



Inver Grove Heights Schools
Annual Comprehensive Financial Report
for the fiscal year ending June 30, 2021
Inver Grove Heights, MN 55076

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2021

INDEPENDENT SCHOOL DISTRICT NO. 199
INVER GROVE HEIGHTS, MINNESOTA

2990 – 80th Street East
Inver Grove Heights, MN 55076

Prepared by
Business Office

Heather Aune – Director of Business Services

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INDEPENDENT SCHOOL DISTRICT NO. 199

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i–vi
Organizational Chart	vii
School Board and Administration	viii
ASBO Certificate of Excellence	ix
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1–3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4–14
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17–18
Reconciliation of the Balance Sheet to the Statement of Net Position	19
Statement of Revenue, Expenditures, and Changes in Fund Balances	20–21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	23
Internal Service Funds	
Statement of Net Position	24
Statement of Revenue, Expenses, and Changes in Net Position	25
Statement of Cash Flows	26
Fiduciary Funds	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	27
Notes to Basic Financial Statements	28–59

INDEPENDENT SCHOOL DISTRICT NO. 199

Table of Contents (continued)

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	60
Schedule of District Contributions	60
Teachers Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	61
Schedule of District Contributions	61
Pension Benefits Plan	
Schedule of Changes in the District's Total Pension Liability and Related Ratios	62
Other Post-Employment Benefits Plan	
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	63
Notes to Required Supplementary Information	64–70
SUPPLEMENTAL INFORMATION	
Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet	71
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	72
General Fund	
Comparative Balance Sheet	73
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	74–76
Food Service Special Revenue Fund	
Comparative Balance Sheet	77
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	78
Community Service Special Revenue Fund	
Comparative Balance Sheet	79
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	80
Capital Projects – Building Construction Fund	
Balance Sheet	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances	82
Debt Service Fund	
Balance Sheet by Account	83
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account – Budget and Actual	84–85
Internal Service Funds	
Combining Statement of Net Position	86
Combining Statement of Revenue, Expenses, and Changes in Net Position	87
Combining Statement of Cash Flows	88

INDEPENDENT SCHOOL DISTRICT NO. 199

Table of Contents (continued)

	Page
STATISTICAL SECTION (UNAUDITED)	
Net Position by Component	89–90
Changes in Net Position	91–92
Governmental Activities Tax Revenues by Source and Levy Type	93
Fund Balances of Governmental Funds	94–95
Changes in Fund Balances of Governmental Funds	96–97
General Governmental Tax Revenues by Source and Levy Type	98
Tax Capacities and Estimated Market Values	99–100
Property Tax Rates – Direct and Overlapping Governments	101
Principal Taxpayers	102–103
Property Tax Levies and Collections	104
Outstanding Debt by Type	105
Ratio of Net General Obligation Bonded Debt to Market Value and Net General Obligation Bonded Debt per Capita	106–107
Direct and Overlapping Debt	108
Legal Debt Margin Information	109–110
Demographic and Economic Statistics	111
Principal Employers	112–113
Employees by Classification	114
Operating Indicators – Standardized Testing and Graduation Rates	115–116
School Facilities	117
Expenditures per Student (Average Daily Membership)	118–119
Demographic Statistics – Student Enrollment	120
Food Service Meals Served and Pricing	121

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SECTION I

INTRODUCTORY SECTION



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November 16, 2021

To the School Board, Citizens, Employees, and Students of Inver Grove Heights Schools

INTRODUCTION

The following Annual Comprehensive Financial Report (ACFR) of Independent School District No. 199, Inver Grove Heights, Minnesota, also known as Inver Grove Heights Schools (the District), presents the financial position of the District as of June 30, 2021, and the results of its operations for the fiscal year then ended. This report is prepared in accordance with accounting principles generally accepted in the United States of America, and is audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. State law requires the District to publish a complete set of audited financial statements within six months of the close of the District's fiscal year.

The District's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The reader of this ACFR will notice that the two main financial statements created by this standard, the Statement of Net Position and Statement of Activities, do not contain numerous columns for various funds like the fund-based financial statements. These two statements consolidate much of the information contained in fund-based financial statements into statements which tend to answer the question: "Is the District better or worse off financially than it was the previous year?" A comparison of net position should help the reader in answering that question.

Also required as part of required supplementary information by GASB Statement No. 34 is the management's discussion and analysis (MD&A), which allows the District to explain, in layman's terms, its financial position and results of its operations for the past fiscal year.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the District has established internal controls. The internal controls are designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not be more than the benefits, the District's internal controls are designed to provide reasonable, rather than absolute, assurance that these financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

These financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2021 are fairly presented in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

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

REPORT FORMAT

This ACFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this letter of transmittal, organizational chart, information on the School Board and administration, and the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting Award. The financial section contains the independent auditor's report, MD&A, basic financial statements, required supplementary information, and combining and individual fund statements and schedules presented as supplemental information. The statistical section contains supplemental financial and other statistical data, generally presented on a multi-year basis.

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

THE DISTRICT'S PROFILE

The District was formed in 1957 as residents in the area realized the need for a local high school. The consolidation of one-room schoolhouses formed the District. In 1960, Simley High School opened its doors to students. In 1971, a new Simley High School was built adjacent to what is now the middle school. The oldest parts of the middle school (the original Simley High School) have been replaced.

The District operates under an elected seven-member School Board. The School Board is elected on a nonpartisan basis. The School Board is responsible, among other things, for passing policies, adopting the budget, and hiring the Superintendent of Schools. The Superintendent of Schools is responsible for carrying out the policies of the School Board, for overseeing the day-to-day operations of the District, and for appointing the directors/principals of the various departments or schools.

The District is a suburban school district located 12 miles south of the City of St. Paul, Minnesota, and serves a general population of approximately 36,000, covers an area of about 22 square miles, and enrolled 3,400 students for the 2020–2021 fiscal year. In terms of number of students, the District is Minnesota’s 56th largest school district. The District has one high school, one middle school, four elementary schools, an early learning center, and three separate online schools for elementary, middle and high school, referred to as 199 Online.

The District provides a full range of public education services to students and families from birth to age 21. These include regular and enriched academic education, special education, college in school, and career/vocational education. Food service and transportation are provided as supporting programs. The District’s community education program includes Early Childhood, Family, and Adult Basic Education programs, as well as a myriad of classes for lifelong learning experiences for children and adults. The District strives for educational excellence and is proud of the achievements of its students and staff.

Our Mission

Inspire. Innovate. Excel.
A Community Commitment

Our Vision

- Inclusive, Respectful, and Caring Environment
- A Culture of High Expectations
- Whole Student Development
- Personalized Learning
- Involved and Invested Community and District

Core Values

Courage Advocating for what is important and acting with integrity
Excellence Inspiring, engaging, and challenging ourselves and others
Inclusion Building caring authentic relationships
Innovation Using flexibility and creativity to meet challenges and needs
Teamwork Shared responsibility, accountability and accomplishments

Strategic Direction

- A Culture of Racial Equity
- Career and College Readiness with Core Life Skills
- Effective Teams and Partnerships

The laws of the state of Minnesota give the authority to direct the District’s business operations and educational functions to the District’s School Board, whose members are elected officials. The School Board has the authority to levy taxes, set fees, and approve budgets and staff positions, along with other business and educational functions, without prior approval from any other governmental unit. The School Board can issue debt, generally with prior district voter approval. The Minnesota Department of Education does have some minor oversight responsibility over the District that is generally related to compliance and approval of certain laws and procedures, but is not substantive in nature.

The financial reporting entity includes all the funds of the District. Component units are legally separate entities for which the District is financially accountable. There are no organizations considered to be component units of the District.

BUDGETARY PROCESS

The District's budget sets forth the financial plan for the forthcoming fiscal year. It is based on the projected financial needs of the District to allocate limited resources in the best possible way to give the best educational opportunities to students. The budget process starts with the development of the plan and timeline with completion and adoption in June. The plan is disseminated to School Board members and administration, and the preparation of the budget is implemented. The administration reviews enrollment projections and determines staffing levels needed for the forthcoming year. A preliminary financial forecast is prepared by the Director of Business Services and staffing levels are determined, keeping the financial projection in focus. The administration then recommends staff changes to the School Board for approval.

The budget process is continuous and involves staff at all levels as they inform administration of their needs and anticipated expenditures. These requests are then reviewed by their budget administrator who determines their appropriateness and, if appropriate, includes them in the budget. Each building principal is allocated an amount for supplies, materials, and equipment, based on student enrollment of that building, which they must allocate to those accounts under their control. When each administrator has their budget assembled, the business department provides oversight and enters it in the finance system.

The Director of Business Services prepares the salary and benefits budget and updates this data to the master budget. The finance/business department staff, along with the Director of Business Services, prepares estimates of other areas for inclusion in the master budget. Staff in the finance/business department reviews the data entered by each budget administrator and provides oversight. The School Board reviews preliminary budgets, makes recommendations and changes, and adopts the final budget in June as required by state law. The District adopts annual budgets for all governmental funds on the same modified accrual basis of accounting as the governmental fund financial statements are presented. The legal level of budgetary control is at the fund level.

The budget is then implemented and administered. Each administrator is responsible for approving purchase requisitions from their buildings or areas of responsibility. They must remain within the budget constraints and monitor their budgets online via the District accounting system. The Director of Business Services has responsibility for the financial integrity of the District. The availability of funds, the proper code classification, the maintenance of the coding structure, and compliance with legal purchasing directives are all continuously monitored by the finance/business departments. All bids and contracts must be authorized and approved by the School Board. The revenue and expenditure budgets are monitored and changed as conditions change. All revisions to the budget are approved by the School Board.

ECONOMIC FACTORS

The District is located in Dakota County, which is one of seven counties that make up the Twin Cities Metropolitan Area. Although recent economic conditions have continued to show signs of improvement for many residents of the District, in the 2020-2021 school year, the percentage of students qualifying for educational benefits decreased from 43.9 to 38.0 percent. A main factor in this decrease was the availability of free meals for all students during the 2020–2021 school year, therefore, it may not accurately reflect the economic status of students and their families.

Although not all of Inver Grove Heights is within the school district boundaries, there continues to be residential and commercial growth within the city boundaries. Officials at the City of Inver Grove Heights (the City) indicated that the City had \$81 million of new construction in 2020, compared to \$103 million in 2019. Total residential construction was 30 new dwelling units. Residential additions and remodeling improved as homeowners reinvested in their homes. The City issued more than 3,173 building permits for residential additions and remodeling with a valuation of \$26 million. There was \$16 million of commercial and industrial construction in 2020.

The construction of a new apartment complex located within the District's boundaries, Cahill Place, provides housing for homeless families in a long-term housing opportunity. Residents began moving in during the fall of 2020. These residents have added to the District's pupil count, mainly at Hilltop Elementary.

The unemployment rate for Dakota County was 4.2 percent as of June 30, 2021. This compares favorably to both state and national average unemployment rates of 4.4 percent and 6.1 percent, respectively.

Taxable market value in the District increased 5.8 percent for the year from \$3,196,977,674 to \$3,383,537,116.

The District has always been dependent on the state for its revenue authority. However, in the past the general education basic formula allowance, which funds the majority of the District's operations, was composed of aid and levy components. The amount of levy was determined by a state determined tax rate. This rate was adjusted up or down depending on the state's financial position. By doing so, the state could shift revenue responsibility to local taxpayers in times of need or relieve local taxpayers in times of plenty. This is no longer the case as the general education basic formula allowance is now all state aid. Because of this, the District is continuously monitoring the state's financial position.

General education state aid, the single largest source of revenue for the District, is dependent on the number of students served by the District each school year. The 2019 fiscal year enrollment was 3,583. Enrollment decreased by about 0.50 percent to 3,565 in the 2019–2020 school year and another 4.6 percent decrease to 3,400 in the 2020–2021 school year. Many school districts experienced a large drop in enrollment during the pandemic. Each October, the District projects its future enrollment five years out. Future enrollment projections, using the "Cohort Survival Method," indicate that the District's enrollment should remain stable or slightly declining for the next five years. The District has worked with a consultant group to project future enrollment and done a housing study. This allows the District to better predict future needs in staffing and budgeting.

Minnesota school districts have the ability to raise additional revenue through voter-approved excess levy referendums. For fiscal year 2021, the additional funding is capped at \$1,827 per adjusted pupil unit as per state statute. For fiscal year 2021, the District has authority for \$558 per adjusted pupil unit of excess levy authority, which raises a total of approximately \$2.1 million. The District was \$1,269 below the referendum cap established by the Minnesota Legislature during the 2020–21 school year. The voter approved referendum passed in November 2017 adjusts with inflation. Voters had also approved a capital projects levy that generated \$753,358 of revenue in 2020–2021 and will adjust based on the net tax capacity within the District boundaries.

The District operates five school buildings: one high school (220,728 square feet), one middle school (314,970 square feet), and three elementary buildings (totaling 234,484 square feet). The average age of the five buildings is 60 years. The District added six classrooms onto Pine Bend Elementary school during the 2020–2021 school year. This addition allows for adequate classroom space for preschool and kindergarten students and the possibility to add to the schools’ student count capacity. The District sold a 10-acre property during the 2020–2021 school year. The funds generated from this sale have been set aside in an assigned fund balance for future capital projects.

Long-term facility maintenance dollars allocated through state and local funding has allowed the District to keep facilities up-to-date on maintenance. The District not only keeps a 10-year Long-Term Maintenance Plan required by the state, but also has an in-depth plan for building maintenance that takes into account all predictable facility maintenance needs over the next 10 years. This keeps unexpected maintenance to a minimum, and ensures that funds are available for repairs with a schedule that puts the highest needs first.

AWARDS AND ACKNOWLEDGEMENTS

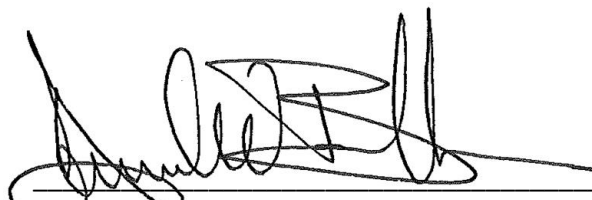
The District was awarded the ASBO International Certificate of Excellence in Financial Reporting for the preparation and issuance of a high-quality ACFR for the fiscal year ending June 30, 2020. This was the 16th year in which the District submitted its ACFR and received this award. The Certificate of Excellence, the highest recognition for school district financial operations offered by the ASBO International, is only conferred to school systems that have met or exceeded the standards of the program.

A Certificate of Excellence is only valid for a period of one year. We believe that our current ACFR continues to meet the standards of this program, and we are submitting it to the ASBO International to determine its eligibility for another certificate.

The timely preparation of this report could not have been accomplished without the professional and dedicated hard work of the entire staff of the District’s business services team. We wish to express our appreciation to all members of the staff who assisted and contributed to the report preparation.

Our appreciation is also given to the School Board for its support in leading the District in sound and responsible financial management.

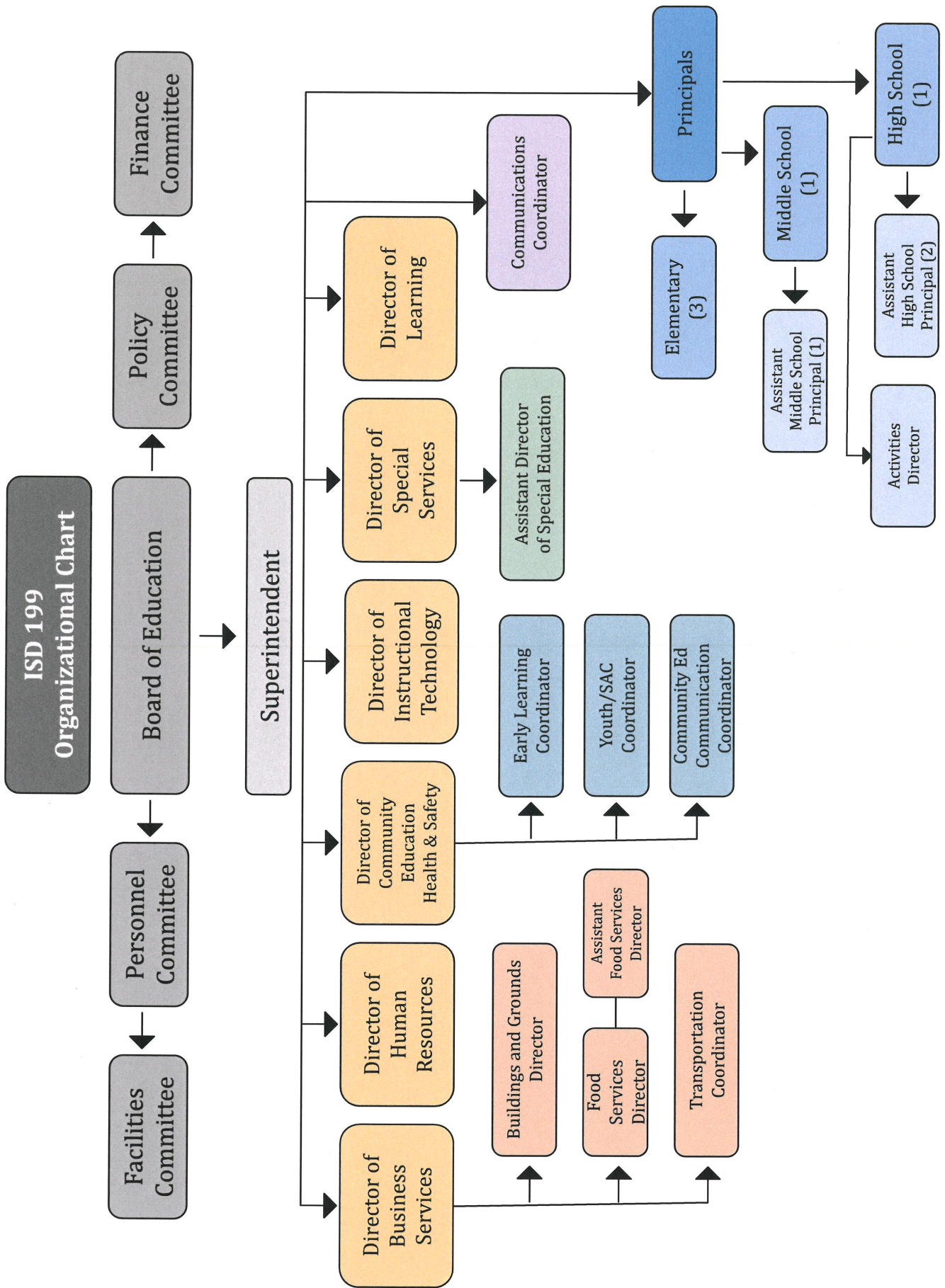
Respectfully submitted,



Dave Bernhardtson
Superintendent



Heather Aune
Director of Business Services



INDEPENDENT SCHOOL DISTRICT NO. 199

School Board and Administration
Year Ended June 30, 2021

SCHOOL BOARD

	<u>Position on School Board During 2020–2021</u>
Matt Schaefer	Chairperson
Sherry Warrick	Vice Chairperson/Treasurer
Rachel Hanson	Clerk
Mary Frances Clardy	Director
Carrie Lounsberry	Director
Cindy Nordstrom	Director
Lynette Stensgard	Director

ADMINISTRATION

Dave Bernhardson	Superintendent
Heather Aune	Director of Business Services
Michele Carroll	Director of Human Resources
Barbara Pierce	Director of Community Education, Health & Safety
Caroline Little	Director of Instructional Technology
Abel Riodique	Director of Special Services
Teajai Anderson-Schmidt	Director of Learning



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**Independent School District 199 -
Inver Grove Heights**

**for its Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2020.**

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



W. Edward Chabal

W. Edward Chabal
President

David J. Lewis

David J. Lewis
Executive Director

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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. 199
Inver Grove Heights, 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. 199 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 3, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 16, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

The management of Independent School District No. 199, Inver Grove Heights, Minnesota (the District) has provided readers of the District's financial statements with this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the other components of the District's Annual Comprehensive Financial Report (ACFR), including the letter of transmittal located in the introductory section.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by \$13,161,858 (net position deficit). The District's overall financial position, in terms of government-wide total net position, increased by \$2,700,130 during the fiscal year ended June 30, 2021. The District had \$5,409,172 of net position available at year-end to meet its ongoing obligations but restricted for specific uses. The unrestricted portion of net position was a deficit of \$37,547,044.
- The District's governmental funds reported combined fund balances of \$14,938,386 at year-end, an increase of \$604,453 from the prior year.
- The District's General Fund, its primary operating fund, closed the fiscal year with an unassigned fund balance of \$4,087,272, which represents approximately 8.5 percent of annual General Fund expenditures based on fiscal 2021 expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to 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 is included as supplemental information.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Minnesota schools must establish funds within the guidelines of the state's Uniform Financial Accounting and Reporting Standards.

