assets | | |
| Not depreciated | 1,561,766 | 1,561,766 |
| Depreciated, net of accumulated depreciation | 64,311,631 | 66,054,255 |
| Total capital assets, net of accumulated depreciation | <u>65,873,397</u> | <u>67,616,021</u> |
| Total assets | 89,711,771 | 89,204,941 |
| Deferred outflows of resources | | |
| Pension plan deferments | 20,049,977 | 2,831,615 |
| OPEB plan deferments | 233,838 | 247,689 |
| Total deferred outflows of resources | <u>20,283,815</u> | <u>3,079,304</u> |
| Total assets and deferred outflows of resources | <u>\$ 109,995,586</u> | <u>\$ 92,284,245</u> |
| Liabilities | | |
| Salaries payable | \$ 36,502 | \$ 27,167 |
| Accounts and contracts payable | 2,055,753 | 1,795,473 |
| Accrued interest payable | 817,901 | 861,082 |
| Due to other governmental units | 266,608 | 125,291 |
| Unearned revenue | 1,082,684 | 1,099,844 |
| Long-term liabilities | | |
| Due within one year | 3,337,327 | 3,245,537 |
| Due in more than one year | 69,102,807 | 73,397,792 |
| Total long-term liabilities | <u>72,440,134</u> | <u>76,643,329</u> |
| Total liabilities | 76,699,582 | 80,552,186 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 14,096,434 | 14,019,315 |
| Pension plan deferments | 32,628,160 | 12,508,248 |
| OPEB plan deferments | 48,657 | 156,276 |
| Total deferred inflows of resources | <u>46,773,251</u> | <u>26,683,839</u> |
| Net position | | |
| Net investment in capital assets | 20,334,346 | 18,587,875 |
| Restricted for | | |
| Capital asset acquisition | 118,489 | 308,478 |
| Debt service | 359,710 | 347,466 |
| Food service | 243,798 | 304,750 |
| Community service | 448,712 | 536,215 |
| Other purposes (state funding restrictions) | 363,072 | 95,949 |
| Unrestricted | (35,345,374) | (35,132,513) |
| Total net position | <u>(13,477,247)</u> | <u>(14,951,780)</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 109,995,586</u> | <u>\$ 92,284,245</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| Functions/Programs | 2020 | | | 2019 | |
|--|----------------------|-------------------------|--|--|--|
| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | Net (Expense) Revenue and Changes in Net Position |
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Governmental Activities |
| Governmental activities | | | | | |
| Administration | \$ 2,085,841 | \$ - | \$ - | \$ (2,085,841) | \$ (1,318,479) |
| District support services | 1,353,272 | - | - | (1,353,272) | (1,383,764) |
| Elementary and secondary regular instruction | 20,931,554 | 285,207 | - | (20,646,347) | (13,296,124) |
| Vocational education instruction | 883,650 | - | - | (883,650) | (559,872) |
| Special education instruction | 7,676,376 | - | 4,598,230 | (3,078,146) | (1,845,450) |
| Instructional support services | 1,803,914 | 1,232 | - | (1,802,682) | (1,410,324) |
| Pupil support services | 3,568,833 | 5,353 | - | (3,563,480) | (2,976,466) |
| Sites and buildings | 5,005,374 | - | - | (5,005,374) | (4,749,556) |
| Fiscal and other fixed cost programs | 121,405 | - | - | (121,405) | (130,465) |
| Food service | 1,268,643 | 739,569 | 452,359 | (76,715) | 46,137 |
| Community service | 1,973,416 | 1,601,400 | 89,585 | (282,431) | (60,487) |
| Depreciation not allocated to other functions (excludes amounts directly allocated by program) | 1,118,675 | - | - | (1,118,675) | (1,125,891) |
| Interest and fiscal charges | 1,283,393 | - | - | (1,283,393) | (1,401,844) |
| Total governmental activities | \$ 49,074,346 | \$ 2,632,761 | \$ 5,140,174 | (41,301,411) | (30,212,585) |
| General revenue | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | 9,365,786 | 8,395,688 |
| Property taxes, levied for community service | | | | 303,976 | 273,636 |
| Property taxes, levied for debt service | | | | 4,988,574 | 4,990,743 |
| General grants and aids | | | | 27,051,916 | 24,919,668 |
| Other general revenues | | | | 964,454 | 1,053,335 |
| Investment earnings | | | | 101,238 | 170,547 |
| Total general revenue | | | | <u>42,775,944</u> | <u>39,803,617</u> |
| Change in net position | | | | 1,474,533 | 9,591,032 |
| Net position – beginning | | | | <u>(14,951,780)</u> | <u>(24,542,812)</u> |
| Net position – ending | | | | <u>\$ (13,477,247)</u> | <u>\$ (14,951,780)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>General Fund</u> | <u>Capital Projects – Building Construction Fund</u> | <u>Debt Service Fund</u> |
|---|----------------------|--|------------------------------|
| Assets | | | |
| Cash and temporary investments | \$ 5,791,199 | \$ 13 | \$ 3,447,702 |
| Receivables | | | |
| Current taxes | 5,013,636 | – | 2,668,861 |
| Delinquent taxes | 80,514 | – | 51,318 |
| Accounts and interest | 368,146 | – | – |
| Due from other funds | 129,236 | – | – |
| Due from other governmental units | 3,296,527 | – | 2,430 |
| Inventory | – | – | – |
| Prepaid items | 17,859 | – | – |
| | <u>14,697,117</u> | <u>13</u> | <u>6,170,311</u> |
| | <u>\$ 14,697,117</u> | <u>\$ 13</u> | <u>\$ 6,170,311</u> |
| Liabilities | | | |
| Salaries payable | \$ 12,597 | \$ – | \$ – |
| Accounts and contracts payable | 590,924 | – | – |
| Due to other governmental units | 215,085 | – | – |
| Unearned revenue | 310 | – | – |
| | <u>818,916</u> | <u>–</u> | <u>–</u> |
| | 818,916 | – | – |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | 8,754,310 | – | 5,022,219 |
| Unavailable revenue – delinquent taxes | 56,395 | – | 36,471 |
| | <u>8,810,705</u> | <u>–</u> | <u>5,058,690</u> |
| | 8,810,705 | – | 5,058,690 |
| Fund balances (deficit) | | | |
| Nonspendable | 17,859 | – | – |
| Restricted | 481,548 | 13 | 1,111,621 |
| Assigned | 1,133,443 | – | – |
| Unassigned | 3,434,646 | – | – |
| | <u>5,067,496</u> | <u>13</u> | <u>1,111,621</u> |
| | 5,067,496 | 13 | 1,111,621 |
| | <u>\$ 14,697,117</u> | <u>\$ 13</u> | <u>\$ 6,170,311</u> |
| | \$ 14,697,117 | \$ 13 | \$ 6,170,311 |

| Nonmajor Funds | Total Governmental Funds | |
|---------------------|--------------------------|----------------------|
| | 2020 | 2019 |
| \$ 930,065 | \$ 10,168,979 | \$ 8,770,508 |
| 169,282 | 7,851,779 | 7,674,203 |
| 2,862 | 134,694 | 131,987 |
| – | 368,146 | 116,613 |
| – | 129,236 | 110,887 |
| 52,087 | 3,351,044 | 3,096,756 |
| 12,200 | 12,200 | 12,201 |
| – | 17,859 | 183,062 |
| <u>\$ 1,166,496</u> | <u>\$ 22,033,937</u> | <u>\$ 20,096,217</u> |
| \$ 23,905 | \$ 36,502 | \$ 27,167 |
| 36,813 | 627,737 | 635,432 |
| 51,523 | 266,608 | 125,291 |
| 41,840 | 42,150 | 50,064 |
| <u>154,081</u> | <u>972,997</u> | <u>837,954</u> |
| 319,905 | 14,096,434 | 14,019,315 |
| 2,053 | 94,919 | 79,806 |
| <u>321,958</u> | <u>14,191,353</u> | <u>14,099,121</u> |
| 12,200 | 30,059 | 195,263 |
| 767,406 | 2,360,588 | 2,379,497 |
| – | 1,133,443 | 907,388 |
| (89,149) | 3,345,497 | 1,676,994 |
| <u>690,457</u> | <u>6,869,587</u> | <u>5,159,142</u> |
| <u>\$ 1,166,496</u> | <u>\$ 22,033,937</u> | <u>\$ 20,096,217</u> |

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INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|------------------------|
| Total fund balances – governmental funds | \$ 6,869,587 | \$ 5,159,142 |
| 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 | 98,568,778 | 97,571,115 |
| Accumulated depreciation | (32,695,381) | (29,955,094) |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses. | | |
| General obligation bonds payable | (42,470,000) | (45,465,000) |
| Net discount (premium) | (4,208,369) | (4,954,793) |
| Net pension liability | (23,911,617) | (24,599,021) |
| Net OPEB liability | (1,575,657) | (1,261,335) |
| Severance benefits payable | (147,164) | (212,643) |
| Compensated absences payable | (127,327) | (150,537) |
| Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable. | (817,901) | (861,082) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. | (664,113) | (717,118) |
| 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 | 20,049,977 | 2,831,615 |
| Deferred outflows of resources – OPEB plan deferments | 233,838 | 247,689 |
| Deferred inflows of resources – pension plan deferments | (32,628,160) | (12,508,248) |
| Deferred inflows of resources – OPEB plan deferments | (48,657) | (156,276) |
| Deferred inflows of resources – unavailable revenue – delinquent property taxes | 94,919 | 79,806 |
| Total net position – governmental activities | <u>\$ (13,477,247)</u> | <u>\$ (14,951,780)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>General Fund</u> | <u>Capital Projects – Building Construction Fund</u> | <u>Debt Service Fund</u> |
|--|---------------------|--|------------------------------|
| Revenue | | | |
| Local sources | | | |
| Property taxes | \$ 9,355,775 | \$ – | \$ 4,983,739 |
| Investment earnings | 49,019 | – | 28,812 |
| Other | 1,255,711 | – | – |
| State sources | 30,820,716 | – | 24,579 |
| Federal sources | 794,978 | – | – |
| Total revenue | <u>42,276,199</u> | <u>–</u> | <u>5,037,130</u> |
| Expenditures | | | |
| Current | | | |
| Administration | 1,968,075 | – | – |
| District support services | 1,338,738 | – | – |
| Elementary and secondary regular instruction | 19,479,152 | – | – |
| Vocational education instruction | 850,553 | – | – |
| Special education instruction | 7,165,740 | – | – |
| Instructional support services | 1,730,595 | – | – |
| Pupil support services | 3,469,722 | – | – |
| Sites and buildings | 4,262,184 | – | – |
| Fiscal and other fixed cost programs | 121,405 | – | – |
| Food service | – | – | – |
| Community service | – | – | – |
| Capital outlay | – | – | – |
| Debt service | | | |
| Principal | – | – | 2,995,000 |
| Interest and fiscal charges | – | – | 2,072,998 |
| Total expenditures | <u>40,386,164</u> | <u>–</u> | <u>5,067,998</u> |
| Net change in fund balances | 1,890,035 | – | (30,868) |
| Fund balances | | | |
| Beginning of year | <u>3,177,461</u> | <u>13</u> | <u>1,142,489</u> |
| End of year | <u>\$ 5,067,496</u> | <u>\$ 13</u> | <u>\$ 1,111,621</u> |

| Nonmajor Funds | Total Governmental Funds | |
|-------------------|--------------------------|---------------------|
| | 2020 | 2019 |
| \$ 303,709 | \$ 14,643,223 | \$ 13,649,164 |
| 11,494 | 89,325 | 170,547 |
| 2,341,504 | 3,597,215 | 4,353,010 |
| 131,198 | 30,976,493 | 29,459,210 |
| 410,208 | 1,205,186 | 1,055,638 |
| <u>3,198,113</u> | <u>50,511,442</u> | <u>48,687,569</u> |
| – | 1,968,075 | 1,736,575 |
| – | 1,338,738 | 1,440,144 |
| – | 19,479,152 | 19,667,716 |
| – | 850,553 | 742,891 |
| – | 7,165,740 | 7,343,628 |
| – | 1,730,595 | 1,644,017 |
| – | 3,469,722 | 3,338,856 |
| – | 4,262,184 | 3,958,735 |
| – | 121,405 | 130,465 |
| 1,236,024 | 1,236,024 | 1,328,695 |
| 1,974,145 | 1,974,145 | 2,242,269 |
| 136,666 | 136,666 | 162,548 |
| – | 2,995,000 | 2,910,000 |
| – | 2,072,998 | 2,182,868 |
| <u>3,346,835</u> | <u>48,800,997</u> | <u>48,829,407</u> |
| (148,722) | 1,710,445 | (141,838) |
| <u>839,179</u> | <u>5,159,142</u> | <u>5,300,980</u> |
| <u>\$ 690,457</u> | <u>\$ 6,869,587</u> | <u>\$ 5,159,142</u> |

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INDEPENDENT SCHOOL DISTRICT NO. 832

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2020

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

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Total net change in fund balances – governmental funds | \$ 1,710,445 | \$ (141,838) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase. | | |
| Capital outlays | 1,019,996 | 824,558 |
| Depreciation expense | (2,757,633) | (2,756,371) |
| A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances. | | |
| | (4,987) | (45,943) |
| Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. | | |
| General obligation bonds payable | 2,995,000 | 2,910,000 |
| 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. | | |
| | 43,181 | 35,669 |
| 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. | | |
| | 746,424 | 745,355 |
| Certain expenses are included in the change in net position but do not require the use of current funds, and are not included in the change in fund balances. | | |
| Net pension liability | 687,404 | 46,889,738 |
| Net OPEB liability | (314,322) | (338,773) |
| Severance benefits payable | 65,479 | (62,459) |
| Compensated absences payable | 23,210 | (261) |
| 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. | | |
| | 53,005 | (830,947) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | 17,218,362 | (37,193,000) |
| Deferred outflows of resources – OPEB plan deferments | (13,851) | 216,650 |
| Deferred inflows of resources – pension plan deferments | (20,119,912) | (607,373) |
| Deferred inflows of resources – OPEB plan deferments | 107,619 | (64,876) |
| Deferred inflows of resources – unavailable revenue – delinquent property taxes | 15,113 | 10,903 |
| Change in net position – governmental activities | <u>\$ 1,474,533</u> | <u>\$ 9,591,032</u> |

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INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Budgeted Amounts | | Actual | Over (Under) Final Budget |
|--|-------------------|-------------------|---------------------|------------------------------|
| | Original | Final | | |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 9,460,334 | \$ 9,378,112 | \$ 9,355,775 | \$ (22,337) |
| Investment earnings | 45,000 | 65,000 | 49,019 | (15,981) |
| Other | 1,371,585 | 1,375,043 | 1,255,711 | (119,332) |
| State sources | 29,646,419 | 30,448,039 | 30,820,716 | 372,677 |
| Federal sources | 823,170 | 726,000 | 794,978 | 68,978 |
| Total revenue | <u>41,346,508</u> | <u>41,992,194</u> | <u>42,276,199</u> | <u>284,005</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 1,946,080 | 1,894,005 | 1,968,075 | 74,070 |
| District support services | 1,120,520 | 1,127,411 | 1,338,738 | 211,327 |
| Elementary and secondary regular instruction | 20,193,475 | 20,362,875 | 19,479,152 | (883,723) |
| Vocational education instruction | 857,864 | 937,093 | 850,553 | (86,540) |
| Special education instruction | 7,480,201 | 7,511,872 | 7,165,740 | (346,132) |
| Instructional support services | 1,818,159 | 1,762,833 | 1,730,595 | (32,238) |
| Pupil support services | 3,521,033 | 3,519,160 | 3,469,722 | (49,438) |
| Sites and buildings | 4,087,238 | 4,204,622 | 4,262,184 | 57,562 |
| Fiscal and other fixed cost programs | 225,000 | 234,500 | 121,405 | (113,095) |
| Total expenditures | <u>41,249,570</u> | <u>41,554,371</u> | <u>40,386,164</u> | <u>(1,168,207)</u> |
| Net change in fund balances | <u>\$ 96,938</u> | <u>\$ 437,823</u> | 1,890,035 | <u>\$ 1,452,212</u> |
| Fund balances | | | | |
| Beginning of year | | | <u>3,177,461</u> | |
| End of year | | | <u>\$ 5,067,496</u> | |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and temporary investments | \$ 1,804,437 | \$ 1,492,703 |
| Liabilities | | |
| Current liabilities | | |
| Accounts and contracts payable | 1,428,016 | 1,160,041 |
| Unearned revenue | <u>1,040,534</u> | <u>1,049,780</u> |
| Total current liabilities | <u>2,468,550</u> | <u>2,209,821</u> |
| Net position | | |
| Unrestricted | <u>\$ (664,113)</u> | <u>\$ (717,118)</u> |

