

INDEPENDENT SCHOOL DISTRICT 719  
PRIOR LAKE-SAVAGE AREA SCHOOLS  
PRIOR LAKE, MINNESOTA



**2019-20**  
**Comprehensive**  
**Annual Financial Report**  
Year Ended June 30, 2020

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

INDEPENDENT SCHOOL DISTRICT NO. 719  
PRIOR LAKE-SAVAGE AREA SCHOOLS

4540 Tower Street SE  
Prior Lake, MN 55372

Prepared by:

District Business Office

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INTRODUCTORY SECTION

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**PRIOR LAKE-SAVAGE**  
AREA SCHOOLS

*A community of lifelong learners*

October 27, 2020

To the Citizens, School Board, and Staff of Prior Lake-Savage Area Schools:

**PREFACE**

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 719, Prior Lake-Savage Area Schools (the District) is submitted for the fiscal year (FY) ended June 30, 2020. The District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation of the enclosed financial reports. An independent firm of certified public accountants audits this report.

The District, also known as Prior Lake-Savage Area Schools, is an instrumentality of the state of Minnesota established to function as an educational institution. The elected School Board is responsible for legislative and fiscal control of the District. A superintendent is appointed by the School Board and is responsible for administrative control of the District. There are no other entities for which the District is considered financially accountable.

These financial statements incorporate the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB) entitled *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This standard, issued in June 1999, creates a reporting model of financial information and disclosure, which is comprehensive and attempts to closely reflect the reporting model required for private industry. The reader will notice that two entity-wide basic financial statements created by this standard, the Statement of Net Position and the Statement of Activities, do not contain numerous columns for various funds that have been seen in past governmental financial statements. These two statements consolidate much of the information contained in fund-based financial statements of the past into statements which tend to answer the question: "Is the District better or worse off financially than it was in the previous year?" A comparison of net position should help the reader in answering that question.

Also required as a part of "Required Supplementary Information" by GASB Statement No. 34 is a "Management's Discussion and Analysis" (MD&A), which allows the District to explain, in layman's terms, its financial position and results of operations of the past fiscal year.

The CAFR is presented in three primary sections as follows:

- Introductory Section
- Financial Section
- Statistical Section

The introductory section includes a list of principal officials, an organizational chart, a Certificate of Excellence in Financial Reporting, and this transmittal letter. The financial section includes the basic financial statements and individual fund statements and related schedules. The report of the Independent Certified Public Accountants is also included in the financial section. Notes to the financial section are provided to enhance the reader's understanding of the District's accounting policies and procedures. The statistical section incorporates GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. GASB Statement No. 44 offers a wealth of descriptive and illustrative material designed to minimize the possibility of misinterpretation. GASB incorporated into the statistical section certain data now available for the first time as a result of the implementation of GASB Statement No. 34. GASB established five broad objectives, which are used to organize the statistical section.

- 1) Financial trends
- 2) Revenue capacity
- 3) Debt capacity
- 4) Demographics and economics information
- 5) Operating indicators

The District is required to undergo an annual audit of its Federal Financial Assistance (Single Audit) in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133. Information related to the Single Audit is issued separately and is not included in this report.

## **DISTRICT STRATEGIC ROADMAP**

The School Board approved a revised strategic roadmap for the District in 2019, that serves as a compass to shape yearly improvement goals and guide the District's educational programs, services, and applied resources. One of the driving forces of the strategic plan was to maintain our current fiscal health and accountability, while moving toward achievement of our educational vision. Components include:

### **School District Mission**

Our mission is to educate all learners to reach their full potential as contributing, productive community members of an ever-changing world. We are innovative, environmentally focused and wise stewards of our resources.

### **Vision**

- Sustainable environmental focus recognized at the state and national levels
- Challenging, diverse, and personalized learning
- A culture of excellence fostering a love of learning and appreciation of the arts and activities
- Safe and respectful schools
- A district of stakeholder partnerships
- Technology enhancing instruction, communication, and administration
- Moving towards class size goals through staffing and space
- Innovative and flexible staffing through wise financial stewardship

## Core Values

- **Partnership** – Collaboration of resources and talents to achieve high mutual goals for the benefit of all
- **Innovation** – Creative problem-solving connecting creativity with usefulness
- **Respect** – Valuing of ourselves, each other, and our world across all differences
- **Wise Stewardship** – Developing and effective use of our knowledge, human, financial, physical, and environmental resources
- **Accountability** – Holding ourselves and each other accountable for our actions and words
- **Strive for Excellence** – Commitment to continuous learning and improvement

## Strategic Directions

- Increasing measurable student learning and reduce achievement gaps as we provide equitable student opportunities through personalized learning and student engagement
- Continue financial accountability through operational excellence and the alignment of human, financial, and physical resources to district goals
- Expand innovation to improve the learner experience
- Integrate E-STEM focus across the District
- Provide a safe, secure, and supportive environment that nurtures the social and emotional well-being of all learners
- Engage students, parents, families, and community to strengthen a culture of respect and inclusion

## **DISTRICT FISCAL FRAMEWORK**

The District has a fund balance policy of 8–12 percent in assigned and unassigned funds. The past five years, the District has maintained a fund balance within School Board policy. Many efforts led to the District’s fiscal success:

- An unwavering focus on efficiency improvement in all areas. Items of cost-containment that have resulted from these efficiencies include reduction in energy usage, reduced rates for property insurance, and increased use of technology to automate processes. The District recently awarded a performance contract to Nexus Corporation to improve lighting, heating, ventilation, and air conditioning (HVAC), and other mechanical systems to lower cost consumption by updating and improving performances of these systems.
- In November 2017, the District’s voters approved an operating referendum for 10 years in the amount of \$923 per pupil unit (PPU). In 2019, legislators allowed an increase to the local optional revenue component of \$300. This reduced the District referendum by \$300 PPU. The District’s operating referendum is now \$623 PPU with an additional \$724 of local option revenue.
- Districts received an additional 2 percent onto the basic funding formula in 2019–2020. The basic formula is \$6,438. Weighting for students K–6 is 1.0, for students Grade 7–12, the weighting factor is 1.2. For students that attend the Alternative Learning Center, the number of seat hours is calculated by determining their average daily membership.
- In 2013, the District and PLSEA voted to implement Quality Compensation (Q-Comp) programs in the District and it was approved for implementation by the Minnesota Department of Education (MDE) for the 2013–2014 school year. Q-Comp supports professional development and improves student achievement. Q-Comp meets the requirements of the Teacher Evaluation Plan. The District continues to utilize Q-Comp throughout the District.

- Funding has been below the current annual rate of inflation for the last 20 years. Accordingly, the District continues to utilize sophisticated enrollment and financial planning tools, along with detailed and conservative budgeting and budget monitoring processes.
- In 2019–2020, the District opened the new Bridges Area Learning Center (ALC). This building was built on the same land as the District’s middle schools. The District has over 100 students attending the program. The building will house 135 students.

## **DISTRICT ACCOMPLISHMENTS AND PROGRAMS**

Under the leadership of the School Board and Superintendent Dr. Teri Staloch, the District passed a bond referendum in 2017.

As a result of the referendum, the District opened a new building to house Bridges ALC to start the school year in 2019–2020. In addition to the opening of Bridges ALC, several other buildings were renovated with additions, including a renovation to the cafeteria and dining spaces, as well as renovation of the auditorium at Twin Oaks Middle School. Additional classrooms at Twin Oaks Middle School will be completed in 2020–2021. At Hidden Oaks Middle School, several classroom additions and additional space for seating in the cafeteria came online to start the 2019–20 school year. A new elementary school, Hamilton Ridge Elementary, and large additions and remodeling at Prior Lake High School will be completed in 2020–2021.

The Minnesota Center for Advanced Professional Studies (MNCAPS) program was implemented in 2016–2017. MNCAPS provides students with real-world immersion learning in professional settings. MNCAPS is a partnership of education, industry, and community, immersing all students in profession-based learning experiences. MNCAPS provides a Business Track and a Health Track for students to participate in. In 2019–2020, the District had 137 students participate in the MNCAPS program. The Farmington School District partners with the District and 37 students attend the MNCAPS program.

In 2019–2020, the District leased MacBook Air laptops for the teaching staff throughout the District. This proved to be invaluable when in March 2020, Minnesota Governor Tim Walz closed schools for the remainder of the year, due to the COVID-19 pandemic. Distance learning became an educational catchword. The District had previously implemented a 1:1 technology device initiative for Grades 8–12, as well as a 2:1 initiative for Grades K–7. Due to the forethought of previous administrations and school boards, there was sufficient technology throughout the District so every student attending the District had a ChromeBook or iPad to continue with their education via a distance learning model through the end of the school year.

## **MEASURES OF ACADEMIC PROGRESS**

Due to the COVID-19 pandemic, districts were not required to test students in the spring, and all ACT testing was delayed. No reports are available to measure academic progress for school year 2019–2020.

## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

The District serves all or part of two cities and four townships in Scott County encompassing 46 square miles. However, the vast majority of the District’s households are in the cities of Prior Lake and Savage. In 2019, 81 percent of the District’s households were in these two cities. Only about 1 percent of Cedar Lake Township and Sand Creek Township are in the District.

Growth was rapid in the 1990's also, when District households increased by nearly 60 percent. Housing growth continues to expand in both cities, Prior Lake and Savage. Over the past five years, the City of Savage has seen average growth of 210 units per year and the City of Prior Lake has seen growth of 160 units. The housing growth is expected to continue, but at a slower rate for both cities of Savage and Prior Lake. In 2018, the City of Savage issued 228 single family building permits and in 2019 issued 175. They anticipated less than 100 for 2020. The City of Prior Lake anticipates issuing 105 single family units in 2020 and 100 for 2021 in the school boundaries.

As the population of Prior Lake and Savage has increased, so has student enrollment. The District ended the 2019–2020 school year with 8,877 students, a 0.6 percent increase over 2018–2019. The prior year the District saw a 2.5 percent increase in enrollment. The District had 59 students attend Post-Secondary Enrollment Options (PSEO) full-time and 102 students attend PSEO part-time in 2019–2020. The vast majority of PSEO students attend Normandale Community College.

Learners in the District attend 10 educational sites. WestWood Elementary is the home of SAGE Academy, our gifted and talented program for students in Grades 3–5. Edgewood houses the District's Spanish Immersion Program, La ola del lago. 2019–2020 was the first year for a full elementary Grades K–5 for La ola del lago. All elementary schools offer Grades K–5, two middle schools house Grades 6–8 and one high school educates Grades 9–12. The District also has Bridges ALC that has grown to over 100 students attending each year.

District expenditures per pupil are consistently among the lowest in Scott County and the state of Minnesota. As result, the District spends about \$2,000 less per student than the seven-county metro average and has one of the lowest administrative costs per student in the metro area. In 2019–2020, the District ranked 256 out of 330 school districts in the state of Minnesota in the amount of revenue received per student.

The District employs over 1,300 staff members. Our staff is focused on our mission: **“Our mission is to educate all learners to reach their full potential as contributing and productive members of an ever-changing global community.”**

The District is considered a “destination district.” Parents are moving into the District boundaries in order for their child(ren) to attend the schools within the District. This is due to the success of the progressive programs that are offered at the District, including: digital learning, Spanish Immersion, SAGE Academy, an E-STEM focus, Bridges ALC, Advanced Placement classes, College in the Schools, Environmental Pre-School program, along with many other opportunities and programs.

Students have the opportunity to enjoy home-made breakfast and lunch made in-house in each of our buildings through the District's Child Nutrition Service. 2019–2020 was the fifth year that Prior Lake High School (PLHS) was not receiving benefits from the Federal School Lunch Program, after a successful pilot program in 2015–2016. Due to the success of the program at PLHS, the District will remain off of the Federal School Lunch Program another year. The District continues to monitor factors that would no longer allow the District to be off of the Federal School Lunch Program at PLHS, such as the number of students qualifying for free and reduced-priced meals. All other schools in the District remain on the Federal School Lunch Program.

Our bus service is contracted with local vendors. Buildings and grounds staff members are responsible for maintaining the facilities inside and out. A dedicated auxiliary staff includes a wide variety of positions, such as lunchroom/playground supervisors, technology integrationists, digital learning specialists, special education support paraprofessionals, secretarial/clerical staff, and health support.

Community services provides educational opportunities to students, parents and residents of the District by offering before- and after school- programs and other adult programs, including 55 Alive and adult basic education for individuals to receive their GED. The District has a robust early learner program, including a very successful environmentally focused pre-school program for three and four-year olds. We also offer early childhood family education, pre-school screening, and school readiness.

Parent and community volunteers help in all district sites and serve on a number of advisory committees. Our facilities support the schools' quality educational programs and are used extensively by the community.

The District owns 11 buildings with 1,509,345 square feet of space. The average age of the buildings in the District is 25 years. In November 2017, voters approved a \$109M building referendum to include a new elementary school and a new Bridges Area Learning Center as well as several additions to the District, including a four-station activity center, remodeling the cafeteria and kitchen areas, and many classroom additions. Twin Oaks Middle School has new classrooms, an updated kitchen and cafeteria area, and a remodeled auditorium. Some of these additions were completed in the fall of 2019 and the classroom additions will be completed in the fall of 2020. Hidden Oaks Middle School had several classroom additions and the cafeteria area added more seating. Grainwood Elementary School will become the Spanish immersion school and will be renamed La ola del lago at Grainwood. Updates to HVAC, lighting, media center, cafeteria, kitchen, and classrooms were included in the remodel. Community education will be relocated to a separate area of the Grainwood building in the fall of 2020. Bridges ALC opened in the fall of 2019, and Hamilton Ridge Elementary will open in the fall of 2020.

The COVID-19 pandemic shortened the 2019–2020 school year. In March 2020, Governor Tim Walz, under executive order, required the closing of schools to prepare for distance learning. All students learned from home for the remainder of the year. All state exams were cancelled, including the ACT. The District applied for the Summer Meal Program where children aged 18 and under received free meals. The District's Child Nutrition Program served an average of 4,000 free meals per day for the remainder of the school year. Enrollment for future years will be impacted by the pandemic and the ability of school districts to hold in-person classes.

## **INTERNAL CONTROL STRUCTURE AND BUDGETARY CONTROL**

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report must be provided to the Minnesota Department of Education (MDE) by December 31, subsequent to year-end on June 30.

The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund account level. The School Board adopts an annual budget for the following fiscal year for the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and Debt Service Fund. Budgeted expenditure appropriations lapse at year-end.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or loss. Reasonable assurance means the cost of controls is weighted against the benefits received. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. Specific expenditure, revenue and detail transaction reports are available "on-line" over the District's wide area network or in hard copy for individuals with budget responsibilities. The reports can be printed either in the business office or in the administrative office in each building or department.

To accurately track and report financial activities with a focus on site-based accounting, approximately 13,000 accounts have been defined in the District's chart of accounts.

## **INDEPENDENT AUDIT**

State statutes require an annual audit by independent certified public accountants. This requirement has been complied with and the opinion of Malloy, Montague, Karnowski, Radosevich, & Co. P.A. is included in this report.

## **CERTIFICATE OF EXCELLENCE AND OTHER INFORMATION**

This report has been prepared following the guidelines provide by the Association of School Business Officials (ASBO) International for their Certificate of Excellence in Financial Reporting Program. Achieving recognition by this program has been a long-time goal of the District's business office and provides a clear indication of the District's high standards for financial reporting. The District intends to submit this CAFR to the ASBO Certificate Program for consideration. The District has received the ASBO Certificate of Excellence in Financial Reporting for its CAFR for the fiscal years ended June 30, 2009 through June 30, 2019. The District has received the School Finance Award from the MDE in recognition of outstanding accomplishments in financial management, including compliance with state statutes for five years.

## **ACKNOWLEDGMENTS**

We acknowledge the efforts of the entire business office staff in providing complete and accurate data for this CAFR.

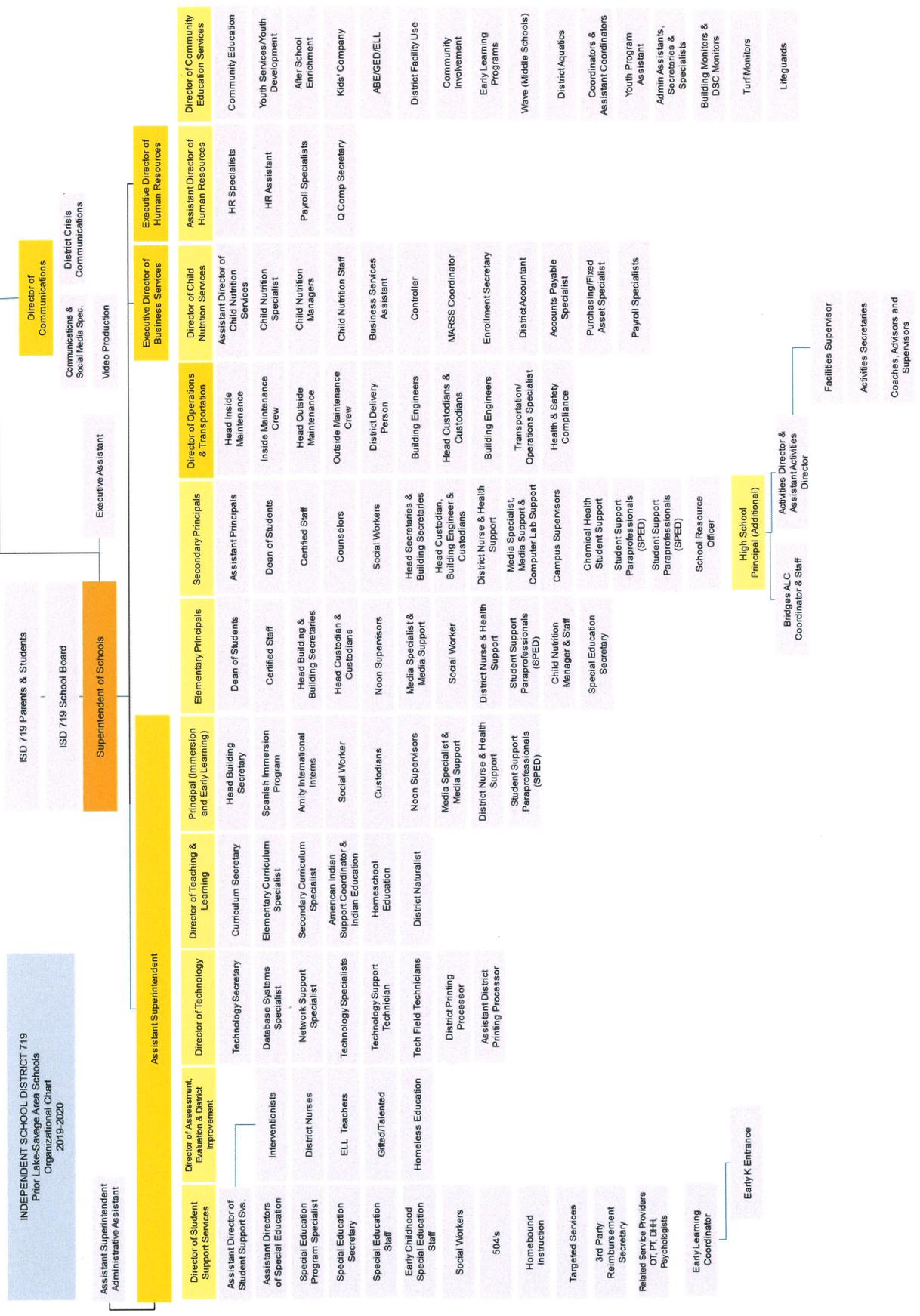
Sincerely,



Julie Cink  
Director of Business Affairs



Dr. Teri Staloch  
Superintendent of Schools



INDEPENDENT SCHOOL DISTRICT NO. 719

School Board and Administration  
as of June 30, 2020

**SCHOOL BOARD**

	<u>Board Position</u>
Lee Shimek	Chairperson
Stacey Ruelle	Vice Chairperson/Clerk
Jonathan Drewes	Treasurer
Melissa Enger	Director
Mary Frantz	Director
Michael Nelson	Director
Enrique Velazquez	Director

**ADMINISTRATION**

Dr. Teri Staloch	Superintendent
Julie Cink, SFO	Executive Director of Business Services
District Services Center	Independent School District No. 719
	Prior Lake-Savage Area Public Schools
	4540 Tower Street SE
	Prior Lake, MN 55372



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

## **Prior Lake-Savage Area Schools**

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

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



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

Claire Hertz, SFO  
President

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

David J. Lewis  
Executive Director

FINANCIAL SECTION

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**PRINCIPALS**

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

**INDEPENDENT AUDITOR'S REPORT**

To the School Board and Management of  
Independent School District No. 719,  
Prior Lake-Savage Area Schools  
Prior Lake, 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 the Independent School District No. 719, Prior Lake-Savage Area Schools (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

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

## **EMPHASIS OF MATTER**

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

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

(continued)

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
October 27, 2020

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## INDEPENDENT SCHOOL DISTRICT NO. 719

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

This section of Independent School District No. 719, Prior Lake-Savage Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2020 include the following:

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$7,491,209 (net position). The District's total net position increased by \$9,707 during the fiscal year ended June 30, 2020, including an increase of \$2,371,879 from current year operations, a decrease of \$768,857 from prior period adjustments mostly related to the amortization of discounts on outstanding debt, and a decrease of \$1,593,315 from changes in accounting principle, due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84 on fiduciary funds. This increase in current year operations is mostly related to changes in net pension related deferred inflows, deferred outflows, and liabilities in the state-wide pension plans the District participates in.
- The District's General Fund balance decreased \$90,802, including a decrease of \$579,383 from current year operations, an increase of \$293,527 from prior period adjustment related to the accounting for accrued payroll liabilities, and an increase of \$195,054 from a change in accounting principle, due to the implementation of GASB Statement No. 84 on fiduciary funds related to student activity accounts.
- The General Fund balance decrease in fund balance of \$579,383 was \$3,247,713 better than projected in the District's final budget.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the CAFR consists of five parts: independent auditor's report, MD&A (this section), the basic financial statements, required supplementary information, and the individual fund schedules, which are presented as supplemental information. The basic financial statements include several kinds of statements, which present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide financial statements.

- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.
- The *proprietary fund financial statements* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*.
- The *fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements 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 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider 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 shown in one category:

- *Governmental Activities* – All of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

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

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

The District has three kinds of funds:

- **Governmental Funds** – Most of 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 fewer 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 in the governmental fund financial statements that explains the relationship (or differences) between them.
- **Proprietary Funds** – Internal service fund services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds consisting of a self-insured dental and medical plan, and an Other Post-Employment Benefits Fund.
- **Fiduciary Funds** – The District is the trustee, or *fiduciary*, for assets that belong to others, including the Other Employee Benefits Trust, which accounts for the District's health reimbursement arrangement trust activities. The District is responsible for ensuring that the assets reported in this fund is used only for their intended purpose and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position** – The District’s *combined* net position was \$7,491,209 on June 30, 2020. This was an increase of \$9,707 from the prior year.

	2020	2019
<b>Assets</b>		
Current and other assets	\$ 93,395,976	\$ 158,657,140
Restricted assets	8,468,495	8,608,182
Capital assets, net of depreciation	258,778,946	191,333,728
Total assets	\$ 360,643,417	\$ 358,599,050
<b>Deferred outflows of resources</b>		
OPEB plan deferments	\$ 711,368	\$ 641,568
Pension plan deferments	53,849,982	78,093,113
Total deferred outflows of resources	\$ 54,561,350	\$ 78,734,681
<b>Liabilities</b>		
Long-term liabilities	\$ 280,466,982	\$ 287,374,860
Other liabilities	19,682,160	17,426,356
Total liabilities	\$ 300,149,142	\$ 304,801,216
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 32,645,897	\$ 32,412,039
OPEB plan deferments	139,419	167,304
Deferred gain on refunding	966,221	762,420
Pension plan deferments	73,812,879	91,709,250
Total deferred inflows of resources	\$ 107,564,416	\$ 125,051,013
<b>Net position</b>		
Net investment in capital assets	\$ 65,838,391	\$ 57,446,781
Restricted	9,209,583	8,573,972
Unrestricted	(67,556,765)	(58,539,251)
Total net position	\$ 7,491,209	\$ 7,481,502

The District’s financial position is the product of many factors. For example, the determination of the District’s net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits, which impact the unrestricted portion of net position.

The increase in net investments in capital assets and decrease in unrestricted net positions relates to the increase in capital assets attributed to the building construction and additions from the bond referendum passed in fiscal 2017. A change in the District’s share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

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

	2020	2019
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 9,598,647	\$ 11,054,885
Operating grants and contributions	16,930,262	17,465,736
Capital grants and contributions	1,530,246	1,583,246
General revenues		
Property taxes	33,433,499	32,823,535
General grants and aids	67,959,769	60,599,026
Other	3,564,474	3,022,868
Total revenues	133,016,897	126,549,296
<b>Expenses</b>		
Administration	3,696,503	2,467,707
District support services	5,448,731	4,189,197
Elementary and secondary regular instruction	58,379,058	30,068,051
Vocational education instruction	688,082	300,336
Special education instruction	20,399,609	13,056,469
Instructional support services	7,820,401	6,412,566
Pupil support services	8,384,165	7,425,170
Sites and buildings	8,214,454	17,405,613
Fiscal and other fixed cost programs	413,227	424,168
Food service	4,905,796	4,746,714
Community service	6,803,851	7,329,067
Interest and fiscal charges	5,491,141	5,010,936
Total expenses	130,645,018	98,835,994
Change in net position	2,371,879	27,713,302
Beginning of year net position, as previously reported	7,481,502	(20,231,800)
Prior period adjustment	(768,857)	-
Change in accounting principle	(1,593,315)	-
Beginning of year net position, as restated	5,119,330	(20,231,800)
End of year net position	\$ 7,491,209	\$ 7,481,502

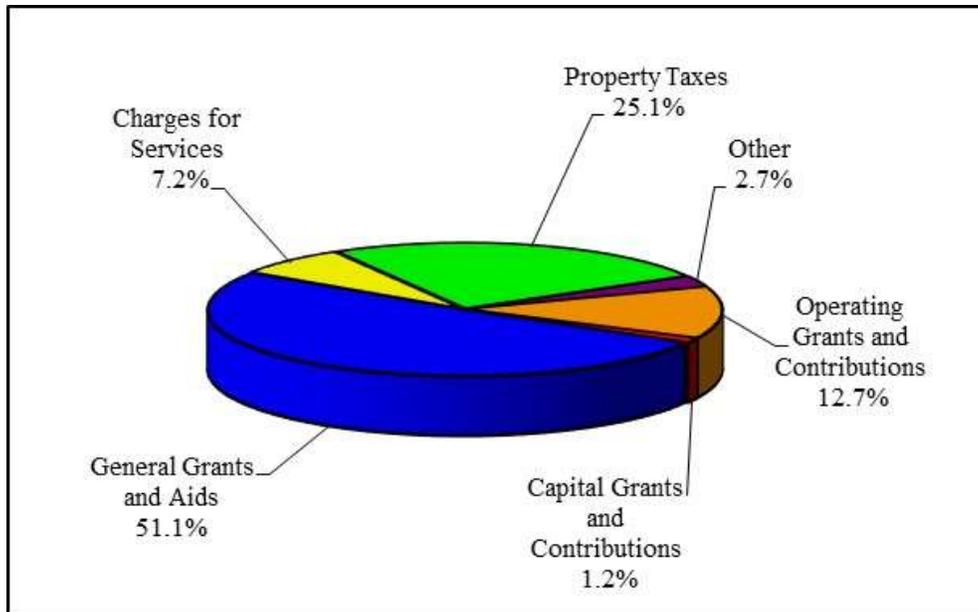
**Change in Net Position** – The District’s total revenues were \$133,016,897 for the year ended June 30, 2020. Property taxes and general grants and aids accounted for 76.2 percent of total revenue for the year.

The total cost of all programs and services was \$130,645,018. The District’s expenses are predominantly related to educating and caring for students (77.4 percent). The administrative activities of the District accounted for 2.8 percent of total costs.

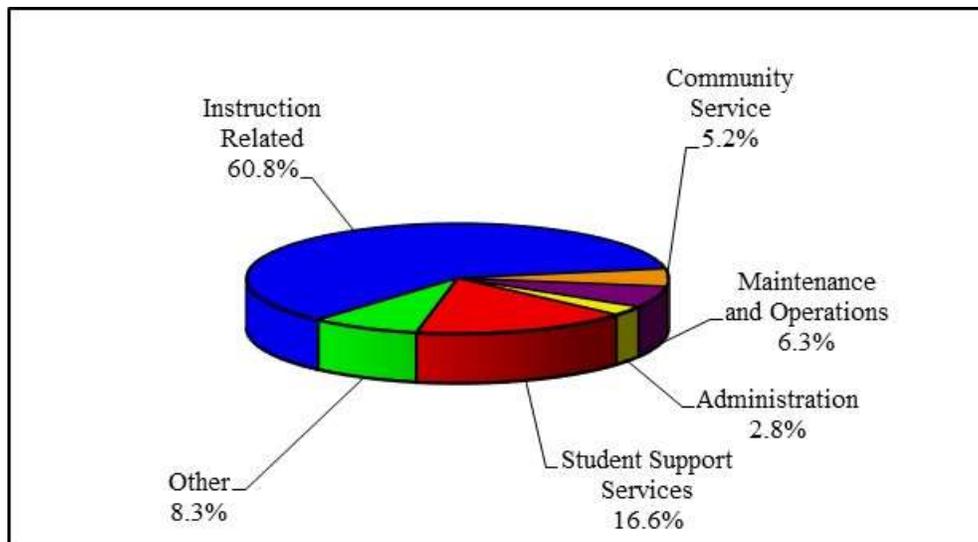
Charges for services decreased mainly the result of decreases in community service revenue, due to the COVID-19 pandemic and the inability of the District to offer programs and services to stakeholders. General grants and aids increased \$7,360,743, mainly from the increases in state aids from the state of Minnesota, including increases in aid formulas and increased student population.

The significant increase in expenses relates to a change in the District’s share of the PERA and the TRA pension plans, which included a significant decrease to expenses in fiscal 2019.

**Figure A – Sources of Revenues for Fiscal Year 2020**



**Figure B – Expenses for Fiscal Year 2020**



- The cost of all *governmental* activities for fiscal year 2020 was \$130,645,018.
- Some of the cost, \$9,598,647, was paid by the users of the District’s programs. The majority of this category comes from food service meal sales and community education class tuition. This is less than the previous year, due to the COVID 19 pandemic. The federal government allowed school to serve free meals to all students ages 18 and under from April through the end of the school year. Community education classes were cancelled during this time.
- The federal and state governments subsidized certain programs with operating grants and contributions of \$16,930,262.
- Most of the District’s costs were paid for by district taxpayers and the taxpayers of our state through general revenues totaling \$104,957,742. This portion of governmental activities was paid for with \$33,433,499 in property taxes and \$67,959,769 of state aid based on the state-wide education aid formula.

**Table 3**  
**Net Cost of Governmental Activities**

	Total Cost of Services		Total Percent Change	Net Cost of Services		Total Percent Change
	2020	2019	2019-2020	2020	2019	2019-2020
Administration	\$ 3,696,503	\$ 2,467,707	49.8%	\$ 3,696,503	\$ 2,382,091	55.2%
District support services	5,448,731	4,189,197	30.1%	5,404,179	4,127,660	30.9%
Elementary and secondary regular instruction	58,379,058	30,068,051	94.2%	55,319,814	27,888,041	98.4%
Vocational education instruction	688,082	300,336	129.1%	671,441	237,386	182.8%
Special education instruction	20,399,609	13,056,469	56.2%	8,343,372	1,420,444	487.4%
Instructional support services	7,820,401	6,412,566	22.0%	7,791,457	3,702,383	110.4%
Pupil support services	8,384,165	7,425,170	12.9%	8,094,288	7,028,357	15.2%
Sites and buildings	8,214,454	17,405,613	(52.8%)	6,643,243	16,249,157	(59.1%)
Fiscal and other fixed cost programs	413,227	424,168	(2.6%)	413,227	424,168	(2.6%)
Food service	4,905,796	4,746,714	3.4%	(174,094)	(168,981)	3.0%
Community service	6,803,851	7,329,067	(7.2%)	891,292	430,485	107.0%
Interest and fiscal charges	5,491,141	5,010,936	9.6%	5,491,141	5,010,936	9.6%
<b>Total</b>	<b>\$ 130,645,018</b>	<b>\$ 98,835,994</b>	<b>32.2%</b>	<b>\$ 102,585,863</b>	<b>\$ 68,732,127</b>	<b>49.3%</b>

The significant changes in the costs of services relate to a change in the District's share of the PERA and the TRA pension plans, which included a significant decrease to expenses in fiscal 2019.

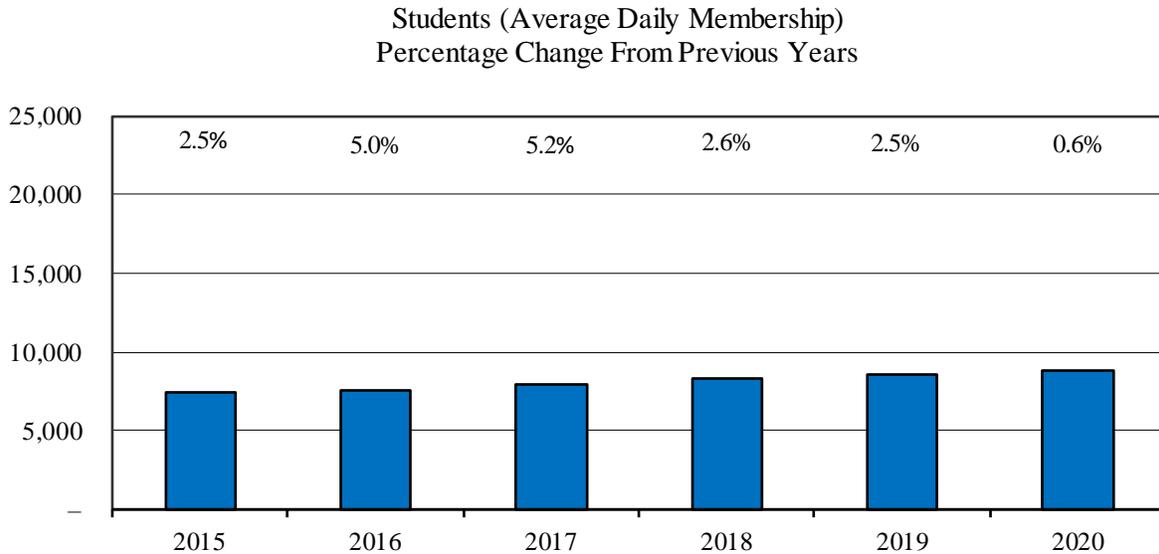
## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a *combined* fund balance of \$38,660,354, a decrease from last year's ending fund balance of \$106,148,052, or 63.6 percent. This is primarily due to the spending down of bond proceeds as new school buildings and additions were built.

### GENERAL FUND

The General Fund is used to account for all revenues and expenditures of the District, not accounted for elsewhere. The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through Grade 12 educational activities, district instructional and student support programs, pupil transportation, administration, extra-curricular activities and capital outlay projects.

Enrollment is a critical factor in determining revenue with approximately 70.0 percent of General Fund revenue being determined by enrollment. While many Minnesota school districts are facing declining enrollment, over the last six years the District enrollment has increased an average of 3.1 percent. The following graph shows the percentage change in the number of students over the last several years:



Enrollment projections indicated continued increases over the next several years, however, due to the COVID-19 pandemic, the District is expecting fewer students for the 2020–2021 school year.

In fiscal year 2020, General Fund expenditures were more than revenue and other financing sources by (\$579,383). The other financing source of \$735,200 in fiscal 2020 relates to the issuance of a capital lease in the current year. Including an increase to fund balance of \$293,527 for a prior period adjustment related to accrued liability and a change in accounting principle related to student activities, the total fund balance decreased to \$19,182,504 at June 30, 2020. After deducting nonspendable, assigned, and restricted amounts, the unassigned fund balance decreased from \$10,791,174 at June 30, 2019 to \$9,637,756 at June 30, 2020.

The assigned and unassigned fund balance of \$14,834,171 at June 30, 2020 represents 14.2 percent of annual expenditures, or 7.4 weeks of operations. The District has a fund balance policy that states the District will strive to maintain a minimum total unassigned and assigned General Fund balance of 8.0 percent to 12.0 percent of the annual budget.

The following table is a schedule of operating results for the General Fund for the year ended June 30, 2020.

<b>General Fund Operating Results</b>					
	<u>2020 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		Amount	Percent	Amount	Percent
Revenue	\$ 103,502,573	\$ 1,716,033	1.7%	\$ 4,190,743	4.2%
Expenditures	<u>104,817,156</u>	<u>(796,480)</u>	(0.8%)	\$ 8,402,341	8.7%
Excess (deficiency) of revenue over expenditures	(1,314,583)	2,512,513			
Other financing sources	<u>735,200</u>	<u>735,200</u>			
Net change in fund balances	<u>\$ (579,383)</u>	<u>\$ 3,247,713</u>			

The following schedule presents a summary of General Fund revenues:

	<u>Year Ended June 30,</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>2020</u>	<u>2019</u>		
Local sources				
Property taxes	\$ 17,573,033	\$ 17,224,663	\$ 348,370	2.0%
Investment earnings	341,251	241,432	99,819	41.3%
Other	2,393,557	1,654,747	738,810	44.6%
State sources	81,484,180	78,378,274	3,105,906	4.0%
Federal sources	<u>1,710,552</u>	<u>1,812,714</u>	<u>(102,162)</u>	(5.6%)
 Total General Fund revenue	 <u>\$ 103,502,573</u>	 <u>\$ 99,311,830</u>	 <u>\$ 4,190,743</u>	 4.2%

Total General Fund revenue increased by \$4,190,743, or 4.2 percent, in fiscal year 2020 compared with fiscal year 2019. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including the excess levy referendum, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Total state source revenue increased in two areas. First, general education state aid increased in the basic formula allowance for general education state aid and an additional 57 students over the previous year. Secondly, special education revenue increased for the current year and prior year, due to revised calculations provided by the Minnesota Department of Education, based in part from updated legislative information.

The following schedule presents a summary of General Fund expenditures:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2020	2019		
Salaries	\$ 58,566,138	\$ 55,667,339	\$ 2,898,799	5.2%
Employee benefits	22,843,762	21,820,188	1,023,574	4.7%
Purchased services	12,569,484	11,881,321	688,163	5.8%
Supplies, materials, and equipment	9,169,037	5,616,044	3,552,993	63.3%
Other expenditures	1,668,735	1,429,923	238,812	16.7%
Total expenditures	<u>\$ 104,817,156</u>	<u>\$ 96,414,815</u>	<u>\$ 8,402,341</u>	8.7%

Total General Fund expenditures increased \$8,402,341, or 8.7 percent, from the previous year.

In fiscal year 2020, salaries increased 5.2 percent and employee benefits increased 4.7 percent. The increase in salaries and benefits is attributed to employee contract improvements and hiring additional staff, due to expected enrollment increases.

Purchased services increased \$688,163. Transportation costs increased, due to increased enrollment, contract cost increases and the first year of transporting charter school students. Other cost increases were due to changes in vendors for health, dental, and flexible benefit programs.

Supplies, materials, and equipment increased by \$3,552,993 from the prior year. The increase can be attributed to the issuance of leases for technology and facilities equipment, site improvements, textbooks, and software. Much of the increase can be attributed to additional supplies and materials associated with the opening of new buildings.

### General Fund Budgetary Highlights

Over the course of the year, the District revises the annual operating budget in December and if necessary, one other time during the fiscal year. The budget amendments fall into the following categories:

- Updating budgets due to changes in enrollment as of October 1.
- Implementing budgets for specially funded projects, which include both federal and state grants; and reinstating prior year budget carried over.
- Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other financing sources by \$3,827,096, reducing fund balance, the actual results for the year show a decrease of \$579,383.

