

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022



SHAKOPEE PUBLIC SCHOOLS
INDEPENDENT SCHOOL
DISTRICT 720

SHAKOPEE.K12.MN.US

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SHAKOPEE, MN 55379
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ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE

SHAKOPEE PUBLIC SCHOOLS

INDEPENDENT SCHOOL DISTRICT NO. 720

SHAKOPEE, MINNESOTA

For the Year Ended

June 30, 2022

Prepared by

THE FINANCE DEPARTMENT

Bill Menozzi

Director of Finance and Operations

SHAKOPEE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 720
1200 Town Square
Shakopee, Minnesota 55379

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Independent School District No. 720
Board of Education and Administration
June 30, 2022

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Kristi Peterson	Chairperson	December 31, 2022
Judith Tomczik	Vice Chairperson	December 31, 2022
Tim Brophy	Clerk	December 31, 2024
Joe Aldrich	Treasurer	December 31, 2022
Paul Christiansen	Director	December 31, 2022
Ibrahim Mohamed	Director	December 31, 2024
Jeff Smith	Director	December 31, 2024
 <u>Administration</u>		
Dr. Mike Redmond	Superintendent	
Dave Orlowsky	Assistant Superintendent	
Bill Menozzi	Director of Finance and Operations	
Julie Fred	Director of Special Services	
Bryan Drozd	Director of Instructional Technology	
Lisa Rahn	Director of Community Education	
Keith Gray	Director of Human Resources	
Nancy Thul	Director of Learning, Teaching, and Equity	

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November 21, 2022

To: Citizens of District 720 Shakopee Public Schools
Board of Education
Employees of the School District

INTRODUCTION

The Annual Comprehensive Financial Report (ACFR) of Independent School District No. 720, Shakopee, Minnesota (the District) for the fiscal year ended June 30, 2022, is presented for your information and review. The ACFR is intended to fully disclose the financial position of the District and the results of operations for the fiscal year. The District administration accepts full responsibility for the accuracy, completeness and fairness in presentation of the enclosed financial reports. Questions and comments are solicited and welcome.

REPORT FORMAT

This ACFR is presented in three main sections: introductory, financial, and statistical. In addition to information contained in this letter, the introductory section includes the District's organizational chart and a list of the District's principal officials. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to basic financial statements, and detailed combining and individual fund statements and schedules. The statistical section includes selected financial and general information presented on a multi-year comparative basis. Where possible, historical data is presented for a 10-year period.

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

DISTRICT PROFILE/ORGANIZATION

Shakopee Public Schools serves approximately 7,800 students in Shakopee, Savage, Prior Lake, and the Jackson, Louisville, and Sand Creek Townships. The district is in the southwest suburbs in the Twin Cities. The Shakopee school district is proud to serve a very diverse population of students and families with more than 70 languages and dialects from around the world spoken in our schools.

DISTRICT PROFILE/ORGANIZATION (CONTINUED)

The District offers a wide variety of programming and activities for all students. At Shakopee High School, there are many opportunities for students to earn college credit and high school credit at the same time through our Advanced Placement courses; CAPS (Center for Advanced Professional Studies) program and CIS (College in the Schools). Other notable programs in the district include the pre-engineering program Project Lead the Way, Young Scholars which serves students in our elementary grades and our Excellence with Equity program.

The Shakopee School District is committed to providing the best opportunities for students and is dedicated to helping them excel and achieve their educational goals. Eight years ago, the district began to look at the curriculum, and together with the instructional staff, began re-imagining academics in the district. The secondary educational model was changed and a new vision for Shakopee High School, the Academies of Shakopee, was created to ensure a welcoming, inclusive environment within a large high school setting and to improve student success in post-secondary programs and career. There are six academies: Arts & Communication, Business & Entrepreneurship, Engineering & Manufacturing, Health Sciences, Human Services, Science & Technology and a Ninth Grade Academy.