The District maintains the following types 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 – Proprietary fund statements offer *short-term* and *long-term* financial information about the activities the District operates like businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one type of proprietary fund, internal service funds, which are used to accumulate and allocate costs internally among the District's various functions. The District's three internal service funds account for its self-insured dental benefits and post-employment employee benefit liabilities. These activities have been included within governmental activities in the government-wide financial statements.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 48,122,399	\$ 45,235,419
Capital assets, net of depreciation	<u>66,240,717</u>	<u>67,610,087</u>
Total assets	<u>\$ 114,363,116</u>	<u>\$ 112,845,506</u>
Deferred outflows of resources		
Pension plan deferments	\$ 13,807,433	\$ 22,364,362
OPEB plan deferments	774,823	638,790
Deferred charges on refunding	<u>725,119</u>	<u>831,885</u>
Total deferred outflows of resources	<u>\$ 15,307,375</u>	<u>\$ 23,835,037</u>
Liabilities		
Current and other liabilities	\$ 6,788,774	\$ 7,049,394
Long-term liabilities, including due within one year	<u>97,793,938</u>	<u>97,793,514</u>
Total liabilities	<u>\$ 104,582,712</u>	<u>\$ 104,842,908</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 13,539,796	\$ 12,421,849
Pension plan deferments	23,538,385	34,543,937
OPEB plan deferments	<u>1,171,456</u>	<u>733,837</u>
Total deferred inflows of resources	<u>\$ 38,249,637</u>	<u>\$ 47,699,623</u>
Net position		
Net investment in capital assets	\$ 18,976,014	\$ 17,134,061
Restricted	5,409,172	5,013,172
Unrestricted	<u>(37,547,044)</u>	<u>(38,009,221)</u>
Total net position	<u>\$ (13,161,858)</u>	<u>\$ (15,861,988)</u>

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as depreciable lives and capitalization policies. Net position also includes long-term liabilities for severance, pension, and other post-employment benefits (OPEB), which are not reported in the governmental funds.

Total net position increased by \$2,700,130 in the current year. Increases in state aid and federal grant receivables, along with an increase in cash and investments restricted for OPEB, contributed to the increase in current and other assets. Changes in the District's share of the state-wide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans contributed to the differences in deferred outflows of resources and deferred inflows of resources.

Table 2 presents a condensed version of the Change in Net Position of the District:

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for services	\$ 1,511,988	\$ 2,165,352
Operating grants and contributions	10,289,574	8,851,121
General revenues		
Property taxes	13,556,347	14,121,156
General grants and aids	31,025,027	29,050,646
Other	3,336,087	1,204,737
Total revenues	<u>59,719,023</u>	<u>55,393,012</u>
Expenses		
Administration	2,112,675	2,043,921
District support services	3,174,613	1,952,183
Elementary and secondary regular instruction	21,484,892	22,467,658
Vocational education instruction	256,929	263,727
Special education instruction	9,137,586	9,135,371
Instructional support services	2,818,347	2,909,356
Pupil support services	4,830,075	4,750,012
Sites and buildings	5,211,396	5,166,185
Fiscal and other fixed cost programs	172,243	151,301
Food service	1,771,966	2,389,827
Community service	2,224,253	2,292,725
Depreciation not allocated directly to programs	2,001,419	2,008,283
Interest on long-term debt	1,822,499	2,056,565
Total expenses	<u>57,018,893</u>	<u>57,587,114</u>
Change in net position	2,700,130	(2,194,102)
Net position – beginning	<u>(15,861,988)</u>	<u>(13,667,886)</u>
Net position – ending	<u>\$ (13,161,858)</u>	<u>\$ (15,861,988)</u>

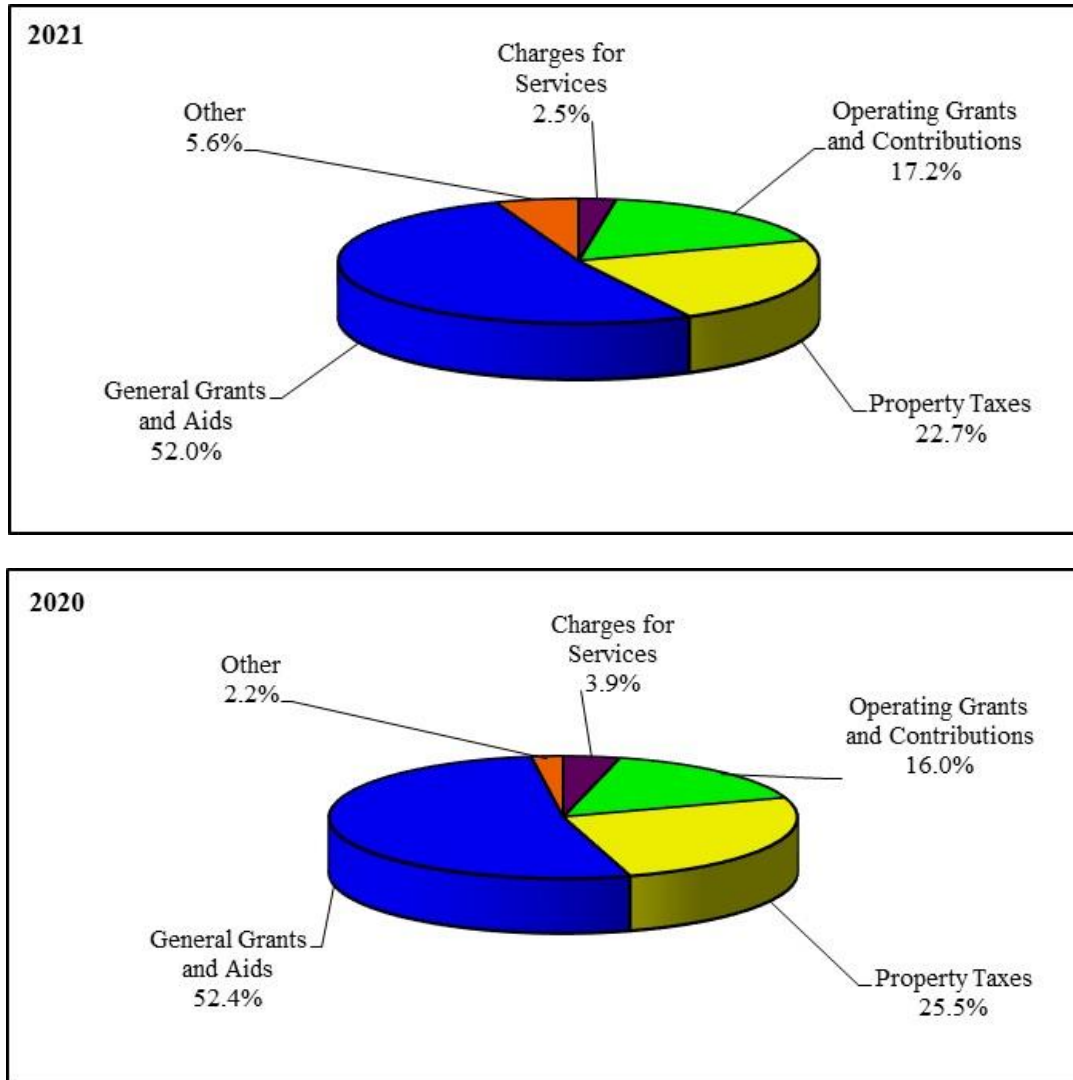
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This table includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Governmental activities revenues increased \$4,326,011 (7.8 percent) from the previous year, mainly due to increased revenues from special education aid, several new COVID-19-related federal awards, investment income earned on OPEB trust assets, and a gain from the sale of land.

Governmental activities expenses were \$568,221 (1.0 percent) lower than last year, mainly due to the change in expenses related to the two state-wide pension plans mentioned earlier, which impact the various functional areas based on relative salary and benefit levels.

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

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

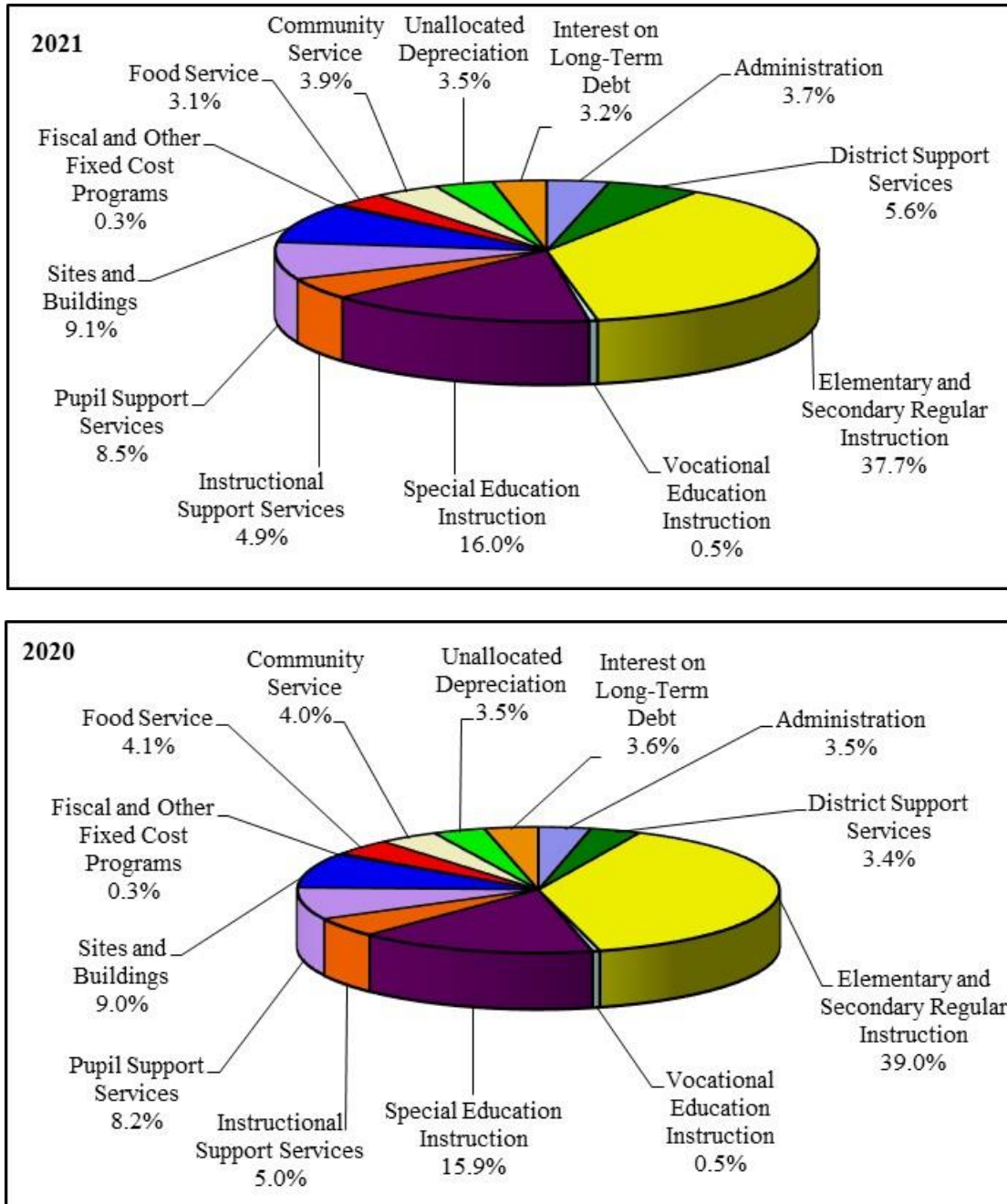


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding increases in recent years.

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.

Charges for services decreased and operating grants and contributions increased, both due in part to the District’s food service program operating under the federal Summer Food Service Program for the entire fiscal year, through which all students were eligible for federally funded breakfast or lunch provided by the District. The increase in other sources as shown above, was mainly due to the increase in investment income earned on OPEB trust assets and the proceeds from the sale of a parcel of land, as previously discussed.

Figure B – Expenses for Fiscal Years 2021 and 2020



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Major funds				
General	\$ 12,990,049	\$ 11,862,278	\$ 1,127,771	9.5%
Capital Projects – Building Construction	–	243,273	(243,273)	(100.0%)
Debt Service	1,150,410	1,295,472	(145,062)	(11.2%)
Nonmajor funds				
Food Service Special Revenue	692,109	745,354	(53,245)	(7.1%)
Community Service Special Revenue	105,818	187,556	(81,738)	(43.6%)
Total governmental funds	<u>\$ 14,938,386</u>	<u>\$ 14,333,933</u>	<u>\$ 604,453</u>	4.2%

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

At June 30, 2021, the District's governmental funds reported combined fund balances of \$14,938,386, an increase of \$604,453 in comparison with the prior year. Unassigned fund balance at year-end was \$4,087,272, which is available for spending at the District's discretion. The remainder of the fund balance is either: 1) nonspendable (not in spendable form) – \$325,018, 2) restricted for particular purposes – \$6,178,441, or 3) assigned for particular purposes – \$4,347,655.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 48,272,470</u>	<u>\$ 48,295,645</u>	<u>\$ 23,175</u>	<u>0.0%</u>
Expenditures	<u>\$ 48,476,474</u>	<u>\$ 49,103,451</u>	<u>\$ 626,977</u>	<u>1.3%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. It is the District’s practice to amend the General Fund budget for known significant changes in circumstances. The District amended the budget during the year to adjust for updated enrollment projections, updated special education estimates, known staffing changes, and updated federal funding allocations and budgets.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2021 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 48,385,621	\$ 95,276	0.2%	\$ 2,563,896	5.6%
Expenditures	48,241,530	\$ (861,921)	(1.8%)	\$ 1,448,321	3.1%
Other financing sources (uses)	<u>983,680</u>	\$ 978,380	18,460.0%	\$ 958,171	3,756.2%
Net change in fund balances	<u>\$ 1,127,771</u>				

The fund balance of the General Fund increased \$1,127,771 in the current year, compared to a decrease of \$807,806 approved in the final budget.

General Fund revenues increased \$2,563,896 from the prior year, mainly due to an increase in federal revenue of \$2,330,302 that resulted from several new federal awards received in the current year related to COVID-19 relief. Revenues were \$95,276 over the final budget, also mainly due to the amount of new federal funding received in the current year.

General Fund expenditures increased \$1,448,321, primarily due to instructional technology hardware and software purchases for distance learning and capital outlay. Expenditures were under budget by \$861,921, with the largest area of savings in the elementary and secondary regular instruction program area, primarily due to distance learning and uncertainty during the COVID-19 pandemic.

General Fund other financing sources were \$978,380 over budget and \$958,171 more than the prior year, mainly due to the sale of a parcel of land that had been budgeted in the previous fiscal year but was delayed until fiscal 2021.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund was created during fiscal 2019 to account for planned capital projects, including an addition to Pine Bend Elementary. The District issued general obligation certificates of participation with a par value of \$3,775,000 in fiscal 2020 for this purpose, spending down the remainder of these funds in fiscal 2021 for the completion of these projects.

Debt Service Fund

The Debt Service Fund is used to record principal and interest expenditures for the District's outstanding bonded indebtedness and the revenue sources used to finance them, whether for building construction, OPEB, or for initial or refunding bonds. The District made \$5,036,546 of scheduled debt service principal and interest payments on its outstanding bond issues in the current year, principally financed through annual debt service property tax levies. The year-end fund balance of \$1,150,410 is restricted for future debt service.

Analysis of Other Governmental Funds

The District's final budget for the Food Service Special Revenue Fund projected a fund balance decrease of \$76,199, compared to an actual decrease of \$53,245. Revenues were over budget by \$78,613, primarily due to additional federal funding for an expansion of meals served through the child nutrition program during the COVID-19 pandemic and higher commodity awards than projected. Expenditures were over appropriations by \$55,659, mainly in supplies (including food costs) and materials.

The District's final budget for the Community Service Special Revenue Fund projected a fund balance decrease of \$24,341, compared to an actual decrease of \$81,738. Revenues were over budget by \$41,440, mainly due to tuition and fees not declining as much as projected. Expenditures were over budget by \$98,837, primarily in purchased services.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains three internal service funds. A new internal service fund was established in fiscal 2021 to account for the District's self-insured dental plan, which was started mid-year, and ended the year with a net position of \$25,363. The other two funds are used to account for the payment and financing of the District's severance and pension benefit liabilities, and its OPEB liabilities, including the administration of assets held in a revocable OPEB trust. Total net position of these two funds increased \$1,265,149 in fiscal 2021, mainly due to investment income earned on OPEB trust assets, ending the year at \$3,992,916.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 641,721	\$ 659,721	\$ (18,000)
Construction in progress	–	3,587,723	(3,587,723)
Buildings and improvements	96,078,597	92,071,374	4,007,223
Furniture and equipment	4,664,692	4,285,471	379,221
Less accumulated depreciation	<u>(35,144,293)</u>	<u>(32,994,202)</u>	<u>(2,150,091)</u>
Total	<u><u>\$ 66,240,717</u></u>	<u><u>\$ 67,610,087</u></u>	<u><u>\$ (1,369,370)</u></u>
Depreciation expense	<u><u>\$ 2,202,772</u></u>	<u><u>\$ 2,171,886</u></u>	<u><u>\$ 30,886</u></u>

The District's capital asset purchases decreased in fiscal 2021, due to the completion of the Pine Bend building addition project, which was transferred from construction in progress to buildings and improvements.