- Actual revenues were \$1,716,033 more than expected. Property taxes were \$660,519 less than budgeted amounts as fiscal disparities and county apportionment revenue were less than projected. State sources were over budget by \$1,155,836, primarily due to special education and general education aid ending higher than budget, and the District receiving a Safe Schools grant, which was not included in the budget. Other revenue sources were over budget by \$640,585, mainly from student activity revenue that was moved to the General Fund in the current year. Federal sources were over budgeted amounts by \$493,880, mainly in special education aid.

- Actual expenditures were \$796,480 under budget, or a 0.8 percent variance. This is mainly due to expenditures for purchased services being less than budget by \$1,376,040. This is mainly due to school closures toward the end of the school year related to the COVID-19 pandemic.

#### **FOOD SERVICE SPECIAL REVENUE FUND**

Revenues exceeded expenditures in the Food Service Special Revenue Fund by \$196,479. This exceeded budgeted expectations by \$409,476, mainly due to changes that occurred related to the COVID-19 pandemic. In March, when schools went to distance learning, the District's child nutrition department applied for and received a waiver for the federal summer meal program, which offers a higher meal reimbursement rate. As a result, the District was able to serve free meals to students under the age of 18 until the end of the school year.

#### **COMMUNITY SERVICE SPECIAL REVENUE FUND**

The Community Service Special Revenue Fund had expenditures exceeding revenue by \$71,842 in fiscal 2020. This was mainly due to the COVID-19 pandemic and the inability of the District to offer programs and services to stakeholders in these programs.

#### **CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND**

The Capital Projects – Building Construction Fund expenditures and other financing uses exceeded revenues and other financing sources by \$67,779,465, resulting in a fund balance of \$14,793,564 at June 30, 2020. The decrease is due to a planned spend down of funds to build new buildings and additions after the passing of the referendum in 2017.

#### **DEBT SERVICE FUND**

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$227,506. The remaining fund balance of \$2,484,674 at June 30, 2020 is available for meeting future debt service obligations.

#### **INTERNAL SERVICE FUNDS**

##### **Self-Insurance Fund**

During fiscal year 2020, the District operated a Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured medical and dental insurance program. Net position in this fund increased \$985,542, resulting in a net position of \$4,222,127 at June 30, 2020. This increase was due to the COVID-19 pandemic, as fewer people were going to doctor and dental appointments, which resulted in fewer claims.

##### **OPEB Fund**

The Other Post-Employment Benefits Internal Service Fund was established to fund OPEB. This trust fund was established to provide a source of funds to finance current and future benefit obligations to employees. On June 30, 2020, this fund had a deficit net position of (\$3,342,278). The most recent independent actuarial study dated June 30, 2020, computed the present value of these benefits. The long-term liability represents total OPEB pension benefit obligations based on actuarial estimates. The District develops a strategy for funding this post-employment benefit liability. This funding is built into the ongoing annual budget. This plan includes a plan for how the District plans to avoid future reductions of regular programming that would be necessary to pay for these post-employment benefits.

## CAPITAL ASSETS, DEBT ADMINISTRATION, AND LONG-TERM LIABILITIES

### Capital Assets

By the end of fiscal year 2020, the District had invested \$258,778,946 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). The major increase in capital assets can be attributed to the building construction and additions from the bond referendum passed in 2017. (More detailed information about capital assets can be found in the notes to basic financial statements.) Total depreciation expense for the year was \$6,467,399.

	2020	2019	Total Percent Change
Land	\$ 12,489,033	\$ 12,489,033	–
Land improvements	4,654,762	4,407,150	5.6%
Buildings	233,602,280	206,142,608	13.3%
Furniture and equipment	22,158,322	19,298,801	14.8%
Construction in progress	72,289,640	28,943,828	149.8%
Less accumulated depreciation	<u>(86,415,091)</u>	<u>(79,947,692)</u>	8.1%
Total	<u>\$ 258,778,946</u>	<u>\$ 191,333,728</u>	35.3%

### Debt Administration

At June 30, 2020, the District had bonded debt of \$198,660,000. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation equal to 15 percent of the actual value of all taxable property within the District. The District is within its legal authority for bonded debt.

### Long-Term Liabilities

	2020	2019	Total Percent Change
General obligation bonds	\$ 198,660,000	\$ 209,545,000	(5.2%)
Capital leases	8,795,814	8,896,767	(1.1%)
Unamortized premiums (discounts) on debt issued	(2,920,655)	(4,585,574)	(36.3%)
Net pension liability	62,546,146	60,837,059	2.8%
Total pension liability	344,927	437,732	(21.2%)
Total OPEB obligation	12,382,722	11,509,672	7.6%
Compensated absences payable	<u>658,028</u>	<u>734,204</u>	(10.4%)
Total	<u>\$ 280,466,982</u>	<u>\$ 287,374,860</u>	(2.4%)

More detailed information about the District's long-term liabilities is presented in the notes to basic financial statements.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Legislature has added \$129, or 2 percent, per pupil to the formula for fiscal year 2021. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs, due to increased costs from inflation and required mandates. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.

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

The amount of aid the District receives is dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic will impact how many students the District attracts and maintains. Students choosing to enroll in other educational options will mean less revenue for the District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT TEAM**

This CAFR 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 report or need additional financial information, contact the Business Office, Independent School District No. 719, 4540 Tower Street SE, Prior Lake, Minnesota 55372.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 719

Statement of Net Position  
as of June 30, 2020

Assets	
Cash and temporary investments	\$ 66,106,924
Receivables	
Current taxes	16,497,636
Delinquent taxes	156,528
Accounts and interest	920,718
Due from other governmental units	9,518,871
Inventory	123,531
Prepays	71,768
Restricted assets – temporarily restricted	
Cash and investments for OPEB	8,468,495
Capital assets	
Not depreciated	84,778,673
Depreciated, net of accumulated depreciation	<u>174,000,273</u>
Total capital assets, net of accumulated depreciation	<u>258,778,946</u>
Total assets	360,643,417
Deferred outflows of resources	
OPEB plan deferments	711,368
Pension plan deferments	<u>53,849,982</u>
Total deferred outflows of resources	<u>54,561,350</u>
Total assets and deferred outflows of resources	<u>\$ 415,204,767</u>
Liabilities	
Salaries payable	\$ 4,469,145
Accounts and contracts payable	10,992,013
Due to other governmental units	52,345
Unearned revenue	2,197,567
Accrued interest payable	1,971,090
Long-term liabilities	
Due within one year	12,811,654
Due in more than one year	<u>267,655,328</u>
Total long-term liabilities	<u>280,466,982</u>
Total liabilities	300,149,142
Deferred inflows of resources	
Property taxes levied for subsequent year	32,645,897
OPEB plan deferments	139,419
Deferred gain on refunding	966,221
Pension plan deferments	<u>73,812,879</u>
Total deferred inflows of resources	107,564,416
Net position	
Net investment in capital assets	65,838,391
Restricted for	
Capital asset acquisition	3,697,382
Debt service	585,386
Food service	1,389,376
Community service	812,974
Other purposes (state funding restrictions)	2,724,465
Unrestricted	<u>(67,556,765)</u>
Total net position	<u>7,491,209</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 415,204,767</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 3,696,503	\$ -	\$ -	\$ -	\$ (3,696,503)
District support services	5,448,731	-	44,552	-	(5,404,179)
Elementary and secondary regular instruction	58,379,058	1,053,118	2,006,126	-	(55,319,814)
Vocational education instruction	688,082	-	16,641	-	(671,441)
Special education instruction	20,399,609	237,085	11,819,152	-	(8,343,372)
Instructional support services	7,820,401	22,554	6,390	-	(7,791,457)
Pupil support services	8,384,165	123,692	166,185	-	(8,094,288)
Sites and buildings	8,214,454	-	40,965	1,530,246	(6,643,243)
Fiscal and other fixed cost programs	413,227	-	-	-	(413,227)
Food service	4,905,796	3,062,720	2,017,170	-	174,094
Community service	6,803,851	5,099,478	813,081	-	(891,292)
Interest and fiscal charges	5,491,141	-	-	-	(5,491,141)
<b>Total governmental activities</b>	<b>\$ 130,645,018</b>	<b>\$ 9,598,647</b>	<b>\$ 16,930,262</b>	<b>\$ 1,530,246</b>	<b>(102,585,863)</b>
General revenues					
Taxes					
Property taxes, levied for general purposes					17,587,378
Property taxes, levied for community service					488,826
Property taxes, levied for debt service					15,357,295
General grants and aids					67,959,769
Other general revenues					1,023,707
Investment earnings					2,540,767
Total general revenues					<u>104,957,742</u>
Change in net position					2,371,879
Net position – beginning of year as previously reported					7,481,502
Prior period adjustment					(768,857)
Change in accounting principle					<u>(1,593,315)</u>
Net position – beginning of year, as restated					<u>5,119,330</u>
Net position – ending					<u>\$ 7,491,209</u>

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 719

Balance Sheet  
 Governmental Funds  
 as of June 30, 2020

	General	Food Service Special Revenue	Community Service Special Revenue
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and temporary investments	\$ 22,516,044	\$ 1,375,682	\$ 1,139,068
Receivables			
Current taxes	8,644,922	-	282,451
Delinquent taxes	81,988	-	2,738
Accounts and interest	109,949	35,192	106,316
Due from other governmental units	9,397,714	-	81,686
Inventory	94,569	28,962	-
Prepays	64,656	-	7,112
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 40,909,842</u>	<u>\$ 1,439,836</u>	<u>\$ 1,619,371</u>
<b>Liabilities</b>			
Salaries and benefits payable	\$ 4,459,012	\$ 3,609	\$ 6,524
Accounts and contracts payable	608,562	12,334	21,322
Due to other governmental units	52,345	-	-
Unearned revenue	1,000	34,517	204,946
Total liabilities	<u>5,120,919</u>	<u>50,460</u>	<u>232,792</u>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	16,524,431	-	573,605
Unavailable revenue – delinquent taxes	81,988	-	2,738
Total deferred inflows of resources	<u>16,606,419</u>	<u>-</u>	<u>576,343</u>
<b>Fund balances</b>			
Nonspendable	159,225	28,962	7,112
Restricted	4,189,108	1,360,414	863,646
Assigned	5,196,415	-	-
Unassigned	9,637,756	-	(60,522)
Total fund balances	<u>19,182,504</u>	<u>1,389,376</u>	<u>810,236</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 40,909,842</u>	<u>\$ 1,439,836</u>	<u>\$ 1,619,371</u>

Capital Projects	Debt Service	Total
\$ 23,144,397	\$ 10,422,801	\$ 58,597,992
-	7,570,263	16,497,636
-	71,802	156,528
654,187	-	905,644
-	39,471	9,518,871
-	-	123,531
-	-	71,768
<u>\$ 23,798,584</u>	<u>\$ 18,104,337</u>	<u>\$ 85,871,970</u>
\$ -	\$ -	\$ 4,469,145
9,005,020	-	9,647,238
-	-	52,345
-	-	240,463
<u>9,005,020</u>	<u>-</u>	<u>14,409,191</u>
-	15,547,861	32,645,897
-	71,802	156,528
<u>-</u>	<u>15,619,663</u>	<u>32,802,425</u>
-	-	195,299
14,793,564	2,484,674	23,691,406
-	-	5,196,415
-	-	9,577,234
<u>14,793,564</u>	<u>2,484,674</u>	<u>38,660,354</u>
<u>\$ 23,798,584</u>	<u>\$ 18,104,337</u>	<u>\$ 85,871,970</u>

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INDEPENDENT SCHOOL DISTRICT NO. 719

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2020

Total fund balances – governmental funds \$ 38,660,354

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	345,194,037
Accumulated depreciation	(86,415,091)

Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.

General obligation bonds	(198,660,000)
Capital leases	(8,795,814)
Premium (discounts) on bonds	2,920,655
Net pension liabilities	(62,546,146)
Total pension liabilities	(344,927)
Compensated absences payable	(658,028)

Accrued interest payable is included in net position, but is excluded from fund balances until due and payable. (1,971,090)

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. 879,849

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows of resources – pension plans	53,849,982
Deferred inflows of resources – pension plans	(73,812,879)
Deferred inflows of resources – deferred gain on refunding	(966,221)
Deferred inflows of resources – delinquent property taxes	156,528

Total net position – governmental activities \$ 7,491,209

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	General	Food Service Special Revenue	Community Service Special Revenue
<b>Revenue</b>			
Local sources			
Property taxes	\$ 17,573,033	\$ -	\$ 488,705
Investment earnings	341,251	13,512	14,797
Other	2,393,557	3,062,720	5,185,172
State sources	81,484,180	156,110	762,931
Federal sources	1,710,552	1,861,060	-
Total revenue	<u>103,502,573</u>	<u>5,093,402</u>	<u>6,451,605</u>
<b>Expenditures</b>			
Current			
Administration	3,388,129	-	-
District support services	5,749,775	-	-
Elementary and secondary regular instruction	48,890,812	-	-
Vocational education instruction	634,312	-	-
Special education instruction	18,758,254	-	-
Instructional support services	6,899,808	-	-
Pupil support services	8,164,678	-	-
Sites and buildings	10,712,642	-	-
Fiscal and other fixed cost programs	413,227	-	-
Food service	-	4,896,923	-
Community service	-	-	6,523,447
Capital outlay	-	-	-
Debt service			
Principal	867,903	-	-
Interest and fiscal charges	337,616	-	-
Total expenditures	<u>104,817,156</u>	<u>4,896,923</u>	<u>6,523,447</u>
Excess (deficiency) of revenue over expenditures	(1,314,583)	196,479	(71,842)
<b>Other financing sources (uses)</b>			
Refunding bonds issued	-	-	-
Capital lease refunding issued	-	-	-
Premium (discount) on debt issued	-	-	-
Payments on debt refunding	-	-	-
Capital lease proceeds	735,200	-	-
Total other financing sources (uses)	<u>735,200</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(579,383)	196,479	(71,842)
<b>Fund balances</b>			
Beginning of year, as previously reported	19,273,306	1,185,213	859,336
Prior period adjustment	293,527	7,684	22,742
Change in accounting principle	195,054	-	-
Beginning of year, as restated	<u>19,761,887</u>	<u>1,192,897</u>	<u>882,078</u>
End of year	<u>\$ 19,182,504</u>	<u>\$ 1,389,376</u>	<u>\$ 810,236</u>

Capital Projects	Debt Service	Total
\$ -	\$ 15,345,551	\$ 33,407,289
1,713,660	231,589	2,314,809
6,267	-	10,647,716
-	394,720	82,797,941
-	-	3,571,612
<u>1,719,927</u>	<u>15,971,860</u>	<u>132,739,367</u>
-	-	3,388,129
-	-	5,749,775
-	-	48,890,812
-	-	634,312
-	-	18,758,254
-	-	6,899,808
-	-	8,164,678
-	-	10,712,642
-	-	413,227
-	-	4,896,923
-	-	6,523,447
69,499,392	-	69,499,392
-	10,040,478	10,908,381
-	5,811,288	6,148,904
<u>69,499,392</u>	<u>15,851,766</u>	<u>201,588,684</u>
(67,779,465)	120,094	(68,849,317)
-	10,640,000	10,640,000
-	6,665,675	6,665,675
-	920,184	920,184
-	(18,118,447)	(18,118,447)
-	-	735,200
<u>-</u>	<u>107,412</u>	<u>842,612</u>
(67,779,465)	227,506	(68,006,705)
82,573,029	2,257,168	106,148,052
-	-	323,953
-	-	195,054
<u>82,573,029</u>	<u>2,257,168</u>	<u>106,667,059</u>
<u>\$ 14,793,564</u>	<u>\$ 2,484,674</u>	<u>\$ 38,660,354</u>

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INDEPENDENT SCHOOL DISTRICT NO. 719

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

Total net change in fund balances – governmental funds \$(68,006,705)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.

Capital outlays	73,912,617
Depreciation expense	(6,467,399)

The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.

General obligation bonds payable	(10,640,000)
Capital leases	(7,400,875)

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.

70,490

Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.

General obligation bonds	21,525,000
Capital leases	7,501,828

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.

513,489

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.

(572,109)

Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.

Net pension liability	(1,709,087)
Total pension liability	92,805
Compensated absences payable	76,176

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows of resources – pension plans	(24,243,131)
Deferred inflows of resources – pension plans	17,896,371
Deferred inflows of resources – deferred gain on refunding	(203,801)

Certain revenues are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.

26,210

Change in net position – governmental activities

\$ 2,371,879

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INDEPENDENT SCHOOL DISTRICT NO. 719

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Property taxes	\$ 18,833,821	\$ 18,233,552	\$ 17,573,033	\$ (660,519)
Investment earnings	255,000	255,000	341,251	86,251
Other	1,385,779	1,752,972	2,393,557	640,585
State sources	80,751,160	80,328,344	81,484,180	1,155,836
Federal sources	1,599,438	1,216,672	1,710,552	493,880
Total revenue	<u>102,825,198</u>	<u>101,786,540</u>	<u>103,502,573</u>	<u>1,716,033</u>
<b>Expenditures</b>				
Current				
Administration	3,413,489	3,528,965	3,388,129	(140,836)
District support services	4,736,551	5,523,187	5,749,775	226,588
Elementary and secondary regular instruction	48,770,011	49,581,415	48,890,812	(690,603)
Vocational education instruction	530,983	580,653	634,312	53,659
Special education instruction	18,723,102	18,438,461	18,758,254	319,793
Instructional support services	8,382,921	7,447,766	6,899,808	(547,958)
Pupil support services	8,434,413	8,551,303	8,164,678	(386,625)
Sites and buildings	10,430,968	10,497,909	10,712,642	214,733
Fiscal and other fixed cost programs	465,881	465,881	413,227	(52,654)
Debt service				
Principal	653,123	653,123	867,903	214,780
Interest and fiscal charges	357,992	344,973	337,616	(7,357)
Total expenditures	<u>104,899,434</u>	<u>105,613,636</u>	<u>104,817,156</u>	<u>(796,480)</u>
Excess (deficiency) of revenue over expenditures	(2,074,236)	(3,827,096)	(1,314,583)	2,512,513
<b>Other financing sources</b>				
Capital lease proceeds	<u>—</u>	<u>—</u>	<u>735,200</u>	<u>735,200</u>
Net change in fund balances	<u>\$ (2,074,236)</u>	<u>\$ (3,827,096)</u>	<u>(579,383)</u>	<u>\$ 3,247,713</u>
<b>Fund balances</b>				
Beginning of year, as previously reported			19,273,306	
Prior period adjustment			293,527	
Change in accounting principle			195,054	
Beginning of year, as restated			<u>19,761,887</u>	
End of year			<u>\$ 19,182,504</u>	

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Investment earnings	\$ 16,000	\$ 16,000	\$ 13,512	\$ (2,488)
Other – primarily meal sales	4,153,487	4,153,487	3,062,720	(1,090,767)
State sources	220,000	220,000	156,110	(63,890)
Federal sources	760,759	760,759	1,861,060	1,100,301
Total revenue	<u>5,150,246</u>	<u>5,150,246</u>	<u>5,093,402</u>	<u>(56,844)</u>
<b>Expenditures</b>				
Current				
Food service				
Salaries	1,653,543	1,637,003	1,635,582	(1,421)
Employee benefits	500,925	463,639	504,504	40,865
Purchased services	257,450	257,450	138,757	(118,693)
Supplies and materials	2,614,364	2,615,834	2,336,667	(279,167)
Other expenditures	8,550	8,550	5,385	(3,165)
Capital outlay	428,000	380,767	276,028	(104,739)
Total expenditures	<u>5,462,832</u>	<u>5,363,243</u>	<u>4,896,923</u>	<u>(466,320)</u>
Net change in fund balances	<u>\$ (312,586)</u>	<u>\$ (212,997)</u>	196,479	<u>\$ 409,476</u>
<b>Fund balances</b>				
Beginning of year, as previously reported			1,185,213	
Prior period adjustment			7,684	
Beginning of year, as restated			<u>1,192,897</u>	
End of year			<u>\$ 1,389,376</u>	