With over 1,100 total staff, Shakopee Public Schools is one of the major employers in the area. During 2021-2022, the District operated 11 buildings: one traditional high school, one alternative high school, two middle schools, five elementary schools, an early childhood center and the district administrative office. District buildings have an average age of 30 years and comprise over 1.6 million square feet in size. The District is currently organized by grade level with elementary schools serving students in kindergarten through grade 5, middle schools serving grades 6-8, and the high school serving grades 9-12.

Mission

Shakopee Schools, in partnership with our community, will educate lifelong learners to succeed in a diverse world.

Vision

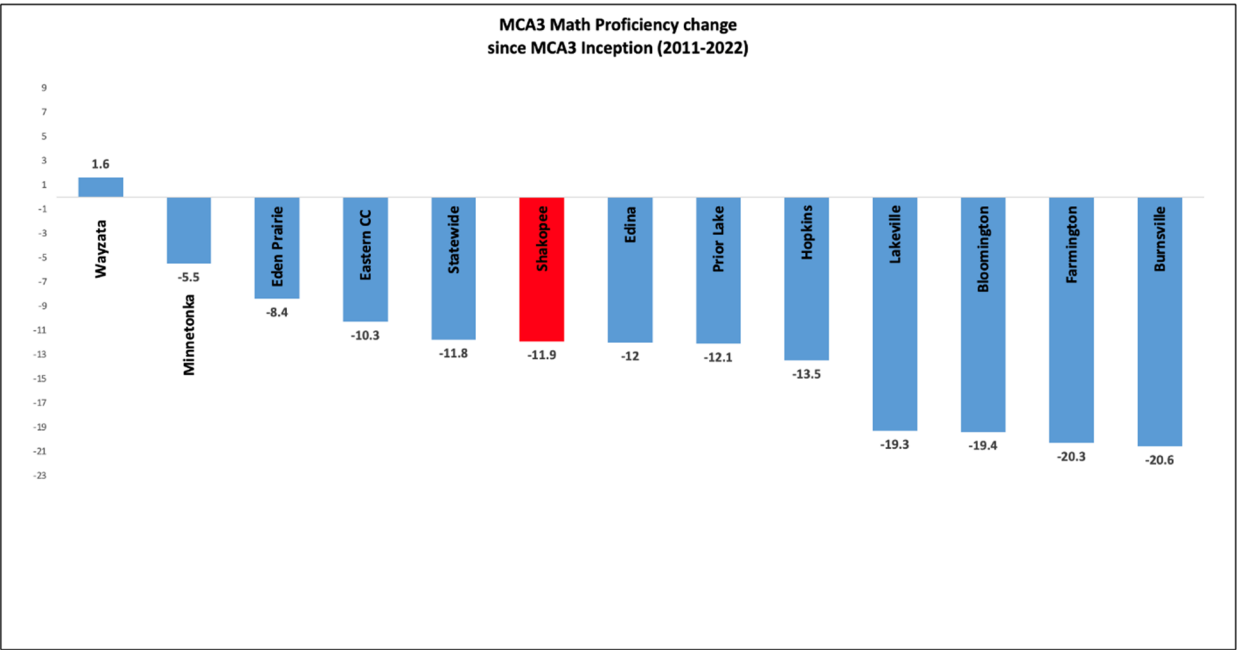
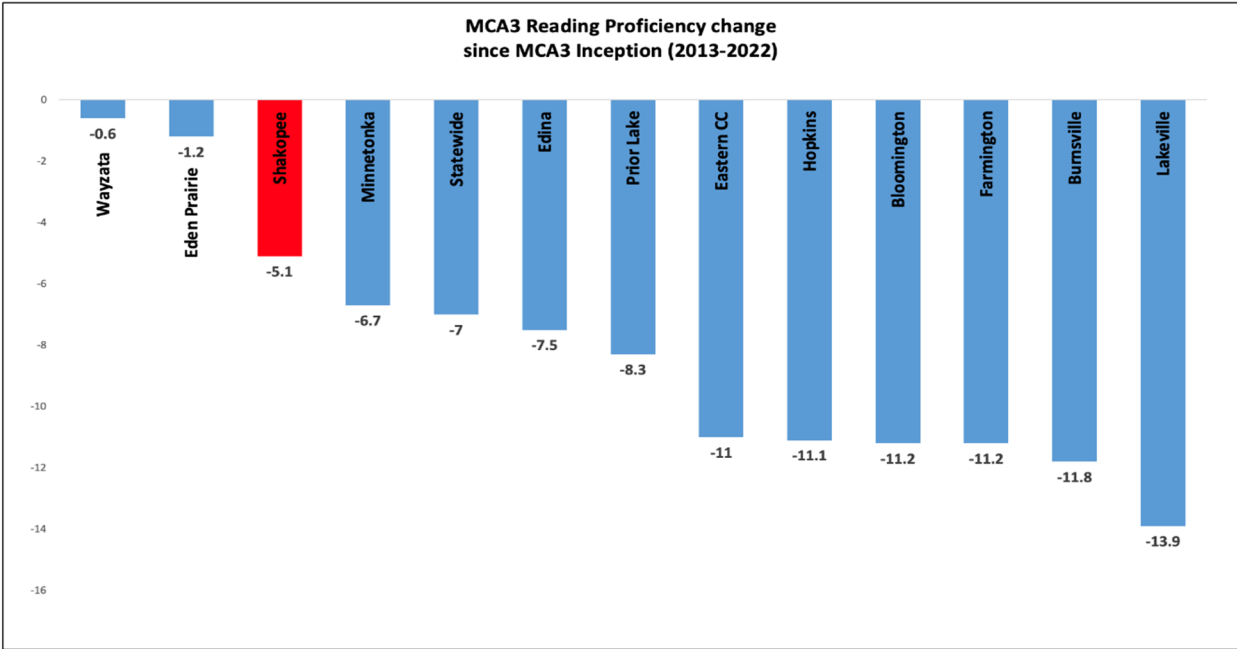
The Shakopee School District is committed to providing the best opportunities for our students. We are dedicated to helping them excel and achieve their educational goals and teaching them to be good citizens of our community, our nation and our world.