Long-Term Liabilities

Table 7 presents the components of the District's long-term liabilities and the change from the prior year:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
G.O. bonds and certificates	\$ 51,845,000	\$ 54,990,000	\$ (3,145,000)
Premiums	2,105,971	2,507,750	(401,779)
Special assessments payable	–	6,250	(6,250)
Capital leases payable	1,734,305	1,958,901	(224,596)
Severance payable	1,279,152	1,173,781	105,371
Total OPEB liability	6,907,046	7,060,170	(153,124)
Net/total pension liabilities	<u>33,922,464</u>	<u>30,096,662</u>	<u>3,825,802</u>
Total	<u><u>\$ 97,793,938</u></u>	<u><u>\$ 97,793,514</u></u>	<u><u>\$ 424</u></u>

The District's long-term liabilities were virtually unchanged from the prior year-end, as an increase in the District's proportionate share of the state-wide PERA and TRA pension plan liabilities was offset by scheduled principal payments on outstanding bonds, certificates, and capital leases.

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	\$ 3,473,292,797
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 520,993,920</u>

Additional details of the District’s capital assets and long-term debt activity can be found in notes 3 and 4 of the notes to basic financial statements, respectively.

FACTORS BEARING ON THE DISTRICT’S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$161, or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional \$135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District’s financial well-being. The COVID-19 pandemic caused numerous financial and operational challenges for school districts in fiscal 2021, including impacting the number of students districts served, and is expected to continue to have a significant impact in fiscal 2022 and possibly beyond.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This ACFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this ACFR or need additional financial information, contact the Business Office, Independent School District No. 199, 2990 80th Street East, Inver Grove Heights, Minnesota 55076.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	\$ 20,905,443	\$ 21,310,888
Receivables		
Current taxes	7,775,396	7,595,923
Delinquent taxes	60,726	93,628
Accounts and interest	64,618	124,074
Due from other governmental units	6,636,045	4,664,056
Inventory	42,769	66,095
Prepaid items	283,959	516,292
Restricted assets – temporarily restricted		
Cash and investments for OPEB	12,353,443	10,864,463
Capital assets		
Not depreciated	641,721	4,247,444
Depreciated, net of accumulated depreciation	65,598,996	63,362,643
Total capital assets, net of accumulated depreciation	<u>66,240,717</u>	<u>67,610,087</u>
Total assets	<u>114,363,116</u>	<u>112,845,506</u>
Deferred outflows of resources		
Pension plan deferments	13,807,433	22,364,362
OPEB plan deferments	774,823	638,790
Deferred charges on refunding	725,119	831,885
Total deferred outflows of resources	<u>15,307,375</u>	<u>23,835,037</u>
Total assets and deferred outflows of resources	<u>\$ 129,670,491</u>	<u>\$ 136,680,543</u>
Liabilities		
Salaries payable	\$ 3,409,701	\$ 3,277,189
Accounts and contracts payable	2,135,307	2,457,076
Claims payable	16,485	–
Accrued interest payable	849,845	940,625
Due to other governmental units	239,967	347,785
Unearned revenue	137,469	26,719
Long-term liabilities		
Due within one year	4,717,527	3,581,681
Due in more than one year	93,076,411	94,211,833
Total long-term liabilities	<u>97,793,938</u>	<u>97,793,514</u>
Total liabilities	<u>104,582,712</u>	<u>104,842,908</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	13,539,796	12,421,849
Pension plan deferments	23,538,385	34,543,937
OPEB plan deferments	1,171,456	733,837
Total deferred inflows of resources	<u>38,249,637</u>	<u>47,699,623</u>
Net position		
Net investment in capital assets	18,976,014	17,134,061
Restricted for		
Capital asset acquisition	3,284,168	2,783,030
Food service	692,109	745,354
Community service	107,808	190,627
Debt service	323,078	389,934
Other purposes (state funding restrictions)	1,002,009	904,227
Unrestricted	(37,547,044)	(38,009,221)
Total net position	<u>(13,161,858)</u>	<u>(15,861,988)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 129,670,491</u>	<u>\$ 136,680,543</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

Functions/Programs	2021			2020	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
			Governmental Activities	Governmental Activities	
Governmental activities					
Administration	\$ 2,112,675	\$ -	\$ -	\$ (2,112,675)	\$ (2,043,921)
District support services	3,174,613	433	-	(3,174,180)	(1,952,167)
Elementary and secondary regular instruction	21,484,892	203,557	928,456	(20,352,879)	(21,369,734)
Vocational education instruction	256,929	-	4,984	(251,945)	(256,431)
Special education instruction	9,137,586	261,686	6,126,495	(2,749,405)	(3,501,226)
Instructional support services	2,818,347	737	499,943	(2,317,667)	(2,318,982)
Pupil support services	4,830,075	-	102,132	(4,727,943)	(4,698,229)
Sites and buildings	5,211,396	165,236	145,695	(4,900,465)	(5,070,905)
Fiscal and other fixed cost programs	172,243	-	82,268	(89,975)	(151,301)
Food service	1,771,966	181,115	1,611,025	20,174	(239,523)
Community service	2,224,253	699,224	788,576	(736,453)	(903,374)
Depreciation not allocated directly to programs	2,001,419	-	-	(2,001,419)	(2,008,283)
Interest on long-term debt	1,822,499	-	-	(1,822,499)	(2,056,565)
Total governmental activities	\$ 57,018,893	\$ 1,511,988	\$ 10,289,574	(45,217,331)	(46,570,641)
General revenues					
Taxes					
Property taxes levied for general purposes				8,373,465	8,655,657
Property taxes levied for community service				398,378	450,485
Property taxes levied for debt service				4,784,504	5,015,014
General grants and aids				31,025,027	29,050,646
Other general revenues				570,707	497,985
Gain on sale of capital assets				731,385	-
Investment earnings				2,033,995	706,752
Total general revenues				47,917,461	44,376,539
Change in net position				2,700,130	(2,194,102)
Net position – beginning				(15,861,988)	(13,667,886)
Net position – ending				\$ (13,161,858)	\$ (15,861,988)

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 15,049,188	\$ –	\$ 3,456,370
Receivables			
Current taxes	4,883,161	–	2,633,598
Delinquent taxes	36,223	–	22,513
Accounts and interest	27,130	–	–
Due from other governmental units	5,850,952	–	28,835
Due from other funds	655,665	–	–
Inventory	–	–	–
Prepaid items	268,945	–	–
	<u>\$ 26,771,264</u>	<u>\$ –</u>	<u>\$ 6,141,316</u>
Liabilities			
Salaries payable	\$ 3,289,809	\$ –	\$ –
Accounts and contracts payable	2,087,596	–	–
Due to other governmental units	218,404	–	–
Due to other funds	19,008	–	–
Unearned revenue	46,700	–	–
Total liabilities	<u>5,661,517</u>	<u>–</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	8,083,475	–	4,968,393
Unavailable revenue – delinquent taxes	36,223	–	22,513
Total deferred inflows of resources	<u>8,119,698</u>	<u>–</u>	<u>4,990,906</u>
Fund balances			
Nonspendable	268,945	–	–
Restricted	4,286,177	–	1,150,410
Assigned	4,347,655	–	–
Unassigned	4,087,272	–	–
Total fund balances	<u>12,990,049</u>	<u>–</u>	<u>1,150,410</u>
	<u>\$ 26,771,264</u>	<u>\$ –</u>	<u>\$ 6,141,316</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,771,264</u>	<u>\$ –</u>	<u>\$ 6,141,316</u>

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 398,732	\$ 18,904,290	\$ 19,393,219
258,637	7,775,396	7,595,923
1,990	60,726	93,628
37,488	64,618	124,074
756,258	6,636,045	4,664,056
–	655,665	504,737
42,769	42,769	66,095
13,304	282,249	516,292
<u>\$ 1,509,178</u>	<u>\$ 34,421,758</u>	<u>\$ 32,958,024</u>
\$ 119,892	\$ 3,409,701	\$ 3,277,189
47,711	2,135,307	2,457,076
21,563	239,967	347,785
–	19,008	–
32,167	78,867	26,719
<u>221,333</u>	<u>5,882,850</u>	<u>6,108,769</u>
487,928	13,539,796	12,421,849
1,990	60,726	93,473
<u>489,918</u>	<u>13,600,522</u>	<u>12,515,322</u>
56,073	325,018	582,387
741,854	6,178,441	6,084,177
–	4,347,655	3,854,004
–	4,087,272	3,813,365
<u>797,927</u>	<u>14,938,386</u>	<u>14,333,933</u>
<u>\$ 1,509,178</u>	<u>\$ 34,421,758</u>	<u>\$ 32,958,024</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2021</u>	<u>2020</u>
Total fund balances – governmental funds	\$ 14,938,386	\$ 14,333,933
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	101,385,010	100,604,289
Accumulated depreciation	(35,144,293)	(32,994,202)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
G.O. bonds and certificates	(51,845,000)	(54,990,000)
Special assessments payable	–	(6,250)
Capital leases payable	(1,734,305)	(1,958,901)
Unamortized (premiums) discounts	(2,105,971)	(2,507,750)
Net pension liability – PERA and TRA pension plans	(32,477,572)	(28,446,194)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
	4,018,279	2,727,767
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(849,845)	(940,625)
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 – PERA and TRA pension plans	13,405,993	21,932,611
Deferred outflows of resources – deferred charges on refunding	725,119	831,885
Deferred inflows of resources – PERA and TRA pension plans	(23,538,385)	(34,542,024)
Deferred inflows of resources – delinquent property taxes	60,726	93,473
Total net position – governmental activities	<u>\$ (13,161,858)</u>	<u>\$ (15,861,988)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 8,392,557	\$ –	\$ 4,797,078
Investment earnings	28,639	26	6,685
Other	1,202,955	–	–
State sources	34,912,268	–	89,621
Federal sources	3,849,202	–	–
Total revenue	<u>48,385,621</u>	<u>26</u>	<u>4,893,384</u>
Expenditures			
Current			
Administration	1,871,804	–	–
District support services	3,161,298	–	–
Elementary and secondary regular instruction	19,921,493	–	–
Vocational education instruction	238,631	–	–
Special education instruction	8,727,072	–	–
Instructional support services	2,687,587	–	–
Pupil support services	4,802,119	–	–
Sites and buildings	5,677,171	–	–
Fiscal and other fixed cost programs	172,243	–	–
Food service	–	–	–
Community service	206,097	–	–
Capital outlay	–	239,327	–
Debt service			
Principal	600,141	–	3,010,000
Interest and fiscal charges	175,874	3,972	2,028,446
Total expenditures	<u>48,241,530</u>	<u>243,299</u>	<u>5,038,446</u>
Excess (deficiency) of revenue over expenditures	144,091	(243,273)	(145,062)
Other financing sources (uses)			
Sale of capital assets	749,385	–	–
Debt issued	–	–	–
Refunding debt issued	–	–	–
Premium on debt issued	–	–	–
Payment on refunded debt	–	–	–
Capital leases	234,295	–	–
Transfers in	–	–	–
Transfers (out)	–	–	–
Total other financing sources (uses)	<u>983,680</u>	<u>–</u>	<u>–</u>
Net change in fund balances	1,127,771	(243,273)	(145,062)
Fund balances			
Beginning of year	<u>11,862,278</u>	<u>243,273</u>	<u>1,295,472</u>
End of year	<u>\$ 12,990,049</u>	<u>\$ –</u>	<u>\$ 1,150,410</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2021	2020
\$ 399,459	\$ 13,589,094	\$ 14,106,356
1,176	36,526	280,569
880,339	2,083,294	2,663,335
358,980	35,360,869	34,868,044
2,040,621	5,889,823	3,022,878
<u>3,680,575</u>	<u>56,959,606</u>	<u>54,941,182</u>
–	1,871,804	1,862,666
–	3,161,298	2,060,484
–	19,921,493	20,500,916
–	238,631	240,993
–	8,727,072	8,584,099
–	2,687,587	2,747,643
–	4,802,119	4,558,702
–	5,677,171	5,239,813
–	172,243	151,301
1,751,959	1,751,959	2,329,334
1,969,401	2,175,498	2,216,371
94,198	333,525	3,545,014
–	3,610,141	3,568,609
–	2,208,292	2,280,471
<u>3,815,558</u>	<u>57,338,833</u>	<u>59,886,416</u>
(134,983)	(379,227)	(4,945,234)
–	749,385	–
–	–	3,775,000
–	–	2,655,000
–	–	515,713
–	–	(2,980,000)
–	234,295	117,187
–	–	91,678
–	–	(91,678)
<u>–</u>	<u>983,680</u>	<u>4,082,900</u>
(134,983)	604,453	(862,334)
<u>932,910</u>	<u>14,333,933</u>	<u>15,196,267</u>
<u>\$ 797,927</u>	<u>\$ 14,938,386</u>	<u>\$ 14,333,933</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

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

	<u>2021</u>	<u>2020</u>
Total net change in fund balances – governmental funds	\$ 604,453	\$ (862,334)
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	851,402	3,850,496
Depreciation expense	(2,202,772)	(2,171,886)
Net book value of capital asset disposals	(18,000)	–
The amount of debt issued is reported as a source of financing in the governmental funds. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
G.O. bonds and certificates	–	(6,430,000)
Capital leases	(234,295)	(117,187)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	1,290,512	(273,399)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
G.O. bonds and certificates	3,145,000	6,165,000
Special assessments payable	6,250	12,500
Capital leases payable	458,891	371,109
Net pension liability – PERA and TRA pension plans	(4,031,378)	(674,900)
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.		
	90,780	(23,873)
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.		
	401,779	(161,168)
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 – PERA and TRA pension plans	(8,526,618)	(10,494,607)
Deferred outflows of resources – deferred charges on refunding	(106,766)	(106,766)
Deferred inflows of resources – PERA and TRA pension plans	11,003,639	8,708,113
Deferred inflows of resources – delinquent property taxes	(32,747)	14,800
Change in net position – governmental activities	<u>\$ 2,700,130</u>	<u>\$ (2,194,102)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 9,389,379	\$ 8,637,754	\$ 8,392,557	\$ (245,197)
Investment earnings	150,000	100,000	28,639	(71,361)
Other	1,126,634	1,146,885	1,202,955	56,070
State sources	36,048,338	35,064,110	34,912,268	(151,842)
Federal sources	1,558,119	3,341,596	3,849,202	507,606
Total revenue	<u>48,272,470</u>	<u>48,290,345</u>	<u>48,385,621</u>	<u>95,276</u>
Expenditures				
Current				
Administration	1,903,953	1,926,680	1,871,804	(54,876)
District support services	3,800,487	3,705,966	3,161,298	(544,668)
Elementary and secondary regular instruction	20,656,463	21,010,030	19,921,493	(1,088,537)
Vocational education instruction	249,689	245,523	238,631	(6,892)
Special education instruction	8,312,940	8,296,647	8,727,072	430,425
Community education and services	124,781	191,597	206,097	14,500
Instructional support services	2,903,550	2,865,960	2,687,587	(178,373)
Pupil support services	4,847,033	4,632,458	4,802,119	169,661
Sites and buildings	5,203,075	5,474,985	5,677,171	202,186
Fiscal and other fixed cost programs	152,000	172,243	172,243	-
Debt service				
Principal	248,387	454,246	600,141	145,895
Interest and fiscal charges	74,116	127,116	175,874	48,758
Total expenditures	<u>48,476,474</u>	<u>49,103,451</u>	<u>48,241,530</u>	<u>(861,921)</u>
Excess (deficiency) of revenue over expenditures	(204,004)	(813,106)	144,091	957,197
Other financing sources				
Sale of capital assets	-	5,300	749,385	744,085
Capital leases	-	-	234,295	234,295
Total other financing sources	<u>-</u>	<u>5,300</u>	<u>983,680</u>	<u>978,380</u>
Net change in fund balances	<u>\$ (204,004)</u>	<u>\$ (807,806)</u>	<u>1,127,771</u>	<u>\$ 1,935,577</u>
Fund balances				
Beginning of year			<u>11,862,278</u>	
End of year			<u>\$ 12,990,049</u>	

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and temporary investments	\$ 2,001,153	\$ 1,917,669
Receivables		
Due from other funds	19,008	-
Prepaid items	<u>1,710</u>	<u>-</u>
Total current assets	2,021,871	1,917,669
Noncurrent assets		
Restricted assets – temporarily restricted		
Cash and cash equivalents	4,795,697	4,689,126
Investments	<u>7,557,746</u>	<u>6,175,337</u>
Total restricted assets – temporarily restricted	<u>12,353,443</u>	<u>10,864,463</u>
Total assets	<u>14,375,314</u>	<u>12,782,132</u>
Deferred outflows of resources		
OPEB plan deferments	774,823	638,790
Pension plan deferments	<u>401,440</u>	<u>431,751</u>
Total deferred outflows of resources	<u>1,176,263</u>	<u>1,070,541</u>
Liabilities		
Current liabilities		
Claims payable	16,485	-
Severance benefits payable	88,787	50,796
Total OPEB liability	655,665	-
Total pension liability	355,899	-
Due to other funds	655,665	504,737
Unearned revenue	<u>58,602</u>	<u>-</u>
Total current liabilities	1,831,103	555,533
Long-term liabilities, net of current portion		
Severance benefits payable	1,190,365	1,122,985
Total OPEB liability	6,251,381	7,060,170
Total pension liability	<u>1,088,993</u>	<u>1,650,468</u>
Total long-term liabilities	<u>8,530,739</u>	<u>9,833,623</u>
Total liabilities	<u>10,361,842</u>	<u>10,389,156</u>
Deferred inflows of resources		
OPEB plan deferments	1,171,456	733,837
Pension plan deferments	<u>-</u>	<u>1,913</u>
Total deferred inflows of resources	<u>1,171,456</u>	<u>735,750</u>
Net position		
Restricted for OPEB liabilities	4,394,099	3,204,509
Unrestricted	<u>(375,820)</u>	<u>(476,742)</u>
Total net position	<u>\$ 4,018,279</u>	<u>\$ 2,727,767</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2021</u>	<u>2020</u>
Operating revenue		
Contributions from governmental funds	\$ 628,629	\$ 430,482
Operating expenses		
Dental benefit claims	219,349	-
Severance benefits	133,389	199,506
Pension benefits	178,721	177,571
OPEB	804,127	752,987
Total operating expenses	<u>1,335,586</u>	<u>1,130,064</u>
Operating (loss)	(706,957)	(699,582)
Nonoperating revenues		
Investment earnings	<u>1,997,469</u>	<u>426,183</u>
Change in net position	1,290,512	(273,399)
Net position		
Beginning of year	<u>2,727,767</u>	<u>3,001,166</u>
End of year	<u>\$ 4,018,279</u>	<u>\$ 2,727,767</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2021

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Receipts from assessments made to governmental funds	\$ 817,441	\$ 365,771
Payments for dental claims	(202,864)	-
Benefit payments	(1,039,582)	(935,220)
Net cash flows from operating activities	<u>(425,005)</u>	<u>(569,449)</u>
Cash flows from investing activities		
Purchase of investments	(4,463,625)	(402,924)
Sales and maturities of investments	3,081,216	855,315
Interest and dividends on investments	1,997,469	426,183
Net cash flows from investing activities	<u>615,060</u>	<u>878,574</u>
Net change in cash and cash equivalents	190,055	309,125
Cash and cash equivalents		
Beginning of year	<u>6,606,795</u>	<u>6,297,670</u>
End of year	<u>\$ 6,796,850</u>	<u>\$ 6,606,795</u>
Reconciliation of operating (loss) to net cash flows from operating activities		
Operating (loss)	\$ (706,957)	\$ (699,582)
Adjustments to reconcile operating (loss) to net cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows of resources		
Due from other funds	(19,008)	-
Prepaid items	(1,710)	-
Claims payable	16,485	-
Unearned revenue	58,602	-
OPEB plan deferments	301,586	(161,072)
Pension plan deferments	28,398	57,033
Due to other funds	150,928	(64,711)
Total pension liability	(205,576)	(237,614)
Total OPEB liability	(153,124)	409,321
Severance benefits payable	105,371	127,176
Net cash flows from operating activities	<u>\$ (425,005)</u>	<u>\$ (569,449)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>Custodial Fund</u>
Assets	\$ —
Liabilities	<u>—</u>
Net position Restricted	<u><u>\$ —</u></u>

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

	<u>Custodial Fund</u>
Additions	
Contributions	\$ 1,465
Deductions	
Donations	<u>1,465</u>
Change in net position	—
Net position	
Beginning of year	<u>—</u>
End of year	<u><u>\$ —</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Basic Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 199, Inver Grove Heights, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. It is governed by a seven-member School Board elected by the voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For capital assets that can be specifically identified with, or allocated to, functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “depreciation not allocated directly to programs.” Interest on long-term 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.