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| Operating revenue | | |
| Charges for services | | |
| Contributions from governmental funds | \$ 5,633,134 | \$ 5,426,215 |
| Operating expenses | | |
| Claims and settlements | <u>5,592,042</u> | <u>6,257,162</u> |
| Operating income (loss) | 41,092 | (830,947) |
| Nonoperating revenue | | |
| Investment earnings | <u>11,913</u> | <u>—</u> |
| Change in net position | 53,005 | (830,947) |
| Net position | | |
| Beginning of year | <u>(717,118)</u> | <u>113,829</u> |
| End of year | <u>\$ (664,113)</u> | <u>\$ (717,118)</u> |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Cash Flows

Proprietary Fund

Internal Service Fund

Year Ended June 30, 2020

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

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Received from assessments made to other funds | \$ 5,623,888 | \$ 5,494,144 |
| Payments for claims and settlements | <u>(5,324,067)</u> | <u>(5,451,455)</u> |
| Net cash flows from operating activities | 299,821 | 42,689 |
| Cash flows from investing activities | | |
| Investment income received | <u>11,913</u> | <u>—</u> |
| Cash and temporary investments | | |
| Beginning of year | <u>1,492,703</u> | <u>1,450,014</u> |
| End of year | <u>\$ 1,804,437</u> | <u>\$ 1,492,703</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | |
| Operating income (loss) | \$ 41,092 | \$ (830,947) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | |
| Changes in assets and liabilities | | |
| Accounts and contracts payable | 267,975 | 805,707 |
| Unearned revenue | <u>(9,246)</u> | <u>67,929</u> |
| Net cash flows from operating activities | <u>\$ 299,821</u> | <u>\$ 42,689</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Fiduciary Net Position
Fiduciary Fund
as of June 30, 2020

| | Post-Employment Benefits Trust Fund |
|-------------------------------------|---|
| | <u> </u> |
| Assets | |
| Cash and temporary investments | \$ 1,147,933 |
| Investments | |
| MNTrust Investment Shares Portfolio | 6,236 |
| Accounts and interest receivable | 31,104 |
| Total assets | <u>1,185,273</u> |
| Liabilities | |
| Accounts payable | 96,524 |
| Due to other funds | 129,236 |
| Total liabilities | <u>225,760</u> |
| Net position | |
| Held in trust for OPEB | <u>\$ 959,513</u> |

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

| | Post-Employment Benefits Trust Fund |
|-------------------------------|---|
| | <u> </u> |
| Additions | |
| Investment earnings | \$ 25,081 |
| Deductions | |
| Benefits paid to plan members | 225,762 |
| Administrative expenses | 165 |
| Total deductions | <u>225,927</u> |
| Change in net position | (200,846) |
| Net position | |
| Beginning of year | <u>1,160,359</u> |
| End of year | <u>\$ 959,513</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Basic Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 832 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and 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 allocated to other functions.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial statements of the Proprietary Fund (Internal Service Fund) are consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are generally considered as available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for long-term liabilities, which are 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.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and use 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 authorized by debt issue.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The Regular Debt Service Account is used for all general obligation debt service except for the financial activities of the Other Post-Employment Benefits (OPEB) Debt Service Account. The OPEB Debt Service Account is used to pay principal, interest, and related costs on the 2009A Taxable OPEB 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 Fund

Internal Service Fund – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has one Internal Service Fund. The District’s Internal Service Fund includes financing for self-insurance of the employee health insurance program.

Fiduciary Fund

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds except the Capital Projects – Building Construction Fund.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

In the Post-Employment Benefits Trust Fund, investments reported at fair value are deposited by the District in an irrevocable trust account, the use of which is restricted to paying other post-employment health insurance benefits as specified in the trust agreement. Interest earned on this trust account is allocated directly to that fund.

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

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

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

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

G. Receivables

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

H. Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

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

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aid 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 \$724,114 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for the 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 which 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 deferred inflows of resources (unavailable revenue) in the fund-based financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

K. Interfund Transactions

The General Fund has a receivable of \$129,236 at year-end, due from the Post-Employment Benefits Trust Fund to cover costs paid by the General Fund, reimbursable by the Post-Employment Benefits Trust Fund.

L. Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

M. Long-Term Obligations

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

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

N. Compensated Absences Payable

Under the terms of union contracts, certain employees accrue vacation and sick leave 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. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end.

O. Severance Benefits

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

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

P. State-Wide Pension Plans

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

R. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2020.
- 2. Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under this plan, the District provides coverage to participating employees and their dependents for certain health costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the Internal Service Fund 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 Internal Service Fund's claim liabilities for the last two fiscal years were as follows:

| | <u>Beginning of Fiscal Year Liability</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at Fiscal Year-End</u> |
|------|---|---|-----------------------|---------------------------------------|
| 2019 | \$ 354,334 | \$ 6,257,162 | \$ (5,451,455) | \$ 1,160,041 |
| 2020 | \$ 1,160,041 | \$ 5,592,042 | \$ (5,324,067) | \$ 1,428,016 |

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.

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 reported amounts and disclosures in the financial statements during the reporting period. Actual results could differ from those estimates.

U. Net Position

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Fund Balance Classifications

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

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

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

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

W. Statement of Cash Flows

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

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

| | |
|-------------|----------------------|
| Deposits | \$ 4,516,608 |
| Investments | <u>8,610,977</u> |
| Total | <u>\$ 13,127,585</u> |

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

| | |
|-------------------------------------|----------------------|
| Statement of Net Position | |
| Cash and temporary investments | \$ 11,973,416 |
| Statement of Fiduciary Net Position | |
| Cash and temporary investments | 1,147,933 |
| Investments | |
| MNTrust Investment Shares Portfolio | <u>6,236</u> |
| Total | <u>\$ 13,127,585</u> |

B. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was \$4,516,608, while the balance on the bank records was \$4,813,100. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

| Investment Type | Credit Risk | | Fair Value Measurements Using | Interest Risk – Maturity Duration in Years | | Carrying Value |
|-------------------------------------|------------------|------------------|-------------------------------------|---|--------|---------------------|
| | Credit Rating | Rating Agency | | Less Than 1 | 1 to 5 | |
| Investment pools/mutual funds | | | | | | |
| MNTrust Investment Shares Portfolio | AAA | S&P | Amortized cost | N/A | N/A | \$ 4,118,688 |
| MNTrust Term Series | N/R | N/A | Amortized cost | \$ 2,500,000 | \$ – | 2,500,000 |
| MSDLAF Liquid Class | AAA | S&P | Amortized cost | N/A | N/A | 1,992,289 |
| Total | | | | | | <u>\$ 8,610,977</u> |

N/A – Not Applicable

N/R – Not Rated

The District’s investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), 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 or MSDLAF Liquid Class investment pools. MNTrust Term Series Portfolios are intended to be held until maturity; a participant’s withdrawal prior to maturity will require seven-days’ notice of redemption and will likely carry a penalty which could be substantial in that it would be intended to allow the Term Series Portfolio to recoup any associated penalties, charges, losses or other costs associated with the early redemption of the investments therein.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

OPEB Trust Fund – This fund represents investments administered by the District’s OPEB Trust Fund investment managers. The District’s investment policy, discussed below, extends to the OPEB Trust Fund investments.

For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

The OPEB Trust Agreement indicates permitted investments include one or more series of MNTrust shares relating to a separate portfolio of investments, or from multi-class shares of MNTrust within the same portfolio.

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

The District’s investment policy states that the District will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. The maximum percent of the District’s portfolio in any instrument is as follows:

| | |
|---|------|
| U.S. treasury obligations (bills, notes, and bonds) | 100% |
| U.S. government agency securities and instrumentalities of government-sponsored corporations | 100% |
| Bankers’ acceptances (Ba) | 75% |
| Commercial paper – prime (C) | 75% |
| Repurchase agreements (Repos) | 50% |
| Certificates of deposit (CDs) | 75% |
| Local government investment pool | 100% |

Also, no more than 50 percent of the total portfolio will be with any one instrument.

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 policy includes limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

NOTE 3 – CAPITAL ASSETS

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

| | Balance – Beginning of Year | Additions | Deletions | Balance – End of Year |
|-----------------------------------|-----------------------------------|-----------------------|-------------------|--------------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 1,561,766 | \$ – | \$ – | \$ 1,561,766 |
| Capital assets, depreciated | | | | |
| Buildings | 71,570,345 | 599,262 | – | 72,169,607 |
| Land improvements | 21,239,559 | 101,450 | (22,334) | 21,318,675 |
| Furniture and equipment | 3,199,446 | 319,284 | – | 3,518,730 |
| Total capital assets, depreciated | <u>96,009,350</u> | <u>1,019,996</u> | <u>(22,334)</u> | <u>97,007,012</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (24,042,392) | (865,530) | – | (24,907,922) |
| Land improvements | (4,266,177) | (1,696,489) | 17,347 | (5,945,319) |
| Furniture and equipment | (1,646,526) | (195,614) | – | (1,842,140) |
| Total accumulated depreciation | <u>(29,955,095)</u> | <u>(2,757,633)</u> | <u>17,347</u> | <u>(32,695,381)</u> |
| Net capital assets, depreciated | <u>66,054,255</u> | <u>(1,737,637)</u> | <u>(4,987)</u> | <u>64,311,631</u> |
| Total capital assets, net | <u>\$ 67,616,021</u> | <u>\$ (1,737,637)</u> | <u>\$ (4,987)</u> | <u>\$ 65,873,397</u> |

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

| | |
|---|---------------------|
| Elementary and secondary regular instruction | \$ 84,360 |
| Instructional support services | 680 |
| Pupil support services | 21,715 |
| Sites and buildings | 1,496,123 |
| Food service | 32,619 |
| Community education | 3,461 |
| Depreciation not allocated to other functions | <u>1,118,675</u> |
| Total depreciation expense | <u>\$ 2,757,633</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 | Average Annual Installments | Original Issue | Final Maturity | Principal Outstanding |
|--|------------|---------------|-----------------------------|----------------|----------------|-----------------------|
| General obligation bonds payable | | | | | | |
| Taxable OPEB Bonds, Series 2009A | 05/05/2009 | 3.5–5.4% | \$ 320,000 | \$ 3,265,000 | 02/01/2024 | \$ 1,130,000 |
| School Refunding Bonds, Series 2014A | 11/13/2014 | 4.0–5.0% | \$ 4,150,000 | \$ 38,930,000 | 02/01/2031 | 34,360,000 |
| Taxable School Refunding Bonds, Series 2014B | 11/13/2014 | 3.4% | \$ 205,000 | \$ 385,000 | 02/01/2021 | 385,000 |
| Tax Abatement Bonds, Series 2016A | 06/09/2016 | 2.0–3.0% | \$ 745,000 | \$ 7,640,000 | 02/01/2030 | 6,595,000 |
| Total general obligation bonds payable | | | | | | <u>\$ 42,470,000</u> |

B. Description of Long-Term Liabilities

General Obligation School Building, Tax Abatement, and Refunding Bonds – These bonds were issued to finance acquisition and/or construction of capital facilities or to refinance the retirement (refund) of prior 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. The District also has received revenue in the form of a federal tax credit to finance debt service.

General Obligation Taxable OPEB Bonds – These obligations were issued to finance OPEB. Assets of the OPEB Debt Service Account, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. 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.

C. Other Long-Term Liabilities

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

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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

| Pension Plans | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|--------------------------------------|----------------------------|-----------------------------------|----------------------------------|---------------------|
| State-wide, multiple-employer – PERA | \$ 3,693,222 | \$ 544,574 | \$ 692,591 | \$ 415,076 |
| State-wide, multiple-employer – TRA | 20,218,395 | 19,505,403 | 31,935,569 | 3,743,770 |
| Total | <u>\$ 23,911,617</u> | <u>\$ 20,049,977</u> | <u>\$ 32,628,160</u> | <u>\$ 4,158,846</u> |

D. Minimum Debt Payments

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

| Year Ending June 30, | General Obligation Bonds | |
|-------------------------|--------------------------|----------------------|
| | Principal | Interest |
| 2021 | \$ 3,110,000 | \$ 1,954,273 |
| 2022 | 3,245,000 | 1,817,433 |
| 2023 | 3,395,000 | 1,667,195 |
| 2024 | 3,555,000 | 1,509,720 |
| 2025 | 3,720,000 | 1,344,150 |
| 2026–2030 | 21,305,000 | 4,017,000 |
| 2031 | 4,140,000 | 207,000 |
| | <u>\$ 42,470,000</u> | <u>\$ 12,516,771</u> |

E. Changes in Long-Term Liabilities

| | Balance – June 30, 2019 | Additions | Retirements | Balance – June 30, 2020 | Due Within One Year |
|----------------------------------|----------------------------|---------------------|---------------------|----------------------------|------------------------|
| General obligation bonds payable | \$ 45,465,000 | \$ – | \$ 2,995,000 | \$ 42,470,000 | \$ 3,110,000 |
| Net (discount) premium | 4,954,793 | – | 746,424 | 4,208,369 | – |
| Net pension liability | 24,599,021 | 2,222,789 | 2,910,193 | 23,911,617 | – |
| Net OPEB liability | 1,261,335 | 540,084 | 225,762 | 1,575,657 | – |
| Severance benefits payable | 212,643 | 119,016 | 184,495 | 147,164 | 100,000 |
| Compensated absences payable | 150,537 | 215,521 | 238,731 | 127,327 | 127,327 |
| | <u>\$ 76,643,329</u> | <u>\$ 3,097,410</u> | <u>\$ 7,300,605</u> | <u>\$ 72,440,134</u> | <u>\$ 3,337,327</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 positive balance at June 30, are included in unassigned fund balance in the District’s financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

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

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Nonmajor Funds | Total |
|--|---------------------|--|----------------------|-------------------|---------------------|
| Nonspendable | | | | | |
| Inventory | \$ – | \$ – | \$ – | \$ 12,200 | \$ 12,200 |
| Prepaid items | 17,859 | – | – | – | 17,859 |
| Total nonspendable | <u>17,859</u> | <u>–</u> | <u>–</u> | <u>12,200</u> | <u>30,059</u> |
| Restricted | | | | | |
| Student activities | 155,967 | – | – | – | 155,967 |
| Capital projects levy | 125,126 | – | – | – | 125,126 |
| Operating capital | 118,476 | – | – | – | 118,476 |
| Long-term facilities maintenance | 70,553 | – | – | – | 70,553 |
| Medical Assistance | 11,426 | – | – | – | 11,426 |
| Building construction | – | 13 | – | – | 13 |
| Community education programs | – | – | – | 349,721 | 349,721 |
| Early childhood family education programs | – | – | – | 168,638 | 168,638 |
| Community service | – | – | – | 17,449 | 17,449 |
| Food service | – | – | – | 231,598 | 231,598 |
| Debt service | – | – | 1,111,621 | – | 1,111,621 |
| Total restricted | <u>481,548</u> | <u>13</u> | <u>1,111,621</u> | <u>767,406</u> | <u>2,360,588</u> |
| Assigned | | | | | |
| Separation benefits | 411,852 | – | – | – | 411,852 |
| Student activities | 69,656 | – | – | – | 69,656 |
| Quality compensation program | 74,767 | – | – | – | 74,767 |
| Building carryover | 152,362 | – | – | – | 152,362 |
| Employee health benefits | 175,000 | – | – | – | 175,000 |
| Donations | 249,806 | – | – | – | 249,806 |
| Total assigned | <u>1,133,443</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>1,133,443</u> |
| Unassigned | | | | | |
| School readiness restricted account deficit | – | – | – | (89,149) | (89,149) |
| Unassigned | 3,434,646 | – | – | – | 3,434,646 |
| Total unassigned | <u>3,434,646</u> | <u>–</u> | <u>–</u> | <u>(89,149)</u> | <u>3,345,497</u> |
| Total | <u>\$ 5,067,496</u> | <u>\$ 13</u> | <u>\$ 1,111,621</u> | <u>\$ 690,457</u> | <u>\$ 6,869,587</u> |

B. Fund Balance Policy

The School Board has formally adopted a fund balance policy. This policy states that the School Board will strive to maintain a minimum unassigned General Fund balance (excluding restricted account deficits) of 8.0 percent of total General Fund expenditures. At June 30, 2020, the unassigned fund balance of the General Fund was 8.5 percent of the total General Fund expenditures.