DISTRICT PROFILE/ORGANIZATION (CONTINUED)

Testing Data

The Minnesota Comprehensive Assessments (MCA's) are part of the state's school testing system and administered to students in the spring of each year. Students in grades 3-11 take assessments in Math, Reading and Science. The following graphs show district trends for proficiency rates compared to the state of Minnesota in the areas of Reading and Math.

MCA reaching and math proficiency changes since inception are shown in the following charts.



REPORTING ENTITY

Independent School District No. 720, also known as Shakopee Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board is responsible for policy and governance and fiscal control of Shakopee Public Schools. The School Board is responsible for the legal level of budgetary control at the fund level. The Superintendent is appointed by the Board and is responsible for administrative control of the District. The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable. 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.

There are no organizations considered to be component units of the District.

FINANCIAL STATEMENTS

The financial statements contained in this report disclose the financial position of the District as of June 30, 2022, and the financial operations for the fiscal year then ended. The District's financial records and reports are maintained and prepared on a modified or full accrual basis of accounting in accordance with the Uniform Financial Accounting and Reporting System for Minnesota School Districts as well as the standards of the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. These records are audited annually by an independent certified public accountant as required by Minnesota law. The accounting firm of BerganKDV LTD performed the audit for the 2021-22 fiscal year. Their report is included in the financial section of this report. The auditor has given an unmodified opinion on the District's financial statements. An unmodified opinion means that, in the judgment of the auditor, the financial statements present fairly, in all material respects, the financial position of the District and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

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

ACCOUNTING AND BUDGETING

A major thrust of the District's accounting system is to provide adequate internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived, and that the evaluation of the cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