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 486,764	\$ 500,629	\$ 488,705	\$ (11,924)
Investment earnings	–	–	14,797	14,797
Other – primarily tuition and fees	6,872,695	4,911,868	5,185,172	273,304
State sources	764,829	782,298	762,931	(19,367)
Total revenue	<u>8,124,288</u>	<u>6,194,795</u>	<u>6,451,605</u>	<u>256,810</u>
Expenditures				
Current				
Community service				
Salaries	4,857,279	3,698,231	4,140,688	442,457
Employee benefits	1,212,931	1,011,825	1,093,520	81,695
Purchased services	1,225,669	961,273	898,433	(62,840)
Supplies and materials	564,960	372,130	383,802	11,672
Other expenditures	11,917	5,911	5,914	3
Capital outlay	76,986	54,125	1,090	(53,035)
Total expenditures	<u>7,949,742</u>	<u>6,103,495</u>	<u>6,523,447</u>	<u>419,952</u>
Net change in fund balances	<u>\$ 174,546</u>	<u>\$ 91,300</u>	(71,842)	<u>\$ (163,142)</u>
Fund balances				
Beginning of year, as previously reported			859,336	
Prior period adjustment			22,742	
Beginning of year, as restated			<u>882,078</u>	
End of year			<u>\$ 810,236</u>	

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INTERNAL SERVICE FUNDS

INDEPENDENT SCHOOL DISTRICT NO. 719

Statement of Net Position  
 Proprietary Fund  
 Governmental Activities  
 Internal Service Funds  
 as of June 30, 2020

Assets	
Current assets	
Cash and temporary investments	\$ 7,508,932
Cash and investments held by trustee	8,468,495
Accounts and interest receivable	<u>15,074</u>
Total assets	15,992,501
Deferred outflows of resources	
OPEB plan deferments	711,368
Liabilities	
Current liabilities	
Claims payable	1,344,775
Unearned revenue	1,957,104
Total OPEB obligation	547,941
Long-term liabilities	
Total OPEB obligation	<u>11,834,781</u>
Total liabilities	15,684,601
Deferred inflows of resources	
OPEB plan deferments	<u>139,419</u>
Net position	
Unrestricted	<u><u>\$ 879,849</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Statement of Revenue, Expenses, and Changes in Net Position  
 Proprietary Fund  
 Governmental Activities  
 Internal Service Funds  
 Year Ended June 30, 2020

Operating revenue	
Charges for services	
Health and dental insurance premiums	\$ 14,703,198
Operating expenses	
Health and dental insurance claim payments	12,586,407
General administration fees	1,202,075
OPEB	1,070,184
Total operating expenses	<u>14,858,666</u>
Operating income (loss)	(155,468)
Nonoperating revenue	
Investment earnings	<u>225,958</u>
Change in net position	70,490
Net position	
Beginning of year, as previously reported	13,633,136
Prior period adjustment	(11,035,408)
Change in accounting principle	(1,788,369)
Beginning of year, as restated	<u>809,359</u>
End of year	<u><u>\$ 879,849</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Statement of Cash Flows  
 Proprietary Fund  
 Governmental Activities  
 Internal Service Funds  
 Year Ended June 30, 2020

Cash flows from operating activities	
Health and dental insurance premiums	\$ 14,924,748
Payments for general administrative fees	(1,202,075)
Payments for medical and dental claims and fees	(12,357,734)
OPEB benefit payments	(294,819)
Net cash flows from operating activities	<u>1,070,120</u>
Cash flows from investing activities	
Investment income received	<u>225,958</u>
Net change in cash and cash equivalents	1,296,078
Cash and cash equivalents	
Beginning of year, as previously reported	16,469,718
Change in accounting principle	(1,788,369)
Beginning of year, as restated	<u>14,681,349</u>
End of year	<u><u>\$ 15,977,427</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities	
Operating income (loss)	\$ (155,468)
Adjustments to reconcile operating income (loss) to cash flows from operating activities	
Changes in assets and liabilities	
Accounts and interest receivable	5,742
Deferred outflows of resources	(69,800)
Claims payable	228,673
Unearned revenue	215,808
Total OPEB obligation	873,050
Deferred inflows of resources	(27,885)
Net cash flows from operating activities	<u><u>\$ 1,070,120</u></u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:	
Cash and temporary investments	\$ 7,508,932
Cash and investments held by trustee	<u>8,468,495</u>
Total cash and cash equivalents	<u><u>\$ 15,977,427</u></u>

FIDUCIARY FUNDS

INDEPENDENT SCHOOL DISTRICT NO. 719

Fiduciary Fund  
Other Employee Benefit Trust Fund  
Statement of Fiduciary Net Position  
as of June 30, 2020

Assets	
Cash and investments held by trustee	<u>\$ 2,272,697</u>
Net position	
Restricted for other employee benefit trust	<u>\$ 2,272,697</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Fiduciary Fund  
 Other Employee Benefit Trust Fund  
 Statement of Changes in Fiduciary Net Position  
 Year Ended June 30, 2020

Additions	
District contributions	\$ 466,992
Investment earnings	39,905
Total additions	<u>506,897</u>
Deductions	
Health benefit payments	<u>22,569</u>
Change in net position	484,328
Net position	
Beginning of year, as previously reported	-
Change in accounting principle	1,788,369
Beginning of year, as restated	<u>1,788,369</u>
End of year	<u><u>\$ 2,272,697</u></u>

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# INDEPENDENT SCHOOL DISTRICT NO. 719

Notes to Basic Financial Statements  
June 30, 2020

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Organization**

Independent School District No. 719, Prior Lake-Savage Area Schools (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### **B. Reporting Entity**

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

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

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

### **C. Government-Wide Financial Statement Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, which includes the District's Other Employee Benefit Trust Fund. 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.

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

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, 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 Minnesota Statutes (which include state aid funding formulas for specific years) and accounting principles generally accepted in the United States of America. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, post-employment severance benefits, other post-employment health benefits, compensated absences, and net pension liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

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

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

### **Description of Funds**

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included 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. It includes the general operations and pupil transportation activities of the District, as well as the capital-related activities, such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures.

**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, pre-K–8 extended day programs, or other similar services.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by debt issue or levy issuance program.

**Debt Service Fund** – Debt service funds are used to account for the accumulation of resources for, and payment of, general obligation bonds, interest, and related costs.

### **Proprietary Funds**

**Internal Service Funds** – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District has two internal service funds. The District's internal service funds include financing for self-insurance of the employee health and dental insurance programs and other post-employment benefits (OPEB) activity.

### **Fiduciary Fund**

**Other Employee Benefit Trust Fund** – The Other Employee Benefit Trust Fund is used to administer resources received and held by the District as the trustee for others, including the District's Health Reimbursement Arrangement Trust.

### **E. Budgeting**

The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund account level. The School Board adopts an annual budget for the following fiscal year for the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and Debt Service Fund. Budgeted expenditure appropriations lapse at year-end. Expenditures exceeded budgeted amounts in the Community Service Special Revenue Fund by \$419,952.

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

### **F. Cash and Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the internal service funds, trust accounts are established to finance future OPEB obligations. In the Other Employee Benefit Trust Fund, trust accounts are established for health-related reimbursements to employees. Interest earned on these investments was allocated directly to those accounts.

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

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

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

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

### **G. Receivables**

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

### **H. Inventories**

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

### **I. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expensed at the time of consumption.

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

### **J. Property Taxes**

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Minnesota 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 \$1,017,642 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2020. The remaining portion of the taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

### **K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 for equipment and vehicles and \$25,000 for building and improvements for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer 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 land improvements and buildings, and 5 to 20 years for furniture and equipment.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks or other land improvements are considered to be part of the cost of buildings or other improvable property.

### **L. Long-Term Obligations**

In the government-wide and proprietary fund 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.

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

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 received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

### **M. Vacation Pay**

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no vacation liabilities are recorded in the financial statements.

### **N. Sick Pay**

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of post-employment severance and health benefits for some employees upon termination.

### **O. Early Retirement Incentive**

The District maintains various early retirement incentive payments plans for its employee groups. Each employee group contains benefit formulas based on years of service and/or minimum age requirements

### **P. Post-Employment Severance and Health Benefits**

The District maintains various severance and health benefit payment plans for its employee groups. The amount of severance and health benefit payment is calculated using balances in accrued sick leave and is based on years of service and retiree's age. All of the post-employment health benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

The District has established a separate OPEB Internal Service Fund to account for the post-employment severance and health benefits. The benefits are funded as the liability is incurred on an actuarially determined basis. In addition to the funding of accumulated benefits already earned, the District's funding policy requires an annual contribution to the Internal Service Fund.

### **Q. State-Wide Pension Plans**

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

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

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

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

### **R. Risk Management**

**General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.

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

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

### **S. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, statements of financial position, or balance sheets, will sometimes report a separate section for deferred outflows or inflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) or inflow of financial resource (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide and proprietary fund 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.

Property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is 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.

The District also reports deferred inflows of resources related to deferred gain on refunding in the government-wide Statement of Net Position. A deferred gain 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.

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

### T. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent. The cash and investments held by trustee in the Post-Employment Benefits Revocable Trust Internal Service Fund are also considered a cash equivalent.

### U. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as "cash and investments held by trustee" and the interest receivable is included within "accounts and interest receivable."

### V. Net Position

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

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

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

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

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

When nonspendable, restricted, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) nonspendable, 2) restricted, 3) assigned, and 4) unassigned.

### X. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will strive to maintain a minimum total unassigned and assigned General Fund balance of 8.0 to 12.0 percent of the annual budget (4-6 weeks of operating expenses). Deviation from the fund balance will be reviewed and addressed by the School Board. At June 30, 2020, the total assigned and unassigned fund balance of the General Fund was 14.2 percent of the fiscal 2020 General Fund expenditures.

### Y. Use of Estimates

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

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

**Z. Change in Accounting Principle and Prior Period Adjustments**

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by accounting for the extracurricular student activity funds in the General Fund and its governmental activities, rather than in a separate audit report as it has in the past. The standard required retroactive implementation, which resulted in the restatement of fund balance in the General Fund and Net Position of Governmental Activities as of June 30, 2019. The implementation of this statement also changed the reporting of the District’s Other Employee Benefit Trust to a fiduciary fund, when in previous years, it was reported as an internal service fund.

During the year ended June 30, 2020, the District reported three prior period adjustments. The District’s governmental funds reported a prior period adjustment related to accrued payroll liabilities incorrectly stated as of June 30, 2019. On the entity-wide financial statements, the District also reported a prior period adjustment for incorrectly reporting amortization of discounts on previously issued bonds. Lastly, the District’s OPEB Revocable Trust Internal Service Fund reported a prior period adjustment for incorrectly reporting deferred outflows, deferred inflows, and total OPEB obligations in this fund.

These restatements and prior period adjustments resulted in the following changes in fund balance and net position as of July 1, 2019:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Fund</u>
Net position/fund balance – beginning of year, as previously reported	\$ 7,481,502	\$ 106,148,052	\$ 13,633,136	\$ –
Change in accounting principle				
Other Employee Benefit Trust Fund	(1,788,369)	–	(1,788,369)	1,788,369
Student activities	195,054	195,054	–	–
Prior period adjustment				
Amortization of discounts on bonds	(1,092,810)	–	–	–
Accrued payroll liabilities	323,953	323,953	–	–
Total OPEB liability and related deferred inflows and outflows of resources in the Internal Service Fund	–	–	(11,035,408)	–
Net position/fund balance – beginning of year, as restated	<u>\$ 5,119,330</u>	<u>\$ 106,667,059</u>	<u>\$ 809,359</u>	<u>\$ 1,788,369</u>

These prior period adjustments caused the expenditures in governmental funds in prior years to be overstated by \$323,953 and interest expense in the entity-wide statements in the prior year to be understated by \$1,092,810.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 20,654,339
Investments	56,193,577
Cash on hand	<u>200</u>
Total	<u><u>\$ 76,848,116</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 66,106,924
Statement of Net Position – restricted assets – temporarily restricted	
Cash and investments for OPEB	8,468,495
Statement of Fiduciary Net Position – Other Employee Benefit Trust Fund	
Cash and investments held by trustee	<u>2,272,697</u>
Total	<u><u>\$ 76,848,116</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 carrying amount of the District’s deposits was \$20,654,339, while the balance on the bank records was \$20,606,329. At June 30, 2020, deposits were not fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years				Total
	Rating	Agency		Less Than 1	1 to 5	5 to 10	More Than 10	
U.S. agency securities	AAA	S&P	Level 2	\$ 2,706,549	\$ –	\$ –	\$ –	\$ 2,706,549
U.S. agency securities	AA	S&P	Level 2	\$ 6,832,175	\$ –	\$ –	\$ –	6,832,175
U.S. agency securities	Aa	Moody's	Level 2	\$ 1,188,512	\$ –	\$ –	\$ –	1,188,512
Guaranteed investment contracts	N/R	N/A	N/A	\$ 11,036,011	\$ –	\$ –	\$ –	11,036,011
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 248,967	\$ –	\$ –	\$ –	248,493
Investment pools/mutual funds								
MNTrust Investment Term Series	N/R	N/A	Amortized Cost	\$ 2,000,000	N/A	N/A	N/A	2,000,000
Minnesota School District Liquid Asset Fund (MSDLAF)	AAA	S&P	Amortized Cost	\$ 4,263,226	N/A	N/A	N/A	4,263,226
MNTrust Investment Money Market Account	AAA	S&P	Amortized Cost	\$ 27,918,611	N/A	N/A	N/A	27,918,611
Total investments								<u>\$ 56,193,577</u>

N/R – Not Rated

N/A – Not Applicable

The amount in investment pools/mutual funds includes amounts invested in the MNTrust Investment Shares Portfolio (MNTrust) and amounts invested in the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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 retirement of the investment therein.

For MNTrust and MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class. Within the MSDLAF, the redemption notice period is 14 days for the MAX Class.

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.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

For assets held in the Post-Employment Benefits Revocable Trust 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. Minnesota Statutes authorize the Post-Employment Benefits Revocable Trust Internal Service Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the Minnesota State Board of Investments.

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policy does not further address concentration risk. The District’s investment portfolio includes an investment in Guaranteed Investment Contracts with Mid-America totaling 19.6 percent of the overall portfolio.

**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, the District considers such things as interest rates and cash flow needs when purchasing investments.

### NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation activity for the current year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 12,489,033	\$ –	\$ –	\$ –	\$ 12,489,033
Construction in progress	28,943,828	54,719,276	–	(11,373,464)	72,289,640
Total capital assets, not depreciated	41,432,861	54,719,276	–	(11,373,464)	84,778,673
Capital assets, depreciated					
Land improvements	4,407,150	247,612	–	–	4,654,762
Buildings	206,142,608	16,086,208	–	11,373,464	233,602,280
Furniture and equipment	19,298,801	2,859,521	–	–	22,158,322
Total capital assets, depreciated	229,848,559	19,193,341	–	11,373,464	260,415,364
Less accumulated depreciation for					
Land improvements	(2,175,714)	(258,211)	–	–	(2,433,925)
Buildings	(64,944,035)	(4,692,885)	–	–	(69,636,920)
Furniture and equipment	(12,827,943)	(1,516,303)	–	–	(14,344,246)
Total accumulated depreciation	(79,947,692)	(6,467,399)	–	–	(86,415,091)
Net capital assets, depreciated	149,900,867	12,725,942	–	11,373,464	174,000,273
Total capital assets, net	<u>\$ 191,333,728</u>	<u>\$ 67,445,218</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 258,778,946</u>

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

Administration	\$ 13,221
District support services	23,789
Elementary and secondary regular instruction	4,655,580
Special education instruction	5,154
Instructional support services	401,701
Food service	39,518
Community service	9,174
Sites and buildings	1,319,262
Total depreciation expense	<u>\$ 6,467,399</u>

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds

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

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds, including refunding bonds					
2011A School building bonds	11/03/2011	3.00%	\$ 12,225,000	02/01/2029	\$ 2,025,000
2013A Alternative facilities bonds	06/12/2013	2.00–3.00%	\$ 12,500,000	02/01/2028	12,500,000
2013B Capital facilities bonds	06/12/2013	2.00–3.00%	\$ 5,380,000	02/01/2028	3,015,000
2013C Refunding bonds	12/12/2013	3.00–5.00%	\$ 39,195,000	02/01/2036	28,165,000
2014A Capital bonds	01/08/2014	2.00–3.50%	\$ 3,205,000	02/01/2028	1,930,000
2016A Refunding bonds	05/04/2016	3.00–5.00%	\$ 21,400,000	02/01/2020	9,260,000
2016B Long-term facilities maintenance bonds	08/03/2016	2.25–4.00%	\$ 11,480,000	02/01/2036	10,050,000
2018A School building bonds	02/21/2018	3.25–5.00%	\$ 64,715,000	02/01/2038	64,715,000
2018B School building bonds	02/21/2018	1.99–2.90%	\$ 56,360,000	02/01/2031	56,360,000
2019A School refunding bonds	11/07/2019	5.00%	\$ 10,640,000	02/01/2023	10,640,000
Total general obligation bonds					<u>\$ 198,660,000</u>

### B. Description of Long-Term Liabilities

**General Obligation Bonds** – These obligations were issued to finance acquisition and/or construction of capital facilities, or to refinance (refund) previous bond issues. Assets of the debt service funds, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

In November 2019, the District issued \$10,640,000 of General Obligation School Building Refunding Bonds, Series 2019A. The proceeds of this issue and interest earned thereon were used to refund, in advance of their stated maturities, the 2021 through 2023 maturities of the District's 2010A Bonds totaling \$11,525,000 on February 1, 2020. This current refunding will reduce the District's total future debt service payments by approximately \$608,585 and will result in present value savings of approximately \$582,507.

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

**Capital Leases Payable** – The District entered into capital lease agreements to finance equipment, technology equipment, turf, and building improvements, which call for monthly principal and interest payments through January 2034 with interest rates ranging from 2.75 percent to 4.45 percent. These leases are paid by the General Fund. Amortization of the leased equipment required to be capitalized is included in depreciation. At June 30, 2020, the capitalized assets under capital lease have been recorded at \$11,597,901, (the present value of future minimum lease payments as of the inception dates of the leases). The accumulated amortization on these capitalized assets under capital leases was \$2,811,146.

In November 2019, the District issued \$6,665,675 of a Lease-Purchase Refunding, Series 2019A. The proceeds of this issue and interest earned thereon were used to refund, in advance of their stated maturities, the July 15, 2020 through January 15, 2034 maturities of the District’s 2013 lease. This current refunding will reduce the District’s total future capital lease payments by approximately \$920,448 and will result in present value savings of approximately \$751,192.

If the District fails to make the payments specified in these lease agreements, or otherwise defaults on the leases, 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 these agreements until the property is sold or leased again, or 3) take legal action to force performance under the terms of the leases.

**Net Pension Liability, Compensated Absences Payable, and Total OPEB Obligation** – The details of these liabilities are discussed elsewhere in these notes. Such benefits are financed by the governmental funds and the Post-Employment Benefits Revocable Trust Fund.