NOTE 5 – FUND BALANCES (CONTINUED)

If the fund balance falls below 8.0 percent, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

1. No new programs will be added at the District level unless matched by a like revenue source;
2. Allocations such as textbooks, supplies, etc., shall be frozen; and
3. The District will review other measures, which shall not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenditures have historically been lower than budgeted levels.

If the fund balance is projected to fall below 7.0 percent, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts, or a combination of both.

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.

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

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

B. Benefits Provided

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

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

1. GEF Benefits

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

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

2. TRA Benefits

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

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2020, were \$350,168. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2020, were \$1,447,430. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$3,693,222 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.0668 percent at the end of the measurement period and 0.0647 percent for the beginning of the period.

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

| | |
|---|--------------|
| District’s proportionate share of the net pension liability | \$ 3,693,222 |
| State’s proportionate share of the net pension liability associated with the District | \$ 114,828 |

For the year ended June 30, 2020, the District recognized pension expense of \$406,476 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$8,600 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 100,648 | \$ – |
| Changes in actuarial assumptions | – | 282,630 |
| Differences between projected and actual investment earnings | – | 353,125 |
| Changes in proportion | 93,758 | 56,836 |
| District’s contributions to the GERF subsequent to the measurement date | <u>350,168</u> | <u>–</u> |
| Total | <u>\$ 544,574</u> | <u>\$ 692,591</u> |

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

A total of \$350,168 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERP pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|-------------------------|------------------------------|
| 2021 | \$ (206,786) |
| 2022 | \$ (254,971) |
| 2023 | \$ (42,379) |
| 2024 | \$ 5,951 |

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$20,218,395 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.3172 percent at the end of the measurement period and 0.3345 percent for the beginning of the period.

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

| | |
|--|---------------|
| District's proportionate share of the net pension liability | \$ 20,218,395 |
| State's proportionate share of the net pension liability associated with the District | \$ 1,789,416 |

For the year ended June 30, 2020, the District recognized pension expense of \$3,607,753. It also recognized \$136,017 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ – | \$ 510,018 |
| Changes in actuarial assumptions | 17,792,338 | 28,335,542 |
| Difference between projected and actual investment earnings | – | 1,785,269 |
| Changes in proportion | 265,635 | 1,304,740 |
| District’s contributions to the TRA subsequent to the measurement date | <u>1,447,430</u> | <u>–</u> |
| Total | <u>\$ 19,505,403</u> | <u>\$ 31,935,569</u> |

A total of \$1,447,430 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Pension Expense Amount</u> |
|---------------------------------|---------------------------------------|
| 2021 | \$ 863,891 |
| 2022 | \$ (225,860) |
| 2023 | \$ (8,297,626) |
| 2024 | \$ (5,959,040) |
| 2025 | \$ (258,961) |

E. Actuarial Assumptions

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

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

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

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

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

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

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

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

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

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

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

F. Discount Rate

1. GERF

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

2. TRA

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

G. Pension Liability Sensitivity

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

| | <u>1% Decrease in Discount Rate</u> | <u>Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|---|---|----------------------|---|
| GERF discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the GERF net pension liability | \$ 6,071,459 | \$ 3,693,222 | \$ 1,729,515 |
| TRA discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the TRA net pension liability | \$ 32,233,065 | \$ 20,218,395 | \$ 10,312,477 |

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

H. Pension Plan Fiduciary Net Position

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

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

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. 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 has provided early retirement incentive payment plans for certain employee groups. All of these early retirement incentives are based on contractual agreements with employee groups. These early retirement incentive payment plans include the payment of OPEB. These contractual agreements do not include any specific contribution or funding requirements.

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

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

B. Benefits Provided

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

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

In addition, full-time teachers who are at least 50 years of age or have completed 20 years of professional service in the appropriate unit in the District shall be eligible for severance pay pursuant to the provisions in the severance pay article of the teachers’ master agreement. All persons whose actual service began prior to July 1, 1989 shall be eligible for this benefit.

The full-time teachers shall accumulate 10 days of credit for each full year of actual teaching in the District up to a maximum of one year’s salary as determined by the salary schedule placement. In applying these provisions, a teacher’s daily rate of pay shall be the basic rate of the teacher’s last day of actual service as provided in the basic salary schedule for the basic school year. These amounts are contributed directly to a health savings account.

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 | 43 |
| Active plan members | <u>353</u> |
| Total members | <u><u>396</u></u> |

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

E. Net OPEB Liability of the District

The District’s net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2019. The components of the net OPEB liability of the District at year-end were as follows:

| | |
|--|---------------------|
| Total OPEB liability | \$ 2,535,170 |
| Plan fiduciary net position | <u>(959,513)</u> |
| District’s net OPEB liability | <u>\$ 1,575,657</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>37.8%</u> |

F. Actuarial Method and Assumptions

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

| | |
|--------------------------------------|-------------------------------------|
| Discount rate | 2.40% |
| Expected long-term investment return | 2.90% (net of investment expenses) |
| 20-year municipal bond yield | 2.40% |
| Inflation rate | 2.50% |
| Salary increases | 3.00% |
| Healthcare trend rate | 6.25% grading to 5.00% over 5 years |
| Dental trend rate | 4.00% |

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

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|--------------|----------------------|---|
| Fixed income | 95.00 % | 3.00 % |
| Cash | <u>5.00</u> | <u>1.00</u> |
| | <u>100.00 %</u> | <u>2.90 %</u> |

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

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.2 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.4 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been considered.

I. Changes in the Net OPEB Liability

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a-b) |
|---|--------------------------------|---------------------------------------|--|
| Beginning balance – July 1, 2019 | \$ 2,421,694 | \$ 1,160,359 | \$ 1,261,335 |
| Changes for the year | | | |
| Service cost | 160,748 | – | 160,748 |
| Interest | 77,708 | – | 77,708 |
| Assumption changes | 64,488 | – | 64,488 |
| Differences between expected and actual experience | – | (8,568) | 8,568 |
| Other | 36,294 | – | 36,294 |
| Net investment income | – | 33,649 | (33,649) |
| Benefit payments | (225,762) | (225,762) | – |
| Administrative expense | – | (165) | 165 |
| Total net changes | 113,476 | (200,846) | 314,322 |
| Ending balance – June 30, 2020 | \$ 2,535,170 | \$ 959,513 | \$ 1,575,657 |

Assumption changes since the prior measurement date include the following:

- The expected long-term investment return was changed from 3.50 percent to 2.90 percent.
- The discount rate and the 20-year municipal bond rate were changed from 3.10 percent to 2.40 percent.

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 | 1.40% | 2.40% | 3.40% |
| Net OPEB liability | \$ 1,691,415 | \$ 1,575,657 | \$ 1,461,730 |

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 healthcare cost trend rate | 5.25% decreasing to 4.00% over 5 years | 6.25% decreasing to 5.00% over 5 years | 7.25% decreasing to 6.00% over 5 years |
| Dental trend rate | 3.00% | 4.00% | 5.00% |
| Net OPEB liability | \$ 1,357,016 | \$ 1,575,657 | \$ 1,829,087 |

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 \$220,554. 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 | \$ 67,718 | \$ – |
| Changes in actuarial assumptions | 151,691 | 48,657 |
| Differences between projected and actual investment earnings | 14,429 | – |
| Total | <u>\$ 233,838</u> | <u>\$ 48,657</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:

| Year Ending June 30, | OPEB Expense Amount |
|-------------------------|---------------------------|
| 2021 | \$ 60,519 |
| 2022 | \$ 57,942 |
| 2023 | \$ 52,114 |
| 2024 | \$ 14,606 |

NOTE 8 – 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 Claims

The District has the usual and customary legal claims pending at year-end, mostly of minor nature and/or covered by insurance. 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

During the year ended June 30, 2020, the District had two operating leases for the use of space and technology equipment. The total expense for the year for these leases totaled \$106,000. Future minimum lease payments on these leases are as follows:

| Year Ending June 30, | Amount |
|-------------------------|------------|
| 2021 | \$ 185,515 |
| 2022 | \$ 64,896 |
| 2023 | \$ 64,896 |
| 2024 | \$ 64,896 |

NOTE 9 – SUBSEQUENT EVENTS

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

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| District Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------------------------|--|--|---|---|--|----------------------------|--|--|
| 06/30/2015 | 06/30/2014 | 0.0742% | \$ 3,485,544 | \$ - | \$ 3,485,544 | \$ 3,901,247 | 89.34% | 78.70% |
| 06/30/2016 | 06/30/2015 | 0.0707% | \$ 3,664,041 | \$ - | \$ 3,664,041 | \$ 3,774,394 | 97.08% | 78.20% |
| 06/30/2017 | 06/30/2016 | 0.0673% | \$ 5,464,427 | \$ 71,389 | \$ 5,535,816 | \$ 4,176,584 | 130.83% | 68.90% |
| 06/30/2018 | 06/30/2017 | 0.0645% | \$ 4,117,637 | \$ 51,791 | \$ 4,169,428 | \$ 4,156,472 | 99.07% | 75.90% |
| 06/30/2019 | 06/30/2018 | 0.0647% | \$ 3,589,290 | \$ 117,696 | \$ 3,706,986 | \$ 4,356,483 | 82.39% | 79.50% |
| 06/30/2020 | 06/30/2019 | 0.0668% | \$ 3,693,222 | \$ 114,828 | \$ 3,808,050 | \$ 4,715,012 | 78.33% | 80.20% |

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

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|------------------------------------|---|----------------------------------|-----------------|--|
| 06/30/2015 | \$ 278,552 | \$ 278,552 | \$ - | \$ 3,774,394 | 7.38% |
| 06/30/2016 | \$ 308,972 | \$ 308,972 | \$ - | \$ 4,176,584 | 7.40% |
| 06/30/2017 | \$ 311,736 | \$ 311,736 | \$ - | \$ 4,156,472 | 7.50% |
| 06/30/2018 | \$ 326,328 | \$ 326,328 | \$ - | \$ 4,356,483 | 7.49% |
| 06/30/2019 | \$ 353,648 | \$ 353,648 | \$ - | \$ 4,715,012 | 7.50% |
| 06/30/2020 | \$ 350,168 | \$ 350,168 | \$ - | \$ 4,669,182 | 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. 832

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

| District Fiscal Year-End Date | TRA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's 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 | 0.3515% | \$ 16,196,867 | \$ 1,139,345 | \$ 17,336,212 | \$ 16,044,763 | 100.95% | 81.50% |
| 06/30/2016 | 06/30/2015 | 0.3284% | \$ 20,314,788 | \$ 2,491,928 | \$ 22,806,716 | \$ 16,114,607 | 126.06% | 76.80% |
| 06/30/2017 | 06/30/2016 | 0.3363% | \$ 80,215,574 | \$ 8,052,513 | \$ 88,268,087 | \$ 17,491,654 | 458.59% | 44.88% |
| 06/30/2018 | 06/30/2017 | 0.3375% | \$ 67,371,122 | \$ 6,512,110 | \$ 73,883,232 | \$ 18,167,356 | 370.84% | 51.57% |
| 06/30/2019 | 06/30/2018 | 0.3345% | \$ 21,009,731 | \$ 1,973,781 | \$ 22,983,512 | \$ 18,481,913 | 113.68% | 78.07% |
| 06/30/2020 | 06/30/2019 | 0.3172% | \$ 20,218,395 | \$ 1,789,416 | \$ 22,007,811 | \$ 18,018,935 | 112.21% | 78.21% |

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

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|------------------------------------|---|----------------------------------|-----------------|--|
| 06/30/2015 | \$ 1,159,998 | \$ 1,159,998 | \$ - | \$ 16,114,607 | 7.20% |
| 06/30/2016 | \$ 1,310,240 | \$ 1,310,240 | \$ - | \$ 17,491,654 | 7.49% |
| 06/30/2017 | \$ 1,359,847 | \$ 1,359,847 | \$ - | \$ 18,167,356 | 7.49% |
| 06/30/2018 | \$ 1,393,361 | \$ 1,393,361 | \$ - | \$ 18,481,913 | 7.54% |
| 06/30/2019 | \$ 1,389,479 | \$ 1,389,479 | \$ - | \$ 18,018,935 | 7.71% |
| 06/30/2020 | \$ 1,447,430 | \$ 1,447,430 | \$ - | \$ 18,305,143 | 7.91% |

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. 832

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

| | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 160,748 | \$ 105,053 | \$ 146,189 | \$ 145,928 |
| Interest | 77,708 | 80,244 | 56,541 | 61,031 |
| Assumption changes | 64,488 | 166,935 | (97,314) | - |
| Plan changes | - | (68,126) | 440,358 | - |
| Differences between expected and actual experience | - | 112,866 | - | - |
| Benefit payments | (225,761) | (250,888) | (593,442) | (169,143) |
| Other changes | 36,293 | - | - | - |
| Net change in total OPEB liability | <u>113,476</u> | <u>146,084</u> | <u>(47,668)</u> | <u>37,816</u> |
| Total OPEB liability – beginning of year | 2,421,694 | 2,275,610 | 2,323,278 | 2,285,462 |
| Total OPEB liability – end of year | 2,535,170 | 2,421,694 | 2,275,610 | 2,323,278 |
| Plan fiduciary net position | | | | |
| Net investment income | 33,649 | 58,449 | 37,678 | 12,937 |
| Differences between expected and actual experience | (8,568) | - | - | - |
| Benefit payments | (225,762) | (250,888) | (593,442) | (169,143) |
| Administrative expense | (165) | (250) | (250) | (250) |
| Net change in plan fiduciary net position | <u>(200,846)</u> | <u>(192,689)</u> | <u>(556,014)</u> | <u>(156,456)</u> |
| Plan fiduciary net position – beginning of year | <u>1,160,359</u> | <u>1,353,048</u> | <u>1,909,062</u> | <u>2,065,518</u> |
| Plan fiduciary net position – end of year | <u>959,513</u> | <u>1,160,359</u> | <u>1,353,048</u> | <u>1,909,062</u> |
| Net OPEB liability | <u>\$ 1,575,657</u> | <u>\$ 1,261,335</u> | <u>\$ 922,562</u> | <u>\$ 414,216</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>37.85%</u> | <u>47.92%</u> | <u>59.46%</u> | <u>82.17%</u> |
| Covered-employee payroll | <u>\$ 22,446,085</u> | <u>\$ 21,792,316</u> | <u>\$ 21,784,370</u> | <u>\$ 21,064,964</u> |
| Net OPEB liability as a percentage of covered-employee payroll | <u>7.02%</u> | <u>5.79%</u> | <u>4.23%</u> | <u>1.97%</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. 832

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

| <u>Year</u> | <u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u> |
|-------------|--|
| 2017 | 0.60 % |
| 2018 | 2.00 % |
| 2019 | 4.30 % |
| 2020 | 2.20 % |

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

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INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Required Supplementary Information
June 30, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 3.50 percent to 2.90 percent.
- The discount rate was changed from 3.50 percent to 2.90 percent.