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

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

Property taxes; federal, state, and local grants and aids; and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital expenditures are included within the applicable functional areas.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds is charges to customers (other district funds) for services. 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.

Fiduciary funds are presented in the fiduciary fund financial statements by type (custodial). 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds

The existence of the various funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds in this report are 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, generally authorized by bond issue or capital levies.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, debt principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program.

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

Proprietary Funds

Dental Self-Insurance Internal Service Fund – The Dental Self-Insurance Internal Service Fund is used to account for and finance the self-insured risk of loss of the District's employee dental plan.

Severance and Pension Benefits Internal Service Fund – The Severance and Pension Benefits Internal Service Fund is used to account for the payment and financing of its severance and pension benefit liabilities.

Other Post-Employment Benefits (OPEB) Internal Service Fund – The Other Post-Employment Benefits (OPEB) Internal Service Fund is used to account for the payment and financing of its OPEB liabilities, including the administration of assets held in a revocable trust to finance these liabilities.

Fiduciary Funds

Custodial Fund – The Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes these funds to an organization, with no financial benefit to the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts annual budgets for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. All appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2021 exceeded budgeted appropriations by \$55,659, \$98,837, and \$243,299 in the Food Service Special Revenue Fund, Community Service Special Revenue Fund, and Capital Projects – Building Construction Fund, respectively. The additional expenditures were approved by the School Board as required by Minnesota Statutes, and were financed by revenues or other financing sources in excess of budget, along with available fund balances.

F. Cash and Temporary Investments

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

Certain cash and investments are held in segregated accounts established for specific purposes. In the OPEB Internal Service Fund, restricted assets are reported for assets held in a revocable trust established to finance the District's liability for post-employment insurance benefits. These cash and investment balances are reported as restricted assets in the government-wide financial statements. Earnings from these investments are allocated directly to the applicable funds.

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 fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

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

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 at 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.

At June 30, 2021, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 6,182,349
Due from other Minnesota school districts	358,797
Due from Dakota County and other	94,899
	<hr/>
Total due from other governmental units	<u>\$ 6,636,045</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Interfund Balances and Transfers

The current portions of interfund balances representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/due from other funds. At June 30, 2021, the General Fund reported a receivable of \$655,665 due from the OPEB Internal Service Fund to reimburse OPEB costs initially paid by the General Fund, and a payable of \$19,008 due to the Dental Self-Insurance Internal Service Fund for premiums.

Interfund balances and transfers are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

I. Inventories

Inventories are recorded using the consumption method of accounting and consist of surplus commodities received from the federal government. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

J. Prepaid Items

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

K. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$1,128,801 of the property tax levy collectible in 2021 as revenue to the District in fiscal year 2020–2021. The remaining portion of the taxes collectible in 2021 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund-based financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for furniture and equipment. Land and construction in progress are not depreciated.

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

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. 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 are reported as other financing sources or uses, respectively.

N. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation accrued at year-end is insignificant, and no vacation liability has been recorded in the government-wide financial statements beyond the amounts that were used or matured by year-end. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

O. Severance Benefits

Under the terms of collectively bargained employment contracts, certain district employee groups, including teachers, may become eligible to receive lump sum severance benefits. Eligibility is based on years of service and/or minimum age requirements.

Severance benefits are calculated by converting a portion of unused, accrued sick leave times a pay rate specified in the employee's collectively bargained contract. Severance benefits based on convertible sick leave are recorded as a liability in the Severance and Pension Benefits Internal Service Fund as they are earned and it becomes probable they will vest at some point in the future.

Employees may also elect to receive district matching contributions to their 403(b) individual retirement accounts. An individual's future severance benefits will be reduced by any 403(b) matching payments received. In accordance with Minnesota Statutes, no employee can receive severance or retirement incentive benefits that exceed one year's salary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Q. Deferred Outflows/Inflows of Resources

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

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

The District reports a deferred outflow of resources related deferred charges on refunding in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position

In the government-wide and proprietary 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** – 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** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

S. Fund Balance Classifications

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

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

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Risk Management

- 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; employee medical; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.
- 2. Self-Insurance** – In fiscal 2021, the District has established an internal service fund to account for and finance its self-insured risk of loss for an employee dental health insurance plan. Under this plan, the internal service fund provides coverage to participating employees and their dependents for various dental costs as described in the plan.

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 any 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 incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of dental claim liabilities for the year were as follows:

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
June 30, 2021	\$ –	\$ 219,349	\$ 202,864	\$ 16,485

U. Use of Estimates

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

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 3,555,636
Investments	29,700,983
Petty cash	<u>2,267</u>
Total	<u><u>\$ 33,258,886</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 20,905,443
Temporarily restricted – cash and investments for OPEB	<u>12,353,443</u>
Total	<u><u>\$ 33,258,886</u></u>

B. Deposits

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

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

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

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

At year-end, the bank balances of the District’s deposits totaled \$3,844,458, all of which were fully covered by federal deposit insurance, surety bonds, or 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:

Deposits/Investments	Credit Risk		Fair Value	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency	Measurements Using	Less Than 1	1 to 5	6 to 10	
U.S. treasury securities	AAA	Moody's	Level 1	\$ –	\$ 1,194,611	\$ –	\$ 1,194,611
U.S. agency securities	AA	S&P	Level 1	\$ –	\$ 232,139	\$ –	232,139
Corporate obligations	AA	S&P	Level 1	\$ –	\$ 78,744	\$ –	78,744
Corporate obligations	A	S&P	Level 1	\$ 152,172	\$ 1,306,321	\$ –	1,458,493
Corporate obligations	A	Moody's	Level 1	\$ 50,223	\$ 162,440	\$ –	212,662
Corporate obligations	BBB	S&P	Level 1	\$ –	\$ 699,126	\$ –	699,126
Corporate obligations	Baa	Moody's	Level 1	\$ –	\$ 372,820	\$ –	372,820
Equities	Not Rated		Level 1	N/A	N/A	N/A	3,309,151
Real asset mutual funds	Not Rated		Level 2	N/A	N/A	N/A	459,959
Real estate investment trusts	Not Rated		Level 1	N/A	N/A	N/A	39,971
Mutual funds	Not Rated		Level 1	N/A	N/A	N/A	4,295,767
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	N/A	15,347,540
MNTrust Term Series	Not Rated		Amortized Cost	\$ 2,000,000	\$ –	\$ –	2,000,000
Total investments							<u>\$ 29,700,983</u>

N/A – Not Applicable

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

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

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

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts with parties meeting minimum stator requirements; 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

For assets held in the District’s revocable OPEB trust accounted for in its OPEB Internal Service 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.

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

	Balance – 06/30/2020	Additions	Deletions	Balance – 06/30/2021
Capital assets, not depreciated				
Land	\$ 659,721	\$ –	\$ (18,000)	\$ 641,721
Construction in progress	3,587,723	217,780	(3,805,503)	–
Total capital assets, not depreciated	<u>4,247,444</u>	<u>217,780</u>	<u>(3,823,503)</u>	<u>641,721</u>
Capital assets, depreciated				
Buildings and improvements	92,071,374	4,007,223	–	96,078,597
Furniture and equipment	4,285,471	431,902	(52,681)	4,664,692
Total capital assets, depreciated	<u>96,356,845</u>	<u>4,439,125</u>	<u>(52,681)</u>	<u>100,743,289</u>
Less accumulated depreciation for				
Buildings and improvements	(30,175,118)	(1,877,723)	–	(32,052,841)
Furniture and equipment	(2,819,084)	(325,049)	52,681	(3,091,452)
Total accumulated depreciation	<u>(32,994,202)</u>	<u>(2,202,772)</u>	<u>52,681</u>	<u>(35,144,293)</u>
Net capital assets, depreciated	<u>63,362,643</u>	<u>2,236,353</u>	<u>–</u>	<u>65,598,996</u>
Total capital assets, net	<u>\$ 67,610,087</u>	<u>\$ 2,454,133</u>	<u>\$ (3,823,503)</u>	<u>\$ 66,240,717</u>

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

District support services	\$ 33,480
Elementary and secondary regular instruction	20,330
Pupil support services	119,419
Food service	27,107
Community service	1,017
Depreciation not allocated directly to programs	<u>2,001,419</u>
Total depreciation expense	<u>\$ 2,202,772</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds and Certificates of Participation Payable

The District currently has the following general obligation debt outstanding:

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Face/Par Value</u>	<u>Remaining Maturities</u>	<u>Principal Outstanding</u>
2014A Building Bonds	02/06/2014	3.00–5.00%	\$ 24,750,000	02/01/2027–02/01/2033	\$ 24,315,000
2014B Refunding Bonds	07/17/2014	4.00–5.00%	\$ 24,320,000	02/01/2022–02/01/2026	13,425,000
2016A Taxable OPEB Refunding Bonds	10/19/2016	2.00–2.50%	\$ 9,725,000	02/01/2022–02/01/2028	8,400,000
2019A Certificates of Participation	10/19/2019	2.00–4.00%	\$ 3,775,000	02/01/2022–02/01/2039	3,420,000
2019B Refunding Bonds	11/14/2019	5.00%	\$ 2,655,000	02/01/2022–02/01/2026	<u>2,285,000</u>
Total general obligation debt payable					<u>\$ 51,845,000</u>

These bonds and certificates were issued to finance acquisition and/or construction of capital facilities, to finance (refund) prior bond issues, or to finance OPEB. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of the 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 certificates will be repaid through a separate levy collected in the General Fund.

B. Capital Leases Payable

The District entered into a capital lease agreement to finance a building addition at Hilltop Elementary School. The lease bears an interest rate of 3.95 percent, and requires equal semiannual payments through January 15, 2029. The lease is secured by a ground lease on the land, together with the building and improvements thereon. If the District fails to make the rental payments specified in this agreement or otherwise defaults on the lease, the lessor may 1) enter the leased property and take possession without terminating the lease, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 2) exclude the District from possession of the property and attempt to sell or again lease the property, holding the District responsible for the rent due under this agreement until the property is sold or leased again, or 3) take legal action to force performance under the terms of the lease. The addition has been capitalized in buildings and improvements at a value of \$2,458,600. Accumulated depreciation on this asset as of June 30, 2021 was \$344,204. The lease is being paid through the General Fund.

In fiscal 2019, 2020, and 2021, the District entered into three lease-purchase agreements for technology equipment. The leases require annual payments through September 1, 2022 and bear interest rates ranging from 1.49–2.49 percent. Individual assets acquired through these leases were below the District's capitalization threshold. The leases are being paid through the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: severance, pension benefits, and OPEB, the details of which are discussed elsewhere in these notes. The District has established two internal service funds to account for the financing of these benefits.

District employees participate in several pension plans described later in these notes, including two state-wide, cost-sharing, multiple-employer defined benefit plans administered by the PERA and the TRA, and one single-employer defined benefit plan administered by the District. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2021:

Defined Benefit Pension Plans	Net/Total Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 6,523,057	\$ 883,812	\$ 262,096	\$ 282,285
State-wide, multiple-employer – TRA	25,954,515	12,522,181	23,276,289	3,745,368
Single-employer – District	1,444,892	401,440	–	178,721
Total	\$ 33,922,464	\$ 13,807,433	\$ 23,538,385	\$ 4,206,374

D. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Debt		Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 3,325,000	\$ 1,957,538	\$ 292,176	\$ 61,394
2023	3,475,000	1,802,888	276,684	52,810
2024	3,640,000	1,640,638	175,753	44,317
2025	3,780,000	1,496,350	182,764	37,306
2026	3,940,000	1,346,263	190,055	30,015
2027–2031	22,055,000	4,623,915	616,873	43,336
2032–2036	10,940,000	767,240	–	–
2037–2039	690,000	37,075	–	–
	\$ 51,845,000	\$ 13,671,905	\$ 1,734,305	\$ 269,178

E. Changes in Long-Term Liabilities

	June 30, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
G.O. bonds and certificates	\$ 54,990,000	\$ –	\$ 3,145,000	\$ 51,845,000	\$ 3,325,000
Unamortized premiums (discounts)	2,507,750	–	401,779	2,105,971	–
Special assessments payable	6,250	–	6,250	–	–
Capital leases payable	1,958,901	234,295	458,891	1,734,305	292,176
Severance payable	1,173,781	244,854	139,483	1,279,152	88,787
Total OPEB liability	7,060,170	651,003	804,127	6,907,046	655,665
Net/total pension liabilities	30,096,662	6,791,812	2,966,010	33,922,464	355,899
	\$ 97,793,514	\$ 7,921,964	\$ 7,921,540	\$ 97,793,938	\$ 4,717,527

NOTE 5 – FUND BALANCES

A. Classifications

The following is a breakdown of the equity components of governmental funds defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30, are included in unassigned fund balance in these financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included here, since the District has specific authority to future resources for such deficits. At June 30, 2021, a summary of the District’s governmental fund balance classifications is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable				
Inventory	\$ –	\$ –	\$ 42,769	\$ 42,769
Prepaid items	268,945	–	13,304	282,249
Total nonspendable	<u>268,945</u>	<u>–</u>	<u>56,073</u>	<u>325,018</u>
Restricted				
Student activities	48,579	–	–	48,579
Capital projects levy	54,931	–	–	54,931
Operating capital	1,286,109	–	–	1,286,109
Basic skills programs	314,522	–	–	314,522
Safe schools	131,829	–	–	131,829
Long-term facilities maintenance	1,943,128	–	–	1,943,128
Medical Assistance	507,079	–	–	507,079
Projects funded by COP	–	–	–	–
General debt service	–	1,027,100	–	1,027,100
OPEB bonds debt service	–	123,310	–	123,310
Food service	–	–	640,930	640,930
Community education programs	–	–	53,767	53,767
School readiness	–	–	47,157	47,157
Total restricted	<u>4,286,177</u>	<u>1,150,410</u>	<u>741,854</u>	<u>6,178,441</u>
Assigned				
Separation and severance	1,000,000	–	–	1,000,000
Next year’s budget	342,655	–	–	342,655
Curriculum adoption	200,000	–	–	200,000
Program carryover	500,000	–	–	500,000
Other capital projects	2,305,000	–	–	2,305,000
Total assigned	<u>4,347,655</u>	<u>–</u>	<u>–</u>	<u>4,347,655</u>
Unassigned	<u>4,087,272</u>	<u>–</u>	<u>–</u>	<u>4,087,272</u>
Total	<u>\$ 12,990,049</u>	<u>\$ 1,150,410</u>	<u>\$ 797,927</u>	<u>\$ 14,938,386</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance (excluding any restricted account deficits) of 8.0 percent of the annual projected expenditures. The year-end unassigned fund balance of the General Fund was 8.3 percent of current year budgeted expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2021, were \$540,119. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2021, were \$1,725,480. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2021, the District reported a liability of \$6,523,057 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$201,229. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.1088 percent at the end of the measurement period and 0.1057 percent for the beginning of the period.

District’s proportionate share of the net pension liability	\$ 6,523,057
State’s proportionate share of the net pension liability associated with the District	\$ 201,229

For the year ended June 30, 2021, the District recognized pension expense of \$264,772 for its proportionate share of the GERF’s pension expense. In addition, the District recognized \$17,513 as grant revenue for its proportionate share of the state of Minnesota’s pension expense for the annual \$16 million contribution.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 57,762	\$ 24,680
Changes in actuarial assumptions	–	237,416
Net collective difference between projected and actual investment earnings	132,004	–
Changes in proportion	153,927	–
District’s contributions to the GERF subsequent to the measurement date	540,119	–
Total	<u>\$ 883,812</u>	<u>\$ 262,096</u>

The \$540,119 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ (294,798)
2023	\$ 52,204
2024	\$ 166,591
2025	\$ 157,600

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$25,954,515 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.3513 percent at the end of the measurement period and 0.3546 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	\$ 25,954,515
State’s proportionate share of the net pension liability associated with the District	\$ 2,174,835

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

For the year ended June 30, 2021, the District recognized pension expense of \$3,546,138. It also recognized \$199,230 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 520,493	\$ 394,322
Changes in actuarial assumptions	9,598,194	21,686,610
Net difference between projected and actual investment earnings on pension plan investments	409,818	–
Changes in proportion	268,196	1,195,357
District’s contributions to the TRA subsequent to the measurement date	1,725,480	–
Total	<u>\$ 12,522,181</u>	<u>\$ 23,276,289</u>

A total of \$1,725,480 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 428,620
2023	\$ (8,264,189)
2024	\$ (5,318,889)
2025	\$ 601,920
2026	\$ 72,950

E. Actuarial Assumptions

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

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

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

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

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

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

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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

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

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

F. Discount Rate

1. GERF

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

2. TRA

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

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the GERF net pension liability	\$ 10,454,198	\$ 6,523,057	\$ 3,280,182
TRA discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the TRA net pension liability	\$ 39,736,088	\$ 25,954,515	\$ 14,599,195

H. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description and Benefits

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

Teachers hired before July 1, 1997 that meet certain years of service and/or age requirements are eligible to receive an additional retirement incentive benefit. Teachers accumulate five days of credit for each full year of service to the District up through the fiscal year in which the employee reaches the age of 55. The benefit is based on an employee’s rate of pay during the fiscal year in which the employee reaches the age of 55, and is paid out in two equal payments due on May 31 of the calendar year in which the eligible employee retires and the following January 15. Beneficiaries that continue to be employed by the District after the age of 55 do not accrue additional benefits.

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

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits. These benefits are accrued in the Severance and Pension Benefits Internal Service Fund as they vest. The District’s required contributions to finance these benefits on a pay-as-you-go basis for the current year were \$355,899.