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

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 11,687,832	\$ 1,811,492	\$ (2,075,358)	\$ 1,629,673
State-wide, multiple-employer – TRA	50,858,314	51,954,038	(71,734,216)	11,674,125
Supplemental pension benefits plan	344,927	84,452	(3,305)	24,294
Total	<u>\$ 62,891,073</u>	<u>\$ 53,849,982</u>	<u>\$ (73,812,879)</u>	<u>\$ 13,328,092</u>

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

### C. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 10,790,000	\$ 5,421,552	\$ 851,497	\$ 245,143
2022	11,810,000	4,785,319	876,823	219,800
2023	12,910,000	4,281,575	902,932	193,689
2024	12,545,000	3,780,925	918,582	166,786
2025	13,425,000	3,353,000	640,003	139,506
2026–2030	65,565,000	12,288,738	2,471,129	481,162
2031–2035	44,985,000	8,498,938	2,134,848	134,198
2036–2038	26,630,000	1,750,288	–	–
	<u>\$ 198,660,000</u>	<u>\$ 44,160,333</u>	<u>\$ 8,795,814</u>	<u>\$ 1,580,284</u>

### D. Changes in Long-Term Liabilities

	Beginning Balance	Prior Period Adjustment	Additions	Retirements	Ending Balance	Due Within One Year
Long-term liabilities						
General obligation bonds	\$ 196,109,049	\$ 13,435,951	\$ 10,640,000	\$ 21,525,000	\$ 198,660,000	\$ 10,790,000
Unamortized premiums/discount	8,850,377	(12,343,141)	920,184	348,075	(2,920,655)	–
Capital leases	8,896,767	–	7,400,875	7,501,828	8,795,814	851,497
Total pension liability	437,732	–	–	92,805	344,927	–
Net pension liability	60,837,059	–	6,599,428	4,890,341	62,546,146	–
Compensated absences payable	734,204	–	59,532	135,708	658,028	622,216
Total OPEB obligation	11,509,672	–	1,495,172	622,122	12,382,722	547,941
	<u>\$ 287,374,860</u>	<u>\$ 1,092,810</u>	<u>\$ 27,115,191</u>	<u>\$ 35,115,879</u>	<u>\$ 280,466,982</u>	<u>\$ 12,811,654</u>

## NOTE 5 – FUND BALANCES

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

### A. Classifications

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

	General Fund	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
<b>Nonspendable</b>						
Inventory	\$ 94,569	\$ 28,962	\$ –	\$ –	\$ –	\$ 123,531
Prepays	64,656	–	7,112	–	–	71,768
Total nonspendable	<u>159,225</u>	<u>28,962</u>	<u>7,112</u>	<u>–</u>	<u>–</u>	<u>195,299</u>
<b>Restricted</b>						
Operating capital	1,464,643	–	–	–	–	1,464,643
Student activities	156,548	–	–	–	–	156,548
Staff development	354,294	–	–	–	–	354,294
Achievement and integration	13,892	–	–	–	–	13,892
Safe schools levy	156,715	–	–	–	–	156,715
Community service	–	–	20,709	–	–	20,709
Medical Assistance	103,883	–	–	–	–	103,883
Basic skills extended time	9,082	–	–	–	–	9,082
Capital projects	–	–	–	13,131,590	–	13,131,590
Long-term facilities maintenance	1,783,009	–	–	1,661,974	–	3,444,983
Food service	–	1,360,414	–	–	–	1,360,414
Community education	–	–	305,226	–	–	305,226
Early childhood family education programs	–	–	535,427	–	–	535,427
Adult basic education	–	–	2,284	–	–	2,284
Area learning center	147,042	–	–	–	–	147,042
Debt service	–	–	–	–	2,484,674	2,484,674
Total restricted	<u>4,189,108</u>	<u>1,360,414</u>	<u>863,646</u>	<u>14,793,564</u>	<u>2,484,674</u>	<u>23,691,406</u>
<b>Assigned</b>						
Subsequent years’ budget	1,925,877	–	–	–	–	1,925,877
Cashflow	1,722,500	–	–	–	–	1,722,500
Class size reduction	500,000	–	–	–	–	500,000
Innovative programs	420,000	–	–	–	–	420,000
Site carryover	525,784	–	–	–	–	525,784
Professional development	102,254	–	–	–	–	102,254
Total assigned	<u>5,196,415</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,196,415</u>
<b>Unassigned – school readiness restricted account deficit</b>						
Unassigned	9,637,756	–	(60,522)	–	–	9,637,756
Total unassigned	<u>9,637,756</u>	<u>–</u>	<u>(60,522)</u>	<u>–</u>	<u>–</u>	<u>9,577,234</u>
<b>Total</b>	<u>\$ 19,182,504</u>	<u>\$ 1,389,376</u>	<u>\$ 810,236</u>	<u>\$ 14,793,564</u>	<u>\$ 2,484,674</u>	<u>\$ 38,660,354</u>

## **NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN**

### **A. Plan Description**

The District provides post-employment healthcare benefits to certain eligible employees. The District provides these benefits in a single-employer defined benefit healthcare and dental plan administered by the District. The plan does not issue a publicly available financial report. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

### **B. Contributions**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District. The District's contributions in the current year totaled \$427,184 as required on a pay-as-you-go basis to finance the current year benefits as described in the previous section.

### **C. Membership**

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

Retirees and beneficiaries receiving benefits	35
Active plan members	<u>803</u>
Total members	<u><u>838</u></u>

### **D. Total OPEB Liability of the District**

The District's total OPEB liability of \$12,382,722 at year-end was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

## NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

### E. Actuarial Methods and Assumptions

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

Discount rate	3.10%
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare cost trend rate	6.25%, grading to 5.00% over 5 years
Dental cost trend rate	4.00%

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

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

### F. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 11,509,672
Changes for the year	
Service cost	763,753
Interest	418,776
Changes of assumptions	312,643
Benefit payments	<u>(622,122)</u>
Total net changes	<u>873,050</u>
Ending balance	<u>\$ 12,382,722</u>

Assumption changes since the prior measurement date include the following:

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

**NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)**

**G. Total OPEB Liability Sensitivity to Discount and Healthcare 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	2.10%	3.10%	4.10%
Total OPEB liability	\$ 13,304,449	\$ 12,382,722	\$ 11,488,856

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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
OPEB healthcare cost trend rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Total OPEB liability	\$ 10,828,446	\$ 12,382,722	\$ 14,228,466

**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 \$1,202,549. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability	\$ –	\$ 139,419
Change of assumptions	284,184	–
District’s contributions to the OPEB subsequent to the measurement date	<u>427,184</u>	<u>–</u>
Total	<u>\$ 711,368</u>	<u>\$ 139,419</u>

A total of \$427,184 reported as deferred outflows of resources related to OPEB subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021.

**NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)**

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

Year Ending June 30,	OPEB Expense Amount
2021	\$ 20,020
2022	20,020
2023	20,020
2024	20,020
2025	20,026
Thereafter	44,659
	<u>\$ 144,765</u>

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**A. Plan Descriptions.**

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

**1. General Employees Retirement Fund (GERF)**

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

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

**2. Teachers Retirement Association (TRA)**

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

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

## **NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

### **B. Benefits Provided**

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

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

#### **1. GERS Benefits**

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

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

#### **2. TRA Benefits**

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

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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
<b>Basic Plan</b>	
First 10 years of service	2.2 %
All years after	2.7 %
<b>Coordinated Plan</b>	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

With these provisions:

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

**Tier II Benefits**

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

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

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

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

**C. Contributions**

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

**1. GERF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2020, were \$1,150,795. The District’s contributions were equal to the required contributions as set by state statutes.

**2. TRA Contributions**

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2020, were \$3,778,722. The District’s contributions were equal to the required contributions for each year as set by state statutes.

## NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$11,687,832 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.2114 percent at the end of the measurement period and 0.2088 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 11,687,832
State’s proportionate share of the net pension liability associated with the District	<u>363,318</u>
Total	<u>\$ 12,051,150</u>

For the year ended June 30, 2020, the District recognized pension expense of \$1,602,464 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$27,209 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 321,483	\$ –
Changes in actuarial assumptions	–	908,222
Differences between projected and actual investment earnings	–	1,167,136
Changes in proportion	339,214	–
District’s contributions to the GERF subsequent to the measurement date	<u>1,150,795</u>	<u>–</u>
Total	<u>\$ 1,811,492</u>	<u>\$ 2,075,358</u>

A total of \$1,150,795 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (390,497)
2022	\$ (879,971)
2023	\$ (194,912)
2024	\$ 50,719

**2. TRA Pension Costs**

At June 30, 2020, the District reported a liability of \$50,858,314 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.7979 percent at the end of the measurement period and 0.7842 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	\$ 50,858,314
State’s proportionate share of the net pension liability associated with the District	<u>4,500,746</u>
Total	<u>\$ 55,359,060</u>

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

For the year ended June 30, 2020, the District recognized pension expense of \$11,332,015. It also recognized \$342,110 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 1,186,367
Changes in actuarial assumptions	42,063,338	66,311,314
Difference between projected and actual investment earnings	–	4,236,535
Changes in proportion	6,111,978	–
District’s contributions to the TRA subsequent to the measurement date	3,778,722	–
<b>Total</b>	<b>\$ 51,954,038</b>	<b>\$ 71,734,216</b>

A total of \$3,778,722 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ 4,655,127
2022	\$ 1,538,545
2023	\$ (17,396,617)
2024	\$ (12,326,391)
Thereafter	\$ (29,564)

**E. Actuarial Assumptions**

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

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

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

## NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

### 1. GERP

#### CHANGES IN ACTUARIAL ASSUMPTIONS

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

#### CHANGES IN PLAN PROVISIONS

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

### 2. TRA

#### CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90 %
Fixed income	20.0	0.75 %
International equity	17.5	5.00/5.90 %
Cash equivalents	2.0	– %
Total	<u>100.0 %</u>	

## NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### F. Discount Rate

#### 1. GERF

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

#### 2. TRA

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

### G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 19,214,167	\$ 11,687,832	\$ 5,473,347
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 81,080,587	\$ 50,858,314	\$ 25,940,495

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**H. Pension Plan Fiduciary Net Position**

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

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

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

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

**NOTE 8 – SUPPLEMENTAL PENSION BENEFIT PLAN**

**A. Plan Description**

The District provides a single-employer defined benefit supplemental pension benefit to eligible administrators and teachers. Currently, full-time teachers hired prior to July 1, 1991, custodians, and administrative assistants are eligible to retire and receive the pension supplement after the attainment of age 55 and the completion 20 years of service. Certain administrators are eligible to retire and receive the pension supplement after the attainment of age 55 and the completion 15 years of service. The superintendent is eligible to retire and receive the pension supplement after the attainment of age 55 and the completion six years of service. The benefit is a lump-sum payment to a 403(b) account upon retirement.

As of July 1, 2019, employees covered by the plan are as follows:

Active plan members	<u><u>17</u></u>
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**B. Benefit Provisions**

There is no maximum benefit amount for any bargaining group, other than the superintendent who is capped at 50 percent of annual salary. The pension benefit ranges from three days per year of service times the hourly rate to one month of salary for each year of service.

The District paid \$82,161 for pension benefits under the plan that came due during the year ended June 30, 2020.

**NOTE 8 – SUPPLEMENTAL PENSION BENEFIT PLAN (CONTINUED)**

**C. Total Pension Liability**

The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets the following criteria:

- Contributions from the employer and nonemployer contributing entities, and the earnings thereon, must be irrevocable.
- Pension plan assets must be dedicated to providing pensions to plan members in accordance with benefit terms.
- Pension plan assets must be legally protected from the creditors of employer, nonemployer contributing entities, the plan administrator, and the plan members.

No assets are accumulated in a trust that meets all of the above criteria. Accordingly, the District’s total pension liability is not reduced by any assets accumulated in a trust that meets the criteria, and the District reports its total pension liability.

The District’s total pension liability was determined by an actuarial valuation dated July 1, 2018 with a measurement date of July 1, 2019. At June 30, 2020, the District reported a total pension liability of \$344,927. Changes in the District’s total pension liability were as follows:

	Total Pension Liability
Beginning total pension liability	\$ 437,732
Changes for the year	
Service cost	12,207
Interest	13,636
Changes of assumptions	3,055
Benefit payments	(121,703)
Total net changes	(92,805)
Ending total pension liability	\$ 344,927

**D. Pension Costs**

For the year ended June 30, 2020, the District recognized pension expense of \$24,294. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ –	\$ 982
Changes in actuarial assumptions	2,291	2,323
Benefit payments subsequent to the measurement date	82,161	–
Total	\$ 84,452	\$ 3,305

**NOTE 8 – SUPPLEMENTAL PENSION BENEFIT PLAN (CONTINUED)**

The District's benefit payments and amounts incurred by the District subsequent to the measurement date of \$82,161 reported as deferred outflows of resources will be recognized as a reduction of the total pension liability in the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (1,546)
2022	\$ (121)
2023	\$ 653

**E. Actuarial Methods and Assumptions**

The actuarial total pension liability was determined as of July 1, 2019, using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2018
Measurement date	July 1, 2019
Actuarial cost method	Entry-age normal (level percent of salary)
Discount rate	3.10%
Inflation	2.50%
Salary increases	3.00%
Mortality	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

**NOTE 8 – SUPPLEMENTAL PENSION BENEFIT PLAN (CONTINUED)**

**F. Discount Rate and Changes in Assumptions**

The discount rate used to measure the total pension liability was 3.10 percent. The discount rate is based on the estimated yield of 20-year, AA-rated municipal bonds. The discount rate was changed from 3.50 percent in the prior measurement period to 3.10 percent.

**G. Total Pension Liability Sensitivity**

The following presents the District’s total pension liability, calculated using the discount rate of 3.10 percent, 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 rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.10%	3.10%	4.10%
Total pension liability	\$ 354,382	\$ 344,927	\$ 335,051

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Revenue**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**B. Contingencies**

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.

**C. Construction Commitment**

At June 30, 2020, the District had commitments totaling \$15,000,000 under various construction contracts for which the work was not yet completed.

## NOTE 10 – HEALTH AND DENTAL BENEFITS SELF-INSURANCE PLAN

The District maintains an Internal Service Fund to account for and finance a self-insurance program for health and dental benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed for amounts under its stop-loss limit at which point reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to annually. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for health and dental expenses. Claims have not exceeded the District's aggregate stop-loss limit for the past three years.

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims.

District liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on such complex factors 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. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

There were no liabilities in excess of claims paid or payable at June 30, 2020. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$7,508,932 in cash and investments at June 30, 2020 for payment of claims.

The balances of claim liabilities during fiscal years 2020 and 2019 were as follows:

	Fiscal Year 2020	Fiscal Year 2019
Beginning of fiscal year liability – July 1,	\$ 1,116,102	\$ 1,486,813
Current year claims, changes in estimates, and other charges	12,586,407	12,747,090
Payments on claims	<u>(12,357,734)</u>	<u>(13,117,801)</u>
Ending of fiscal year liability – June 30,	<u>\$ 1,344,775</u>	<u>\$ 1,116,102</u>

## NOTE 11 – OPERATING LEASES

In March 2016, the District entered into an operating lease agreement for the rental of property to be used for the Minnesota Center for Advanced Professional Studies Program. In July 2018, the District signed an amendment to this lease extending its term through June 30, 2024, and adding additional square footage. The District has one five-year option to extend the lease on the property. Lease expense for the year ended June 30, 2020 was \$179,037.

In July 2017, the District entered into an operating lease agreement for the rental of computers to be used at the schools for student technology use. Lease expense for the year ended June 30, 2020 was \$345,476. The lease calls annual lease payments of \$345,476, with the final payment in July 2021.

In April 2018, the District entered into an operating lease agreement for the rental of equipment to be used at the schools. The lease calls for monthly lease payments of \$14,195, with the final payment in July 2023. Lease expense for the year ended June 30, 2020 was \$170,340. Future minimum lease payments on these leases are as follows:

Year Ending June 30,	Amount
2021	\$ 698,442
2022	357,529
2023	322,279
2024	<u>196,665</u>
Total	<u>\$ 1,574,915</u>

## NOTE 12 – COVID-19 PANDEMIC

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 719

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the 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	0.2039%	\$ 9,578,200	\$ -	\$ 9,578,200	\$ 11,186,618	85.62%	78.70%
06/30/2016	06/30/2015	0.1979%	\$ 10,256,205	\$ -	\$ 10,256,205	\$ 11,643,959	88.08%	78.20%
06/30/2017	06/30/2016	0.1979%	\$ 15,946,706	\$ 208,202	\$ 16,154,908	\$ 12,181,520	130.91%	68.90%
06/30/2018	06/30/2017	0.2081%	\$ 13,284,967	\$ 167,048	\$ 13,452,015	\$ 13,433,213	98.90%	75.90%
06/30/2019	06/30/2018	0.2088%	\$ 11,583,368	\$ 380,045	\$ 11,963,413	\$ 13,406,387	86.40%	79.50%
06/30/2020	06/30/2019	0.2114%	\$ 11,687,832	\$ 363,318	\$ 12,051,150	\$ 15,249,613	76.64%	80.20%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 828,742	\$ 858,742	\$ -	\$ 11,643,959	7.38%
06/30/2016	\$ 913,614	\$ 913,614	\$ -	\$ 12,181,520	7.50%
06/30/2017	\$ 1,007,491	\$ 1,007,491	\$ -	\$ 13,433,213	7.50%
06/30/2018	\$ 1,005,479	\$ 1,005,479	\$ -	\$ 13,406,387	7.50%
06/30/2019	\$ 1,143,721	\$ 1,143,721	\$ -	\$ 15,249,613	7.50%
06/30/2020	\$ 1,150,795	\$ 1,150,795	\$ -	\$ 15,341,357	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 719

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's 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	0.7083%	\$ 32,637,954	\$ 2,295,952	\$ 34,933,906	\$ 33,028,406	98.82%	81.50%
06/30/2016	06/30/2015	0.6820%	\$ 42,188,445	\$ 5,175,127	\$ 47,363,572	\$ 34,473,907	122.38%	76.80%
06/30/2017	06/30/2016	0.7107%	\$ 169,518,907	\$ 17,014,498	\$ 186,533,405	\$ 36,965,280	458.59%	44.88%
06/30/2018	06/30/2017	0.7421%	\$ 148,136,622	\$ 14,319,251	\$ 162,455,873	\$ 39,949,880	370.81%	51.57%
06/30/2019	06/30/2018	0.7842%	\$ 49,253,691	\$ 4,627,772	\$ 53,881,463	\$ 43,289,107	113.78%	78.07%
06/30/2020	06/30/2019	0.7979%	\$ 50,858,314	\$ 4,500,746	\$ 55,359,060	\$ 45,085,653	112.80%	78.21%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 2,585,543	\$ 2,585,543	\$ -	\$ 34,473,907	7.50%
06/30/2016	\$ 2,772,396	\$ 2,772,396	\$ -	\$ 36,965,280	7.50%
06/30/2017	\$ 2,997,424	\$ 2,997,424	\$ -	\$ 39,949,880	7.50%
06/30/2018	\$ 3,246,683	\$ 3,246,683	\$ -	\$ 43,289,107	7.50%
06/30/2019	\$ 3,492,183	\$ 3,492,183	\$ -	\$ 45,085,653	7.75%
06/30/2020	\$ 3,778,722	\$ 3,778,722	\$ -	\$ 47,711,226	7.92%

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

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	District Fiscal Year-End Date		
	2020	2019	2018
Total OPEB liability			
Service cost	\$ 763,753	\$ 695,625	\$ 703,460
Interest	418,776	397,211	383,906
Change of benefit terms	–	(32,176)	–
Differences between expected and actual experience	–	(195,189)	–
Changes of assumptions	312,643	22,687	–
Benefit payments	(622,122)	(725,031)	(651,963)
Net change in total OPEB liability	873,050	163,127	435,403
Total OPEB liability – beginning of year	11,509,672	11,346,545	10,911,142
Total OPEB liability – end of year	<u>\$ 12,382,722</u>	<u>\$ 11,509,672</u>	<u>\$ 11,346,545</u>
Covered-employee payroll	<u>\$ 52,956,511</u>	<u>\$ 51,414,088</u>	<u>\$ 48,985,794</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>23.38%</u>	<u>22.39%</u>	<u>23.16%</u>

Note 1: The District has not established a trust to finance OPEB benefits.

Note 2: The District implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	District Fiscal Year-End Date			
	2020	2019	2018	2017
Total pension liability				
Service cost	\$ 12,207	\$ 11,052	\$ 19,386	\$ 20,509
Interest	13,636	18,753	20,535	24,619
Differences between expected and actual experience	–	(1,964)	–	–
Change of assumptions	3,055	(1,582)	(5,701)	–
Benefit payments	(121,703)	(255,909)	(110,356)	(258,217)
Net change in total pension liability	(92,805)	(229,650)	(76,136)	(213,089)
Total pension liability – beginning of year	437,732	667,382	743,518	956,607
Total pension liability – end of year	<u>\$ 344,927</u>	<u>\$ 437,732</u>	<u>\$ 667,382</u>	<u>\$ 743,518</u>
Covered-employee payroll	<u>\$ 1,464,510</u>	<u>\$ 1,421,854</u>	<u>\$ 2,422,835</u>	<u>\$ 2,352,267</u>
Net pension liability as a percentage of covered-employee payroll	<u>23.55%</u>	<u>30.79%</u>	<u>27.55%</u>	<u>31.61%</u>

Note 1: The District has not established a trust to finance supplemental pension benefits.