2019 CHANGES IN PLAN PROVISIONS

- The severance benefit for the assistant superintendent and the director of business services was moved from an other post-employment benefit to a severance benefit since it is not defined to be paid to a Healthcare Savings Plan. The new superintendent does not have a subsidized post-employment benefit.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The ending-age for valuing implicit dental was increased from 65 to 70 for current retirees based on the average age of current retirees with dental insurance.
- The discount rate and the 20-year municipal bond rate were changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN PLAN PROVISIONS

- An early retirement incentive was given to teachers retiring at the end of the 2017–2018 school year who were over age 55 with at least 15 years of service. Eligible teachers will receive two annual payments of \$10,000 paid to a health reimbursement account (HRA).

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 1.25 percent to 3.50 percent.
- The discount rate was changed from 2.60 percent to 3.50 percent.

INDEPENDENT SCHOOL DISTRICT NO. 832

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 3.00 percent to 2.60 percent.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Special Revenue Funds | | Total |
|--|-----------------------|-------------------|---------------------|
| | Food Service | Community Service | |
| Assets | | | |
| Cash and temporary investments | \$ 251,596 | \$ 678,469 | \$ 930,065 |
| Receivables | | | |
| Current taxes | - | 169,282 | 169,282 |
| Delinquent taxes | - | 2,862 | 2,862 |
| Due from other governmental units | 43,375 | 8,712 | 52,087 |
| Inventory | 12,200 | - | 12,200 |
| Total assets | \$ 307,171 | \$ 859,325 | \$ 1,166,496 |
| Liabilities | | | |
| Salaries payable | \$ - | \$ 23,905 | \$ 23,905 |
| Accounts and contracts payable | 11,850 | 24,963 | 36,813 |
| Due to other governmental units | 51,523 | - | 51,523 |
| Unearned revenue | - | 41,840 | 41,840 |
| Total liabilities | 63,373 | 90,708 | 154,081 |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | - | 319,905 | 319,905 |
| Unavailable revenue – delinquent taxes | - | 2,053 | 2,053 |
| Total deferred inflows of resources | - | 321,958 | 321,958 |
| Fund balances (deficit) | | | |
| Nonspendable for inventory | 12,200 | - | 12,200 |
| Restricted | 231,598 | 535,808 | 767,406 |
| Unassigned | - | (89,149) | (89,149) |
| Total fund balances | 243,798 | 446,659 | 690,457 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 307,171 | \$ 859,325 | \$ 1,166,496 |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Special Revenue Funds | | Total |
|-----------------------------|-----------------------|-------------------|-------------------|
| | Food Service | Community Service | |
| Revenue | | | |
| Local sources | | | |
| Property taxes | \$ - | \$ 303,709 | \$ 303,709 |
| Investment earnings | 3,886 | 7,608 | 11,494 |
| Other | 740,104 | 1,601,400 | 2,341,504 |
| State sources | 41,614 | 89,584 | 131,198 |
| Federal sources | 410,208 | - | 410,208 |
| Total revenue | <u>1,195,812</u> | <u>2,002,301</u> | <u>3,198,113</u> |
| Expenditures | | | |
| Current | | | |
| Food service | 1,236,024 | - | 1,236,024 |
| Community service | - | 1,974,145 | 1,974,145 |
| Capital outlay | <u>20,740</u> | <u>115,926</u> | <u>136,666</u> |
| Total expenditures | <u>1,256,764</u> | <u>2,090,071</u> | <u>3,346,835</u> |
| Net change in fund balances | (60,952) | (87,770) | (148,722) |
| Fund balances | | | |
| Beginning of year | <u>304,750</u> | <u>534,429</u> | <u>839,179</u> |
| End of year | <u>\$ 243,798</u> | <u>\$ 446,659</u> | <u>\$ 690,457</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Assets | | |
| Cash and temporary investments | \$ 5,791,199 | \$ 4,164,833 |
| Receivables | | |
| Current taxes | 5,013,636 | 4,873,539 |
| Delinquent taxes | 80,514 | 78,336 |
| Accounts and interest | 368,146 | 110,555 |
| Due from other funds | 129,236 | 110,887 |
| Due from other governmental units | 3,296,527 | 3,074,834 |
| Prepaid items | <u>17,859</u> | <u>182,562</u> |
| Total assets | <u>\$ 14,697,117</u> | <u>\$ 12,595,546</u> |
| Liabilities | | |
| Salaries payable | \$ 12,597 | \$ 13,325 |
| Accounts and contracts payable | 590,924 | 619,980 |
| Due to other governmental units | 215,085 | 72,136 |
| Unearned revenue | <u>310</u> | <u>2,931</u> |
| Total liabilities | 818,916 | 708,372 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 8,754,310 | 8,663,329 |
| Unavailable revenue – delinquent taxes | <u>56,395</u> | <u>46,384</u> |
| Total deferred inflows of resources | 8,810,705 | 8,709,713 |
| Fund balances | | |
| Nonspendable for prepaid items | 17,859 | 182,562 |
| Restricted for student activities | 155,967 | – |
| Restricted for capital projects levy | 125,126 | 112,295 |
| Restricted for operating capital | 118,476 | 196,170 |
| Restricted for long-term facilities maintenance | 70,553 | 95,949 |
| Restricted for Medical Assistance | 11,426 | – |
| Assigned for separation benefits | 411,852 | 411,850 |
| Assigned for student activities | 69,656 | 170,857 |
| Assigned for quality compensation program | 74,767 | 31,491 |
| Assigned for building carryover | 152,362 | 217,009 |
| Assigned for employee health benefits | 175,000 | – |
| Assigned for donations | 249,806 | – |
| Assigned for budget carryover | – | 76,181 |
| Unassigned | <u>3,434,646</u> | <u>1,683,097</u> |
| Total fund balances | <u>5,067,496</u> | <u>3,177,461</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 14,697,117</u> | <u>\$ 12,595,546</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | 2020 | | 2019 | |
|--|--------------|--------------|------------------------|--------------|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 9,378,112 | \$ 9,355,775 | \$ (22,337) | \$ 8,388,598 |
| Investment earnings | 65,000 | 49,019 | (15,981) | 92,423 |
| Other | 1,375,043 | 1,255,711 | (119,332) | 1,483,091 |
| State sources | 30,448,039 | 30,820,716 | 372,677 | 29,176,581 |
| Federal sources | 726,000 | 794,978 | 68,978 | 734,245 |
| Total revenue | 41,992,194 | 42,276,199 | 284,005 | 39,874,938 |
| Expenditures | | | | |
| Current | | | | |
| Administration | | | | |
| Salaries | 1,297,987 | 1,332,548 | 34,561 | 1,173,258 |
| Employee benefits | 461,052 | 514,057 | 53,005 | 454,113 |
| Purchased services | 75,587 | 46,993 | (28,594) | 54,037 |
| Supplies and materials | 12,600 | 29,346 | 16,746 | 15,326 |
| Capital expenditures | - | - | - | 241 |
| Other expenditures | 46,779 | 45,131 | (1,648) | 39,600 |
| Total administration | 1,894,005 | 1,968,075 | 74,070 | 1,736,575 |
| District support services | | | | |
| Salaries | 533,546 | 507,207 | (26,339) | 605,236 |
| Employee benefits | 170,117 | 238,621 | 68,504 | 139,601 |
| Purchased services | 311,323 | 492,030 | 180,707 | 424,990 |
| Supplies and materials | 8,295 | 8,318 | 23 | 88,948 |
| Capital expenditures | 5,500 | 1,832 | (3,668) | 1,979 |
| Other expenditures | 98,630 | 90,730 | (7,900) | 179,390 |
| Total district support services | 1,127,411 | 1,338,738 | 211,327 | 1,440,144 |
| Elementary and secondary regular instruction | | | | |
| Salaries | 12,790,269 | 12,297,167 | (493,102) | 12,280,409 |
| Employee benefits | 4,946,143 | 4,859,562 | (86,581) | 4,731,031 |
| Purchased services | 1,090,677 | 1,141,109 | 50,432 | 1,031,472 |
| Supplies and materials | 524,275 | 670,869 | 146,594 | 504,188 |
| Capital expenditures | 226,411 | 211,721 | (14,690) | 255,730 |
| Other expenditures | 785,100 | 298,724 | (486,376) | 864,886 |
| Total elementary and secondary regular instruction | 20,362,875 | 19,479,152 | (883,723) | 19,667,716 |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | 2020 | | 2019 | |
|--|------------------|------------------|------------------------|------------------|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Vocational education instruction | | | | |
| Salaries | 452,926 | 450,988 | (1,938) | 320,584 |
| Employee benefits | 155,429 | 167,498 | 12,069 | 137,635 |
| Purchased services | 316,988 | 227,892 | (89,096) | 280,999 |
| Supplies and materials | 7,500 | — | (7,500) | 275 |
| Capital expenditures | 1,000 | 2,309 | 1,309 | 580 |
| Other expenditures | 3,250 | 1,866 | (1,384) | 2,818 |
| Total vocational education instruction | <u>937,093</u> | <u>850,553</u> | <u>(86,540)</u> | <u>742,891</u> |
| Special education instruction | | | | |
| Salaries | 4,828,839 | 4,583,130 | (245,709) | 4,698,335 |
| Employee benefits | 1,924,818 | 1,914,742 | (10,076) | 1,855,108 |
| Purchased services | 471,644 | 405,973 | (65,671) | 495,085 |
| Supplies and materials | 92,071 | 87,608 | (4,463) | 98,821 |
| Capital expenditures | 29,000 | 40,760 | 11,760 | 33,844 |
| Other expenditures | 165,500 | 133,527 | (31,973) | 162,435 |
| Total special education instruction | <u>7,511,872</u> | <u>7,165,740</u> | <u>(346,132)</u> | <u>7,343,628</u> |
| Instructional support services | | | | |
| Salaries | 1,102,497 | 1,139,311 | 36,814 | 1,066,898 |
| Employee benefits | 483,522 | 485,900 | 2,378 | 471,642 |
| Purchased services | 126,600 | 56,882 | (69,718) | 50,302 |
| Supplies and materials | 38,558 | 30,188 | (8,370) | 37,263 |
| Capital expenditures | 5,400 | 13,405 | 8,005 | 13,048 |
| Other expenditures | 6,256 | 4,909 | (1,347) | 4,864 |
| Total instructional support services | <u>1,762,833</u> | <u>1,730,595</u> | <u>(32,238)</u> | <u>1,644,017</u> |
| Pupil support services | | | | |
| Salaries | 909,051 | 929,873 | 20,822 | 857,908 |
| Employee benefits | 382,530 | 361,429 | (21,101) | 352,480 |
| Purchased services | 2,155,514 | 2,116,321 | (39,193) | 2,105,073 |
| Supplies and materials | 65,815 | 51,417 | (14,398) | 12,635 |
| Other expenditures | 6,250 | 10,682 | 4,432 | 10,760 |
| Total pupil support services | <u>3,519,160</u> | <u>3,469,722</u> | <u>(49,438)</u> | <u>3,338,856</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | 2020 | | Over (Under) Budget | 2019 |
|--|-------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Sites and buildings | | | | |
| Salaries | 1,066,061 | 986,792 | (79,269) | 984,060 |
| Employee benefits | 359,953 | 351,245 | (8,708) | 343,007 |
| Purchased services | 1,232,679 | 1,209,345 | (23,334) | 1,178,631 |
| Supplies and materials | 263,116 | 243,648 | (19,468) | 265,860 |
| Capital expenditures | 1,278,313 | 1,467,751 | 189,438 | 1,183,682 |
| Other expenditures | 4,500 | 3,403 | (1,097) | 3,495 |
| Total sites and buildings | <u>4,204,622</u> | <u>4,262,184</u> | <u>57,562</u> | <u>3,958,735</u> |
| Fiscal and other fixed cost programs | | | | |
| Employee benefits | 99,000 | – | (99,000) | – |
| Purchased services | <u>135,500</u> | <u>121,405</u> | <u>(14,095)</u> | <u>130,465</u> |
| Total fiscal and other fixed cost programs | <u>234,500</u> | <u>121,405</u> | <u>(113,095)</u> | <u>130,465</u> |
| Total expenditures | <u>41,554,371</u> | <u>40,386,164</u> | <u>(1,168,207)</u> | <u>40,003,027</u> |
| Net change in fund balances | <u>\$ 437,823</u> | 1,890,035 | <u>\$ 1,452,212</u> | (128,089) |
| Fund balances | | | | |
| Beginning of year | | <u>3,177,461</u> | | <u>3,305,550</u> |
| End of year | | <u>\$ 5,067,496</u> | | <u>\$ 3,177,461</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------------|-------------------|
| Assets | | |
| Cash and temporary investments | \$ 251,596 | \$ 340,174 |
| Receivables | | |
| Accounts and interest receivable | - | 6,058 |
| Due from other governmental units | 43,375 | - |
| Inventory | <u>12,200</u> | <u>12,201</u> |
| Total assets | <u>\$ 307,171</u> | <u>\$ 358,433</u> |
| Liabilities | | |
| Accounts and contracts payable | \$ 11,850 | \$ 528 |
| Due to other governmental units | <u>51,523</u> | <u>53,155</u> |
| Total liabilities | 63,373 | 53,683 |
| Fund balances | | |
| Nonspendable for inventory | 12,200 | 12,201 |
| Restricted for food service | <u>231,598</u> | <u>292,549</u> |
| Total fund balances | <u>243,798</u> | <u>304,750</u> |
| Total liabilities and fund balances | <u>\$ 307,171</u> | <u>\$ 358,433</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | 2020 | | Over (Under) Budget | 2019 |
|------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | \$ 3,800 | \$ 3,886 | \$ 86 | \$ 6,843 |
| Other – primarily meal sales | 1,053,200 | 740,104 | (313,096) | 962,088 |
| State sources | 56,715 | 41,614 | (15,101) | 57,742 |
| Federal sources | 313,500 | 410,208 | 96,708 | 321,393 |
| Total revenue | <u>1,427,215</u> | <u>1,195,812</u> | <u>(231,403)</u> | <u>1,348,066</u> |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 60,000 | 60,000 | – | 77,140 |
| Employee benefits | 14,640 | – | (14,640) | – |
| Purchased services | 679,329 | 622,413 | (56,916) | 643,269 |
| Supplies and materials | 654,550 | 540,037 | (114,513) | 608,251 |
| Other expenditures | 3,250 | 13,574 | 10,324 | 35 |
| Capital outlay | 20,000 | 20,740 | 740 | 15,523 |
| Total expenditures | <u>1,431,769</u> | <u>1,256,764</u> | <u>(175,005)</u> | <u>1,344,218</u> |
| Net change in fund balances | <u>\$ (4,554)</u> | <u>(60,952)</u> | <u>\$ (56,398)</u> | 3,848 |
| Fund balances | | | | |
| Beginning of year | | <u>304,750</u> | | <u>300,902</u> |
| End of year | | <u>\$ 243,798</u> | | <u>\$ 304,750</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Assets | | |
| Cash and temporary investments | \$ 678,469 | \$ 743,823 |
| Receivables | | |
| Current taxes | 169,282 | 159,907 |
| Delinquent taxes | 2,862 | 2,833 |
| Due from other governmental units | <u>8,712</u> | <u>10,376</u> |
| Total assets | <u>\$ 859,325</u> | <u>\$ 916,939</u> |
| Liabilities | | |
| Salaries payable | \$ 23,905 | \$ 13,842 |
| Accounts and contracts payable | 24,963 | 12,841 |
| Unearned revenue | <u>41,840</u> | <u>47,133</u> |
| Total liabilities | 90,708 | 73,816 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 319,905 | 306,908 |
| Unavailable revenue – delinquent taxes | <u>2,053</u> | <u>1,786</u> |
| Total deferred inflows of resources | 321,958 | 308,694 |
| Fund balances (deficit) | | |
| Restricted for community education programs | 349,721 | 332,345 |
| Restricted for early childhood family education programs | 168,638 | 190,852 |
| Restricted for community service | 17,449 | 17,335 |
| Unassigned – school readiness restricted account deficit | <u>(89,149)</u> | <u>(6,103)</u> |
| Total fund balances | <u>446,659</u> | <u>534,429</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 859,325</u> | <u>\$ 916,939</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | 2020 | | Over (Under) Budget | 2019 |
|------------------------------------|------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 305,998 | \$ 303,709 | \$ (2,289) | \$ 273,294 |
| Investment earnings | 12,500 | 7,608 | (4,892) | 13,570 |
| Other – primarily tuition and fees | 1,865,259 | 1,601,400 | (263,859) | 1,907,831 |
| State sources | 91,682 | 89,584 | (2,098) | 109,290 |
| Total revenue | <u>2,275,439</u> | <u>2,002,301</u> | <u>(273,138)</u> | <u>2,303,985</u> |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 1,305,604 | 1,202,609 | (102,995) | 1,256,527 |
| Employee benefits | 344,290 | 365,922 | 21,632 | 385,742 |
| Purchased services | 436,314 | 318,999 | (117,315) | 500,417 |
| Supplies and materials | 81,450 | 58,676 | (22,774) | 79,716 |
| Other expenditures | 17,250 | 27,939 | 10,689 | 19,867 |
| Capital outlay | 47,666 | 115,926 | 68,260 | 142,700 |
| Total expenditures | <u>2,232,574</u> | <u>2,090,071</u> | <u>(142,503)</u> | <u>2,384,969</u> |
| Net change in fund balances | <u>\$ 42,865</u> | <u>(87,770)</u> | <u>\$ (130,635)</u> | <u>(80,984)</u> |
| Fund balances | | | | |
| Beginning of year | | <u>534,429</u> | | <u>615,413</u> |
| End of year | | <u>\$ 446,659</u> | | <u>\$ 534,429</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-----------------------|-------------------------|
| Assets | | |
| Cash and temporary investments | <u>\$ 13</u> | <u>\$ 2,096</u> |
| Liabilities | | |
| Accounts and contracts payable | \$ – | \$ 2,083 |
| Fund balances | | |
| Restricted for building construction | <u> 13</u> | <u> 13</u> |
| Total liabilities and fund balances | <u>\$ 13</u> | <u>\$ 2,096</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