C. Membership

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

Retirees and beneficiaries receiving benefits	4
Active plan members	<u>29</u>
Total members	<u><u>33</u></u>

D. Actuarial Methods and Assumptions

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

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

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

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.10 percent to 2.40 percent.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

E. Discount Rate

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

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

F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2020	\$ 1,650,468
Changes for the year	
Service cost	41,855
Interest	46,953
Assumption changes	2,847
Differences between expected and actual experience	60,921
Benefit payments	(358,152)
Total net changes	<u>(205,576)</u>
Ending balance – June 30, 2021	<u>\$ 1,444,892</u>

G. Total Pension Liability Sensitivity to Discount Rate Changes

The following presents the total pension liability of the District, as well as what the District’s total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	1.40%	2.40%	3.40%
Total pension liability	\$ 1,470,520	\$ 1,444,892	\$ 1,417,831

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

The District recognized pension expense of \$178,721 for the current year, and reported deferred outflows and inflows of resources related to this pension plan at year-end from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 40,614	\$ –
Changes in actuarial assumptions	4,927	–
District’s contributions subsequent to the measurement date	355,899	–
Total	<u>\$ 401,440</u>	<u>\$ –</u>

A total of \$355,899 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 total pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ 24,285
2023	\$ 21,256

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

A. Plan Description and Benefits Provided

The District provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees that meet certain age and/or length of service requirements are eligible for post-retirement healthcare benefits. The amount to be paid is equal to the single coverage insurance premium benefit available to full-time employees in the bargaining group.

- The superintendent and certain eligible directors are eligible to receive a single lump sum of \$70,000 (superintendent) or \$60,000 (others) paid to a healthcare savings plan.
- Eligible principals receive a one-time benefit of \$60,000 if hired before July 1, 2008, or \$30,000 if hired on or after July 1, 2008.
- Eligible full-time teachers retiring after June 30, 2007 with 20 years of continuous service receive a one-time benefit equivalent to 91 percent of the teachers' B.A. Step 1 salary. Part-time teachers that retire with at least 25 years of continuous service working at least half of a full-time schedule will receive a prorated portion of the benefit. All benefits are to be paid into an individual healthcare savings plan account administered by the Minnesota State Retirement System.

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

B. Contributions

The required contributions are based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's required contributions to finance the benefits described in the previous section, on a pay-as-you-go basis for the current year, totaled \$655,665.

C. Membership

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

Retirees and beneficiaries receiving benefits	22
Active plan members	<u>465</u>
Total members	<u><u>487</u></u>

D. Total OPEB Liability of the District

The District's total OPEB liability was \$6,907,046 at year-end.

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

E. Actuarial Methods and Assumptions

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

Discount rate	2.40%
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	Service graded tables
Medical trend rate	6.50% grading to 5.00% over 6 years, then to 4.00% over the next 48 years

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield of 2.40 percent.

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

Plan changes since the prior measurement date include the following:

- The benefit for the superintendent and certain eligible directors changed from full single premium coverage for 7 years or until Medicare eligibility to a single lump sum of \$70,000 (superintendent) or \$60,000 (others) paid to a health care savings plan.

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.10 percent to 2.40 percent.
- 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-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The assumed percentage of future retirements for the superintendent and director groups continuing coverage on the medical plans changed from 100.00 percent to 85.00 percent (where the subsidized benefit is paid in a one-time lump sum).

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

F. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 7,060,170
Changes for the year	
Service cost	603,977
Interest	229,825
Assumption changes	(165,570)
Plan changes	100,096
Differences between expected and actual economic experience	(416,715)
Benefit payments	(504,737)
Total net changes	<u>(153,124)</u>
Ending balance	<u>\$ 6,907,046</u>

G. Total OPEB Liability Sensitivity to Discount and Medical Cost Trend Rate Changes

The following presents the total OPEB liability of the District, as well as what the District's total 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%
Total OPEB liability	\$ 7,329,331	\$ 6,907,046	\$ 6,497,717

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

	<u>1% Decrease in Medical Trend Rate</u>	<u>Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rate</u>
Medical trend rate	5.50% grading to 4.00%, then 3.00%	6.50% grading to 5.00%, then 4.00%	7.50% grading to 6.00%, then 5.00%
Total OPEB liability	\$ 6,206,336	\$ 6,907,046	\$ 7,742,561

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

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

For the current year ended, the District recognized OPEB expense of \$804,127, and reported deferred outflows and inflows of resources related to this pension plan at year-end from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual economic experience	\$ –	\$ 1,011,727
Changes in actuarial assumptions	119,158	159,729
District’s contributions subsequent to the measurement date	<u>655,665</u>	<u> –</u>
 Total	 <u>\$ 774,823</u>	 <u>\$ 1,171,456</u>

A total of \$655,665 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
<u> </u>	<u> </u>
2022	\$ (129,771)
2023	\$ (129,771)
2024	\$ (129,771)
2025	\$ (129,771)
2026	\$ (129,771)
Thereafter	\$ (403,443)

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established a Flexible Benefit Plan (FBP). The FBP is a “cafeteria plan” under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the FBP for healthcare and dependent care benefits. Before the beginning of the FBP year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the FBP during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the FBP, whether or not such contributions have been made.

The employee portion of insurance premiums (health, dental, life, and disability) is made by the District directly to the designated insurance companies. Amounts are withheld for medical reimbursement and dependent care on a monthly basis. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. FBP activity is accounted for in the General Fund.

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

NOTE 10 – DEFICIT FUND EQUITY

At June 30, 2021, the District reported a deficit net position of \$401,183 in its Severance and Pension Benefits Internal Service Fund. This deficit will be eliminated through future contributions from the District’s governmental funds.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Operating Lease

In June 2016, the District entered into an agreement with the City for the use of specified facilities located within the Veterans Memorial Community Center and Grove Aquatic and Fitness Center, as well as the National Guard Armory. The agreement replaces two previous agreements to rent space at these two facilities, and covers a 10-year period from January 1, 2017 through December 31, 2026. The agreement calls for base rent payable in two semiannual installments as follows:

<u>Calendar Year</u>	<u>Amount</u>
2022	\$ 275,000
2023	\$ 283,250
2024	\$ 291,750
2025	\$ 303,415
2026	\$ 315,555

The District will also be responsible for applicable hourly use charges specified in the agreement. The District paid rent of \$275,000 under this agreement during the year ended June 30, 2021.

B. Federal and State Revenues

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.

C. Legal Claims

The District has the usual and customary types of legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. The District’s management believes that the District will not incur any material liabilities relating to these claims, and none have been accrued at year-end.

NOTE 12 – SUBSEQUENT EVENTS

A. Power Purchase Commitment

In June, 2021, the District agreed to lease space on one of its buildings to an outside party for the purpose of installing and operating solar panels for generating and selling solar power. The lease calls for annual rent of \$12 for a period of 25 years, beginning from the period of commercial operation date, which shall be no later than December 31, 2021, with two 5-year extensions available. The outside company will retain ownership of the solar panels and operate the facility. The District will have an option to purchase the solar panels at appraised fair value on the sixth anniversary of power generation or any anniversary date thereafter. The District is committed to purchasing the annual delivered energy of the solar power system for a period of 25 years from the commercial operation date, which shall be no later than December 31, 2021.

B. COVID-19 Pandemic

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 199

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1120%	\$ 5,261,199	\$ -	\$ 5,261,199	\$ 5,890,917	89.31%	78.70%
06/30/2016	06/30/2015	0.1125%	\$ 5,830,334	\$ -	\$ 5,830,334	\$ 6,594,924	88.41%	78.20%
06/30/2017	06/30/2016	0.1083%	\$ 8,793,423	\$ 114,830	\$ 8,908,253	\$ 6,711,800	131.01%	68.90%
06/30/2018	06/30/2017	0.1047%	\$ 6,683,979	\$ 84,084	\$ 6,768,063	\$ 6,715,171	99.54%	75.90%
06/30/2019	06/30/2018	0.1049%	\$ 5,819,423	\$ 190,815	\$ 6,010,238	\$ 7,044,736	82.61%	79.50%
06/30/2020	06/30/2019	0.1057%	\$ 5,843,916	\$ 181,659	\$ 6,025,575	\$ 7,497,319	77.95%	80.20%
06/30/2021	06/30/2020	0.1088%	\$ 6,523,057	\$ 201,229	\$ 6,724,286	\$ 7,746,436	84.21%	79.10%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2012	\$ 385,453	\$ 385,453	\$ -	\$ 5,316,581	7.25%
06/30/2013	\$ 409,864	\$ 409,864	\$ -	\$ 5,652,639	7.25%
06/30/2014	\$ 427,149	\$ 427,149	\$ -	\$ 5,890,917	7.25%
06/30/2015	\$ 486,524	\$ 486,524	\$ -	\$ 6,594,924	7.38%
06/30/2016	\$ 503,385	\$ 503,385	\$ -	\$ 6,711,800	7.50%
06/30/2017	\$ 503,544	\$ 503,544	\$ -	\$ 6,715,171	7.50%
06/30/2018	\$ 528,509	\$ 528,509	\$ -	\$ 7,044,736	7.50%
06/30/2019	\$ 561,112	\$ 561,112	\$ -	\$ 7,497,319	7.48%
06/30/2020	\$ 581,285	\$ 581,285	\$ -	\$ 7,746,436	7.50%
06/30/2021	\$ 540,119	\$ 540,119	\$ -	\$ 7,217,264	7.48%

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. 199

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3819%	\$ 17,597,677	\$ 1,238,076	\$ 18,835,753	\$ 17,432,274	100.95%	81.50%
06/30/2016	06/30/2015	0.3568%	\$ 22,071,609	\$ 2,707,530	\$ 24,779,139	\$ 17,930,286	123.10%	76.80%
06/30/2017	06/30/2016	0.3621%	\$ 86,369,490	\$ 8,668,256	\$ 95,037,746	\$ 18,839,547	458.45%	44.88%
06/30/2018	06/30/2017	0.3504%	\$ 69,946,196	\$ 6,761,966	\$ 76,708,162	\$ 18,880,939	370.46%	51.57%
06/30/2019	06/30/2018	0.3495%	\$ 21,951,871	\$ 2,062,248	\$ 24,014,119	\$ 19,309,883	113.68%	78.07%
06/30/2020	06/30/2019	0.3546%	\$ 22,602,278	\$ 2,000,332	\$ 24,602,610	\$ 20,121,536	112.33%	78.21%
06/30/2021	06/30/2020	0.3513%	\$ 25,954,515	\$ 2,174,835	\$ 28,129,350	\$ 20,401,911	127.22%	75.48%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2012	\$ 1,018,124	\$ 1,018,124	\$ -	\$ 16,964,296	6.00%
06/30/2013	\$ 1,118,923	\$ 1,118,923	\$ -	\$ 17,255,343	6.48%
06/30/2014	\$ 1,220,263	\$ 1,220,263	\$ -	\$ 17,467,417	6.99%
06/30/2015	\$ 1,340,261	\$ 1,340,261	\$ -	\$ 17,930,286	7.47%
06/30/2016	\$ 1,412,855	\$ 1,412,855	\$ -	\$ 18,839,547	7.50%
06/30/2017	\$ 1,414,678	\$ 1,414,678	\$ -	\$ 18,880,939	7.49%
06/30/2018	\$ 1,447,806	\$ 1,447,806	\$ -	\$ 19,309,883	7.50%
06/30/2019	\$ 1,551,891	\$ 1,551,891	\$ -	\$ 20,121,536	7.71%
06/30/2020	\$ 1,616,894	\$ 1,616,894	\$ -	\$ 20,401,911	7.93%
06/30/2021	\$ 1,725,480	\$ 1,725,480	\$ -	\$ 21,209,531	8.14%

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. 199

Pension Benefits Plan
 Schedule of Changes in the District's Total
 Pension Liability and Related Ratios
 Year Ended June 30, 2021

	Year Ended June 30,				
	2017	2018	2019	2020	2021
Total pension liability					
Service cost	\$ 55,179	\$ 51,690	\$ 47,462	\$ 52,507	\$ 41,855
Interest	62,583	56,348	59,453	61,660	46,953
Assumption changes	–	(15,759)	(5,743)	9,089	2,847
Differences between expected and actual experience	–	–	202,624	–	60,921
Benefit payments	<u>(325,877)</u>	<u>(332,723)</u>	<u>(231,782)</u>	<u>(360,870)</u>	<u>(358,152)</u>
Net change in total pension liability	(208,115)	(240,444)	72,014	(237,614)	(205,576)
Total pension liability					
Beginning of year	<u>2,264,627</u>	<u>2,056,512</u>	<u>1,816,068</u>	<u>1,888,082</u>	<u>1,650,468</u>
End of year	<u>\$ 2,056,512</u>	<u>\$ 1,816,068</u>	<u>\$ 1,888,082</u>	<u>\$ 1,650,468</u>	<u>\$ 1,444,892</u>
Covered-employee payroll	<u>\$ 3,658,109</u>	<u>\$ 3,767,852</u>	<u>\$ 3,193,738</u>	<u>\$ 3,289,550</u>	<u>\$ 2,564,560</u>
Total pension liability as a percentage of covered-employee payroll	<u>56.22%</u>	<u>48.20%</u>	<u>59.12%</u>	<u>50.17%</u>	<u>56.34%</u>

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

Note 2: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Year Ended June 30,			
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 504,021	\$ 534,582	\$ 586,398	\$ 603,977
Interest	246,400	256,112	243,424	229,825
Assumption changes	–	(13,158)	148,947	(165,570)
Plan changes	–	–	–	100,096
Differences between expected and actual experience	–	(904,138)	–	(416,715)
Benefit payments	(552,027)	(437,682)	(569,448)	(504,737)
Net change in total OPEB liability	198,394	(564,284)	409,321	(153,124)
Total OPEB liability – beginning of year	7,016,739	7,215,133	6,650,849	7,060,170
Total OPEB liability – end of year	\$ 7,215,133	\$ 6,650,849	\$ 7,060,170	\$ 6,907,046
Covered-employee payroll	\$ 23,680,811	\$ 24,123,316	\$ 24,847,015	\$ 27,485,839
Total OPEB liability as a percentage of covered-employee payroll	30.47%	27.57%	28.41%	25.13%

Note 1: The District has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 199

Notes to Required Supplementary Information
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

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. 199

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

PENSION BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.10 percent to 2.40 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.40 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and the retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 4.00 percent to 2.90 percent.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- 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-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.10 percent to 2.40 percent.
- The assumed percentage of future retirements from the superintendent and director groups continuing coverage on the medical plans changed from 100.00 percent to 85.00 percent (where the subsidized benefit is paid in a one-time lump sum)

2020 CHANGES IN PLAN PROVISIONS

- The benefit for the superintendent and certain eligible directors changed from full single premium coverage for 7 years or until Medicare eligibility to a single lump sum of \$70,000 (superintendent) or \$60,000 (others) paid to a healthcare savings plan.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- Healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate was changed from 3.40 percent to 3.50 percent.

2018 CHANGES IN PLAN PROVISIONS

- The eligibility for the Director of Community Education was changed from age 57 with 15 years of service, to age 55 with 10 years of service.
- The new Director and Assistant Director of Food Service are eligible for OPEB subsidies, which are the same as other eligible directors.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

- The discount rate was changed from 5.00 percent to 3.40 percent.
- The actuarial cost method was changed from projected unit credit to entry-age as prescribed by GASB Statement No.75.

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SUPPLEMENTAL INFORMATION

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GOVERNMENTAL FUNDS

The statements and schedules that follow are to provide further detail and support additional analysis for the District's major and nonmajor governmental funds.

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental funds category for the District includes the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and Debt Service Fund.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 206,002	\$ 192,730	\$ 398,732
Receivables			
Current taxes	-	258,637	258,637
Delinquent taxes	-	1,990	1,990
Accounts and interest	-	37,488	37,488
Due from other governmental units	494,195	262,063	756,258
Inventory	42,769	-	42,769
Prepaid items	8,410	4,894	13,304
	<u>751,376</u>	<u>757,802</u>	<u>1,509,178</u>
Liabilities			
Salaries payable	\$ 17,493	\$ 102,399	\$ 119,892
Accounts and contracts payable	9,607	38,104	47,711
Due to other governmental units	-	21,563	21,563
Unearned revenue	32,167	-	32,167
Total liabilities	<u>59,267</u>	<u>162,066</u>	<u>221,333</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	-	487,928	487,928
Unavailable revenue – delinquent taxes	-	1,990	1,990
Total deferred inflows of resources	<u>-</u>	<u>489,918</u>	<u>489,918</u>
Fund balances			
Nonspendable	51,179	4,894	56,073
Restricted	640,930	100,924	741,854
Total fund balances	<u>692,109</u>	<u>105,818</u>	<u>797,927</u>
	<u>\$ 751,376</u>	<u>\$ 757,802</u>	<u>\$ 1,509,178</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 399,459	\$ 399,459
Investment earnings	652	524	1,176
Other	181,115	699,224	880,339
State sources	2,225	356,755	358,980
Federal sources	1,608,800	431,821	2,040,621
Total revenue	<u>1,792,792</u>	<u>1,887,783</u>	<u>3,680,575</u>
Expenditures			
Current			
Food service	1,751,959	-	1,751,959
Community service	-	1,969,401	1,969,401
Capital outlay	94,078	120	94,198
Total expenditures	<u>1,846,037</u>	<u>1,969,521</u>	<u>3,815,558</u>
Net change in fund balances	(53,245)	(81,738)	(134,983)
Fund balances			
Beginning of year	<u>745,354</u>	<u>187,556</u>	<u>932,910</u>
End of year	<u>\$ 692,109</u>	<u>\$ 105,818</u>	<u>\$ 797,927</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 15,049,188	\$ 14,322,744
Receivables		
Current taxes	4,883,161	4,678,060
Delinquent taxes	36,223	55,315
Accounts and interest	27,130	98,448
Due from other governmental units	5,850,952	4,191,524
Due from other funds	655,665	504,737
Prepaid items	<u>268,945</u>	<u>507,652</u>
Total assets	<u>\$ 26,771,264</u>	<u>\$ 24,358,480</u>
Liabilities		
Salaries payable	\$ 3,289,809	\$ 3,164,672
Accounts and contracts payable	2,087,596	1,724,987
Due to other governmental units	218,404	330,622
Due to other funds	19,008	-
Unearned revenue	<u>46,700</u>	<u>-</u>
Total liabilities	5,661,517	5,220,281
Deferred inflows of resources		
Property taxes levied for subsequent year	8,083,475	7,220,606
Unavailable revenue – delinquent taxes	<u>36,223</u>	<u>55,315</u>
Total deferred inflows of resources	8,119,698	7,275,921
Fund balances		
Nonspendable for prepaid items	268,945	507,652
Restricted for student activities	48,579	47,153
Restricted for capital projects levy	54,931	-
Restricted for operating capital	1,286,109	1,072,553
Restricted for basic skills programs	314,522	265,099
Restricted for safe schools	131,829	78,470
Restricted for long-term facilities maintenance	1,943,128	1,710,477
Restricted for Medical Assistance	507,079	513,505
Assigned for separation and severance	1,000,000	1,000,000
Assigned for next year's budget	342,655	204,004
Assigned for curriculum adoption	200,000	-
Assigned for program carryover	500,000	350,000
Assigned for other capital projects	2,305,000	2,300,000
Unassigned	<u>4,087,272</u>	<u>3,813,365</u>
Total fund balances	<u>12,990,049</u>	<u>11,862,278</u>
Total liabilities, deferred inflows resources, and fund balances	<u>\$ 26,771,264</u>	<u>\$ 24,358,480</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 8,637,754	\$ 8,392,557	\$ (245,197)	\$ 8,646,092
Investment earnings	100,000	28,639	(71,361)	199,518
Other	1,146,885	1,202,955	56,070	1,093,314
State sources	35,064,110	34,912,268	(151,842)	34,363,901
Federal sources	3,341,596	3,849,202	507,606	1,518,900
Total revenue	<u>48,290,345</u>	<u>48,385,621</u>	<u>95,276</u>	<u>45,821,725</u>
Expenditures				
Current				
Administration				
Salaries	1,355,199	1,368,713	13,514	1,323,355
Employee benefits	426,890	432,859	5,969	417,503
Purchased services	63,030	28,545	(34,485)	73,741
Supplies and materials	14,350	2,428	(11,922)	8,179
Capital expenditures	–	143	143	–
Other expenditures	67,211	39,116	(28,095)	39,888
Total administration	<u>1,926,680</u>	<u>1,871,804</u>	<u>(54,876)</u>	<u>1,862,666</u>
District support services				
Salaries	1,102,242	1,097,319	(4,923)	996,583
Employee benefits	370,161	378,666	8,505	347,845
Purchased services	589,698	517,286	(72,412)	316,488
Supplies and materials	989,553	992,160	2,607	369,101
Capital expenditures	643,612	168,393	(475,219)	17,743
Other expenditures	10,700	7,474	(3,226)	12,724
Total district support services	<u>3,705,966</u>	<u>3,161,298</u>	<u>(544,668)</u>	<u>2,060,484</u>
Elementary and secondary regular instruction				
Salaries	13,909,173	13,398,768	(510,405)	13,388,078
Employee benefits	4,712,061	4,561,748	(150,313)	4,589,753
Purchased services	1,333,963	1,029,662	(304,301)	1,509,309
Supplies and materials	806,949	685,396	(121,553)	645,402
Capital expenditures	148,844	136,587	(12,257)	267,259
Other expenditures	99,040	109,332	10,292	101,115
Total elementary and secondary regular instruction	<u>21,010,030</u>	<u>19,921,493</u>	<u>(1,088,537)</u>	<u>20,500,916</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	176,803	178,403	1,600	175,489
Employee benefits	51,520	49,183	(2,337)	51,556
Purchased services	–	286	286	6,084
Supplies and materials	16,000	9,490	(6,510)	6,529
Other expenditures	1,200	1,269	69	1,335
Total vocational education instruction	245,523	238,631	(6,892)	240,993
Special education instruction				
Salaries	5,667,640	5,541,314	(126,326)	5,581,280
Employee benefits	1,970,837	1,844,750	(126,087)	1,815,131
Purchased services	501,295	1,192,562	691,267	1,063,680
Supplies and materials	116,825	98,196	(18,629)	76,607
Capital expenditures	4,150	14,942	10,792	11,331
Other expenditures	35,900	35,308	(592)	36,070
Total special education instruction	8,296,647	8,727,072	430,425	8,584,099
Community service				
Salaries	129,772	139,920	10,148	89,786
Employee benefits	59,925	62,981	3,056	30,970
Purchased services	700	2,583	1,883	1,040
Supplies and materials	1,200	613	(587)	498
Total community service	191,597	206,097	14,500	122,294
Instructional support services				
Salaries	2,159,553	2,076,935	(82,618)	2,105,087
Employee benefits	584,488	510,925	(73,563)	536,745
Purchased services	87,380	68,435	(18,945)	75,640
Supplies and materials	24,539	21,924	(2,615)	20,416
Other expenditures	10,000	9,368	(632)	9,755
Total instructional support services	2,865,960	2,687,587	(178,373)	2,747,643
Pupil support services				
Salaries	1,785,402	1,849,009	63,607	1,782,157
Employee benefits	598,832	610,642	11,810	565,459
Purchased services	1,939,424	2,103,841	164,417	1,926,709
Supplies and materials	192,646	120,626	(72,020)	126,558
Capital expenditures	106,339	108,763	2,424	148,245
Other expenditures	9,815	9,238	(577)	9,574
Total pupil support services	4,632,458	4,802,119	169,661	4,558,702