Note: 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.

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INDEPENDENT SCHOOL DISTRICT NO. 719

Notes to Required Supplementary Information  
June 30, 2020

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2019 CHANGES IN PLAN PROVISIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2018 CHANGES IN PLAN PROVISIONS**

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

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 719

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

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2017 CHANGES IN PLAN PROVISIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 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. 719

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

**TEACHERS RETIREMENT ASSOCIATION (TRA)**

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 719

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

**TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

INDEPENDENT SCHOOL DISTRICT NO. 719

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

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale, to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.40 percent to 3.50 percent.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**PENSION BENEFITS PLAN**

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

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SUPPLEMENTAL INFORMATION

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INDIVIDUAL FUND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 719

General Fund  
Balance Sheet  
as of June 30, 2020

Assets	
Cash and temporary investments	\$ 22,516,044
Receivables	
Current taxes	8,644,922
Delinquent taxes	81,988
Accounts and interest	109,949
Due from other governmental units	9,397,714
Inventory	94,569
Prepays	<u>64,656</u>
Total assets	<u><u>\$ 40,909,842</u></u>
Liabilities	
Salaries and benefits payable	\$ 4,459,012
Accounts and contracts payable	608,562
Due to other governmental units	52,345
Unearned revenue	<u>1,000</u>
Total liabilities	<u>5,120,919</u>
Deferred inflows of resources	
Property taxes levied for subsequent year	16,524,431
Unavailable revenue – delinquent taxes	<u>81,988</u>
Total deferred inflows of resources	<u>16,606,419</u>
Fund balances	
Nonspendable for inventory	94,569
Nonspendable for prepaids	64,656
Restricted for student activities	156,548
Restricted for staff development	354,294
Restricted for operating capital	1,464,643
Restricted for area leaning center	147,042
Restricted for achievement and integration	13,892
Restricted for safe schools levy	156,715
Restricted for basic skills extended time	9,082
Restricted for long-term facilities maintenance	1,783,009
Restricted for Medical Assistance	103,883
Assigned	5,196,415
Unassigned	<u>9,637,756</u>
Total fund balances	<u>19,182,504</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 40,909,842</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>			
Local sources			
Property taxes	\$ 18,233,552	\$ 17,573,033	\$ (660,519)
Investment earnings	255,000	341,251	86,251
Other	1,752,972	2,393,557	640,585
State sources	80,328,344	81,484,180	1,155,836
Federal sources	1,216,672	1,710,552	493,880
Total revenue	<u>101,786,540</u>	<u>103,502,573</u>	<u>1,716,033</u>
<b>Expenditures</b>			
<b>Current</b>			
<b>Administration</b>			
Salaries	2,447,390	2,433,997	(13,393)
Employee benefits	810,874	805,788	(5,086)
Purchased services	164,942	45,400	(119,542)
Supplies and materials	31,045	23,396	(7,649)
Other expenditures	74,714	79,548	4,834
Total administration	<u>3,528,965</u>	<u>3,388,129</u>	<u>(140,836)</u>
<b>District support services</b>			
Salaries	2,363,449	2,371,501	8,052
Employee benefits	749,773	748,888	(885)
Purchased services	1,089,909	808,736	(281,173)
Supplies and materials	217,667	72,994	(144,673)
Capital expenditures	1,091,566	1,728,050	636,484
Other expenditures	10,823	19,606	8,783
Total district support services	<u>5,523,187</u>	<u>5,749,775</u>	<u>226,588</u>
<b>Elementary and secondary regular instruction</b>			
Salaries	31,457,103	31,448,220	(8,883)
Employee benefits	12,678,280	12,810,914	132,634
Purchased services	3,271,030	2,788,260	(482,770)
Supplies and materials	1,633,076	1,341,818	(291,258)
Capital expenditures	344,528	285,221	(59,307)
Other expenditures	197,398	216,379	18,981
Total elementary and secondary regular instruction	<u>49,581,415</u>	<u>48,890,812</u>	<u>(690,603)</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued)			
Current (continued)			
Vocational education instruction			
Salaries	406,849	404,410	(2,439)
Employee benefits	169,382	218,488	49,106
Purchased services	610	310	(300)
Supplies and materials	469	8,848	8,379
Other expenditures	3,343	2,256	(1,087)
Total vocational education instruction	<u>580,653</u>	<u>634,312</u>	<u>53,659</u>
Special education instruction			
Salaries	12,648,977	12,632,848	(16,129)
Employee benefits	5,060,341	4,892,209	(168,132)
Purchased services	521,964	1,052,130	530,166
Supplies and materials	103,669	91,313	(12,356)
Capital expenditures	32,103	12,512	(19,591)
Other expenditures	71,407	77,242	5,835
Total special education instruction	<u>18,438,461</u>	<u>18,758,254</u>	<u>319,793</u>
Instructional support services			
Salaries	4,327,998	4,313,355	(14,643)
Employee benefits	1,520,106	1,570,997	50,891
Purchased services	766,715	330,142	(436,573)
Supplies and materials	372,259	259,602	(112,657)
Capital expenditures	431,373	391,997	(39,376)
Other expenditures	29,315	33,715	4,400
Total instructional support services	<u>7,447,766</u>	<u>6,899,808</u>	<u>(547,958)</u>
Pupil support services			
Salaries	1,973,215	1,940,750	(32,465)
Employee benefits	703,558	711,066	7,508
Purchased services	5,493,487	5,193,436	(300,051)
Supplies and materials	108,538	119,211	10,673
Capital expenditures	258,398	189,380	(69,018)
Other expenditures	14,107	10,835	(3,272)
Total pupil support services	<u>8,551,303</u>	<u>8,164,678</u>	<u>(386,625)</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2020

	2020		Over (Under) Budget
	Budget	Actual	
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	3,099,109	3,021,057	(78,052)
Employee benefits	1,065,346	1,085,412	20,066
Purchased services	2,170,986	1,937,843	(233,143)
Supplies and materials	879,415	812,022	(67,393)
Capital expenditures	3,261,538	3,832,673	571,135
Other expenditures	21,515	23,635	2,120
Total sites and buildings	<u>10,497,909</u>	<u>10,712,642</u>	<u>214,733</u>
Fiscal and other fixed cost programs			
Purchased services	465,881	413,227	(52,654)
Debt service			
Principal	653,123	867,903	214,780
Interest and fiscal charges	344,973	337,616	(7,357)
Total debt service	<u>998,096</u>	<u>1,205,519</u>	<u>207,423</u>
Total expenditures	<u>105,613,636</u>	<u>104,817,156</u>	<u>(796,480)</u>
Excess (deficiency) of revenue over expenditures	(3,827,096)	(1,314,583)	2,512,513
Other financing sources			
Capital lease proceeds	<u>—</u>	<u>735,200</u>	<u>735,200</u>
Net change in fund balances	<u>\$ (3,827,096)</u>	<u>(579,383)</u>	<u>\$ 3,247,713</u>
Fund balances			
Beginning of year, as previously reported		19,273,306	
Change in accounting principle		195,054	
Prior period adjustment		293,527	
Beginning of year, as restated		<u>19,761,887</u>	
End of year		<u>\$ 19,182,504</u>	

INDEPENDENT SCHOOL DISTRICT NO. 719

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

Assets	
Cash and temporary investments	\$ 1,375,682
Receivables	
Accounts and interest	35,192
Inventory	<u>28,962</u>
Total assets	<u><u>\$ 1,439,836</u></u>
Liabilities	
Salaries and benefits payable	\$ 3,609
Accounts and contracts payable	12,334
Unearned revenue	<u>34,517</u>
Total liabilities	50,460
Fund balances	
Nonspendable for inventory	28,962
Restricted for food service	<u>1,360,414</u>
Total fund balances	<u><u>1,389,376</u></u>
Total liabilities and fund balances	<u><u>\$ 1,439,836</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Food Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Local sources			
Investment earnings	\$ 16,000	\$ 13,512	\$ (2,488)
Other – primarily meal sales	4,153,487	3,062,720	(1,090,767)
State sources	220,000	156,110	(63,890)
Federal sources	760,759	1,861,060	1,100,301
Total revenue	<u>5,150,246</u>	<u>5,093,402</u>	<u>(56,844)</u>
Expenditures			
Current			
Salaries	1,637,003	1,635,582	(1,421)
Employee benefits	463,639	504,504	40,865
Purchased services	257,450	138,757	(118,693)
Supplies and materials	2,615,834	2,336,667	(279,167)
Other expenditures	8,550	5,385	(3,165)
Capital outlay	380,767	276,028	(104,739)
Total expenditures	<u>5,363,243</u>	<u>4,896,923</u>	<u>(466,320)</u>
Net change in fund balances	<u>\$ (212,997)</u>	196,479	<u>\$ 409,476</u>
Fund balances			
Beginning of year, as previously reported		1,185,213	
Prior period adjustment		7,684	
End of year, as restated		<u>1,192,897</u>	
End of year		<u>\$ 1,389,376</u>	

INDEPENDENT SCHOOL DISTRICT NO. 719

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

Assets	
Cash and temporary investments	\$ 1,139,068
Receivables	
Current taxes	282,451
Delinquent taxes	2,738
Accounts and interest	106,316
Due from other governmental units	81,686
Prepays	<u>7,112</u>
Total assets	<u>\$ 1,619,371</u>
Liabilities	
Salaries and benefits payable	\$ 6,524
Accounts and contracts payable	21,322
Unearned revenue	<u>204,946</u>
Total liabilities	232,792
Deferred inflows of resources	
Property taxes levied for subsequent year	573,605
Unavailable revenue – delinquent taxes	<u>2,738</u>
Total deferred inflows of resources	576,343
Fund balances (deficit)	
Nonspendable for prepaids	7,112
Restricted for community education programs	305,226
Restricted for early childhood family education programs	535,427
Restricted for adult basic education	2,284
Restricted for community service	20,709
Unassigned – school readiness restricted account deficit	<u>(60,522)</u>
Total fund balances	<u>810,236</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,619,371</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Community Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Local sources			
Property taxes	\$ 500,629	\$ 488,705	\$ (11,924)
Investment earnings	-	14,797	14,797
Other – primarily tuition and fees	4,911,868	5,185,172	273,304
State sources	<u>782,298</u>	<u>762,931</u>	<u>(19,367)</u>
Total revenue	6,194,795	6,451,605	256,810
Expenditures			
Current			
Salaries	3,698,231	4,140,688	442,457
Employee benefits	1,011,825	1,093,520	81,695
Purchased services	961,273	898,433	(62,840)
Supplies and materials	372,130	383,802	11,672
Other expenditures	5,911	5,914	3
Capital outlay	<u>54,125</u>	<u>1,090</u>	<u>(53,035)</u>
Total expenditures	<u>6,103,495</u>	<u>6,523,447</u>	<u>419,952</u>
Net change in fund balances	<u>\$ 91,300</u>	(71,842)	<u>\$ (163,142)</u>
Fund balances			
Beginning of year, as previously reported		859,336	
Prior period adjustment		<u>22,742</u>	
Beginning of year, as restated		<u>882,078</u>	
End of year		<u>\$ 810,236</u>	

INDEPENDENT SCHOOL DISTRICT NO. 719

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

Assets	
Cash and temporary investments	\$ 23,144,397
Receivables	
Accounts and interest	<u>654,187</u>
Total assets	<u>\$ 23,798,584</u>
Liabilities	
Accounts and contracts payable	\$ 9,005,020
Fund balances	
Restricted for capital projects	13,131,590
Restricted for long-term facilities maintenance	<u>1,661,974</u>
Total fund balances	<u>14,793,564</u>
Total liabilities and fund balances	<u>\$ 23,798,584</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Local sources			
Investment earnings	\$ 1,257,000	\$ 1,713,660	\$ 456,660
Other revenue	–	6,267	6,267
Total revenue	<u>1,257,000</u>	<u>1,719,927</u>	<u>462,927</u>
Expenditures			
Capital outlay			
Salaries	34,260	35,267	1,007
Employee benefits	5,446	5,535	89
Purchased services	2,535,401	5,883,179	3,347,778
Supplies and materials	15,000	14,823	(177)
Capital expenditures	<u>69,109,893</u>	<u>63,560,588</u>	<u>(5,549,305)</u>
Total expenditures	<u>71,700,000</u>	<u>69,499,392</u>	<u>(2,200,608)</u>
Net change in fund balances	<u>\$ (70,443,000)</u>	<u>(67,779,465)</u>	<u>\$ 2,663,535</u>
Fund balances			
Beginning of year		<u>82,573,029</u>	
End of year		<u>\$ 14,793,564</u>	

INDEPENDENT SCHOOL DISTRICT NO. 719

Debt Service Fund  
Balance Sheet  
as of June 30, 2020

Assets	
Cash and temporary investments	\$ 10,422,801
Receivables	
Current taxes	7,570,263
Delinquent taxes	71,802
Due from other governmental units	<u>39,471</u>
Total assets	<u>\$ 18,104,337</u>
Deferred inflows of resources	
Property taxes levied for subsequent year	\$ 15,547,861
Unavailable revenue – delinquent taxes	<u>71,802</u>
Total deferred inflows of resources	15,619,663
Fund balances	
Restricted for debt service	<u>2,484,674</u>
Total deferred inflows of resources and fund balances	<u>\$ 18,104,337</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Debt Service Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Local sources			
Property taxes	\$ 15,915,765	\$ 15,345,551	\$ (570,214)
Investment earnings	120,000	231,589	111,589
State sources	<u>470,484</u>	<u>394,720</u>	<u>(75,764)</u>
Total revenue	16,506,249	15,971,860	(534,389)
Expenditures			
Debt service			
Principal retirement	21,525,000	10,040,478	(11,484,522)
Interest and fiscal agent fees	<u>5,779,540</u>	<u>5,811,288</u>	<u>31,748</u>
Total expenditures	<u>27,304,540</u>	<u>15,851,766</u>	<u>(11,452,774)</u>
Excess (deficiency) of revenue over expenditures	(10,798,291)	120,094	10,918,385
Other financing sources (uses)			
Refunding bonds issued	10,640,000	10,640,000	-
Capital lease refunding issued	-	6,665,675	6,665,675
Premium on debt issuance	920,184	920,184	-
Payments on debt refunding	<u>-</u>	<u>(18,118,447)</u>	<u>(18,118,447)</u>
Total other financing sources (uses)	<u>11,560,184</u>	<u>107,412</u>	<u>(11,452,772)</u>
Net change in fund balances	<u>\$ 761,893</u>	227,506	<u>\$ (534,387)</u>
Fund balances			
Beginning of year		<u>2,257,168</u>	
End of year		<u>\$ 2,484,674</u>	

INDEPENDENT SCHOOL DISTRICT NO. 719

Internal Service Funds  
 Combining Statement of Net Position  
 as of June 30, 2020

	<u>OPEB</u>	<u>Self-Insurance</u>	<u>Total</u>
Assets			
Current assets			
Cash and temporary investments	\$       –	\$ 7,508,932	\$ 7,508,932
Cash and investments held by trustee	8,468,495	–	8,468,495
Accounts and interest receivable	–	15,074	15,074
Total assets	<u>8,468,495</u>	<u>7,524,006</u>	<u>15,992,501</u>
Deferred outflow of resources			
OPEB plan deferments	711,368	–	711,368
Liabilities			
Current liabilities			
Claims payable	–	1,344,775	1,344,775
Unearned revenue	–	1,957,104	1,957,104
Total OPEB obligation	547,941	–	547,941
Long-term liabilities			
Total OPEB obligation	<u>11,834,781</u>	<u>–</u>	<u>11,834,781</u>
Total liabilities	<u>12,382,722</u>	<u>3,301,879</u>	<u>15,684,601</u>
Deferred inflows of resources			
OPEB plan deferments	<u>139,419</u>	<u>–</u>	<u>139,419</u>
Net position			
Unrestricted	<u>\$ (3,342,278)</u>	<u>\$ 4,222,127</u>	<u>\$ 879,849</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Internal Service Funds  
 Combining Statement of Revenue, Expenses, and Changes in Net Position  
 Year Ended June 30, 2020

	<u>OPEB</u>	<u>Self-Insurance</u>	<u>Total</u>
Operating revenue			
Charges for services			
Health and dental insurance premiums	\$           –	\$ 14,703,198	\$ 14,703,198
Operating expenses			
Health and dental insurance claim payments	–	12,586,407	12,586,407
General administration fees	–	1,202,075	1,202,075
OPEB	1,070,184	–	1,070,184
Total operating expenses	<u>1,070,184</u>	<u>13,788,482</u>	<u>14,858,666</u>
Operating income (loss)	(1,070,184)	914,716	(155,468)
Nonoperating revenue			
Investment earnings	<u>155,132</u>	<u>70,826</u>	<u>225,958</u>
Change in net position	(915,052)	985,542	70,490
Net position			
Beginning of year, as previously reported	8,608,182	5,024,954	13,633,136
Prior period adjustment	(11,035,408)	–	(11,035,408)
Change in accounting principle	–	(1,788,369)	(1,788,369)
Beginning of year, as restated	<u>(2,427,226)</u>	<u>3,236,585</u>	<u>809,359</u>
End of year	<u>\$ (3,342,278)</u>	<u>\$ 4,222,127</u>	<u>\$ 879,849</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Internal Service Funds  
 Combining Statement of Cash Flows  
 For the Year Ended June 30, 2020

	<u>OPEB</u>	<u>Self-Insurance</u>	<u>Total</u>
Cash flows from operating activities			
Health and dental insurance premiums	\$ —	\$ 14,924,748	\$ 14,924,748
Payments for general administrative fees	—	(1,202,075)	(1,202,075)
Payments for medical and dental claims and fees	—	(12,357,734)	(12,357,734)
OPEB benefit payments	<u>(294,819)</u>	—	<u>(294,819)</u>
Net cash flows from operating activities	(294,819)	1,364,939	1,070,120
Cash flows from investing activities			
Investment income received	<u>155,132</u>	<u>70,826</u>	<u>225,958</u>
Net change in cash and cash equivalents	(139,687)	1,435,765	1,296,078
Cash and cash equivalents			
Beginning of year, as previously reported	8,608,182	7,861,536	16,469,718
Change in accounting principle	<u>—</u>	<u>(1,788,369)</u>	<u>(1,788,369)</u>
End of year, as restated	<u>8,608,182</u>	<u>6,073,167</u>	<u>14,681,349</u>
End of year	<u>\$ 8,468,495</u>	<u>\$ 7,508,932</u>	<u>\$ 15,977,427</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (1,070,184)	\$ 914,716	\$ (155,468)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Accounts and interest receivable	—	5,742	5,742
Deferred outflow of resources	(69,800)	—	(69,800)
Claims payable	—	228,673	228,673
Unearned revenue	—	215,808	215,808
Total OPEB obligation	873,050	—	873,050
Deferred inflows of resources	<u>(27,885)</u>	—	<u>(27,885)</u>
Net cash flows from operating activities	<u>\$ (294,819)</u>	<u>\$ 1,364,939</u>	<u>\$ 1,070,120</u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:			
Cash and temporary investments	\$ —	\$ 7,508,932	\$ 7,508,932
Cash and investments held by trustee	<u>8,468,495</u>	—	<u>8,468,495</u>
Total cash and cash equivalents	<u>\$ 8,468,495</u>	<u>\$ 7,508,932</u>	<u>\$ 15,977,427</u>

STATISTICAL SECTION

**TAB**

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## **STATISTICAL SECTION (UNAUDITED)**

This section of Independent School District No. 719, Prior Lake-Savage Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. The following are the categories of the various schedules that are included in this section:

### **Contents**

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

#### **Demographic and Economic Information**

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

#### **Operating Indicators**

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

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

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 23,048,414	\$ 25,168,372	\$ 28,232,974	\$ 30,340,820
Restricted	3,330,757	4,259,070	5,836,474	4,530,597
Unrestricted	5,882,449	11,184,806	12,771,512	14,832,471
Total governmental activities net position	<u>\$ 32,261,620</u>	<u>\$ 40,612,248</u>	<u>\$ 46,840,960</u>	<u>\$ 49,703,888</u>

Source: District's financial records

2015	2016	2017	2018	2019	2020
\$ 39,239,879	\$ 44,446,753	\$ 37,303,408	\$ 44,587,428	\$ 51,118,995	\$ 65,838,391
4,048,952	4,087,124	15,690,859	15,096,644	8,573,972	9,209,583
(30,399,506)	(28,295,787)	(49,268,154)	(79,915,872)	(52,211,465)	(67,556,765)
<u>\$ 12,889,325</u>	<u>\$ 20,238,090</u>	<u>\$ 3,726,113</u>	<u>\$ (20,231,800)</u>	<u>\$ 7,481,502</u>	<u>\$ 7,491,209</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	2011	2012	2013	Fiscal Year 2014
<b>Expenses</b>				
Governmental activities				
Administration	\$ 2,535,757	\$ 2,509,959	\$ 2,539,802	\$ 2,638,630
District support services	1,172,491	1,184,152	1,304,980	1,282,023
Regular instruction	32,697,354	31,464,850	31,871,947	34,807,847
Vocational education instruction	649,824	586,156	585,877	575,454
Special education instruction	11,080,549	10,574,389	12,446,264	12,770,461
Instructional support services	4,570,384	5,280,430	5,830,014	5,728,525
Pupil support services	5,113,766	5,112,669	5,547,011	5,451,326
Sites and buildings	6,555,220	6,311,463	8,026,129	10,862,310
Fiscal and other fixed cost programs	209,054	221,525	214,070	245,674
Food service	3,293,510	3,400,739	3,535,957	3,657,662
Community service	4,381,322	4,554,373	5,095,133	5,184,565
Interest on long-term debt	5,749,186	6,848,757	4,857,587	6,321,276
Total governmental activities expenses	<u>78,008,417</u>	<u>78,049,462</u>	<u>81,854,771</u>	<u>89,525,753</u>
<b>Program revenue</b>				
Governmental activities				
Charges for services				
Administration	-	-	-	-
District support services	-	-	-	-
Regular instruction	429,962	528,688	568,799	603,493
Special education instruction	145,288	99,037	78,217	248,858
Instructional support services	-	-	-	-
Pupil support services	122,394	140,465	140,234	150,535
Food service	2,618,853	2,675,214	2,805,051	2,950,980
Community service	3,455,655	3,672,304	3,966,311	3,966,311
Operating grants and contributions	7,954,222	9,878,333	10,292,579	10,075,787
Capital grants and contributions	1,725,626	2,690,482	1,615,621	1,658,730
Total governmental activities program revenue	<u>16,452,000</u>	<u>19,684,523</u>	<u>19,466,812</u>	<u>19,654,694</u>
<b>Net expense</b>				
Governmental activities	<u>\$ (61,556,417)</u>	<u>\$ (58,364,939)</u>	<u>\$ (62,387,959)</u>	<u>\$ (69,871,059)</u>
<b>General revenues and other changes in net position</b>				
Governmental activities				
Property taxes				
General purposes and capital projects	\$ 16,806,696	\$ 12,152,473	\$ 12,500,473	\$ 7,482,156
Community service	850,798	603,009	593,366	299,563
Debt service	13,622,535	12,778,099	12,276,100	12,323,594
Unrestricted grants and contributions	37,512,639	40,778,188	42,786,447	52,023,850
Unrestricted investment earnings	67,234	155,832	148,994	162,345
Miscellaneous	281,251	247,966	311,291	442,479
Total governmental activities	<u>\$ 69,141,153</u>	<u>\$ 66,715,567</u>	<u>\$ 68,616,671</u>	<u>\$ 72,733,987</u>
Change in net position	\$ 7,584,736	\$ 8,350,628	\$ 6,228,712	\$ 2,862,928
Net position – beginning	24,676,884	32,261,620	40,612,248	46,840,960
Prior period adjustments and changes in accounting principles	-	-	-	-
Net position – ending	<u>\$ 32,261,620</u>	<u>\$ 40,612,248</u>	<u>\$ 46,840,960</u>	<u>\$ 49,703,888</u>

Source: District's financial records

2015	2016	2017	2018	2019	2020
\$ 3,006,654	\$ 2,839,813	\$ 4,311,917	\$ 4,124,303	\$ 2,467,707	\$ 3,696,503
3,412,459	3,995,135	4,266,241	2,861,518	4,189,197	5,448,731
34,882,433	41,864,419	58,192,802	63,998,715	30,068,051	58,379,058
661,684	672,640	837,285	914,689	300,336	688,082
13,731,316	14,675,486	20,315,955	21,525,818	13,056,469	20,399,609
4,627,197	5,325,192	7,723,650	8,558,982	6,412,566	7,820,401
5,872,964	5,896,501	7,603,631	7,535,599	7,425,170	8,384,165
8,720,729	7,217,363	8,747,855	8,816,867	17,405,613	8,214,454
284,226	297,788	293,404	324,005	424,168	413,227
3,833,698	4,196,927	5,368,605	4,404,917	4,746,714	4,905,796
4,741,489	5,700,378	8,813,045	7,934,182	7,329,067	6,803,851
5,524,589	4,468,070	3,420,106	4,166,426	5,010,936	5,491,141
89,299,438	97,149,712	129,894,496	135,166,021	98,835,994	130,645,018
-	-	-	48,538	-	-
-	-	-	-	22	-
550,982	726,420	859,126	678,388	690,118	1,053,118
259,795	140,639	211,516	38	32,646	237,085
-	-	-	2,283	425	22,554
166,854	68,575	94,831	213,135	217,322	123,692
2,922,681	3,396,984	3,595,150	3,693,674	3,898,534	3,062,720
3,787,721	4,677,721	5,339,443	5,404,385	6,215,818	5,099,478
11,056,879	12,305,641	12,011,791	20,175,446	17,465,736	16,930,262
1,658,729	1,658,730	1,974,786	1,465,076	1,583,246	1,530,246
20,403,641	22,974,710	24,086,643	31,680,963	30,103,867	28,059,155
<u>\$ (68,895,797)</u>	<u>\$ (74,175,002)</u>	<u>\$ (105,807,853)</u>	<u>\$ (103,485,058)</u>	<u>\$ (68,732,127)</u>	<u>\$ (102,585,863)</u>
\$ 13,056,857	\$ 13,444,590	\$ 14,135,608	\$ 14,052,349	\$ 17,281,412	\$ 17,587,378
626,969	588,822	619,267	637,697	594,122	488,826
11,598,007	11,842,023	12,196,755	12,775,030	14,948,001	15,357,295
51,286,812	54,951,265	62,472,514	57,357,929	60,599,026	67,959,769
203,237	209,657	451,476	1,391,911	2,932,736	2,540,767
753,069	586,410	606,522	51,900	90,132	1,023,707
<u>\$ 77,524,951</u>	<u>\$ 81,622,767</u>	<u>\$ 90,482,142</u>	<u>\$ 86,266,816</u>	<u>\$ 96,445,429</u>	<u>\$ 104,957,742</u>
\$ 8,628,154	\$ 7,348,765	\$ (15,325,711)	\$ (17,218,242)	\$ 27,713,302	\$ 2,371,879
49,703,888	12,889,325	20,238,090	3,726,113	(20,231,800)	7,481,502
(45,442,717)	-	(1,186,266)	(6,739,671)	-	(2,362,172)
<u>\$ 12,889,325</u>	<u>\$ 20,238,090</u>	<u>\$ 3,726,113</u>	<u>\$ (20,231,800)</u>	<u>\$ 7,481,502</u>	<u>\$ 7,491,209</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 234,241	\$ 343,268	\$ 454,439	\$ 427,131
Restricted	1,952,422	2,638,367	2,864,380	2,755,472
Assigned	4,199,715	4,481,225	4,858,093	4,281,994
Unassigned	993,868	3,906,828	4,639,768	5,476,712
Total General Fund	<u>7,380,246</u>	<u>11,369,688</u>	<u>12,816,680</u>	<u>12,941,309</u>
All other governmental funds				
Nonspendable	53,908	53,680	36,948	49,599
Restricted	4,576,738	24,817,547	20,392,279	58,410,622
Unassigned	-	-	-	-
Total all other governmental funds	<u>4,630,646</u>	<u>24,871,227</u>	<u>20,429,227</u>	<u>58,460,221</u>
 Total all funds	 <u>\$ 12,010,892</u>	 <u>\$ 36,240,915</u>	 <u>\$ 33,245,907</u>	 <u>\$ 71,401,530</u>

2015	2016	2017	2018	2019	2020
\$ 339,077	\$ 260,373	\$ 276,573	\$ 313,933	\$ 106,188	\$ 159,225
2,041,953	1,504,264	2,998,143	3,181,737	4,691,131	4,189,108
3,788,540	3,377,026	3,591,010	3,521,068	3,684,813	5,196,415
5,101,753	7,461,996	8,623,266	9,320,421	10,791,174	9,637,756
<u>11,271,323</u>	<u>12,603,659</u>	<u>15,488,992</u>	<u>16,337,159</u>	<u>19,273,306</u>	<u>19,182,504</u>
75,068	68,850	97,955	134,402	58,429	36,074
3,506,751	28,530,221	14,814,593	116,937,413	86,816,317	19,502,298
—	—	—	—	—	(60,522)
<u>3,581,819</u>	<u>28,599,071</u>	<u>14,912,548</u>	<u>117,071,815</u>	<u>86,874,746</u>	<u>19,477,850</u>
<u>\$ 14,853,142</u>	<u>\$ 41,202,730</u>	<u>\$ 30,401,540</u>	<u>\$ 133,408,974</u>	<u>\$ 106,148,052</u>	<u>\$ 38,660,354</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

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

	Fiscal Year			
	2011	2012	2013	2014
<b>Revenues</b>				
Local sources				
Taxes	\$ 31,377,154	\$ 25,783,156	\$ 25,437,661	\$ 20,074,801
Investment earnings	30,957	101,038	55,585	53,275
Other	7,053,403	7,363,674	7,869,903	8,362,656
State sources	43,891,829	50,842,163	52,460,460	61,607,587
Federal sources	3,300,658	2,504,840	2,234,187	2,150,780
Total revenues	<u>85,654,001</u>	<u>86,594,871</u>	<u>88,057,796</u>	<u>92,249,099</u>
<b>Expenditures</b>				
Current				
Administration	2,547,644	2,535,087	2,565,950	2,833,719
District support services	1,097,056	1,121,383	1,254,200	1,295,669
Elementary and secondary regular instruction	29,325,758	28,259,011	28,627,105	32,789,161
Vocational education instruction	640,500	586,156	585,877	575,454
Special education instruction	11,249,103	11,447,631	12,525,730	13,287,188
Instructional support services	4,468,731	4,836,950	5,130,144	5,297,931
Pupil support services	5,115,598	5,126,464	5,566,546	5,539,546
Sites and buildings	4,860,360	4,729,465	6,646,224	5,403,969
Fiscal and other fixed cost programs	209,054	221,525	214,070	245,674
Food service	3,152,511	3,263,962	3,401,848	3,507,316
Community service	4,339,786	4,512,173	5,019,746	5,187,145
Capital outlay	2,470,899	3,133,573	5,769,484	22,474,291
Debt service				
Principal	7,930,000	6,970,000	6,990,000	8,224,303
Interest and fiscal charges	6,023,540	6,977,268	5,767,520	5,600,179
Total expenditures	<u>83,430,540</u>	<u>83,720,648</u>	<u>90,064,444</u>	<u>112,261,545</u>
Excess (deficiency) of revenues over expenditures	2,223,461	2,874,223	(2,006,648)	(20,012,446)
<b>Other financing sources (uses)</b>				
Sale of equipment	-	-	-	-
Capital leases proceeds	-	-	547,305	11,170,000
Issuance of bonds and certifications of participation	-	12,225,000	17,880,000	42,400,000
Bond premium	-	540,394	334,335	4,598,069
Payment to refunded bond escrow account	-	(15,885,000)	(19,750,000)	-
Transfers in	-	-	400,877	75,047
Transfers out	-	-	(400,877)	(75,047)
Total other financing sources (uses)	<u>-</u>	<u>(3,119,606)</u>	<u>(988,360)</u>	<u>58,168,069</u>
Net change in fund balances	2,223,461	(245,383)	(2,995,008)	38,155,623
Fund balance – beginning	9,787,431	12,010,892	36,240,915	33,245,907
Prior period adjustments and changes in accounting principles	<u>-</u>	<u>24,475,406</u>	<u>-</u>	<u>-</u>
Fund balance – ending	<u>\$ 12,010,892</u>	<u>\$ 36,240,915</u>	<u>\$ 33,245,907</u>	<u>\$ 71,401,530</u>
Debt service as a percentage of noncapital expenditures	<u>8.70%</u>	<u>8.60%</u>	<u>14.70%</u>	<u>10.60%</u>

Source: District's financial records

2015	2016	2017	2018	2019	2020
\$ 25,303,195	\$ 25,944,756	\$ 27,021,325	\$ 27,463,995	\$ 32,755,073	\$ 33,407,289
84,550	74,084	313,752	1,220,389	2,696,733	2,314,809
8,441,102	9,596,749	10,706,588	11,160,194	11,809,011	10,647,716
61,886,855	66,545,145	71,771,894	75,261,765	79,829,862	82,797,941
2,015,409	2,370,491	2,249,215	2,686,753	2,610,518	3,571,612
<u>97,731,111</u>	<u>104,531,225</u>	<u>112,062,774</u>	<u>117,793,096</u>	<u>129,701,197</u>	<u>132,739,367</u>
3,055,111	2,947,937	3,290,901	3,106,186	3,342,384	3,388,129
2,858,468	3,386,416	3,002,180	3,395,533	3,352,532	5,749,775
36,427,518	38,404,368	41,850,206	45,011,355	46,037,634	48,890,812
665,893	666,499	629,187	684,120	522,227	634,312
13,912,768	14,638,752	15,424,027	16,672,827	17,589,772	18,758,254
4,528,930	4,822,893	4,985,570	5,981,560	6,853,603	6,899,808
5,872,939	5,869,699	6,794,084	6,911,160	7,949,447	8,164,678
5,307,435	5,339,001	5,771,362	10,591,372	15,407,866	10,712,642
284,226	297,788	293,404	324,005	424,168	413,227
3,750,933	4,042,564	4,406,833	4,369,240	4,796,737	4,896,923
4,743,472	5,605,924	6,799,019	7,295,691	7,857,141	6,523,447
16,073,550	3,822,075	4,216,840	6,536,137	26,495,910	69,499,392
8,993,067	7,600,341	8,756,057	8,912,571	9,969,916	10,908,381
7,304,333	5,111,732	5,129,241	4,658,488	6,401,914	6,148,904
<u>113,778,643</u>	<u>102,555,989</u>	<u>111,348,911</u>	<u>124,450,245</u>	<u>157,001,251</u>	<u>201,588,684</u>
(16,047,532)	1,975,236	713,863	(6,657,149)	(27,300,054)	(68,849,317)
19,144	-	-	-	39,132	-
-	-	-	-	-	7,400,875
-	21,400,000	11,480,000	107,639,049	-	10,640,000
-	3,004,352	1,244,947	2,025,534	-	920,184
(40,520,000)	-	(24,270,000)	-	-	(18,118,447)
-	-	-	10,000	-	-
-	-	-	(10,000)	-	-
<u>(40,500,856)</u>	<u>24,404,352</u>	<u>(11,545,053)</u>	<u>109,664,583</u>	<u>39,132</u>	<u>842,612</u>
(56,548,388)	26,379,588	(10,831,190)	103,007,434	(27,260,922)	(68,006,705)
71,401,530	14,853,142	41,232,730	30,401,540	133,408,974	106,148,052
-	-	-	-	-	519,007
<u>\$ 14,853,142</u>	<u>\$ 41,232,730</u>	<u>\$ 30,401,540</u>	<u>\$133,408,974</u>	<u>\$106,148,052</u>	<u>\$ 38,660,354</u>
<u>10.00%</u>	<u>12.40%</u>	<u>10.10%</u>	<u>8.20%</u>	<u>12.91%</u>	<u>13.36%</u>

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INDEPENDENT SCHOOL DISTRICT NO. 719

Net Tax Capacity and Valuation of All Taxable Property  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

For Taxes Collectible	Agricultural	Nonagricultural	Fiscal Disparities		Tax Increment Valuation	Taxable Valuation
			Contribution	Distribution		
2011	\$ 511,974	\$ 46,542,493	\$ (2,083,840)	\$ 4,881,998	\$ (472,418)	\$ 49,380,207
2012	500,611	44,185,480	(2,009,264)	4,251,057	(449,119)	46,478,765
2013	495,974	41,599,508	(1,949,749)	4,001,667	(434,191)	43,713,209
2014	540,763	42,942,854	(1,910,156)	3,895,580	(431,266)	45,037,775
2015	572,038	46,428,144	(1,884,660)	4,046,085	(441,042)	48,720,565
2016	661,307	49,765,855	(2,069,686)	4,288,582	(470,937)	52,175,121
2017	601,261	51,010,882	(2,098,655)	4,674,702	(496,771)	53,691,419
2018	601,264	50,293,799	(2,171,401)	4,974,333	(691,765)	53,006,230
2019	610,917	54,396,763	(2,080,066)	5,247,709	(920,684)	57,254,639
2020	643,530	65,513,818	(2,321,171)	5,706,676	(1,113,480)	68,429,373

Source: School Tax Report from County Auditor's Office

INDEPENDENT SCHOOL DISTRICT NO. 719

Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years

Tax Year	ISD No. 719 Direct Rate (1)				Overlapping Rates		
	General Fund	Community Service Fund	Debt Service Fund	Total	Scott County	City of Prior Lake	City of Savage
2011	5.830	1.280	26.930	34.040	35.541	30.710	48.278
2012	6.650	1.290	26.448	34.388	38.802	29.740	51.123
2013	5.820	1.340	28.360	35.520	40.674	31.887	55.508
2014	8.990	1.330	24.252	34.572	39.720	30.736	55.278
2015	7.300	1.200	24.138	32.638	36.638	31.988	51.743
2016	7.580	1.190	23.458	32.228	36.175	31.953	49.905
2017	7.580	1.190	23.460	32.230	35.896	32.685	47.840
2018	7.580	1.190	23.460	32.230	35.114	33.040	47.117
2019	7.580	1.190	23.460	32.230	33.841	33.020	44.474
2020	5.625	0.835	22.784	29.244	32.718	32.496	42.357

(1) Tax capacity rate method

Source: Overlapping rate data provided by the District's financial advisor, Ehlers & Associates, and Scott County. School direct rate is taken from the District's annual financial reports.