Capital Projects – Building Construction Fund
 Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|-------------------------------|-------------------------------|
| Revenue | | |
| Local sources | | |
| Investment earnings | \$ – | \$ – |
| Expenditures | | |
| Capital outlay | | |
| Capital expenditures | <u> –</u> | <u> 4,325</u> |
| Net change in fund balances | – | (4,325) |
| Fund balances | | |
| Beginning of year | <u> 13</u> | <u> 4,338</u> |
| End of year | <u><u> \$ 13</u></u> | <u><u> \$ 13</u></u> |

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INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Regular | OPEB | Totals | |
|---|-------------------------|-------------------------|---------------------|---------------------|
| | Debt Service Account | Debt Service Account | 2020 | 2019 |
| Assets | | | | |
| Cash and temporary investments | \$ 3,233,124 | \$ 214,578 | \$ 3,447,702 | \$ 3,519,582 |
| Receivables | | | | |
| Current taxes | 2,500,518 | 168,343 | 2,668,861 | 2,640,757 |
| Delinquent taxes | 48,066 | 3,252 | 51,318 | 50,818 |
| Due from other governmental units | 2,409 | 21 | 2,430 | 11,546 |
| Prepaid items | — | — | — | 500 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 5,784,117</u> | <u>\$ 386,194</u> | <u>\$ 6,170,311</u> | <u>\$ 6,223,203</u> |
| Deferred inflows of resources | | | | |
| Property taxes levied for subsequent year | \$ 4,704,089 | \$ 318,130 | \$ 5,022,219 | \$ 5,049,078 |
| Unavailable revenue – delinquent taxes | 34,144 | 2,327 | 36,471 | 31,636 |
| Total deferred inflows of resources | <u>4,738,233</u> | <u>320,457</u> | <u>5,058,690</u> | <u>5,080,714</u> |
| Fund balances | | | | |
| Nonspendable for prepaid items | — | — | — | 500 |
| Restricted for debt service | 1,045,884 | 65,737 | 1,111,621 | 1,141,989 |
| Total fund balances | <u>1,045,884</u> | <u>65,737</u> | <u>1,111,621</u> | <u>1,142,489</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources, and fund balances | <u>\$ 5,784,117</u> | <u>\$ 386,194</u> | <u>\$ 6,170,311</u> | <u>\$ 6,223,203</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Budget | 2020 Actual | |
|-----------------------------|------------------|------------------------------------|---------------------------------|
| | | Regular Debt Service Account | OPEB Debt Service Account |
| Revenue | | | |
| Local sources | | | |
| Property taxes | \$ 5,068,629 | \$ 4,665,013 | \$ 318,726 |
| Investment earnings | 27,500 | 25,237 | 3,575 |
| State sources | 53,750 | 24,348 | 231 |
| Total revenue | <u>5,149,879</u> | <u>4,714,598</u> | <u>322,532</u> |
| Expenditures | | | |
| Debt service | | | |
| Principal | 2,995,000 | 2,745,000 | 250,000 |
| Interest | 2,070,573 | 1,998,890 | 71,633 |
| Fiscal charges and other | 5,000 | 2,000 | 475 |
| Total expenditures | <u>5,070,573</u> | <u>4,745,890</u> | <u>322,108</u> |
| Net change in fund balances | <u>\$ 79,306</u> | (31,292) | 424 |
| Fund balances | | | |
| Beginning of year | | <u>1,077,176</u> | <u>65,313</u> |
| End of year | | <u>\$ 1,045,884</u> | <u>\$ 65,737</u> |

| | | 2019 | |
|---------------------|------------------------|---------------------|--|
| Total | Over (Under) Budget | Actual | |
| \$ 4,983,739 | \$ (84,890) | \$ 4,987,272 | |
| 28,812 | 1,312 | 57,711 | |
| 24,579 | (29,171) | 115,597 | |
| <u>5,037,130</u> | <u>(112,749)</u> | <u>5,160,580</u> | |
| 2,995,000 | – | 2,910,000 | |
| 2,070,523 | (50) | 2,178,682 | |
| 2,475 | (2,525) | 4,186 | |
| <u>5,067,998</u> | <u>(2,575)</u> | <u>5,092,868</u> | |
| (30,868) | <u>\$ (110,174)</u> | 67,712 | |
| <u>1,142,489</u> | | <u>1,074,777</u> | |
| <u>\$ 1,111,621</u> | | <u>\$ 1,142,489</u> | |

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SECTION III – STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 832's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Fiscal Year | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2012 | 2013 | 2014 |
| Governmental activities | | | | |
| Net investment in capital assets | \$ 4,930,599 | \$ 7,391,507 | \$ 10,124,781 | \$ 11,471,462 |
| Restricted | 1,851,917 | 1,832,561 | 1,326,867 | 1,432,599 |
| Unrestricted | 3,829,155 | 4,912,411 | 6,315,581 | 4,956,252 |
| Total governmental activities net position | \$ 10,611,671 | \$ 14,136,479 | \$ 17,767,229 | \$ 17,860,313 |

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$22.85 million.

Note 2: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$1.96 million.

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 12,905,622 | \$ 14,765,621 | \$ 15,992,115 | \$ 17,152,606 | \$ 18,587,875 | \$ 20,334,346 |
| 1,800,899 | 1,243,525 | 1,325,088 | 1,614,396 | 1,592,858 | 1,533,781 |
| (19,173,033) | (18,104,962) | (30,691,596) | (43,309,814) | (35,132,513) | (35,345,374) |
| <u>\$ (4,466,512)</u> | <u>\$ (2,095,816)</u> | <u>\$ (13,374,393)</u> | <u>\$ (24,542,812)</u> | <u>\$ (14,951,780)</u> | <u>\$ (13,477,247)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Fiscal Year | | | |
|--|---------------------|---------------------|---------------------|-------------------|
| | 2011 | 2012 | 2013 | 2014 |
| Governmental activities | | | | |
| Expenses | | | | |
| Administration | \$ 1,421,436 | \$ 1,546,258 | \$ 1,511,321 | \$ 1,738,890 |
| District support services | 1,084,293 | 1,118,406 | 1,108,193 | 1,292,932 |
| Elementary and secondary regular instruction | 15,650,000 | 16,100,509 | 16,395,507 | 17,359,798 |
| Vocational education instruction | 554,901 | 631,536 | 589,598 | 604,895 |
| Special education instruction | 5,622,043 | 5,935,824 | 5,549,173 | 5,644,383 |
| Instructional support services | 1,207,740 | 1,229,749 | 1,166,442 | 1,532,351 |
| Pupil support services | 2,210,751 | 2,300,874 | 2,415,677 | 2,520,949 |
| Sites and buildings | 3,325,449 | 2,594,788 | 3,153,908 | 4,541,235 |
| Fiscal and other fixed cost programs | 78,236 | 90,186 | 91,036 | 107,460 |
| Food service | 1,365,723 | 1,336,047 | 1,344,172 | 1,368,529 |
| Community service | 1,925,624 | 1,937,540 | 1,891,568 | 2,091,210 |
| Depreciation not allocated to other functions | 811,651 | 810,300 | 798,582 | 750,341 |
| Interest and fiscal charges | 3,570,479 | 3,646,143 | 3,124,634 | 2,993,178 |
| Total governmental activities expenses | <u>38,828,326</u> | <u>39,278,160</u> | <u>39,139,811</u> | <u>42,546,151</u> |
| Program revenues | | | | |
| Charges for services | | | | |
| Elementary and secondary regular instruction | 251,679 | 334,492 | 416,958 | 367,243 |
| Special education instruction | 8,065 | - | - | - |
| Instructional support services | - | - | - | - |
| Pupil support services | - | 21,583 | - | 19,664 |
| Sites and buildings | 65,348 | 58,226 | - | 59,503 |
| Food service | 1,106,562 | 1,140,790 | 1,082,042 | 1,008,616 |
| Community service | 1,574,045 | 1,594,363 | 1,601,631 | 1,792,572 |
| Operating grants and contributions | 4,795,505 | 4,285,586 | 4,295,757 | 3,938,358 |
| Capital grants and contributions | 147,291 | 22,459 | 801,049 | 1,352,365 |
| Total governmental activities program revenues | <u>7,948,495</u> | <u>7,457,499</u> | <u>8,197,437</u> | <u>8,538,321</u> |
| Net (expense) revenue | (30,879,831) | (31,820,661) | (30,942,374) | (34,007,830) |
| General revenues and other changes in net position | | | | |
| Taxes | | | | |
| Property taxes, levied for general purposes | 8,815,494 | 6,195,570 | 5,858,242 | 3,589,054 |
| Property taxes, levied for community service | 420,166 | 260,330 | 269,427 | 141,468 |
| Property taxes, levied for debt service | 3,557,272 | 5,001,333 | 5,429,196 | 4,854,537 |
| General grants and aids | 17,941,558 | 22,558,387 | 21,352,625 | 24,487,681 |
| Other general revenues | 1,110,591 | 1,183,197 | 1,589,347 | 1,014,673 |
| Gain on sale of capital assets | - | - | - | - |
| Investment earnings | 236,949 | 146,652 | 74,287 | 13,501 |
| Total general revenues and other changes in net position | <u>32,082,030</u> | <u>35,345,469</u> | <u>34,573,124</u> | <u>34,100,914</u> |
| Change in net position | <u>\$ 1,202,199</u> | <u>\$ 3,524,808</u> | <u>\$ 3,630,750</u> | <u>\$ 93,084</u> |

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----|-------------------|---------------------|-----------------------|------------------------|---------------------|---------------------|
| \$ | 1,655,841 | \$ 1,619,612 | \$ 2,389,784 | \$ 2,402,693 | \$ 1,318,479 | \$ 2,085,841 |
| | 1,649,503 | 1,131,424 | 1,321,965 | 1,511,534 | 1,383,764 | 1,353,272 |
| | 18,248,216 | 18,653,040 | 26,880,726 | 27,200,155 | 13,688,037 | 20,931,554 |
| | 497,700 | 527,083 | 830,853 | 1,122,590 | 559,872 | 883,650 |
| | 5,748,810 | 6,321,217 | 9,098,090 | 9,191,728 | 5,454,302 | 7,676,376 |
| | 1,666,593 | 1,857,995 | 2,002,692 | 1,985,912 | 1,411,241 | 1,803,914 |
| | 2,489,090 | 2,697,078 | 3,329,970 | 3,553,250 | 2,999,858 | 3,568,833 |
| | 3,728,643 | 4,740,775 | 4,842,234 | 5,221,236 | 4,749,556 | 5,005,374 |
| | 110,258 | 115,640 | 127,338 | 123,860 | 130,465 | 121,405 |
| | 1,398,475 | 1,432,468 | 1,430,195 | 1,350,209 | 1,301,930 | 1,268,643 |
| | 1,718,100 | 1,889,306 | 2,219,940 | 2,384,050 | 2,091,177 | 1,973,416 |
| | 750,341 | 749,146 | 734,936 | 1,125,891 | 1,125,891 | 1,118,675 |
| | 2,580,364 | 1,617,812 | 1,616,865 | 1,439,989 | 1,401,844 | 1,283,393 |
| | <u>42,241,934</u> | <u>43,352,596</u> | <u>56,825,588</u> | <u>58,613,097</u> | <u>37,616,416</u> | <u>49,074,346</u> |
| | 343,355 | 421,300 | 389,147 | 407,701 | 391,913 | 285,207 |
| | — | — | — | — | — | — |
| | — | 870 | 1,439 | 1,297 | 917 | 1,232 |
| | 4,280 | 21,397 | 21,996 | 18,622 | 23,392 | 5,353 |
| | 70,578 | 73,946 | 71,293 | 63,252 | — | — |
| | 1,081,008 | 1,035,277 | 942,204 | 994,770 | 962,054 | 739,569 |
| | 1,501,089 | 1,576,585 | 1,787,189 | 1,867,091 | 1,921,399 | 1,601,400 |
| | 3,303,034 | 3,903,503 | 4,430,112 | 4,241,381 | 4,104,156 | 5,140,174 |
| | 377,865 | — | — | — | — | — |
| | <u>6,681,209</u> | <u>7,032,878</u> | <u>7,643,380</u> | <u>7,594,114</u> | <u>7,403,831</u> | <u>7,772,935</u> |
| | (35,560,725) | (36,319,718) | (49,182,208) | (51,018,983) | (30,212,585) | (41,301,411) |
| | 5,444,375 | 7,112,358 | 8,086,584 | 8,040,986 | 8,395,688 | 9,365,786 |
| | 285,295 | 262,629 | 257,209 | 275,835 | 273,636 | 303,976 |
| | 5,372,947 | 5,266,374 | 5,249,690 | 5,206,265 | 4,990,743 | 4,988,574 |
| | 23,240,959 | 24,822,060 | 25,182,239 | 25,232,775 | 24,919,668 | 27,051,916 |
| | 1,726,882 | 1,197,349 | 946,821 | 983,144 | 1,053,335 | 964,454 |
| | — | 5,554 | 1,662 | — | — | — |
| | 13,216 | 24,090 | 137,938 | 111,559 | 170,547 | 101,238 |
| | <u>36,083,674</u> | <u>38,690,414</u> | <u>39,862,143</u> | <u>39,850,564</u> | <u>39,803,617</u> | <u>42,775,944</u> |
| \$ | <u>522,949</u> | <u>\$ 2,370,696</u> | <u>\$ (9,320,065)</u> | <u>\$ (11,168,419)</u> | <u>\$ 9,591,032</u> | <u>\$ 1,474,533</u> |