Budgetary control is maintained through an annual budget adopted by the School Board for all funds as required by state statutes and School Board policy. The adopted budget serves as the authorizing document for all expenditures, although the School Board approves all checks issued on a monthly basis. The Superintendent and Director of Finance & Operations are authorized to make financial commitments within budgetary guidelines. Additional expenditure controls are maintained by the Business Office in accordance with state statutes, i.e., the District cannot incur a negative unassigned balance in the General Fund in excess of 2.5% of the preceding year's expenditures.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or losses. 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 online or in hard copy for individuals with budget responsibilities. The reports can be viewed and printed either in the Business Office or in the administrative office in each building or department. Ongoing budget monitoring by program managers helps to ensure budget integrity and provides an opportunity to detect material budget variances before the end of the fiscal year.

The budget is adopted by the School Board in the spring of each year for the following fiscal year beginning July 1. If needed, the budget is revised based upon enrollment changes, effects of negotiated employee contracts, or other new information impacting revenues or expenditures in the fall, winter and spring. The revised budget is presented to the School Board for approval.

SIGNIFICANT EVENTS

The District's finances are largely dependent on student enrollment; with the state basic general education formula allowance at \$6,728 per student for the 2021-22 school year. Shakopee has experienced increasing enrollment from 2011-12 to 2021-22. During that time, 544 students joined the district, an increase of 7%.

However, in the five-year period from 2017-18 to 2021-22, the District has seen a decrease in enrollment of 328 students, a decrease of 4%.

FINANCIAL PROSPECTS FOR FUTURE YEARS

The voters supported the district and approved a Building Bond issue of \$102.5 million and a Capital Projects referenda of \$2.5 million in 2015. The Building Bond enabled the expansion of the high school and provided security improvements around the district as well as additional outdoor facilities. The Capital Projects money is utilized to support the Shakopee School District's technology needs for teachers and staff.

Voters in the District has Board approved referendum authority of \$1,266 per pupil in November 2021. The first year of the additional levy authority will be the 2022-23 school year. The referendum money will be used to maintain high quality educational programs and experiences for students.

Like all public school districts in Minnesota, Shakopee Schools relies on student generated revenue for funding in the general fund. The ability to project enrollment accurately is an important part of budget building. During 2021-22, the revised budget enrollment projection was 7,939 average daily membership (ADM). Actual enrollment was 7,938, a difference of 1 ADM from budget. Enrollment projections for the 2022-23 adopted budget are 7,823 ADM, a decrease of 115 from prior year actual.

ECONOMIC FACTORS

The District is located in Scott County, which is part of the seven-county metro area of Minneapolis/St. Paul. Residents are typically employed in professional vocations within the metropolitan area.

The taxable market value of property within the District continues to increase. Referendum market values increased by over \$1.8 billion from 2017 to 2021 due to new construction and valuation increases. The communities located within the District continue to develop areas for residential and commercial expansion and growth.

In recent sessions, the State of Minnesota's general education funding has been providing an annual 2% increase. While these nominal increases are helpful, they fall far short of meeting today's educational needs.

INITIATIVES

In August 2014, the district prepared a strategic plan to improve academic programming and increase student achievement results. The district has been on a steady mission to align curriculum and learning experiences with the heightened expectations of a more global, interconnected, and tech-savvy world. The strategic plan articulates expectations called deliverables for district officials and for schools to accomplish over the next five years. These deliverables are the district's benchmarks of progress and a means to assure all students are college and career ready.

Voters approved a bond and technology referendum in 2015 which includes:

- Expansion of the high school to accommodate 3,200 students in grades 9-12.
- Renovation or improvement of fields and stadiums
- 1:1 devices for all students in grades 3-12 and 2:1 devices for students K-2.
- Upgrade in security in a variety of buildings

INITIATIVES (CONTINUED)

The district has committed itself to our mission of college and career readiness for all students. In 2018, the district opened the Academies of Shakopee – the newly expanded high school houses six Career Academies. Ninth grade students will enter Freshman Academy surrounded by teams of teachers and staff to support their transition to high school. At registration time, they will choose a "home" career academy for their sophomore through senior year. These small learning communities will ensure they have a smooth transition to postsecondary and beyond.