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,724,760	1,719,576	(5,184)	1,802,924
Employee benefits	575,947	569,685	(6,262)	561,462
Purchased services	2,076,395	1,836,088	(240,307)	1,780,970
Supplies and materials	666,483	702,541	36,058	668,231
Capital expenditures	414,400	784,989	370,589	395,334
Other expenditures	17,000	64,292	47,292	30,892
Total sites and buildings	<u>5,474,985</u>	<u>5,677,171</u>	<u>202,186</u>	<u>5,239,813</u>
Fiscal and other fixed cost programs				
Purchased services	172,243	172,243	—	151,301
Debt service				
Principal	454,246	600,141	145,895	603,609
Interest and fiscal charges	127,116	175,874	48,758	120,689
Total debt service	<u>581,362</u>	<u>776,015</u>	<u>194,653</u>	<u>724,298</u>
Total expenditures	<u>49,103,451</u>	<u>48,241,530</u>	<u>(861,921)</u>	<u>46,793,209</u>
Excess (deficiency) of revenue over expenditures	(813,106)	144,091	957,197	(971,484)
Other financing sources (uses)				
Sale of capital assets	5,300	749,385	744,085	—
Capital leases	—	234,295	234,295	117,187
Transfers (out)	—	—	—	(91,678)
Total other financing sources (uses)	<u>5,300</u>	<u>983,680</u>	<u>978,380</u>	<u>25,509</u>
Net change in fund balances	<u>\$ (807,806)</u>	1,127,771	<u>\$ 1,935,577</u>	(945,975)
Fund balances				
Beginning of year		<u>11,862,278</u>		<u>12,808,253</u>
End of year		<u>\$ 12,990,049</u>		<u>\$ 11,862,278</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 206,002	\$ 459,000
Receivables		
Due from other governmental units	494,195	270,127
Inventory	42,769	66,095
Prepaid items	<u>8,410</u>	<u>8,640</u>
Total assets	<u>\$ 751,376</u>	<u>\$ 803,862</u>
Liabilities		
Salaries payable	\$ 17,493	\$ 23,434
Accounts and contracts payable	9,607	8,355
Unearned revenue	<u>32,167</u>	<u>26,719</u>
Total liabilities	59,267	58,508
Fund balances		
Nonspendable for inventory	42,769	66,095
Nonspendable for prepaid items	8,410	8,640
Restricted for food service	<u>640,930</u>	<u>670,619</u>
Total fund balances	<u>692,109</u>	<u>745,354</u>
Total liabilities and fund balances	<u>\$ 751,376</u>	<u>\$ 803,862</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 10,000	\$ 652	\$ (9,348)	\$ 9,099
Other – primarily meal sales	166,575	181,115	14,540	598,582
State sources	27,464	2,225	(25,239)	137,948
Federal sources	1,510,140	1,608,800	98,660	1,413,774
Total revenue	<u>1,714,179</u>	<u>1,792,792</u>	<u>78,613</u>	<u>2,159,403</u>
Expenditures				
Current				
Salaries	712,981	749,825	36,844	873,164
Employee benefits	221,323	244,599	23,276	273,908
Purchased services	217,561	122,669	(94,892)	227,754
Supplies and materials	540,476	629,233	88,757	948,222
Other expenditures	4,305	5,633	1,328	6,286
Capital outlay	93,732	94,078	346	115,444
Total expenditures	<u>1,790,378</u>	<u>1,846,037</u>	<u>55,659</u>	<u>2,444,778</u>
Net change in fund balances	<u>\$ (76,199)</u>	<u>(53,245)</u>	<u>\$ 22,954</u>	<u>(285,375)</u>
Fund balances				
Beginning of year		<u>745,354</u>		<u>1,030,729</u>
End of year		<u>\$ 692,109</u>		<u>\$ 745,354</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 192,730	\$ 328,971
Receivables		
Current taxes	258,637	224,321
Delinquent taxes	1,990	3,071
Accounts and interest	37,488	25,626
Due from other governmental units	262,063	183,742
Prepaid items	4,894	-
	<u>4,894</u>	<u>-</u>
Total assets	<u>\$ 757,802</u>	<u>\$ 765,731</u>
Liabilities		
Salaries payable	\$ 102,399	\$ 89,083
Accounts and contracts payable	38,104	69,016
Due to other governmental units	21,563	17,163
Total liabilities	<u>162,066</u>	<u>175,262</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	487,928	399,842
Unavailable revenue – delinquent taxes	1,990	3,071
Total deferred inflows of resources	<u>489,918</u>	<u>402,913</u>
Fund balances		
Nonspendable for prepaid items	4,894	-
Restricted for community education programs	53,767	149,115
Restricted for school readiness	47,157	38,441
Total fund balances	<u>105,818</u>	<u>187,556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 757,802</u>	<u>\$ 765,731</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 453,895	\$ 399,459	\$ (54,436)	\$ 450,231
Investment earnings	–	524	524	5,579
Other – primarily tuition and fees	494,397	699,224	204,827	971,439
State sources	336,691	356,755	20,064	327,708
Federal sources	561,360	431,821	(129,539)	90,204
Total revenue	<u>1,846,343</u>	<u>1,887,783</u>	<u>41,440</u>	<u>1,845,161</u>
Expenditures				
Current				
Salaries	1,241,119	1,249,716	8,597	1,348,843
Employee benefits	376,476	377,773	1,297	395,495
Purchased services	226,579	305,434	78,855	319,806
Supplies and materials	24,605	34,301	9,696	28,113
Other expenditures	1,905	2,177	272	1,820
Capital outlay	–	120	120	429
Total expenditures	<u>1,870,684</u>	<u>1,969,521</u>	<u>98,837</u>	<u>2,094,506</u>
Excess (deficiency) of revenue over expenditures	(24,341)	(81,738)	(57,397)	(249,345)
Other financing sources				
Transfers in	–	–	–	91,678
Net change in fund balances	<u>\$ (24,341)</u>	<u>(81,738)</u>	<u>\$ (57,397)</u>	<u>(157,667)</u>
Fund balances				
Beginning of year		<u>187,556</u>		<u>345,223</u>
End of year		<u>\$ 105,818</u>		<u>\$ 187,556</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	<u>\$ –</u>	<u>\$ 897,991</u>
Liabilities		
Accounts and contracts payable	\$ –	\$ 654,718
Fund balances		
Restricted for projects funded by certificates of participation	<u> –</u>	<u> 243,273</u>
Total liabilities and fund balances	<u>\$ –</u>	<u>\$ 897,991</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Investment earnings	\$ –	\$ 26	\$ 26	\$ 19,319
Expenditures				
Capital outlay				
Purchased services	–	21,370	21,370	580,416
Capital expenditures	–	217,957	217,957	2,848,725
Debt service				
Interest and fiscal charges	–	3,972	3,972	–
Total expenditures	–	243,299	243,299	3,429,141
Excess (deficiency) of revenue over expenditures	–	(243,273)	(243,273)	(3,409,822)
Other financing sources				
Debt issued	–	–	–	3,775,000
Premium on debt issued	–	–	–	146,762
Total other financing sources	–	–	–	3,921,762
Net change in fund balances	\$ –	(243,273)	\$ (243,273)	511,940
Fund balances (deficit)				
Beginning of year		243,273		(268,667)
End of year		\$ –		\$ 243,273

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2021	2020
Assets				
Cash and temporary investments	\$ 3,082,322	\$ 374,048	\$ 3,456,370	\$ 3,384,513
Receivables				
Current taxes	2,348,436	285,162	2,633,598	2,693,542
Delinquent taxes	19,733	2,780	22,513	35,242
Due from other governmental units	26,764	2,071	28,835	18,663
Total assets	\$ 5,477,255	\$ 664,061	\$ 6,141,316	\$ 6,131,960
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 4,430,422	\$ 537,971	\$ 4,968,393	\$ 4,801,401
Unavailable revenue – delinquent taxes	19,733	2,780	22,513	35,087
Total deferred inflows of resources	4,450,155	540,751	4,990,906	4,836,488
Fund balances				
Restricted for debt service	1,027,100	123,310	1,150,410	1,295,472
Total deferred inflows of resources and fund balances	\$ 5,477,255	\$ 664,061	\$ 6,141,316	\$ 6,131,960

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	2021			Total
	Budget	Regular Debt Service Account	Actual OPEB Debt Service Account	
Revenue				
Local sources				
Property taxes	\$ 4,792,825	\$ 4,299,679	\$ 497,399	\$ 4,797,078
Investment earnings	20,000	5,958	727	6,685
State sources	—	89,571	50	89,621
Total revenue	<u>4,812,825</u>	<u>4,395,208</u>	<u>498,176</u>	<u>4,893,384</u>
Expenditures				
Debt service				
Principal	3,095,000	2,690,000	320,000	3,010,000
Interest	1,978,083	1,818,931	207,615	2,026,546
Fiscal charges and other	2,800	1,426	474	1,900
Total expenditures	<u>5,075,883</u>	<u>4,510,357</u>	<u>528,089</u>	<u>5,038,446</u>
Excess (deficiency) of revenue over expenditures	(263,058)	(115,149)	(29,913)	(145,062)
Other financing sources (uses)				
Refunding debt issued	—	—	—	—
Premium on debt issued	—	—	—	—
Payment on refunded debt	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ (263,058)</u>	(115,149)	(29,913)	(145,062)
Fund balances				
Beginning of year		<u>1,142,249</u>	<u>153,223</u>	<u>1,295,472</u>
End of year		<u>\$ 1,027,100</u>	<u>\$ 123,310</u>	<u>\$ 1,150,410</u>

	<u>2020</u>	
Over (Under) Budget	<u>Actual</u>	
\$ 4,253	\$ 5,010,033	
(13,315)	47,054	
89,621	38,487	
<u>80,559</u>	<u>5,095,574</u>	
(85,000)	2,965,000	
48,463	2,108,223	
(900)	51,559	
<u>(37,437)</u>	<u>5,124,782</u>	
117,996	(29,208)	
—	2,655,000	
—	368,951	
—	<u>(2,980,000)</u>	
—	<u>43,951</u>	
<u>\$ 117,996</u>	14,743	
	<u>1,280,729</u>	
	<u>\$ 1,295,472</u>	

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INTERNAL SERVICE FUNDS

The statements that follow are to provide further detail and support additional analysis for the District's internal service funds.

Internal service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains three internal service funds, which are used to account for the District's liabilities for a self-insured employee dental plan, severance and single-employer pension plan benefits, and single-employer other post-employment benefits (OPEB) plan benefits; along with District resources accumulated to pay them.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Dental	Severance	Other	Totals	
	Self-Insurance Fund	and Pension Benefits Fund	Post-Employment Benefits Fund	2021	2020
Assets					
Current assets					
Cash and temporary investments	\$ 79,732	\$ 1,921,421	\$ –	\$ 2,001,153	\$ 1,917,669
Receivables					
Due from other funds	19,008	–	–	19,008	–
Prepaid items	1,710	–	–	1,710	–
Total current assets	100,450	1,921,421	–	2,021,871	1,917,669
Noncurrent assets					
Restricted assets – temporarily restricted					
Cash and cash equivalents	–	–	4,795,697	4,795,697	4,689,126
Investments	–	–	7,557,746	7,557,746	6,175,337
Total restricted assets – temporarily restricted	–	–	12,353,443	12,353,443	10,864,463
Total assets	100,450	1,921,421	12,353,443	14,375,314	12,782,132
Deferred outflows of resources					
OPEB plan deferments	–	–	774,823	774,823	638,790
Pension plan deferments	–	401,440	–	401,440	431,751
Total deferred outflows of resources	–	401,440	774,823	1,176,263	1,070,541
Liabilities					
Current liabilities					
Claims payable	16,485	–	–	16,485	–
Severance benefits payable	–	88,787	–	88,787	50,796
Total OPEB liability	–	–	655,665	655,665	–
Total pension liability	–	355,899	–	355,899	–
Due to other funds	–	–	655,665	655,665	504,737
Unearned revenue	58,602	–	–	58,602	–
Total current liabilities	75,087	444,686	1,311,330	1,831,103	555,533
Long-term liabilities, net of current portion					
Severance benefits payable	–	1,190,365	–	1,190,365	1,122,985
Total OPEB liability	–	–	6,251,381	6,251,381	7,060,170
Total pension liability	–	1,088,993	–	1,088,993	1,650,468
Total long-term liabilities	–	2,279,358	6,251,381	8,530,739	9,833,623
Total liabilities	75,087	2,724,044	7,562,711	10,361,842	10,389,156
Deferred inflows of resources					
OPEB plan deferments	–	–	1,171,456	1,171,456	733,837
Pension plan deferments	–	–	–	–	1,913
Total deferred inflows of resources	–	–	1,171,456	1,171,456	735,750
Net position					
Restricted for other post-employment liabilities	–	–	4,394,099	4,394,099	3,204,509
Unrestricted	25,363	(401,183)	–	(375,820)	(476,742)
Total net position	\$ 25,363	\$ (401,183)	\$ 4,394,099	\$ 4,018,279	\$ 2,727,767

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Dental	Severance	Other	Totals	
	Self-Insurance Fund	and Pension Benefits Fund	Post-Employment Benefits Fund	2021	2020
Operating revenue					
Contributions from governmental funds	\$ 244,712	\$ 383,917	\$ -	\$ 628,629	\$ 430,482
Operating expenses					
Dental benefit claims	219,349	-	-	219,349	-
Severance benefits	-	133,389	-	133,389	199,506
Pension benefits	-	178,721	-	178,721	177,571
OPEB	-	-	804,127	804,127	752,987
Total operating expenses	<u>219,349</u>	<u>312,110</u>	<u>804,127</u>	<u>1,335,586</u>	<u>1,130,064</u>
Operating income (loss)	25,363	71,807	(804,127)	(706,957)	(699,582)
Nonoperating revenues					
Investment earnings	<u>-</u>	<u>3,752</u>	<u>1,993,717</u>	<u>1,997,469</u>	<u>426,183</u>
Change in net position	25,363	75,559	1,189,590	1,290,512	(273,399)
Net position					
Beginning of year	<u>-</u>	<u>(476,742)</u>	<u>3,204,509</u>	<u>2,727,767</u>	<u>3,001,166</u>
End of year	<u>\$ 25,363</u>	<u>\$ (401,183)</u>	<u>\$ 4,394,099</u>	<u>\$ 4,018,279</u>	<u>\$ 2,727,767</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Dental	Severance	Other	Totals	
	Self-Insurance Fund	and Pension Benefits Fund	Post-Employment Benefits Fund	2021	2020
Cash flows from operating activities					
Receipts from assessments made to governmental funds	\$ 282,596	\$ 383,917	\$ 150,928	\$ 817,441	\$ 365,771
Payments for dental claims	(202,864)	–	–	(202,864)	–
Benefit payments	–	(383,917)	(655,665)	(1,039,582)	(935,220)
Net cash flows from operating activities	79,732	–	(504,737)	(425,005)	(569,449)
Cash flows from investing activities					
Purchases of investments	–	–	(4,463,625)	(4,463,625)	(402,924)
Sales and maturities of investments	–	–	3,081,216	3,081,216	855,315
Interest and dividends on investments	–	3,752	1,993,717	1,997,469	426,183
Net cash flows from investing activities	–	3,752	611,308	615,060	878,574
Net change in cash and cash equivalents	79,732	3,752	106,571	190,055	309,125
Cash and cash equivalents					
Beginning of year	–	1,917,669	4,689,126	6,606,795	6,297,670
End of year	\$ 79,732	\$ 1,921,421	\$ 4,795,697	\$ 6,796,850	\$ 6,606,795
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ 25,363	\$ 71,807	\$ (804,127)	\$ (706,957)	\$ (699,582)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets, liabilities, and deferred outflows/inflows of resources					
Due from other funds	(19,008)	–	–	(19,008)	–
Prepaid items	(1,710)	–	–	(1,710)	–
Claims payable	16,485	–	–	16,485	–
Unearned revenue	58,602	–	–	58,602	–
OPEB plan deferments	–	–	301,586	301,586	(161,072)
Pension plan deferments	–	28,398	–	28,398	57,033
Due to other funds	–	–	150,928	150,928	(64,711)
Total pension liability	–	(205,576)	–	(205,576)	(237,614)
Total OPEB liability	–	–	(153,124)	(153,124)	409,321
Severance benefits payable	–	105,371	–	105,371	127,176
Net cash flows from operating activities	\$ 79,732	\$ –	\$ (504,737)	\$ (425,005)	\$ (569,449)

SECTION III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 199, Inver Grove Heights, Minnesota's (the District) Annual Comprehensive Financial Report (ACFR) 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:

	Page
Financial Trends	89
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	
Revenue Capacity	99
<p>These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.</p>	
Debt Capacity	105
<p>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.</p>	
Demographic and Economic Information	111
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
Operating Indicators	115
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the District's ACFR relates to the services the District provides, and the activities it performs.</p>	

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities				
Net investment in capital assets	\$ 6,978,207	\$ 8,200,160	\$ 8,787,376	\$ 9,936,693
Restricted	4,082,980	4,477,781	4,815,014	4,466,287
Unrestricted	8,942,609	9,418,692	9,711,965	(16,785,417)
Total governmental activities net position	<u>\$ 20,003,796</u>	<u>\$ 22,096,633</u>	<u>\$ 23,314,355</u>	<u>\$ (2,382,437)</u>

Note 1: The District implemented GASB Statement No. 68 in 2015, which resulted in a \$26,559,876 reduction of beginning net position. Prior year information has not been restated.