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INDEPENDENT SCHOOL DISTRICT NO. 832

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

| Fiscal Year | Property Tax | | | Total |
|----------------|---------------------|----------------------|-----------------|---------------|
| | General Purposes | Community Service | Debt Service | |
| 2011 | \$ 8,815,494 | \$ 420,166 | \$ 3,557,272 | \$ 12,792,932 |
| 2012 | 6,195,570 | 260,330 | 5,001,333 | 11,457,233 |
| 2013 | 5,858,242 | 269,427 | 5,429,196 | 11,556,865 |
| 2014 | 3,589,054 | 141,468 | 4,854,537 | 8,585,059 |
| 2015 | 5,444,375 | 285,295 | 5,372,947 | 11,102,617 |
| 2016 | 7,112,358 | 262,629 | 5,266,374 | 12,641,361 |
| 2017 | 8,086,584 | 257,209 | 5,249,690 | 13,593,483 |
| 2018 | 8,040,986 | 275,835 | 5,206,265 | 13,523,086 |
| 2019 | 8,395,688 | 273,636 | 4,990,743 | 13,660,067 |
| 2020 | 9,365,786 | 303,976 | 4,988,574 | 14,658,336 |

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

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Fiscal Year | | | |
|------------------------------------|----------------------|----------------------|----------------------|---------------------|
| | 2011 | 2012 | 2013 | 2014 |
| General Fund | | | | |
| Nonspendable | \$ 11,999 | \$ 3,417 | \$ 6,272 | \$ 11,571 |
| Restricted | 1,164,796 | 1,289,271 | 1,128,357 | 1,387,230 |
| Assigned | 966,193 | 1,516,438 | 2,675,784 | 2,228,509 |
| Unassigned | <u>3,473,433</u> | <u>4,237,671</u> | <u>3,678,128</u> | <u>3,433,899</u> |
| Total General Fund | <u>\$ 5,616,421</u> | <u>\$ 7,046,797</u> | <u>\$ 7,488,541</u> | <u>\$ 7,061,209</u> |
| All other governmental funds | | | | |
| Nonspendable | \$ 12,969 | \$ 10,689 | \$ 26,377 | \$ 20,889 |
| Restricted | 44,821,615 | 20,168,518 | 3,081,611 | 1,257,494 |
| Unassigned | <u>-</u> | <u>-</u> | <u>(3,617)</u> | <u>(3,621)</u> |
| Total all other governmental funds | <u>\$ 44,834,584</u> | <u>\$ 20,179,207</u> | <u>\$ 3,104,371</u> | <u>\$ 1,274,762</u> |
| Total all governmental funds | <u>\$ 50,451,005</u> | <u>\$ 27,226,004</u> | <u>\$ 10,592,912</u> | <u>\$ 8,335,971</u> |

Note: The District implemented GASB Statement No. 54 in fiscal 2011. The new fund balance classifications under GASB Statement No. 54 are not available for previous fiscal years.

| <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 55,608 | \$ 25,573 | \$ 8,938 | \$ 193,907 | \$ 182,562 | \$ 17,859 |
| 944,315 | 438,515 | 379,654 | 409,709 | 404,413 | 481,548 |
| 1,443,870 | 1,428,890 | 1,465,000 | 974,520 | 907,388 | 1,133,443 |
| <u>2,918,858</u> | <u>3,527,966</u> | <u>3,108,917</u> | <u>1,727,414</u> | <u>1,683,097</u> | <u>3,434,646</u> |
| <u>\$ 5,362,651</u> | <u>\$ 5,420,944</u> | <u>\$ 4,962,509</u> | <u>\$ 3,305,550</u> | <u>\$ 3,177,460</u> | <u>\$ 5,067,496</u> |
| \$ 22,060 | \$ 16,943 | \$ 20,924 | \$ 18,472 | \$ 12,701 | \$ 12,200 |
| 2,810,505 | 8,964,564 | 4,546,188 | 1,982,078 | 1,975,084 | 1,879,040 |
| <u>(29,567)</u> | <u>(54,383)</u> | <u>(50,387)</u> | <u>(5,120)</u> | <u>(6,103)</u> | <u>(89,149)</u> |
| <u>\$ 2,802,998</u> | <u>\$ 8,927,124</u> | <u>\$ 4,516,725</u> | <u>\$ 1,995,430</u> | <u>\$ 1,981,682</u> | <u>\$ 1,802,091</u> |
| <u>\$ 8,165,649</u> | <u>\$ 14,348,068</u> | <u>\$ 9,479,234</u> | <u>\$ 5,300,980</u> | <u>\$ 5,159,142</u> | <u>\$ 6,869,587</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Fiscal Year | | | |
|--|----------------------|------------------------|------------------------|-----------------------|
| | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 12,799,313 | \$ 11,475,211 | \$ 11,597,536 | \$ 8,661,833 |
| Investment earnings | 236,949 | 146,652 | 74,287 | 13,501 |
| Other | 4,556,956 | 4,332,651 | 4,586,094 | 4,874,415 |
| State sources | 21,113,446 | 24,328,711 | 24,663,778 | 27,513,894 |
| Federal sources | 1,330,242 | 2,537,721 | 1,889,537 | 1,652,217 |
| Total revenues | <u>40,036,906</u> | <u>42,820,946</u> | <u>42,811,232</u> | <u>42,715,860</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 1,409,698 | 1,517,549 | 1,498,957 | 1,579,423 |
| District support services | 1,069,135 | 1,111,583 | 1,105,537 | 1,237,512 |
| Elementary and secondary regular instruction | 15,539,417 | 16,062,922 | 16,471,615 | 17,194,673 |
| Vocational education instruction | 554,901 | 631,536 | 592,392 | 597,955 |
| Special education instruction | 5,612,424 | 5,930,353 | 5,578,169 | 5,572,283 |
| Instructional support services | 1,154,102 | 1,172,604 | 1,141,933 | 1,482,572 |
| Pupil support services | 2,199,954 | 2,288,445 | 2,414,068 | 2,492,164 |
| Sites and buildings | 3,187,894 | 2,974,967 | 3,492,827 | 4,057,652 |
| Fiscal and other fixed cost programs | 78,236 | 82,180 | 91,036 | 107,460 |
| Food service | 1,326,833 | 1,323,785 | 1,327,535 | 1,371,286 |
| Community service | 1,891,880 | 1,937,526 | 1,870,718 | 2,091,355 |
| Capital outlay | 10,282,789 | 15,350,154 | 17,683,508 | 1,512,450 |
| Debt service | | | | |
| Principal | 3,050,000 | 3,195,000 | 3,315,000 | 3,375,000 |
| Interest and fiscal charges | 2,401,746 | 3,499,337 | 2,861,379 | 2,806,350 |
| Total expenditures | <u>49,759,009</u> | <u>57,077,941</u> | <u>59,444,674</u> | <u>45,478,135</u> |
| Excess of revenues over (under) expenditures | (9,722,103) | (14,256,995) | (16,633,442) | (2,762,275) |
| Other financing sources (uses) | | | | |
| Debt issued (bonds, COP, and leases) | 45,000,000 | 2,135,000 | - | - |
| Premium (discount) on debt issued | (14,423) | (8,006) | - | - |
| Payment on refunding bonds | - | (11,095,000) | - | - |
| Sale of capital assets | - | - | 350 | 505,334 |
| Total other financing sources (uses) | <u>44,985,577</u> | <u>(8,968,006)</u> | <u>350</u> | <u>505,334</u> |
| Net change in fund balances | <u>\$ 35,263,474</u> | <u>\$ (23,225,001)</u> | <u>\$ (16,633,092)</u> | <u>\$ (2,256,941)</u> |
| Debt service as a percentage of noncapital expenditures | <u>13.8%</u> | <u>16.0%</u> | <u>14.8%</u> | <u>14.1%</u> |

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----|-------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|
| \$ | 11,146,001 | \$ 13,333,149 | \$ 13,576,488 | \$ 13,526,230 | \$ 13,649,164 | \$ 14,643,223 |
| | 13,216 | 24,090 | 137,938 | 111,559 | 170,547 | 89,325 |
| | 4,690,566 | 4,323,233 | 4,159,406 | 4,335,877 | 4,353,010 | 3,597,215 |
| | 25,662,936 | 27,086,413 | 27,477,950 | 28,245,477 | 29,459,210 | 30,976,493 |
| | 1,245,847 | 951,766 | 1,124,513 | 1,219,444 | 1,055,638 | 1,205,186 |
| | <u>42,758,566</u> | <u>45,718,651</u> | <u>46,476,295</u> | <u>47,438,587</u> | <u>48,687,569</u> | <u>50,511,442</u> |
| | 1,625,130 | 1,752,516 | 1,720,341 | 1,905,703 | 1,736,575 | 1,968,075 |
| | 1,629,882 | 1,150,350 | 1,283,621 | 1,507,137 | 1,440,144 | 1,338,738 |
| | 18,275,458 | 19,288,869 | 19,624,166 | 19,972,080 | 19,667,716 | 19,479,152 |
| | 489,000 | 528,338 | 645,529 | 934,483 | 742,891 | 850,553 |
| | 5,713,305 | 6,343,824 | 6,838,551 | 6,998,277 | 7,343,628 | 7,165,740 |
| | 1,615,312 | 1,666,024 | 1,691,952 | 1,649,016 | 1,644,017 | 1,730,595 |
| | 2,477,437 | 2,695,742 | 2,863,652 | 3,165,217 | 3,338,856 | 3,469,722 |
| | 3,176,091 | 3,517,883 | 3,312,184 | 3,667,550 | 3,958,735 | 4,262,184 |
| | 110,258 | 115,640 | 119,422 | 123,860 | 130,465 | 121,405 |
| | 1,352,306 | 1,377,841 | 1,401,390 | 1,332,914 | 1,328,695 | 1,236,024 |
| | 1,678,916 | 1,890,419 | 1,896,115 | 2,122,401 | 2,242,269 | 1,974,145 |
| | 13,396 | 1,764,359 | 4,353,617 | 2,423,773 | 162,548 | 136,666 |
| | 3,830,000 | 2,965,000 | 2,885,000 | 3,135,000 | 2,910,000 | 2,995,000 |
| | 3,049,341 | 2,269,320 | 2,371,251 | 2,348,963 | 2,182,868 | 2,072,998 |
| | <u>45,035,832</u> | <u>47,326,125</u> | <u>51,006,791</u> | <u>51,286,374</u> | <u>48,829,407</u> | <u>48,800,997</u> |
| | (2,277,266) | (1,607,474) | (4,530,496) | (3,847,787) | (141,838) | 1,710,445 |
| | 39,315,000 | 7,640,000 | - | - | - | - |
| | 7,791,412 | 484,339 | - | - | - | - |
| | (45,000,000) | (340,000) | (340,000) | (340,000) | - | - |
| | 532 | 5,554 | 1,662 | - | - | - |
| | <u>2,106,944</u> | <u>7,789,893</u> | <u>(338,338)</u> | <u>(340,000)</u> | <u>-</u> | <u>-</u> |
| \$ | <u>(170,322)</u> | <u>\$ 6,182,419</u> | <u>\$ (4,868,834)</u> | <u>\$ (4,187,787)</u> | <u>\$ (141,838)</u> | <u>\$ 1,710,445</u> |
| | <u>15.3%</u> | <u>11.5%</u> | <u>11.3%</u> | <u>11.2%</u> | <u>10.6%</u> | <u>10.6%</u> |

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INDEPENDENT SCHOOL DISTRICT NO. 832

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

| Fiscal Year | Property Tax | | | | Total |
|-------------|--------------|--|-------------------|---------------|-------|
| | General Fund | Community Service Special Revenue Fund | Debt Service Fund | | |
| 2011 | \$ 8,822,194 | \$ 420,456 | \$ 3,556,663 | \$ 12,799,313 | |
| 2012 | 6,218,295 | 261,680 | 4,995,236 | 11,475,211 | |
| 2013 | 5,886,674 | 270,687 | 5,440,175 | 11,597,536 | |
| 2014 | 3,631,539 | 143,271 | 4,887,023 | 8,661,833 | |
| 2015 | 5,472,218 | 286,345 | 5,387,438 | 11,146,001 | |
| 2016 | 7,795,116 | 263,302 | 5,274,731 | 13,333,149 | |
| 2017 | 8,080,579 | 247,053 | 5,248,856 | 13,576,488 | |
| 2018 | 8,042,652 | 275,844 | 5,207,734 | 13,526,230 | |
| 2019 | 8,388,598 | 273,294 | 4,987,272 | 13,649,164 | |
| 2020 | 9,355,775 | 303,709 | 4,983,739 | 14,643,223 | |

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

INDEPENDENT SCHOOL DISTRICT NO. 832

Tax Capacities and Market Values
Last Ten Fiscal Years

| For Taxes Collectible | Tax Capacity Valuation | | | |
|--------------------------|------------------------|-----------------|--------------------|--------------|
| | Agricultural | Nonagricultural | Fiscal Disparities | |
| | | | Contribution | Distribution |
| 2011 | \$ 357,247 | \$ 21,828,042 | \$ (709,643) | \$ 1,579,257 |
| 2012 | 302,705 | 20,077,146 | (730,204) | 1,351,264 |
| 2013 | 305,768 | 18,973,580 | (709,992) | 1,212,676 |
| 2014 | 319,088 | 19,018,799 | (699,823) | 1,190,248 |
| 2015 | 374,500 | 20,406,646 | (695,612) | 1,264,879 |
| 2016 | 361,716 | 21,644,421 | (646,439) | 1,291,826 |
| 2017 | 371,984 | 22,224,920 | (705,658) | 1,355,452 |
| 2018 | 378,365 | 23,617,568 | (706,319) | 1,439,349 |
| 2019 | 384,797 | 24,361,946 | (739,621) | 1,539,746 |
| 2020 | 377,851 | 25,925,374 | (768,851) | 1,664,067 |

Source: State of Minnesota School Tax Report

| <u>Tax Increment</u> | <u>Total Taxable</u> | <u>Total Direct Tax Rate</u> | <u>Taxable Market Value</u> | <u>Tax Capacity as a Percentage of Market Value</u> |
|----------------------|----------------------|----------------------------------|---------------------------------|---|
| \$ (146,708) | \$ 22,908,195 | 34.33 % | \$ 2,038,980,800 | 1.12 % |
| (146,528) | 20,854,383 | 38.36 | 1,871,295,400 | 1.11 |
| (79,930) | 19,702,102 | 37.11 | 1,771,070,400 | 1.11 |
| (87,146) | 19,741,166 | 39.77 | 1,781,601,200 | 1.11 |
| (86,939) | 21,263,474 | 34.50 | 1,925,324,900 | 1.10 |
| (1,776) | 22,649,748 | 34.11 | 2,040,219,100 | 1.11 |
| (220) | 23,246,478 | 34.09 | 2,085,503,900 | 1.11 |
| (230) | 24,728,733 | 32.16 | 2,196,603,700 | 1.13 |
| (226) | 25,546,642 | 31.89 | 2,265,402,400 | 1.13 |
| (212) | 27,198,229 | 29.93 | 2,400,602,400 | 1.13 |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| Rate | Tax Collection Calendar Year | ISD No. 832 | Overlapping Rates Municipalities | | | | |
|-------------------|---------------------------------------|-------------|-------------------------------------|----------|-----------------|---------|---------|
| | | | Mahtomedi | Dellwood | Pine Springs | Hugo | Grant |
| Tax capacity rate | 2011 | 34.330% | 31.385% | 9.331% | 6.527% | 34.251% | 11.092% |
| Market value rate | 2011 | 0.18434% | – | – | – | – | – |
| Tax capacity rate | 2012 | 38.360% | 33.663% | 10.578% | 7.157% | 36.462% | 14.780% |
| Market value rate | 2012 | 0.18734% | – | – | – | – | – |
| Tax capacity rate | 2013 | 37.110% | 34.891% | 11.400% | 7.893% | 36.466% | 14.539% |
| Market value rate | 2013 | 0.18223% | – | – | – | – | – |
| Tax capacity rate | 2014 | 39.770% | 36.374% | 17.877% | 7.449% | 36.374% | 14.601% |
| Market value rate | 2014 | 0.16871% | – | – | – | – | – |
| Tax capacity rate | 2015 | 34.500% | 38.018% | 17.851% | 6.849% | 36.319% | 13.336% |
| Market value rate | 2015 | 0.16222% | – | – | – | – | – |
| Tax capacity rate | 2016 | 34.110% | 34.657% | 16.756% | 7.234% | 36.322% | 13.755% |
| Market value rate | 2016 | 0.26630% | – | – | – | – | – |
| Tax capacity rate | 2017 | 34.090% | 37.560% | 15.100% | 9.110% | 36.360% | 13.790% |
| Market value rate | 2017 | 0.25378% | – | – | – | – | – |
| Tax capacity rate | 2018 | 32.160% | 36.374% | 17.877% | 7.449% | 36.374% | 14.601% |
| Market value rate | 2018 | 0.24118% | – | – | – | – | – |
| Tax capacity rate | 2019 | 31.890% | 38.890% | 10.360% | 9.290% | 36.270% | 13.920% |
| Market value rate | 2019 | 0.27420% | – | – | – | – | – |
| Tax capacity rate | 2020 | 29.930% | 36.470% | 21.000% | 9.130% | 39.280% | 13.090% |
| Market value rate | 2020 | 0.25900% | – | – | – | – | – |