Middle schools include grades 6-8 and truly fulfill the philosophy of middle schools to meet the unique needs of adolescent students. Middle schools provide a more personalized learning approach with a team of teachers to allow students more flexibility, student driven and self-paced learning.

The technology referendum fuels district efforts to ensure our students are ready for a global and interconnected world.

All of this work requires a significant investment of time and resources for training teachers to use a more personalized, student-driven, technology-rich learning environment.

INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE

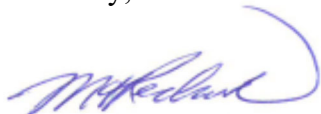
State statutes require an annual audit by independent certified public accountants. The accounting firm of BerganKDV LTD was selected by the School Board to conduct the annual audit.

This report has been prepared following the guidelines provided by the Association of School Business Officials International (ASBO) for their Certificate of Excellence in Financial Reporting Program. In 2021, the District received recognition from this program by receiving the Certificate of Excellence. Continuing to achieve recognition by this program is a goal of the District's Business Office and provides a clear indication of the District's high standards for financial reporting. The District plans to submit the 2021-2022 ACFR to the ASBO Certificate Program for consideration.

ACKNOWLEDGMENTS

The time, effort, and attention that go into the timely preparation of a ACFR require the commitment and cooperation of many people. We acknowledge the efforts of the Business Office staff in providing complete and accurate data for this Annual Comprehensive Financial Report, as well as for their dedication and to the School Board for their encouragement and leadership.

Sincerely,



Dr. Mike Redmond
Superintendent



Bill Menozzi
Director of Finance and Operations

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**Independent School District No. 720
Certificate of Excellence in Financial Reporting**



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

Shakopee Public School District

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.

A handwritten signature in black ink, appearing to read 'Will Sutter'.