Note 2: The District implemented GASB Statement No. 73 in 2017, which resulted in a \$1,610,613 reduction of beginning net position. Prior year information has not been restated.

Note 3: The District implemented GASB Statement No. 75 in 2018, which resulted in a \$5,751,098 reduction of beginning net position. Prior year information has not been restated.

Note 4: The District implemented GASB Statement No. 84 in 2020, which resulted in a \$37,862 increase to beginning net position. Prior year information has not been restated.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 11,363,890	\$ 13,119,656	\$ 14,801,902	\$ 15,699,953	\$ 17,134,061	\$ 18,976,014
4,078,494	5,346,052	4,574,619	4,898,796	5,013,172	5,409,172
<u>(15,034,472)</u>	<u>(28,711,244)</u>	<u>(43,839,055)</u>	<u>(34,304,497)</u>	<u>(38,009,221)</u>	<u>(37,547,044)</u>
<u>\$ 407,912</u>	<u>\$(10,245,536)</u>	<u>\$(24,462,534)</u>	<u>\$(13,705,748)</u>	<u>\$(15,861,988)</u>	<u>\$(13,161,858)</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities				
Expenses				
Administration	\$ 1,571,141	\$ 1,446,535	\$ 1,692,441	\$ 1,642,918
District support services	1,063,783	1,303,225	1,367,090	1,436,499
Elementary and secondary regular instruction	16,436,834	17,460,869	17,186,229	17,492,321
Vocational education instruction	174,094	177,379	214,654	184,107
Special education instruction	7,396,600	7,562,831	7,214,834	7,496,130
Instructional support services	2,480,524	2,481,273	3,100,949	2,981,203
Pupil support services	3,302,748	3,445,482	3,776,803	4,025,098
Sites and buildings	4,911,665	4,878,372	5,366,312	5,232,292
Fiscal and other fixed cost programs	78,415	154,018	122,697	124,278
Food service	1,766,823	1,648,479	1,789,311	1,854,645
Community service	1,942,620	2,052,248	2,192,959	2,170,270
Unallocated depreciation	1,137,795	1,266,355	1,257,548	1,686,488
Interest on long-term debt	2,190,369	2,329,636	2,632,077	4,040,011
Total governmental activities expenses	<u>44,453,411</u>	<u>46,206,702</u>	<u>47,913,904</u>	<u>50,366,260</u>
Program revenues				
Charges for services				
District support services	-	-	-	-
Elementary and secondary regular instruction	176,353	173,884	170,300	244,580
Special education instruction	260,796	287,407	307,058	172,095
Instructional support services	-	-	-	-
Pupil support services	153,817	153,669	92,698	108,818
Sites and buildings	168,303	129,048	40,292	-
Food service	844,226	832,278	817,497	787,788
Community service	1,382,837	1,476,055	1,379,546	1,494,162
Operating grants and contributions	6,591,869	6,180,347	6,933,645	6,990,499
Capital grants and contributions	127,140	-	-	-
Total governmental activities program revenues	<u>9,705,341</u>	<u>9,232,688</u>	<u>9,741,036</u>	<u>9,797,942</u>
Net (expense) revenue	(34,748,070)	(36,974,014)	(38,172,868)	(40,568,318)
General revenues and other changes in net position				
Taxes				
Property taxes levied for general purposes	7,155,582	7,191,177	4,675,431	6,666,391
Property taxes levied for community service	444,587	506,407	261,765	438,467
Property taxes levied for debt service	4,073,847	4,303,885	4,230,516	5,530,393
General grants and aids	25,739,132	25,919,822	28,483,217	28,045,536
Other general revenues	558,391	408,392	647,393	557,701
Gain on sale of capital assets	-	-	-	-
Investment earnings (loss)	(249,747)	737,168	1,092,268	192,914
Total general revenues and other changes in net position	<u>37,721,792</u>	<u>39,066,851</u>	<u>39,390,590</u>	<u>41,431,402</u>
Change in net position	<u>\$ 2,973,722</u>	<u>\$ 2,092,837</u>	<u>\$ 1,217,722</u>	<u>\$ 863,084</u>

2016	2017	2018	2019	2020	2021
\$ 1,668,525	\$ 2,213,704	\$ 2,266,737	\$ 1,281,112	\$ 2,043,921	\$ 2,112,675
2,237,559	2,670,755	2,672,841	2,390,377	1,952,183	3,174,613
18,123,732	26,134,438	25,739,432	13,623,272	22,467,658	21,484,892
231,331	335,447	319,225	139,911	263,727	256,929
8,107,795	10,706,959	9,715,185	5,846,255	9,135,371	9,137,586
2,820,805	3,330,003	3,147,923	2,155,752	2,909,356	2,818,347
3,904,644	4,470,214	4,677,260	3,912,284	4,750,012	4,830,075
5,553,004	5,118,362	4,735,153	5,366,346	5,166,185	5,211,396
104,350	129,517	133,569	142,688	151,301	172,243
1,996,766	2,018,448	2,094,804	2,104,170	2,389,827	1,771,966
2,141,074	2,258,123	2,234,523	2,233,181	2,292,725	2,224,253
1,771,423	1,989,650	2,060,251	2,079,707	2,008,283	2,001,419
2,301,324	2,277,837	2,170,509	2,040,858	2,056,565	1,822,499
50,962,332	63,653,457	61,967,412	43,315,913	57,587,114	57,018,893
-	-	-	-	16	433
238,815	438,600	290,199	339,355	314,173	203,557
169,392	115,869	236,388	206,815	261,711	261,686
-	-	-	-	380	737
93,553	-	539	612	-	-
-	-	-	5,018	19,051	165,236
709,730	690,858	689,887	711,390	598,582	181,115
1,556,706	1,431,512	1,293,312	1,324,089	971,439	699,224
7,537,891	7,394,314	7,565,389	7,672,790	8,851,121	10,289,574
-	-	-	-	-	-
10,306,087	10,071,153	10,075,714	10,260,069	11,016,473	11,801,562
(40,656,245)	(53,582,304)	(51,891,698)	(33,055,844)	(46,570,641)	(45,217,331)
8,065,878	7,430,517	7,392,288	8,985,171	8,655,657	8,373,465
468,718	469,744	455,172	439,749	450,485	398,378
5,365,128	5,245,377	5,153,601	4,899,736	5,015,014	4,784,504
29,060,036	29,739,668	28,813,615	27,646,412	29,050,646	31,025,027
547,489	583,264	667,540	882,625	497,985	570,707
-	-	-	-	-	731,385
(60,655)	1,070,899	943,582	958,937	706,752	2,033,995
43,446,594	44,539,469	43,425,798	43,812,630	44,376,539	47,917,461
\$ 2,790,349	\$ (9,042,835)	\$ (8,465,900)	\$ 10,756,786	\$ (2,194,102)	\$ 2,700,130

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INDEPENDENT SCHOOL DISTRICT NO. 199

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

Fiscal Year	Property Tax			
	General Purposes	Community Service	Debt Service	Total
2012	\$ 7,155,582	\$ 444,587	\$ 4,073,847	\$ 11,674,016
2013	7,191,177	506,407	4,303,885	12,001,469
2014	4,675,431	261,765	4,230,516	9,167,712
2015	6,666,391	438,467	5,530,393	12,635,251
2016	8,065,878	468,718	5,365,128	13,899,724
2017	7,430,517	469,744	5,245,377	13,145,638
2018	7,392,288	455,172	5,153,601	13,001,061
2019	8,985,171	439,749	4,899,736	14,324,656
2020	8,655,657	450,485	5,015,014	14,121,156
2021	8,373,465	398,378	4,784,504	13,556,347

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal year 2014. These changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2012	2013	2014	2015
General Fund				
Nonspendable	\$ 132,061	\$ 156,185	\$ 149,699	\$ 157,622
Restricted	2,732,525	2,424,347	2,283,187	2,006,156
Assigned	3,587,226	4,129,697	4,295,345	4,896,896
Unassigned	5,083,385	4,910,213	4,888,185	4,083,208
Total General Fund	<u>\$ 11,535,197</u>	<u>\$ 11,620,442</u>	<u>\$ 11,616,416</u>	<u>\$ 11,143,882</u>
All other governmental funds				
Nonspendable	\$ 38,159	\$ 53,387	\$ 50,824	\$ 61,214
Restricted	1,949,259	2,259,419	23,979,080	36,686,027
Unassigned, reported in				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 1,987,418</u>	<u>\$ 2,312,806</u>	<u>\$ 24,029,904</u>	<u>\$ 36,747,241</u>

2016	2017	2018	2019	2020	2021
\$ 159,205	\$ 178,750	\$ 231,528	\$ 315,981	\$ 507,652	\$ 268,945
1,832,711	2,326,184	2,390,059	3,125,944	3,687,257	4,286,177
6,527,881	6,422,538	6,276,671	5,510,000	3,854,004	4,347,655
4,024,741	3,442,863	3,518,579	3,818,466	3,813,365	4,087,272
<u>\$ 12,544,538</u>	<u>\$ 12,370,335</u>	<u>\$ 12,416,837</u>	<u>\$ 12,770,391</u>	<u>\$ 11,862,278</u>	<u>\$ 12,990,049</u>
\$ 115,506	\$ 119,389	\$ 70,229	\$ 55,745	\$ 74,735	\$ 56,073
4,241,345	3,082,621	3,050,314	2,600,936	2,396,920	1,892,264
(3,266)	(3,312)	—	—	—	—
—	—	—	(268,667)	—	—
<u>\$ 4,353,585</u>	<u>\$ 3,198,698</u>	<u>\$ 3,120,543</u>	<u>\$ 2,388,014</u>	<u>\$ 2,471,655</u>	<u>\$ 1,948,337</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

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

	Fiscal Year			
	2012	2013	2014	2015
Revenues				
Local sources				
Taxes	\$ 11,728,856	\$ 11,972,988	\$ 9,176,288	\$ 12,624,331
Investment earnings	9,663	19,222	35,373	71,154
Other	3,894,796	3,775,555	3,466,844	3,371,742
State sources	29,195,998	29,351,454	33,046,899	32,474,952
Federal sources	2,912,070	2,433,893	2,357,903	2,500,477
Total revenues	<u>47,741,383</u>	<u>47,553,112</u>	<u>48,083,307</u>	<u>51,042,656</u>
Expenditures				
Current				
Administration	1,506,391	1,612,578	1,708,563	1,607,222
District support services	1,058,242	1,296,135	1,360,469	1,536,843
Elementary and secondary regular instruction	16,202,886	17,142,676	17,164,911	17,473,299
Vocational education instruction	172,127	175,070	212,314	182,731
Special education instruction	7,328,521	7,483,176	7,138,434	7,501,074
Instructional support services	2,456,551	2,463,443	3,077,640	2,976,754
Pupil support services	3,316,172	3,446,495	3,838,459	4,035,913
Sites and buildings	5,850,073	5,582,440	7,867,523	6,498,931
Fiscal and other fixed cost programs	78,415	154,018	122,697	124,278
Food service	1,679,588	1,639,183	1,742,822	1,822,190
Community service	1,923,328	2,031,991	2,169,621	2,165,402
Capital outlay	2,530,042	5,700	3,280,455	14,103,768
Debt service				
Principal	2,331,479	2,248,698	2,491,798	3,376,359
Interest and fiscal charges	2,280,768	2,196,515	2,308,781	3,977,113
Total expenditures	<u>48,714,583</u>	<u>47,478,118</u>	<u>54,484,487</u>	<u>67,381,877</u>
Excess of revenues over (under) expenditures	(973,200)	74,994	(6,401,180)	(16,339,221)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of capital assets	5,500	7,100	4,000	2,000
Debt issued	-	-	24,750,000	24,320,000
Capital leases	204,291	328,539	2,862,783	769,042
Premiums on bonds issued	-	-	497,469	3,492,982
Bond refunding payments	-	-	-	-
Total other financing sources (uses)	<u>209,791</u>	<u>335,639</u>	<u>28,114,252</u>	<u>28,584,024</u>
Net change in fund balances	<u>\$ (763,409)</u>	<u>\$ 410,633</u>	<u>\$ 21,713,072</u>	<u>\$ 12,244,803</u>
Debt service as a percentage of noncapital expenditures	<u>10.2%</u>	<u>9.5%</u>	<u>9.9%</u>	<u>14.2%</u>

2016	2017	2018	2019	2020	2021
\$ 13,973,823	\$ 13,118,151	\$ 13,041,738	\$ 14,324,223	\$ 14,106,356	\$ 13,589,094
58,682	96,526	235,560	377,928	280,569	36,526
3,315,687	3,239,078	3,177,866	3,468,654	2,663,335	2,083,294
33,981,637	33,441,369	33,805,869	34,311,026	34,868,044	35,360,869
2,616,288	2,617,382	2,584,143	2,556,370	3,022,878	5,889,823
53,946,117	52,512,506	52,845,176	55,038,201	54,941,182	56,959,606
1,628,534	1,632,682	1,794,497	1,786,951	1,862,666	1,871,804
2,160,942	2,510,943	2,576,555	2,501,053	2,060,484	3,161,298
18,088,021	18,228,129	18,872,549	20,303,839	20,500,916	19,921,493
229,112	224,984	226,070	233,967	240,993	238,631
8,023,818	7,697,527	7,459,954	8,030,197	8,584,099	8,727,072
2,763,222	2,547,795	2,516,287	2,795,356	2,747,643	2,687,587
3,916,467	4,099,493	4,174,220	4,304,432	4,558,702	4,802,119
5,239,014	5,653,104	5,198,702	5,488,638	5,239,813	5,677,171
104,350	129,517	133,569	142,688	151,301	172,243
1,843,175	1,907,529	2,055,665	2,151,652	2,329,334	1,751,959
2,096,321	2,017,794	2,071,156	2,433,227	2,216,371	2,175,498
5,983,434	1,614,221	56,833	341,222	3,545,014	333,525
2,870,310	3,154,192	3,286,888	3,196,561	3,568,609	3,610,141
3,572,397	2,738,162	2,453,884	2,317,418	2,280,471	2,208,292
58,519,117	54,156,072	52,876,829	56,027,201	59,886,416	57,338,833
(4,573,000)	(1,643,566)	(31,653)	(989,000)	(4,945,234)	(379,227)
—	—	—	—	91,678	—
—	—	—	—	(91,678)	—
—	—	—	1,250	—	749,385
—	9,725,000	—	—	6,430,000	—
—	197,450	—	608,775	117,187	234,295
—	34,835	—	—	515,713	—
(26,420,000)	(9,642,809)	—	—	(2,980,000)	—
(26,420,000)	314,476	—	610,025	4,082,900	983,680
\$ (30,993,000)	\$ (1,329,090)	\$ (31,653)	\$ (378,975)	\$ (862,334)	\$ 604,453
12.2%	11.4%	11.0%	9.9%	10.4%	10.3%

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INDEPENDENT SCHOOL DISTRICT NO. 199

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		
2012	\$ 7,197,208	\$ 445,434	\$ 4,086,214	\$ 11,728,856	
2013	7,175,770	504,826	4,292,392	11,972,988	
2014	4,682,086	261,704	4,232,498	9,176,288	
2015	6,666,863	438,277	5,519,191	12,624,331	
2016	8,108,315	471,552	5,393,956	13,973,823	
2017	7,415,936	468,593	5,233,622	13,118,151	
2018	7,414,932	456,545	5,170,261	13,041,738	
2019	8,984,383	439,896	4,899,944	14,324,223	
2020	8,646,092	450,231	5,010,033	14,106,356	
2021	8,392,557	399,459	4,797,078	13,589,094	

Note: Legislative “tax shift” changes impacted the amount of tax revenue recognized in fiscal year 2014. These changes were offset by an adjustment to state aid payments of an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 199

Tax Capacities and Estimated Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacities			
	Agricultural	Nonagricultural	Fiscal Disparities	
			Contribution	Distribution
2012	\$ 83,825	\$ 28,562,147	\$ (3,714,033)	\$ 3,574,158
2013	80,016	27,179,844	(3,666,211)	3,250,870
2014	89,149	27,491,499	(3,620,945)	3,177,462
2015	95,856	29,087,123	(3,708,676)	3,190,379
2016	96,649	30,828,616	(3,735,815)	3,228,581
2017	96,474	31,560,033	(3,917,829)	3,471,670
2018	69,726	34,282,956	(3,959,223)	3,606,975
2019	86,665	36,662,847	(4,189,088)	3,789,250
2020	88,014	38,410,487	(4,233,911)	4,100,192
2021	89,734	40,769,553	(4,348,963)	4,212,617

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

Source: School Tax Report from the Minnesota Department of Education

<u>Tax Increment</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value</u>	<u>Percentage Total Tax Capacity of Estimated Market Value</u>
\$ (1,969,109)	\$ 26,536,988	28.363	\$ 2,483,223,500	1.07 %
(1,872,808)	24,971,711	27.556	2,350,262,850	1.06
(1,631,509)	25,505,656	33.418	2,374,607,550	1.07
(1,923,157)	26,741,525	34.864	2,518,406,576	1.06
(1,824,068)	28,593,963	30.272	2,657,143,330	1.08
(1,855,640)	29,354,708	28.572	2,719,753,074	1.08
(1,635,215)	32,365,219	26.680	2,945,747,808	1.10
(1,671,036)	34,678,638	26.537	3,144,183,603	1.10
(74,966)	38,289,816	22.896	3,294,618,584	1.16
(23,706)	40,699,235	23.368	3,473,292,797	1.17

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INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Tax Collection Year</u>	<u>ISD No. 199</u>	<u>City of Inver Grove Heights</u>	<u>Dakota County</u>	<u>Other</u>	<u>Total</u>
2012	28.363	44.883	31.426	5.021	109.693
2013	27.556	46.312	33.421	5.341	112.630
2014	33.418	46.128	31.827	4.993	116.366
2015	34.864	48.131	29.633	4.567	117.195
2016	30.272	49.266	28.570	4.614	112.722
2017	28.572	51.644	28.004	4.458	112.678
2018	26.680	52.078	26.580	3.878	109.216
2019	26.537	53.537	25.386	3.824	109.284
2020	22.896	51.037	24.133	3.631	101.697
2021	23.368	50.590	22.716	3.432	100.106

Note 1: Tax rates are per one dollar of tax capacity.