Source: Washington County Tax Rates

| White Bear Township | Willernie | Lake Elmo | Birchwood Village | Washington County | Total Mahtomedi Resident |
|------------------------|-----------|-----------|----------------------|----------------------|--------------------------------|
| 18.107% | 37.534% | 21.816% | 24.322% | 29.689% | 95.404% |
| - | - | - | - | 0.00338% | 0.18773% |
| 19.882% | 47.402% | 27.256% | 25.301% | 31.928% | 103.951% |
| - | - | - | - | 0.00180% | 0.18914% |
| 21.466% | 51.543% | 28.448% | 27.609% | 34.189% | 106.190% |
| - | - | - | - | 0.00191% | 0.18414% |
| 21.139% | 52.135% | 27.754% | 27.011% | 32.751% | 108.895% |
| - | - | - | - | 0.00448% | 0.17320% |
| 20.300% | 45.150% | 23.792% | 27.631% | 30.173% | 102.691% |
| - | - | - | - | 0.00401% | 0.16623% |
| 19.690% | 53.691% | 23.120% | 23.893% | 30.563% | 99.330% |
| - | - | - | - | 0.00390% | 0.27020% |
| 18.970% | 48.810% | 20.010% | 24.300% | 30.434% | 102.084% |
| - | - | - | - | 0.00378% | 0.25756% |
| 21.139% | 52.135% | 7.754% | 27.011% | 32.751% | 101.285% |
| - | - | - | - | 0.00448% | 0.24566% |
| 20.190% | 48.210% | 22.930% | 23.010% | 29.680% | 100.460% |
| - | - | - | - | 0.00330% | 0.27750% |
| 20.620% | 46.040% | 23.480% | 28.070% | 28.940% | 95.340% |
| - | - | - | - | 0.00341% | 0.26241% |

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INDEPENDENT SCHOOL DISTRICT NO. 832

Principal Property Taxpayers
Current Year and Nine Years Ago

| Taxpayer | 2020 | | | 2011 | | |
|------------------------------------|----------------------|------|--|----------------------|------|--|
| | Net Tax Capacity | Rank | Percentage of Total City Tax Capacity Value | Net Tax Capacity | Rank | Percentage of Total City Tax Capacity Value |
| PSA Housing/Assist Living Inc | \$ 206,009 | 1 | 1.73 % | \$ 146,378 | 2 | 1.23 % |
| Xcel Energy | 195,550 | 2 | 1.64 | 97,966 | 4 | 0.82 |
| FedEx Ground Packaging System | 189,016 | 3 | 1.59 | 165,498 | 1 | 1.39 |
| P-4 Properties, LLC | 115,542 | 4 | 0.97 | 113,538 | 3 | 0.95 |
| Flex Holding LLC | 63,678 | 5 | 0.54 | – | – | – |
| Murray Properties, LLC | 62,506 | 6 | 0.53 | – | – | – |
| Briarcliff of Mahtomedi | 58,237 | 7 | 0.49 | – | – | – |
| Lincoln HKM | 54,580 | 8 | 0.46 | – | – | – |
| Wixie LLC | 51,586 | 9 | 0.43 | 46,380 | 8 | 0.39 |
| 592 Investments LLC | 41,288 | 10 | 0.35 | – | – | – |
| Wedgewood Village, LLC | – | – | – | 75,860 | 5 | 0.64 |
| Park Tool | – | – | – | 56,188 | 6 | 0.47 |
| NCSM Wedgewood Village I LLC | – | – | – | 50,042 | 7 | 0.42 |
| Lincoln Square Limited Partnership | – | – | – | 42,226 | 9 | 0.36 |
| Landmark Dev. Group | – | – | – | 42,086 | 10 | 0.35 |
| Total | <u>\$ 1,037,992</u> | | <u>8.73 %</u> | <u>\$ 836,162</u> | | <u>7.03 %</u> |
| Total all property | <u>\$ 11,892,117</u> | | | <u>\$ 11,162,042</u> | | |

Source: City of Mahtomedi

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| For Taxes Collectible | Original Levy | | | | Collections | |
|--------------------------|---------------|-----------------------|--------------------------|---------------|----------------------------|-----------------------|
| | Local Spread | Fiscal Disparities | Tax Credits and Other | Total Spread | First Year Levy Recognized | |
| | | | | | Amount | Percentage of Levy |
| 2011 | \$ 10,861,493 | \$ 668,017 | \$ 142,367 | \$ 11,671,877 | \$ 5,574,564 | 47.8 % |
| 2012 | 10,997,844 | 697,084 | 1,062 | 11,695,990 | 5,446,126 | 46.6 |
| 2013 | 10,106,838 | 683,835 | – | 10,790,673 | 5,209,160 | 48.3 |
| 2014 | 10,396,244 | 650,626 | – | 11,046,870 | 5,435,484 | 49.2 |
| 2015 | 12,509,844 | 708,857 | – | 13,218,701 | 6,524,384 | 49.4 |
| 2016 | 12,695,156 | 808,092 | – | 13,503,248 | 6,617,672 | 49.0 |
| 2017 | 12,725,536 | 805,677 | 5,944 | 13,537,157 | 6,680,622 | 49.4 |
| 2018 | 12,787,931 | 837,153 | (22,135) | 13,602,949 | 7,411,284 | 54.5 |
| 2019 | 13,868,609 | 845,448 | (14,669) | 14,699,388 | 7,025,185 | 47.8 |
| 2020 | 13,830,110 | 961,326 | 29,172 | 14,820,608 | 6,968,829 | 47.0 |

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

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

Source: State of Minnesota School Tax Report

| Received in Subsequent Years | Total to Date | | Uncollected Taxes Receivable as of June 30, 2020 | | | |
|------------------------------------|---------------|-----------------------|--|-----------------------|---------------------|-----------------------|
| | Amount | Percentage of Levy | Delinquent | | Current | |
| | | | Amount | Percentage of Levy | Amount | Percentage of Levy |
| \$ 6,097,313 | \$ 11,671,877 | 100.0 % | \$ - | - % | \$ - | - % |
| 6,249,864 | 11,695,990 | 100.0 | - | - | - | - |
| 5,581,513 | 10,790,673 | 100.0 | - | - | - | - |
| 5,596,018 | 11,031,502 | 99.9 | 15,368 | 0.1 | - | - |
| 6,693,732 | 13,218,116 | 100.0 | 585 | - | - | - |
| 6,882,519 | 13,500,191 | 100.0 | 3,057 | - | - | - |
| 6,845,652 | 13,526,274 | 99.9 | 10,883 | 0.1 | - | - |
| 6,182,099 | 13,593,383 | 99.9 | 9,566 | 0.1 | - | - |
| 7,578,968 | 14,604,153 | 99.4 | 95,235 | 0.6 | - | - |
| - | 6,968,829 | 47.0 | - | - | <u>7,851,779</u> | 53.0 |
| | | | <u>\$ 134,694</u> | | <u>\$ 7,851,779</u> | |

INDEPENDENT SCHOOL DISTRICT NO. 832

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | |
|-------------|-----------------------------|-----------------------------------|----------------------------------|-----------------------------|
| | General Obligation Bonds | Premium (Discount) on Bonds | Certificates of Participation | Total Primary Government |
| 2011 | \$ 78,360,000 | \$ (917,738) | \$ 740,000 | \$ 78,182,262 |
| 2012 | 66,370,000 | (508,783) | 575,000 | 66,436,217 |
| 2013 | 63,230,000 | (231,816) | 400,000 | 63,398,184 |
| 2014 | 60,030,000 | (25,929) | 225,000 | 60,229,071 |
| 2015 | 50,740,000 | 7,482,052 | – | 58,222,052 |
| 2016 | 55,075,000 | 7,324,999 | – | 62,399,999 |
| 2017 | 51,850,000 | 6,539,752 | – | 58,389,752 |
| 2018 | 48,375,000 | 5,700,148 | – | 54,075,148 |
| 2019 | 45,465,000 | 4,954,793 | – | 50,419,793 |
| 2020 | 42,470,000 | 4,208,369 | – | 46,678,369 |

(1) See the Schedule of Demographic and Economic Statistics for personal income and total ISD No. 832 population data.

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

| <u>Percentage of Personal Income (1)</u> | <u>Per Capita (1)</u> |
|--|-----------------------|
| 26.1 % | \$ 5,635 |
| 21.7 | 4,788 |
| 16.7 | 4,540 |
| 15.1 | 4,196 |
| 14.2 | 4,043 |
| 14.4 | 4,414 |
| 12.8 | 4,075 |
| 11.3 | 3,754 |
| 9.8 | 3,361 |
| 8.5 | 3,091 |

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| <u>Fiscal Year</u> | <u>Gross Bonded Debt</u> | <u>Less Debt Service Funds on Hand</u> | <u>Net Bonded Debt</u> | <u>Market Value</u> | <u>Percent of Net Debt to Market Value</u> |
|--------------------|--------------------------|--|------------------------|---------------------|--|
| 2011 | \$ 77,442,262 | \$ - | \$ 77,442,262 | \$ 2,038,980,800 | 3.80 % |
| 2012 | 65,861,217 | - | 65,861,217 | 1,871,295,400 | 3.52 |
| 2013 | 62,998,184 | 10,347,647 | 52,650,537 | 1,771,070,400 | 2.97 |
| 2014 | 60,004,071 | 788,228 | 59,215,843 | 1,781,601,200 | 3.32 |
| 2015 | 58,222,052 | 1,947,857 | 56,274,195 | 1,925,324,900 | 2.92 |
| 2016 | 62,399,999 | 1,650,722 | 60,749,277 | 2,040,219,100 | 2.98 |
| 2017 | 58,389,752 | 1,354,620 | 57,035,132 | 2,085,503,900 | 2.73 |
| 2018 | 54,075,148 | 1,074,777 | 53,000,371 | 2,196,603,700 | 2.41 |
| 2019 | 50,419,793 | 1,142,489 | 49,277,304 | 2,265,402,400 | 2.18 |
| 2020 | 46,678,369 | 1,111,621 | 45,566,748 | 2,400,602,400 | 1.90 |

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

| <u>Estimated Population</u> | <u>Net Bonded Debt per Capita</u> |
|---------------------------------|---|
| 13,874 | \$ 5,582 |
| 13,877 | 4,746 |
| 13,965 | 3,770 |
| 14,353 | 4,126 |
| 14,402 | 3,907 |
| 14,138 | 4,297 |
| 14,328 | 3,981 |
| 14,404 | 3,680 |
| 15,000 | 3,285 |
| 15,100 | 3,018 |

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INDEPENDENT SCHOOL DISTRICT NO. 832

Direct and Overlapping Debt
as of June 30, 2020

| Governmental Unit | 2019–2020 Taxable Net Tax Capacity | Bonded Debt | Percent Allocable to ISD No. 832 | Portion Allocable to ISD No. 832 |
|-------------------------------------|--|--------------------|--|--|
| Independent School District No. 832 | \$ 27,198,229 | \$ 42,470,000 | 100.00 % | \$ 42,470,000 |
| Overlapping debt | | | | |
| Washington County | 397,825,882 | 136,685,000 | 7.30 | 9,978,005 |
| Dellwood | 3,973,031 | 1,600,000 | 100.00 | 1,600,000 |
| Hugo | 21,722,365 | 1,390,000 | 7.00 | 97,300 |
| Lake Elmo | 21,109,191 | 16,290,000 | 3.80 | 619,020 |
| Mahtomedi | 13,177,386 | 20,735,000 | 100.00 | 20,735,000 |
| Oakdale | 33,898,373 | 24,200,000 | 1.20 | 290,400 |
| White Bear Lake | 559,231 | 15,245,000 | 1.90 | 289,655 |
| Metropolitan Council (Met Council) | 318,702,086 | 1,555,384,035 | 0.60 | 9,332,304 |
| Metropolitan Transit District | 397,825,882 | (Incl Met Council) | 0.80 | – |
| Total overlapping debt | | | | <u>42,941,684</u> |
| Total direct and overlapping debt | | | | <u>\$ 85,411,684</u> |

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

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

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 832

Legal Debt Margin Information
Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2011 | 2012 | 2013 | 2014 |
| Debt limit | \$ 305,847,120 | \$ 280,694,310 | \$ 265,660,560 | \$ 267,240,180 |
| Total net debt applicable to the limit | <u>68,012,353</u> | <u>65,581,772</u> | <u>62,164,843</u> | <u>59,319,705</u> |
| Legal debt margin | <u>\$ 237,834,767</u> | <u>\$ 215,112,538</u> | <u>\$ 203,495,717</u> | <u>\$ 207,920,475</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 22.24% | 23.36% | 23.40% | 22.20% |

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

Source: State of Minnesota School Tax Report

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 288,798,735 | \$ 306,032,865 | \$ 312,825,585 | \$ 329,490,555 | \$ 339,810,360 | \$ 360,090,360 |
| 48,792,143 | 53,424,278 | 50,495,380 | 47,300,223 | 44,322,511 | 41,358,379 |
| <u>\$ 240,006,592</u> | <u>\$ 252,608,587</u> | <u>\$ 262,330,205</u> | <u>\$ 282,190,332</u> | <u>\$ 295,487,849</u> | <u>\$ 318,731,981</u> |
| 16.89% | 17.46% | 16.14% | 14.36% | 13.04% | 11.49% |

Legal Debt Margin Calculation for Fiscal Year 2020

| | |
|--|-----------------------|
| Market value | \$ 2,400,602,400 |
| Debt limit (15% of market value) | 360,090,360 |
| Debt applicable to limit | |
| General obligation bonds | 42,470,000 |
| Less amount set aside for repayment of general obligation debt | <u>1,111,621</u> |
| Total net debt applicable to the limit | <u>41,358,379</u> |
| Legal debt margin | <u>\$ 318,731,981</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | City of Mahtomedi | | | Total ISD No. 832 Population (3) | School Enrollment (4) | Washington County Unemployment Rate (5) |
|-------------|-------------------|------------------------|--------------------------------------|--|--------------------------|--|
| | Population (1) | Personal Income (1) | Per Capita Personal Income (2) | | | |
| 2011 | 7,676 | \$ 299,778,504 | \$ 39,054 | 13,874 | 3,226 | 6.20 % |
| 2012 | 7,645 | 306,510,356 | 40,093 | 13,877 | 3,241 | 5.30 |
| 2013 | 7,697 | 378,603,335 | 49,188 | 13,965 | 3,252 | 4.60 |
| 2014 | 7,871 | 398,835,449 | 50,672 | 14,353 | 3,294 | 3.60 |
| 2015 | 8,043 | 409,764,260 | 50,947 | 14,402 | 3,296 | 3.20 |
| 2016 | 7,845 | 432,978,819 | 55,192 | 14,138 | 3,289 | 3.40 |
| 2017 | 8,030 | 456,288,735 | 56,823 | 14,328 | 3,234 | 3.50 |
| 2018 | 7,964 | 479,784,470 | 60,244 | 14,404 | 3,273 | 3.60 |
| 2019 | 8,191 | 514,860,885 | 62,857 | 15,000 | 3,306 | 3.20 |
| 2020 | 8,040 | 546,141,120 | 67,928 | 15,100 | 3,296 | 2.90 |