<u>Credit River Township</u>	<u>Sand Creek Township</u>	<u>Spring Lake Township</u>	<u>Prior Lake- Spring Lake Watershed District</u>	<u>Scott County CDA</u>	<u>Prior Lake EDA</u>	<u>Metropolitan Council</u>	<u>Total Direct and Overlapping Tax Rate</u>
-	-	-	2.069	1.701	-	0.828	153.167
-	-	-	2.084	1.729	-	0.959	158.825
-	-	-	2.101	1.724	0.625	1.017	169.056
-	-	-	2.058	1.685	0.551	1.034	165.634
-	-	-	2.435	1.571	0.551	0.959	158.523
-	-	-	3.157	1.642	-	0.921	155.981
14.017	17.761	15.251	3.401	1.639	-	0.850	201.570
14.864	17.837	15.081	4.356	1.617	-	0.853	202.109
13.809	16.583	13.162	4.006	1.589	-	0.679	193.393
14.365	17.737	13.260	3.741	1.594	-	0.609	188.121

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INDEPENDENT SCHOOL DISTRICT NO. 719

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2020			2011		
	Property Valuation			Property Valuation		
	Tax Capacity	Rank	Percentage of Tax Capacity Value	Tax Capacity	Rank	Percentage of Tax Capacity Value
Continental 298 Fund LLC	\$ 612,500	1	0.90 %	\$ -	-	- %
CenterPoint Energy Resource	412,789	2	0.60	178,951	5	0.36
Bre Retail Residual Owner 4 LLC	365,785	3	0.53	-	-	-
Shepherd's Path Senior Housing	362,799	4	0.53	262,500	3	0.53
Target Corporation	259,250	5	0.38	299,250	1	0.61
Keystone Com of PL LLC	237,500	6	0.35	150,000	8	0.30
Savage Fire Station LLC	206,500	7	0.30	-	-	-
Bealmake Partners LLC & Attn Bernard D Paul	203,540	8	0.30	152,950	7	0.31
Prior Lake Leased Housing Associates I LLP	201,000	9	0.29	-	-	-
Savage Medical Building LLC	159,178	10	0.23	-	-	-
Centro Bradley SPE 7 LLC	-	-	-	289,785	2	0.59
MN Savage 16	-	-	-	220,500	4	0.45
Minnesota Valley Electric Coop.	-	-	-	165,286	6	0.33
Lifetime Fitness	-	-	-	119,250	9	0.24
Restan LLC	-	-	-	106,854	10	0.22
Total	<u>\$ 1,629,767</u>		<u>2.38 %</u>	<u>\$ 1,945,326</u>		<u>3.94 %</u>

Source: Data provided by the District's financial advisor, Ehlers & Associates, and Scott County

INDEPENDENT SCHOOL DISTRICT NO. 719

Property Tax Levies and Collections  
Last Ten Fiscal Years

Tax Year	Taxes Levied for the Fiscal Year			Total Tax Levy (1)	Property Credits/ Aids and Adjustments	Adjusted Tax Levy
	General Fund	Community Service Fund	Debt Service Fund			
2011	\$ 11,891,723	\$ 631,543	\$ 13,246,035	\$ 25,769,301	\$ (486,720)	\$ 25,282,581
2012	12,359,327	600,035	12,281,712	25,241,074	(8,582)	25,232,492
2013	12,260,114	585,882	12,358,010	25,204,006	(8,067)	25,195,939
2014	13,088,481	597,882	11,605,207	25,291,570	(7,772)	25,283,798
2015	13,239,027	590,036	11,866,157	25,695,220	(12,003)	25,683,217
2016	14,030,608	621,944	12,249,878	26,902,430	(12,036)	26,890,394
2017	14,138,686	643,470	12,890,347	27,672,503	(11,493)	27,661,010
2018	17,176,096	596,039	15,038,943	32,811,078	(59,090)	32,751,988
2019	17,590,862	483,922	15,308,928	33,383,712	(55,717)	33,327,995
2020	17,544,258	573,930	15,611,221	33,729,409	(65,871)	33,663,538

(1) State credits are included in the operative levy.

Source: Data provided by the District's financial advisor, Ehlers & Associates, the District's annual financial reports, and Scott County

Collected Within the Fiscal Year of Levy		Collections/ Adjustment in Subsequent Years	Total Tax Collections to Date		Outstanding Current and Delinquent Taxes	Percentage of Adjusted Tax Levy
Current Tax Collection	Percentage of Levy		Total Tax Collection	Percentage of Adjusted Tax Levy		
\$ 12,584,005	49.8 %	\$ 12,698,576	\$ 25,282,581	98.1 %	\$ -	- %
12,722,420	50.4	12,510,072	25,232,492	100.0	-	-
12,673,465	50.3	12,522,474	25,195,939	100.0	-	-
12,473,681	49.3	12,801,203	25,274,884	99.9	8,914	-
12,641,912	49.2	13,039,102	25,681,014	99.9	2,203	-
13,137,431	48.9	13,746,524	26,883,955	99.9	6,439	-
13,522,951	48.9	14,119,950	27,642,901	99.9	18,109	0.1
14,929,190	45.6	17,779,836	32,709,026	99.7	42,962	0.1
16,157,776	48.5	17,092,318	33,250,094	99.6	77,901	0.2
17,165,905	51.0	-	17,165,905	50.9	16,497,636	49.0

INDEPENDENT SCHOOL DISTRICT NO. 719

Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases			
2011	\$ 151,878,463	\$ -	\$ 151,878,463	308.0 %	\$ 3,055
2012	141,376,492	-	141,376,492	304.0	2,809
2013	132,519,355	533,022	133,052,377	304.0	2,606
2014	170,643,325	11,673,719	182,317,044	405.0	3,395
2015	119,662,618	11,285,652	130,948,270	269.0	2,387
2016	136,247,465	10,720,311	146,967,776	282.0	2,657
2017	115,281,866	10,134,254	125,416,120	234.0	2,247
2018	215,470,437	9,526,683	224,997,120	424.0	3,941
2019	204,959,426	8,896,767	213,856,193	374.0	3,669
2020	195,739,345	8,795,814	204,535,159	298.9	3,429

(1) As personal income information for residents living within the District is not available, estimated actual value of taxable property was used as the denominator in this ratio.

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

Source: Data is taken from the District's annual financial reports

INDEPENDENT SCHOOL DISTRICT NO. 719

Computation of Direct and Overlapping Bonded Debt  
June 30, 2020

	General Obligation Debt <u>Outstanding</u>	Estimated Percent Applicable	Estimated Share of Overlapping Debt <u>Debt</u>
Overlapping			
Scott County	\$ 113,540,000	32.0 %	\$ 36,332,800
Cities			
Prior Lake	39,460,000	97.0	38,276,200
Savage	47,945,000	47.0	22,534,150
Townships			
Cedar Lake			
Credit River	2,790,000	35.0	976,500
Sand Creek	280,000	1.0	2,800
Spring Lake	1,394,000	62.0	864,280
Special taxing districts			
Metropolitan Council	1,555,384,035	32.0	497,722,891
Scott County CDA	51,420,000	32.0	16,454,400
Prior Lake-Spring Lake Watershed	350,000	89.0	311,500
Total overlapping debt			<u>613,475,521</u>
Direct			
Independent School District No. 719, Prior Lake-Savage	198,660,000	100.0	<u>198,660,000</u>
Total direct and overlapping bonded debt			<u><u>\$ 812,135,521</u></u>

Source: Data provided by overlapping entities as of December 31, 2019. No current data is available.

INDEPENDENT SCHOOL DISTRICT NO. 719

Legal Debt Margin Information  
Last Ten Fiscal Years

	<u>Fiscal Year</u>			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 657,162,840	\$ 624,215,400	\$ 587,192,010	\$ 607,831,200
Total net debt applicable to the limit	<u>151,878,463</u>	<u>141,376,492</u>	<u>133,052,377</u>	<u>182,317,044</u>
Legal debt margin	<u>\$ 505,284,377</u>	<u>\$ 482,838,908</u>	<u>\$ 454,139,633</u>	<u>\$ 425,514,156</u>
Total net debt applicable to the limit as a percentage of debt limit	23.11%	22.65%	22.66%	29.99%

Source: Data provided by the District's financial advisor, Ehlers & Associates, and Scott County

2015	2016	2017	2018	2019	2020
\$ 658,042,695	\$ 706,827,915	\$ 729,767,535	\$ 795,426,720	\$ 859,100,355	\$ 922,913,955
130,948,270	146,967,776	125,416,120	224,997,120	209,545,000	198,660,000
<u>\$ 527,094,425</u>	<u>\$ 559,860,139</u>	<u>\$ 604,351,415</u>	<u>\$ 570,429,600</u>	<u>\$ 649,555,355</u>	<u>\$ 724,253,955</u>
19.90%	20.79%	17.19%	28.29%	24.39%	21.53%

Legal Debt Margin Calculation for Fiscal Year 2020

Market value	\$ 6,152,759,700
Debt limit (15% of market value)	922,913,955
Debt applicable to the limit	
General obligation bonds	<u>198,660,000</u>
Legal debt margin	<u>\$ 724,253,955</u>

INDEPENDENT SCHOOL DISTRICT NO. 719

Ratio of Net Bonded Debt to Assessed Value and Legal Debt Margin  
Last Ten Fiscal Years

Fiscal Year	Outstanding Bonded Debt	Balance on Hand	Net Bonded Debt	Estimated Actual Value of Taxable Property	Percent of Net Debt to Estimated Taxable Property	Estimated Population	Net Debt per Capita
2011	\$ 151,878,463	\$ 2,069,139	\$ 149,809,324	\$ 4,305,849,300	3.5 %	49,707	\$ 3,014
2012	141,376,492	36,240,915	105,135,577	4,245,859,800	2.5	50,335	2,089
2013	132,519,355	33,245,907	99,273,448	4,016,674,700	2.5	51,055	1,944
2014	170,643,325	77,191,233	93,452,092	4,143,601,000	2.3	53,700	1,740
2015	119,662,618	1,438,402	118,224,216	4,456,780,100	2.7	54,850	2,155
2016	136,247,465	26,050,216	110,197,249	4,764,590,700	2.3	55,306	1,993
2017	115,281,866	1,329,278	113,952,588	4,920,507,700	2.3	55,805	2,042
2018	215,470,437	2,007,932	213,462,505	5,345,012,000	4.0	57,096	3,739
2019	206,052,236	2,257,168	203,795,068	5,745,036,100	3.5	58,292	3,496
2020	195,739,345	2,484,674	193,254,671	6,152,759,700	3.1	59,655	3,240

Source: Independent Auditor's Report and State Demographer

INDEPENDENT SCHOOL DISTRICT NO. 719

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Prior Lake Population	Savage Population	Personal Income (1)	Per Capita Personal Income (1)	Enrollment (1)	Unemployment Rate (1)
2011	22,796	26,911	\$ -	\$ -	7,021	- %
2012	23,010	27,325	-	-	7,112	-
2013	23,261	27,794	-	-	7,211	-
2014	24,700	29,000	-	-	7,402	-
2015	25,440	29,410	-	-	7,590	-
2016	25,282	30,024	-	-	7,971	-
2017	25,520	30,285	-	-	8,386	-
2018	25,735	31,361	-	-	8,606	-
2019	26,135	32,157	-	-	8,820	-
2020	27,005	32,650	-	-	8,877	-

(1) Personal income and unemployment information for residents living within the District is not available.

Source: Metropolitan Council (data center department and website), cities of Prior Lake and Savage, the District's annual financial reports, and the Minnesota Department of Education

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INDEPENDENT SCHOOL DISTRICT NO. 719

Principal Employers  
Current Year and Nine Years Ago

Employer	2020		2011	
	Employees	Rank	Employees	Rank
Shakopee Mdewakanton Sioux Community	4,500	1	3,500	1
ISD No. 719, Prior Lake-Savage	1,195	2	969	2
River Valley YMCA	300	3	–	–
Fabcon, Inc.	275	4	275	5
Life Time Fitness Center	250	5	250	6
Master Electric Co	200	6	–	–
Super Target	150	7	400	3
Axel's Bonfire	150	7	–	–
Silgan Containers LLC	145	9	–	–
Cub Foods	100	10	100	9
Continental Machines	–	–	356	4
Dakotah! Sport and Fitness Center	–	–	150	7
The Wild's	–	–	150	7
City of Prior Lake	–	–	85	10
	<u>7,265</u>		<u>6,235</u>	

Note: Total employment for the area served by Prior Lake-Savage, ISD No. 719, is not available and, therefore, a percentage of total employment for each of the employers listed above is not included.

Sources: Minnesota Department of Employment and Economic Development and the District's financial advisor, Ehler's & Associates

INDEPENDENT SCHOOL DISTRICT NO. 719

Full-Time Equivalent District Employees by Type  
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Administrative staff				
Superintendent	1.0	1.0	1.0	1.0
Principals	10.0	10.0	10.0	10.0
Directors	–	–	–	–
Administrative assistants	6.0	6.0	6.0	6.0
Supervisory coordinator	1.0	1.0	1.0	1.0
Total administrative staff	18.0	18.0	18.0	18.0
Support service staff				
Other noninstructional staff	7.9	8.4	11.5	23.4
Counselors	7.8	7.8	8.8	9.0
Media/librarian	6.3	6.3	6.4	6.3
Nurse	4.0	4.0	5.0	5.0
Social worker	10.5	10.5	10.1	10.5
Psychologists	4.0	4.0	4.0	5.0
Total support service staff	40.5	41.0	45.8	59.2
Special education teachers				
Speech language	13.6	13.6	12.6	13.0
Other special education teacher	45.5	44.1	46.7	48.0
Total special education teachers	59.1	57.7	59.3	61.0
Classroom teachers				
K–12 teacher	289.1	269.4	277.5	291.1
Vocational education teacher	0.4	–	–	–
Pre-K, ECFE, and other teacher	18.5	20.0	20.0	23.0
Total classroom teachers	308.0	289.4	297.5	314.1
Total licensed position	425.6	406.1	420.6	452.3

Source: MDE STARS data

2015	2016	2017	2018	2019	2020
1.0	1.0	1.0	1.0	1.0	1.0
9.0	9.0	9.0	9.0	9.0	10.0
–	–	–	–	–	5.0
6.0	6.0	6.0	6.0	6.0	14.5
3.0	3.0	3.0	8.6	10.0	11.4
19.0	19.0	19.0	24.6	26.0	41.9
23.0	26.7	36.5	48.0	51.6	25.9
10.0	10.0	10.5	10.0	10.5	10.0
7.0	6.9	7.2	7.6	7.2	7.6
5.0	5.0	5.0	5.0	4.5	5.0
10.4	10.3	11.0	11.0	11.0	10.5
5.0	4.1	6.0	6.0	6.1	6.1
60.4	63.0	76.2	87.6	90.9	65.1
14.1	13.6	13.4	13.5	12.4	13.3
51.5	52.0	58.9	77.8	89.9	60.4
65.6	65.6	72.3	91.3	102.3	73.7
304.4	310.7	326.4	351.8	364.4	396.5
0.2	–	0.2	–	–	5.2
24.0	25.0	26.0	29.9	11.8	20.3
328.6	335.7	352.6	381.7	376.2	422.0
473.6	483.3	520.1	585.2	595.4	602.7

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INDEPENDENT SCHOOL DISTRICT NO. 719

Operating Statistics  
Last Ten Fiscal Years

Year Ended June 30,	Enrollment	Total Governmental Funds Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil- Teacher Ratio
2011	7,021	\$ 83,430,540	\$ 11,883	(1.9) %	367.1	19.1
2012	7,112	83,720,648	11,772	(0.9)	347.1	20.5
2013	7,211	90,064,444	12,490	6.1	356.8	20.2
2014	7,402	112,261,545	15,166	21.4	375.1	19.7
2015	7,590	113,778,643	14,991	(1.2)	394.2	19.3
2016	7,971	102,555,989	12,866	(14.2)	401.3	19.9
2017	8,386	111,348,911	13,278	3.2	424.9	19.7
2018	8,606	91,461,824	10,628	(20.0)	473.0	18.2
2019	8,820	157,001,252	17,801	67.5	478.5	18.4
2020	8,877	201,588,684	22,709	27.6	495.7	17.9

Source: District records and teaching staff numbers from the MDE STARS data

INDEPENDENT SCHOOL DISTRICT NO. 719

Building Information  
as of June 30, 2020

School	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Elementary</b>					
<b>Westwood</b>					
Square feet	82,426	82,426	82,426	82,426	82,426
Capacity	630	630	630	630	630
Enrollment (1)	450.34	455.53	494.80	530.95	566.55
<b>Five Hawks</b>					
Square feet	67,940	67,940	67,940	67,940	67,940
Capacity	635	635	635	635	635
Enrollment (1)	444.56	468.76	481.95	525.31	572.36
<b>Grainwood</b>					
Square feet	72,835	72,835	72,835	72,835	72,835
Capacity	585	585	585	585	585
Enrollment (1)	383.28	361.25	345.06	337.61	334.42
<b>Glendale</b>					
Square feet	90,624	90,624	90,624	90,624	90,624
Capacity	680	680	680	680	680
Enrollment (1)	585.09	5.99	5.66	567.92	579.34
<b>Jeffers Pond</b>					
Square feet	90,011	90,011	90,011	90,011	90,011
Capacity	635	635	635	635	635
Enrollment (1)	539.45	501.70	502.85	492.73	512.68
<b>Redtail Ridge</b>					
Square feet	90,011	90,011	90,011	90,011	90,011
Capacity	660	660	660	660	660
Enrollment (1)	524.82	533.19	564.54	609.08	651.31
<b>Middle</b>					
<b>Hidden Oaks</b>					
Square feet	184,310	184,310	184,310	184,310	184,310
Capacity	784	1,008	1,008	1,008	1,008
Enrollment (1)	908.87	908.87	908.87	908.19	916.13
<b>Twin Oaks (was Oakridge 1969)</b>					
Square feet	214,939	214,939	214,939	214,939	214,939
Capacity	1,008	784	1,008	784	784
Enrollment (1)	737.42	737.42	737.42	831.97	857.86
<b>High School</b>					
<b>Prior Lake</b>					
Square feet	354,635	354,635	354,635	354,635	387,635
Capacity	2,000	2,000	2,000	2,000	2,250
Enrollment (1)	2,135.84	2,135.84	2,135.84	2,269.74	2,344.81
<b>Edgewood Kindergarten/ECFE Center (2006)</b>					
Square feet	50,575	50,575	50,575	50,575	50,575
Capacity	360	360	360	360	360
Enrollment (1)	193.31	195.79	195.79	207.45	111.98
<b>Administration District Service Center (1994) (was Ponds Edge Kindergarten 1994)</b>					
Square feet	20,606	20,606	20,606	20,606	20,606
<b>Total</b>					
Square feet	1,318,912	1,318,912	1,318,912	1,318,912	1,351,912
Capacity	7,977	7,977	8,201	7,977	8,227
Enrollment (1)	6,902.98	6,304.34	6,372.78	7,280.95	7,447.44
<b>Athletics</b>					
Football fields	7	7	7	7	7
Soccer fields	10	10	10	10	10
Running tracks	2	2	2	2	2
Softball	16	16	16	16	16
Swimming pools	2	2	2	2	2
Playgrounds	10	10	10	10	10

Note: Enrollment reflects ADM served by site. Resident students served under tuition agreements are excluded from this enrollment data.

Source: Square footage obtained from the MDE website. The capacity was obtained from Wold Architects. Enrollment was obtained from a combination of the District's records and school ADM reports available on the MDE website. The athletic statistics are derived from the District's records.

2016	2017	2018	2019	2020
82,426	82,426	82,426	82,426	78,373
630	598	598	598	690
571.91	631.67	566.02	517.61	498.52
67,940	67,940	67,940	67,940	67,385
635	621	621	621	621
554.40	592.71	584.34	568.07	559.99
72,835	72,835	72,835	72,835	74,486
585	414	414	414	437
337.87	372.82	415.56	462.82	446.75
90,624	90,624	90,624	90,624	90,624
680	644	644	644	644
592.21	582.28	586.56	669.61	652.41
90,011	90,011	90,011	90,011	95,530
635	575	575	575	690
541.68	574.50	598.66	580.23	579.69
90,011	90,011	90,011	90,011	93,654
660	598	598	598	690
679.63	722.03	753.30	689.91	706.14
184,310	184,310	184,310	184,310	208,641
1,008	1,119	1,119	1,119	1,333
963.85	1,017.76	989.43	1,068.50	1,096.80
214,939	214,939	214,939	214,939	221,066
784	928	928	928	1,142
879.57	955.88	981.12	1,009.47	1,043.43
387,635	387,635	33,000	387,635	520,175
2,250	2,530	2,530	2,530	2,530
2,514.20	2,523.63	2,639.81	2,682.41	2,676.64
50,575	50,575	50,575	50,575	59,414
360	230	230	230	230.0
182.40	271.60	347.57	418.45	460.23
20,606	20,606	20,606	20,606	20,606
1,351,912	1,351,912	997,277	1,351,912	1,529,954
8,227	8,257	8,257	8,257	9,007
7,817.72	8,244.88	8,462.37	8,667.08	8,720.60
7	6	6	6	6
10	11	11	11	13
2	3	3	3	3
16	14	14	14	14
2	2	2	2	2
10	10	10	10	10

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