Note 2: The tax capacity rate applied to an individual property is the sum of the applicable school district, city, county, and other taxing entity tax rates. The majority of the District is in the City of Inver Grove Heights, which is the rate used above. The “other” taxing entities include: Metropolitan Council, Metropolitan Mosquito Control District, and Metropolitan Transit.

Note 3: District rates do not include the referendum, which is spread on the District’s referendum market value.

Source: Dakota County Auditor

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Property	2021		
		Tax Capacity	Rank	Percentage of Total Tax Capacity
Xcel Energy	Utility	\$ 1,990,390	1	4.48 %
Flint Hills Resources LP (aka Great Northern Oil Company)	Industrial	951,622	2	2.14
WOP Southview Gables, LLC	Apartments	910,970	3	2.05
Lake Cove Village Apartments	Apartments	497,176	4	1.12
Salem Green Limited Partnership	Apartments	473,102	5	1.06
PHM Inver Grove, Inc.	Apartments	440,401	6	0.99
Brentwood Hills Limited Partnership	Apartments	350,636	7	0.79
Pearwood Estates LP	Apartments	349,684	8	0.79
Chicago and North Western Transportation Company	Railroad	314,012	9	0.71
Vansouth Limited Partnership	Distribution center	285,186	10	0.64
ML Cases IV LP	Commercial	-	-	-
Farmers Union Central Exchange	Farm supplies/services	-	-	-
Total		<u>\$ 6,563,179</u>		<u>14.77 %</u>

Source: City of Inver Grove Heights. Percentages represent the taxpayers' percentages of the total tax capacity within the City of Inver Grove Heights.

2012		
<u>Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity</u>
\$ 1,581,644	1	4.31 %
496,264	2	1.35
-	-	-
325,554	4	0.89
244,927	8	0.67
322,244	5	0.88
218,400	10	0.60
284,700	6	0.78
-	-	-
284,700	7	0.78
396,501	3	1.08
<u>258,676</u>	9	<u>0.71</u>
<u>\$ 4,413,610</u>		<u>12.05 %</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Property Tax Levies and Collections
Last Ten Fiscal Years

Levy Year Ended December 31,	Total Tax Levy	Collected Within the Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 12,066,839	\$ 11,932,610	98.89 %	\$ 111,459	\$ 12,044,069	99.81 %
2013	11,821,440	11,689,887	98.89	117,562	11,807,449	99.88
2014	12,713,543	12,486,635	98.22	222,467	12,709,102	99.97
2015	13,874,201	13,764,307	99.21	105,715	13,870,022	99.97
2016	13,080,386	12,978,959	99.22	97,301	13,076,260	99.97
2017	12,896,577	12,797,398	99.23	93,067	12,890,465	99.95
2018	14,319,231	14,215,747	99.28	95,051	14,310,798	99.94
2019	14,087,906	14,018,606	99.51	48,649	14,067,255	99.85
2020	13,539,687	13,475,094	99.52	59,531	13,534,625	99.96
2021 (1)	14,668,596	6,893,198	46.99	N/A	N/A	N/A

N/A – Not Applicable

(1) Only a portion of the calendar year 2021 levy was collected by June 30, 2021.

Source: Dakota County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 199

Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30,	Governmental Activities				Percentage of Personal Income (1)	Per Capita (1)
	G.O. Bonds and Certificates	Capital Leases	Special Assessments	Total Primary Government		
2012	\$ 49,062,169	\$ 68,540	\$ 106,250	\$ 49,236,959	4.21 %	\$ 1,458
2013	47,163,170	215,881	93,750	47,472,801	4.10	1,406
2014	70,100,129	2,834,366	81,250	73,015,745	6.13	2,136
2015	94,666,246	3,104,549	68,750	97,839,545	8.06	2,839
2016	65,161,665	2,581,739	56,250	67,799,654	5.56	1,958
2017	63,503,216	2,292,497	43,750	65,839,463	5.33	1,869
2018	60,242,399	1,948,109	31,250	62,221,758	4.78	1,766
2019	57,071,582	2,212,823	18,750	59,303,155	4.16	1,677
2020	57,497,750	1,958,901	6,250	59,462,901	3.99	1,676
2021	53,950,971	1,734,305	—	55,685,276	2.64	1,577

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

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

INDEPENDENT SCHOOL DISTRICT NO. 199

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

<u>Year Ended June 30,</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds on Hand</u>	<u>Net Bonded Debt</u>	<u>Estimated Market Value</u>	<u>Percentage of of Net Debt to Estimated Market Value</u>
2012	\$ 49,062,169	\$ 900,151	\$ 48,162,018	\$ 2,483,223,500	1.94 %
2013	47,163,170	943,048	46,220,122	2,350,262,850	1.97
2014	70,100,129	1,222,332	68,877,797	2,374,607,550	2.90
2015	94,666,246	27,854,083	66,812,163	2,518,406,576	2.65
2016	65,161,665	1,041,646	64,120,019	2,657,143,330	2.41
2017	63,503,216	1,214,385	62,288,831	2,719,753,074	2.29
2018	60,242,399	1,282,748	58,959,651	2,945,747,808	2.00
2019	57,071,582	1,280,729	55,790,853	3,144,183,603	1.77
2020	57,497,750	1,295,472	56,202,278	3,294,618,584	1.71
2021	53,950,971	1,150,410	52,800,561	3,473,292,797	1.52

Sources: Tax capacity information – School Tax Report from the Minnesota Department of Education Population estimates from the City of Inver Grove Heights’ ACFR.

<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
33,774	\$ 1,426
33,774	1,369
34,189	2,015
34,458	1,939
34,627	1,852
35,234	1,768
35,236	1,673
35,372	1,577
35,481	1,584
35,321	1,495

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INDEPENDENT SCHOOL DISTRICT NO. 199

Direct and Overlapping Debt
June 30, 2021

Governmental Unit	Governmental Activities Debt Outstanding	Percent Allocable to ISD No. 199	Portion Allocable to ISD No. 199
Independent School District No. 199	\$ 51,845,000	100.00 %	\$ 51,845,000
Overlapping debt			
City of Inver Grove Heights	43,980,000	100.00	43,980,000
City of Rosemount	8,030,000	100.00	8,030,000
City of South St. Paul	25,929,000	100.00	25,929,000
Metropolitan Council	1,688,625,662	13.40	226,275,839
Total overlapping debt			<u>304,214,839</u>
Total direct and overlapping debt			<u><u>\$ 356,059,839</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents of the District. The percentage is estimated taking the taxable market value of the overlapping government within the District's boundaries divided by the overlapping government's total taxable market value.

Source: Dakota County

INDEPENDENT SCHOOL DISTRICT NO. 199

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Debt limit	\$ 372,483,525	\$ 352,539,428	\$ 356,191,133	\$ 377,760,986
Total net debt applicable to the limit	<u>47,779,849</u>	<u>45,681,952</u>	<u>67,917,668</u>	<u>62,740,917</u>
Legal debt margin	<u>\$ 324,703,676</u>	<u>\$ 306,857,476</u>	<u>\$ 288,273,465</u>	<u>\$ 315,020,069</u>
Total net debt applicable to the limit as a percentage of debt limit	12.83%	12.96%	19.07%	16.61%

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

Source: Market Value – School Tax Report from the Minnesota Department of Education

2016	2017	2018	2019	2020	2021
\$ 398,571,500	\$ 407,962,961	\$ 441,862,171	\$ 471,627,540	\$ 494,192,788	\$ 520,993,920
60,798,354	59,280,615	56,282,252	53,444,271	53,694,528	50,694,590
<u>\$ 337,773,146</u>	<u>\$ 348,682,346</u>	<u>\$ 385,579,919</u>	<u>\$ 418,183,269</u>	<u>\$ 440,498,260</u>	<u>\$ 470,299,330</u>
15.25%	14.53%	12.74%	11.33%	10.87%	9.73%

Legal Debt Margin Calculation for Fiscal Year 2021

Market value	\$3,473,292,797
Debt limit (15% of market value)	520,993,920
Debt applicable to limit	
General obligation bonds and certificates	51,845,000
Less amount set aside for repayment of general obligation debt	<u>(1,150,410)</u>
Total net debt applicable to limit	<u>50,694,590</u>
Legal debt margin	<u>\$ 470,299,330</u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Inver Grove Heights (1)				School Enrollment
	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	
2012	33,774	\$ 1,170,302,874	\$ 34,651	6.2 %	3,770
2013	33,774	1,159,022,358	34,317	5.3	3,795
2014	34,189	1,190,529,358	34,822	4.7	3,855
2015	34,458	1,213,335,096	35,212	3.9	3,816
2016	34,627	1,219,285,924	35,212	3.5	3,811
2017	35,234	1,234,916,466	35,049	3.3	3,618
2018	35,236	1,300,419,816	36,906	3.3	3,640
2019	35,372	1,425,526,972	40,301	2.6	3,583
2020	35,481	1,488,569,874	41,954	3.0	3,565
2021	35,321	2,108,063,243	59,683	7.9	3,400

(1) The source is the City of Inver Grove Heights' ACFRs. Data is from the calendar year ending within the District's indicated fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. 199

Principal Employers
Current Year and Nine Years Ago

Employer	2021		
	Employees	Rank	Percentage of Total Employment
Cenex/CHS Cooperatives	1,300	1	6.62 %
Independent School District No. 199	668	2	3.40
Gertens	435	3	2.22
Inver Hills Community College	432	4	2.20
City of Inver Grove Heights	411	5	2.09
Travel Tags	350	6	1.78
Total Construction	210	7	1.07
Walmart	200	8	1.02
Cub Foods	160	9	0.82
Target	150	10	0.76
Koch Refinery (Flint Hills)	-	-	-
Evergreen Industries	-	-	-
Total	4,316		21.98 %

Source: Minnesota Department of Employment and Economic Development

2012

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
880	2	4.30 %
535	3	2.61
475	5	2.32
350	7	1.71
387	6	1.89
350	8	1.71
250	9	1.22
220	10	1.07
-	-	-
-	-	-
1,200	1	5.86
<u>500</u>	<u>4</u>	<u>2.44</u>
<u><u>5,147</u></u>		<u><u>25.13 %</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 199

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
District directors/superintendent	1	1	1	1	1	1	1	1	1	1
Principals	8	9	9	9	9	9	9	9	9	8
Teachers	228	239	245	248	265	251	258	261	263	265
Coordinators, supervisors, specialists, and technical support	46	44	43	46	49	51	54	54	54	33
Paraprofessionals	88	88	85	78	85	83	77	82	77	90
Food service	23	22	22	23	27	28	22	25	26	25
Custodians	23	24	27	25	30	31	31	32	33	34
Community education leads and assistants	25	20	19	19	27	18	16	17	17	12
Total	442	447	451	449	493	472	468	481	480	468

(1) This schedule is a head count based on contract groups; 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

INDEPENDENT SCHOOL DISTRICT NO. 199

Operating Indicators
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Standardized tests				
MCA reading (1)				
Grade 3	81 %	59 %	61 %	60 %
Grade 5	79	71	72	70
Grade 7	73	58	44	57
Grade 10	74	56	62	53
MCA math (1)				
Grade 3	81	77	75	73
Grade 5	63	67	72	61
Grade 7	54	64	46	51
Grade 11	42	52	51	48
ACT				
Average composite score	23.6	23.4	23.8	21.0
Graduation data				
District graduation rates	85	89	90	91
State graduation rate	78	80	81	82
Post graduation student survey				
Four-year college/university	55	57	51	52
Two-year college	30	23	33	34
Vocational/technical college	4	5	4	4
Employment	1	4	5	4
Military	4	4	3	3
No response/undecided	6	7	4	3
	100 %	100 %	100 %	100 %

N/A – Not Available.

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment (MCA) Test.
- (2) MCA reading and math testing was not completed in 2020, due to the COVID-19 pandemic.

Source: State graduation rate obtained from the Minnesota Department of Education

2016	2017	2018	2019	2020 (2)	2021
59 %	45 %	47 %	46 %	N/A %	34 %
72	72	66	59	N/A	55
59	59	60	54	N/A	36
62	56	58	66	N/A	53
71	58	55	53	N/A	39
61	57	50	44	N/A	36
53	48	48	51	N/A	22
42	55	41	42	N/A	29
22.8	21.4	21.4	20.0	20.5	19.1
84	92	88	89	90	87
82	83	83	84	N/A	84
52	59	59	51	49	59
32	26	28	20	–	–
9	5	4	18	38	30
4	3	5	7	9	4
3	2	4	4	2	7
–	5	–	–	2	–
100 %	100 %	100 %	100 %	100 %	100 %

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INDEPENDENT SCHOOL DISTRICT NO. 199

School Facilities
as of June 30, 2021

<u>Facility</u>	<u>Year Constructed</u>	<u>Years of Additions</u>	<u>Grades Housed</u>	<u>Square Footage</u>
Simley High School	1971	1998 2016	9-12	220,728
Inver Grove Heights Middle School	1959	1962 1967 1980 1990 1997 2009	6-8	314,970
Hilltop Elementary School	1964	1968 2007 2014	K-5	92,793
Pine Bend Elementary School	1958	1960 1991 2009 2020	K-5	85,485
Salem Hills Elementary School	1953	1964 1986 1987 1988 2009 2014	K-5	56,206

Source: The District's Buildings and Grounds Department

INDEPENDENT SCHOOL DISTRICT NO. 199

Expenditures per Student (Average Daily Membership)
Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Administration	\$ 400	\$ 425	\$ 443	\$ 421
District support services	281	342	353	403
Elementary and secondary regular instruction	4,298	4,517	4,453	4,579
Vocational education instruction	46	46	55	48
Special education instruction	1,944	1,972	1,852	1,966
Instructional support services	652	649	798	780
Pupil support services	880	908	996	1,058
Sites and buildings	1,552	1,471	2,041	1,703
Fiscal and other fixed cost programs	21	41	32	33
Food service	446	432	452	478
Community service	510	535	563	567
Capital outlay	671	2	851	3,696
Debt service	1,223	1,171	1,245	1,927
Total expenditures	<u>\$ 12,922</u>	<u>\$ 12,511</u>	<u>\$ 14,133</u>	<u>\$ 17,658</u>
Average daily membership	<u>3,770</u>	<u>3,795</u>	<u>3,855</u>	<u>3,816</u>

Note: Includes all governmental fund expenditures.

Source: Average daily membership (ADM) – the District’s ADM Summary Report from the Minnesota Department of Education

	2016	2017	2018	2019	2020	2021
\$	427	\$ 451	\$ 493	\$ 499	\$ 522	\$ 550
	567	694	708	698	578	930
	4,746	5,038	5,185	5,666	5,750	5,859
	60	62	62	65	68	70
	2,105	2,128	2,049	2,241	2,408	2,567
	725	704	691	780	771	790
	1,028	1,133	1,147	1,201	1,279	1,412
	1,375	1,562	1,428	1,532	1,470	1,670
	27	36	158	40	42	51
	484	527	565	600	653	515
	550	558	569	679	622	640
	1,570	446	16	95	994	98
	<u>1,690</u>	<u>1,629</u>	<u>1,456</u>	<u>1,539</u>	<u>1,640</u>	<u>1,711</u>
\$	<u>15,355</u>	<u>\$ 14,969</u>	<u>\$ 14,527</u>	<u>\$ 15,636</u>	<u>\$ 16,796</u>	<u>\$ 16,863</u>
	<u>3,811</u>	<u>3,618</u>	<u>3,640</u>	<u>3,583</u>	<u>3,565</u>	<u>3,400</u>

INDEPENDENT SCHOOL DISTRICT NO. 199

Demographic Statistics – Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2012	78.34	260.90	1,706.14	1,724.71	3,770.09	4,346.02
2013	83.65	252.92	1,745.84	1,712.86	3,795.27	4,373.86
2014	76.42	281.67	1,747.31	1,749.87	3,855.27	4,431.85
2015	67.45	255.62	1,765.45	1,727.34	3,815.86	4,161.27
2016	70.16	221.20	1,751.83	1,767.94	3,811.13	4,164.70
2017	67.85	216.77	1,595.67	1,737.87	3,618.16	3,965.72
2018	92.07	210.35	1,608.42	1,729.18	3,640.02	3,985.85
2019	106.28	225.19	1,546.78	1,704.95	3,583.20	3,924.19
2020	102.47	189.54	1,576.47	1,696.97	3,565.45	3,904.84
2021	87.32	179.30	1,452.93	1,680.78	3,400.33	3,736.49

Note 1: Enrollment information from the District’s ADM Summary Report by the Minnesota Department of Education. ADM is estimated for the most recent year.

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

	Pre-Kindergarten	Handicapped Kindergarten	Part-Time/All-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2012 through 2014	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal 2015 through 2021	1.000	1.000	0.550/1.000	1.000	1.000	1.200

INDEPENDENT SCHOOL DISTRICT NO. 199

Food Service Meals Served and Pricing
Last Ten Fiscal Years

Year Ended June 30,	Lunches Served to Students				Lunches Served to Adults
	Regular Priced Lunches	Reduced-Priced Lunches	Free Lunches	Total	
2012	258,418	32,004	160,118	450,540	4,188
2013	227,401	31,518	164,282	423,201	3,233
2014	229,536	31,177	163,363	424,076	2,417
2015	228,568	37,900	179,216	445,684	1,780
2016	206,888	39,883	185,272	432,043	2,630
2017	195,639	41,315	171,874	408,828	2,735
2018	185,052	44,921	162,082	392,055	2,474
2019	191,582	44,785	146,397	382,764	2,695
2020	132,690	44,880	174,453	352,023	2,463
2021	–	–	221,903	221,903	1,284

Year Ended June 30,	Student Regular Lunch Prices			
	Regular Priced Lunches		Reduced-Priced Lunches	Adult Lunches
	Elementary	Secondary		
2012	\$ 1.70	\$ 1.80/1.85	\$ 0.40	\$ 3.15
2013	1.80	1.90/1.95	0.40	3.25
2014	1.80	1.90/1.95	0.40	3.35
2015	1.80	1.90/1.95	– *	3.40
2016	1.80	1.90/1.95	– *	3.50
2017	1.80	1.90/1.95	– *	3.60
2018	1.90	2.00/2.05	– *	3.70
2019	2.00	2.10/2.15	– *	3.80
2020	2.00	2.20/2.20	– *	3.80
2021	2.00	2.20/2.20	– *	3.90

Note: In 2021, the District operated a Summer Food Service Program for Children that provided free federally funded meals to all students.

* The state of Minnesota began reimbursing the District for this amount in 2015; therefore, the District did not charge families.

Source: The District's Food Service Department

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