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

Sources:

- (1) City of Mahtomedi’s Comprehensive Annual Financial Report
- (2) The per capita personal income used is for that of the City of Mahtomedi
- (3) Annual school district census
- (4) The District
- (5) Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 832

Principal Employers
Current Year and Nine Years Ago

| Employer | Fiscal Year | | | |
|---|--------------|------|--------------|------|
| | 2020 | | 2011 | |
| | Employees | Rank | Employees | Rank |
| FedEx | 600 | 1 | 540 | 1 |
| ISD No. 832 (Mahtomedi) | 546 | 2 | 304 | 3 |
| Century College – East Campus | 500 | 3 | 350 | 2 |
| St. Andrew’s Village | 97 | 4 | 115 | 4 |
| St. Andrew’s Lutheran Church and School | 85 | 5 | – | – |
| TLC Electronics | 50 | 6 | 70 | 5 |
| Coventry Senior Living | 30 | 7 | – | – |
| Quinny’s Sports Pub & Grill | 25 | 8 | 25 | 8 |
| Federal Molding | 16 | 9 | – | – |
| St. Jude of the Lake School | 15 | 10 | 45 | 6 |
| Park Tool | – | – | 35 | 7 |
| Betty’s Pies | – | – | 25 | 8 |
| Mulcahy, Inc. | – | – | 20 | 10 |
| Total | <u>1,964</u> | | <u>1,529</u> | |

Source: City of Mahtomedi

INDEPENDENT SCHOOL DISTRICT NO. 832

Employees by Classification
Last Ten Fiscal Years

| Employees (1) | Fiscal Year | | | |
|--|-------------|------|------|------|
| | 2011 | 2012 | 2013 | 2014 |
| District directors/superintendent | 5 | 5 | 5 | 5 |
| Principals | 6 | 6 | 6 | 6 |
| Teachers | 218 | 219 | 219 | 219 |
| Coordinators, supervisors, specialists, and technical support | 16 | 16 | 16 | 15 |
| Paraprofessionals | 61 | 61 | 73 | 68 |
| Custodians | 22 | 22 | 22 | 22 |
| Community education leads and assistants | 4 | 4 | 4 | 5 |
| Total | 332 | 333 | 345 | 340 |

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

Source: The District's Human Resources Department

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------|------------|------------|------------|------------|------------|
| 5 | 5 | 5 | 5 | 5 | 5 |
| 6 | 6 | 6 | 6 | 5 | 6 |
| 230 | 241 | 247 | 251 | 229 | 226 |
| 15 | 17 | 17 | 17 | 20 | 19 |
| 82 | 78 | 74 | 76 | 86 | 84 |
| 22 | 22 | 22 | 22 | 23 | 21 |
| 5 | 5 | 5 | 5 | 19 | 20 |
| <u>365</u> | <u>374</u> | <u>376</u> | <u>382</u> | <u>387</u> | <u>381</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

Teacher Data
Year Ended June 30, 2020

| | Salary Schedule | | | |
|---------------------------------|-----------------|-----------|-----------|-----------|
| | BA | BA +15 | BA +30 | BA +45 |
| Low range | \$ 40,979 | \$ 42,615 | \$ 44,257 | \$ 45,485 |
| High range | \$ 58,243 | \$ 61,115 | \$ 63,979 | \$ 67,263 |
| Number of teachers | 24 | 2 | 8 | 11 |
| Average salary | \$ 73,198 | | | |
| Average education | MA | | | |
| Number of full-time equivalents | 215.95 | | | |

N/A – Not Applicable

Source: The District’s Human Resources Department

| MA | MA +20 | MA +40 | Total |
|-----------|-----------|-----------|-------|
| \$ 46,715 | \$ 48,356 | \$ 49,991 | N/A |
| \$ 70,537 | \$ 73,406 | \$ 76,686 | N/A |
| 55 | 37 | 79 | 216 |

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INDEPENDENT SCHOOL DISTRICT NO. 832

Student to Staff Ratios
Last Ten Fiscal Years

| Fiscal Year | Minnesota Department of Education Student to Staff Ratio (1) | | |
|-------------|--|------------------------------|---------------|
| | ISD No. 832 | Washington County Average | State Average |
| 2011 | 15.48 | 14.57 | 13.04 |
| 2012 | 15.77 | 14.48 | 13.04 |
| 2013 | 15.59 | 14.17 | 12.93 |
| 2014 | 15.60 | 13.85 | 12.82 |
| 2015 | 15.75 | 14.21 | 12.56 |
| 2016 | 15.43 | 14.42 | 12.69 |
| 2017 | 14.72 | 13.66 | 12.49 |
| 2018 | 15.15 | N/A | N/A |
| 2019 | 15.50 | N/A | N/A |
| 2020 | 15.00 | N/A | N/A |

N/A – Not Available

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

Source: Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 832

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

| | Fiscal Year | | | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2011 | 2012 | 2013 | 2014 |
| Standardized Tests | | | | |
| MCA Reading (1) | | | | |
| Grade 3 | 89.70 % | 90.70 % | 73.10 % | 82.60 % |
| Grade 5 | 92.40 | 86.50 | 82.80 | 85.70 |
| Grade 7 | 91.00 | 93.10 | 74.00 | 77.80 |
| Grade 10 | 90.60 | 97.00 | 86.50 | 95.60 |
| MCA Math (1) | | | | |
| Grade 3 | 80.90 | 89.80 | 89.70 | 90.40 |
| Grade 5 | 63.50 | 78.30 | 82.80 | 85.20 |
| Grade 7 | 76.30 | 82.20 | 77.90 | 78.10 |
| Grade 11 | 76.70 | 73.30 | 83.00 | 86.60 |
| ACT | | | | |
| Average composite score | 25.60 | 25.20 | 25.00 | 25.10 |
| Graduation data (2) | | | | |
| ISD No. 832's graduation rate | 97.60 | 98.32 | 97.60 | 97.60 |
| State graduation rate | 93.00 | 78.00 | 80.00 | 81.00 |
| Post-graduation student survey | | | | |
| Four-year college/university | 75.00 | 77.00 | 78.00 | 81.00 |
| Two-year college | 10.00 | 10.00 | 9.00 | 9.00 |
| Vocational/technical college | 2.00 | 1.00 | 3.00 | 2.00 |
| Employment | 2.00 | 1.00 | 2.00 | 2.00 |
| Military | 1.00 | 1.00 | 1.00 | 1.00 |
| No response/undecided | 10.00 | 10.00 | 7.00 | 5.00 |
| | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> |

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test (II).
- (2) Starting in 2012, Minnesota began using the federally-required adjusted cohort graduation rate model. This model follows students in a cohort throughout high school and determines if they graduate within four, five, or six years. The four-year graduation rate shows the number of students graduating from high school within four years after entering Grade 9.

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

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------|-----------------|-----------------|-----------------|-----------------|------|
| 73.00 % | 66.40 % | 69.90 % | 64.50 % | 62.20 % | N/A |
| 86.70 | 87.00 | 84.60 | 82.80 | 81.60 | N/A |
| 82.10 | 79.10 | 82.70 | 83.20 | 76.20 | N/A |
| 91.80 | 85.90 | 79.20 | 74.90 | 85.10 | N/A |
| 88.10 | 82.70 | 87.60 | 83.50 | 88.70 | N/A |
| 86.70 | 79.80 | 75.10 | 78.80 | 65.40 | N/A |
| 82.10 | 86.90 | 81.60 | 82.40 | 79.60 | N/A |
| 83.00 | 79.00 | 73.80 | 67.80 | 62.20 | N/A |
| 25.40 | 25.10 | 25.00 | 23.40 | 24.80 | N/A |
| 97.80 | 96.90 | 93.90 | N/A | N/A | N/A |
| 82.00 | 82.00 | 82.00 | N/A | N/A | N/A |
| 81.00 | 77.00 | 78.00 | 71.00 | 67.00 | N/A |
| 8.00 | 8.00 | 8.00 | 6.00 | 8.00 | N/A |
| 1.00 | 2.00 | 1.00 | 3.00 | 3.00 | N/A |
| 2.00 | 1.00 | 2.00 | 2.00 | 4.00 | N/A |
| 1.00 | 1.00 | 1.00 | 1.00 | 2.00 | N/A |
| 7.00 | 11.00 | 10.00 | 17.00 | 16.00 | N/A |
| <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | |

INDEPENDENT SCHOOL DISTRICT NO. 832

School Facilities
Year Ended June 30, 2020

| <u>Facility</u> | <u>Use</u> | <u>Constructed</u> | <u>Acres</u> | <u>Classrooms</u> | <u>Square Footage</u> |
|--------------------------------|---------------|--------------------|--------------|-------------------|-----------------------|
| Department of Education Center | Office/School | 1930/1992 | 18.55 | 10 | 25,864 |
| O.H. Anderson Elementary | School | 1964 | 24.88 | 41 | 69,370 |
| Mahtomedi High School | School | 1971 | 9.98 | 61 | 189,781 |
| Mahtomedi Middle School | School | 1992 | 69.29 | 47 | 141,885 |
| Wildwood Elementary | School | 2013 | 29.60 | 43 | 86,400 |

(1) Enrollment data from Minnesota Department of Education

Source: The District's Business Services Department and Facilities Department, and the Minnesota Department of Education school ADM served report

| <u>Capacity</u> | <u>Enrollment (1)</u> |
|-----------------|-----------------------|
| - | - |
| 650 | 670 |
| 1,270 | 1,140 |
| 927 | 824 |
| 581 | 606 |

INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service
School Lunch Program Data
Last Ten Fiscal Years

| Fiscal Year | Total Lunches Served | Days | Average Daily Participation | Free Lunch | |
|-------------|----------------------|------|-----------------------------|---------------|------------------|
| | | | | Number Served | Percent of Total |
| 2011 | 337,275 | 172 | 1,962 | 28,570 | 8.47 % |
| 2012 | 336,499 | 171 | 1,968 | 30,594 | 9.09 |
| 2013 | 316,773 | 171 | 1,852 | 31,010 | 9.79 |
| 2014 | 306,954 | 168 | 1,846 | 30,322 | 9.88 |
| 2015 | 310,348 | 172 | 1,804 | 29,743 | 9.58 |
| 2016 | 291,168 | 172 | 1,693 | 27,984 | 9.61 |
| 2017 | 252,061 | 172 | 1,517 | 24,890 | 9.87 |
| 2018 | 257,908 | 171 | 1,508 | 24,152 | 9.36 |
| 2019 | 265,983 | 167 | 1,593 | 26,408 | 9.93 |
| 2020 (1) | 192,057 | 120 | 1,600 | 20,374 | 10.61 |

(1) Schools were closed starting in mid-March, due to the COVID-19 pandemic.

Source: The District's Food Service Department

Reduced-Priced Lunch

| <u>Number Served</u> | <u>Percent of Total</u> |
|----------------------|-------------------------|
| 11,506 | 3.41 % |
| 12,399 | 3.68 |
| 10,204 | 3.22 |
| 10,523 | 3.43 |
| 11,099 | 3.58 |
| 11,308 | 3.88 |
| 12,572 | 4.99 |
| 12,367 | 4.80 |
| 10,498 | 3.95 |
| 6,848 | 3.57 |

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INDEPENDENT SCHOOL DISTRICT NO. 832

Student Enrollment
Last Ten Fiscal Years

| Year Ended June 30, | Average Daily Membership (ADM) (for Students Served or Tuition Paid) | | | | | Total Pupil Units |
|------------------------|--|--------------|------------|-----------|----------|----------------------|
| | Pre-Kindergarten and Handicapped Kindergarten | Kindergarten | Elementary | Secondary | Total | |
| 2011 | 30.76 | 165.94 | 1,064.43 | 1,965.00 | 3,226.13 | 3,787.33 |
| 2012 | 29.82 | 169.45 | 1,063.75 | 1,977.68 | 3,240.70 | 3,804.21 |
| 2013 | 28.47 | 169.74 | 1,076.11 | 1,977.56 | 3,251.88 | 3,819.87 |
| 2014 | 34.32 | 167.72 | 1,116.74 | 1,975.29 | 3,294.07 | 3,863.05 |
| 2015 | 42.43 | 159.75 | 1,132.90 | 1,961.32 | 3,296.40 | 3,634.96 |
| 2016 | 31.27 | 147.95 | 1,133.26 | 1,976.34 | 3,288.82 | 3,631.22 |
| 2017 | 42.04 | 118.21 | 1,085.54 | 1,988.31 | 3,234.10 | 3,578.19 |
| 2018 | 45.28 | 155.81 | 1,332.24 | 1,739.29 | 3,272.62 | 3,620.49 |
| 2019 | 41.71 | 169.11 | 1,362.93 | 1,729.47 | 3,303.22 | 3,649.10 |
| 2020 | 44.77 | 164.88 | 1,359.74 | 1,726.44 | 3,295.83 | 3,641.12 |

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

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

Source: Minnesota Department of Education student reporting system

INDEPENDENT SCHOOL DISTRICT NO. 832

Expenditures per Student
Last Ten Fiscal Years

| | Fiscal Year | | | |
|------------------------------------|-----------------|-----------------|------------------|------------------|
| | 2011 | 2012 | 2013 | 2014 |
| Expenditures per student (ADM) (1) | | | | |
| General Fund | | | | |
| District and school administration | \$ 437 | \$ 468 | \$ 461 | \$ 479 |
| District support services | 331 | 343 | 340 | 376 |
| Regular instruction | 4,817 | 4,956 | 5,065 | 5,220 |
| Career and technical instruction | 172 | 195 | 182 | 182 |
| Special education | 1,740 | 1,830 | 1,715 | 1,692 |
| Instructional support services | 358 | 362 | 351 | 450 |
| Pupil support services | 682 | 706 | 742 | 757 |
| Sites, buildings, and equipment | 1,051 | 981 | 1,138 | 1,292 |
| Fiscal and other | 24 | 25 | 28 | 33 |
| Total General Fund expenditures | <u>\$ 9,612</u> | <u>\$ 9,867</u> | <u>\$ 10,022</u> | <u>\$ 10,479</u> |
| ADM | <u>3,226</u> | <u>3,241</u> | <u>3,252</u> | <u>3,294</u> |

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

| <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 493 | \$ 533 | \$ 532 | \$ 582 | \$ 526 | \$ 597 |
| 495 | 350 | 350 | 460 | 436 | 406 |
| 5,545 | 5,865 | 6,068 | 6,102 | 5,955 | 5,910 |
| 148 | 161 | 200 | 286 | 225 | 258 |
| 1,733 | 1,929 | 2,115 | 2,138 | 2,223 | 2,174 |
| 490 | 507 | 545 | 504 | 498 | 525 |
| 752 | 820 | 911 | 967 | 1,011 | 1,053 |
| 1,036 | 1,070 | 1,024 | 1,121 | 1,199 | 1,293 |
| 33 | 35 | 37 | 38 | 39 | 37 |
| <u>\$ 10,725</u> | <u>\$ 11,268</u> | <u>\$ 11,781</u> | <u>\$ 12,198</u> | <u>\$ 12,111</u> | <u>\$ 12,253</u> |
| <u>3,296</u> | <u>3,289</u> | <u>3,234</u> | <u>3,273</u> | <u>3,303</u> | <u>3,296</u> |

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