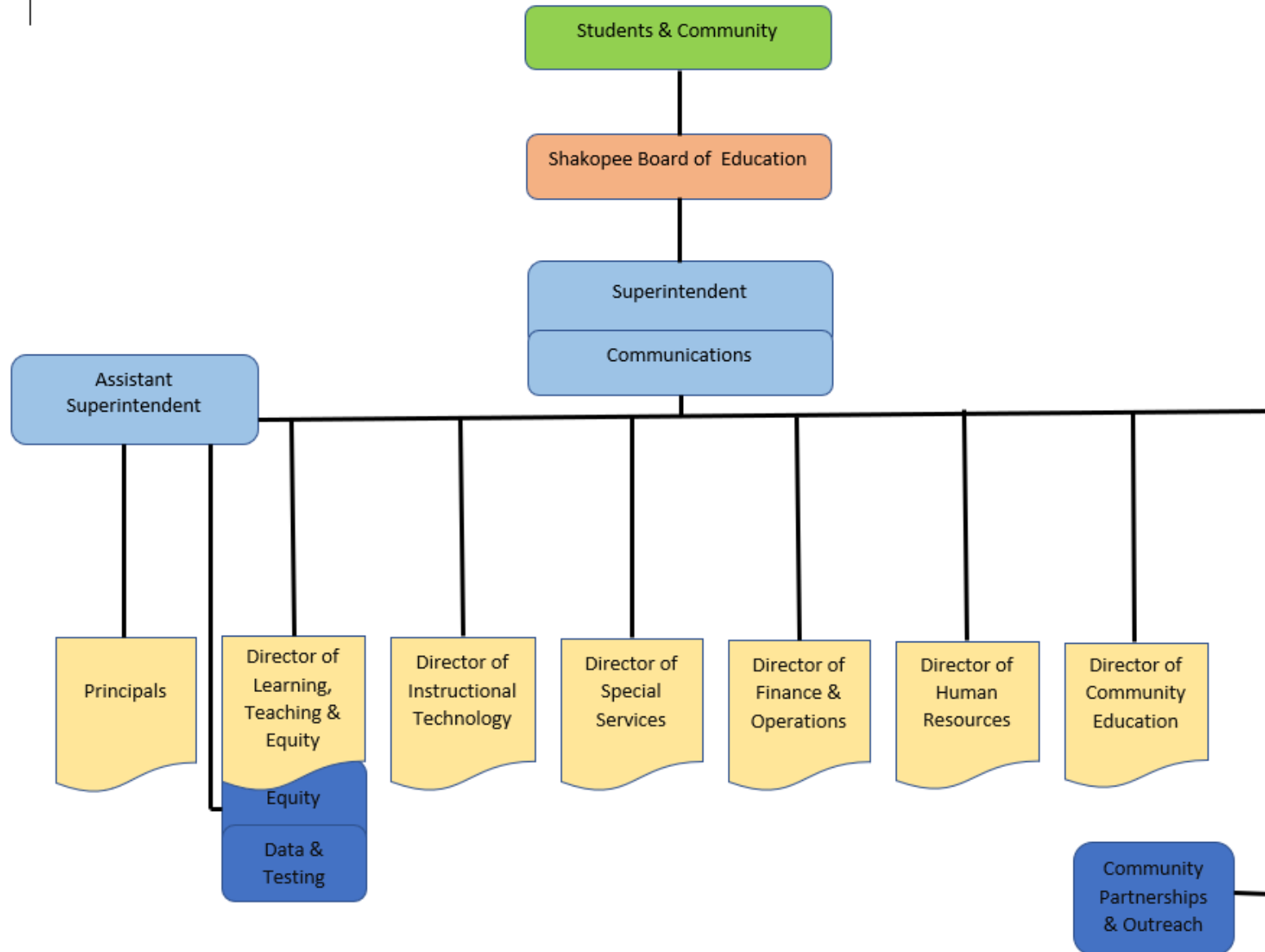
**William A. Sutter
President**

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**David J. Lewis
Executive Director**

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Independent School District No. 720
Organizational Chart
As of June 30, 2022



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Independent Auditor's Report

To the School Board
Independent School District No. 720
Shakopee, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 720 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of GASB 87

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 720 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 Required Supplementary Information 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.

Supplementary 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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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. The 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
November 7, 2022

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Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022

This section of Independent School District No. 720's (the "District") annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the other components of the District's annual financial report.

Overview of the Financial Statements

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

- Independent Auditor's Report,
- Management's Discussion and Analysis,
- Basic financial statements, including the government-wide financial statements, fund financial statements, and notes to financial statements,
- Required supplementary information, and
- Combining and individual fund statements and schedules.

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

Government-Wide Statements

The government-wide statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

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

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

Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022

Overview of the Financial Statements (Continued)

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 that do not meet the threshold to be classified as major funds (Food Service Special Revenue Fund and Community Service Special Revenue Fund) are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplementary information section.

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

For Minnesota schools, funds are established in the Uniform Financial Accounting and Reporting System (UFARS) in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following three kinds of funds:

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

Fiduciary Funds – The District is the custodian, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and 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.

Proprietary Funds – 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 statements. The District uses internal service funds to report activities that provide supplies and services for its other programs and activities. The District currently has two internal service funds; the Self-Insured Dental Fund and Self-Insured Medical Fund.

Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022

Financial Analysis of the District as A Whole

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

Table 1
Summary Statement of Net Position
as of June 30, 2022 and 2021

	2022	2021
Assets and Deferred Outflows		
Current and other assets	\$ 155,353,796	\$ 153,354,933
Capital assets, net of depreciation	258,387,364	257,285,857
Total assets	<u>413,741,160</u>	<u>410,640,790</u>
Deferred outflows of resources	<u>24,808,449</u>	<u>31,655,311</u>
Total assets and deferred outflows of resources	<u><u>\$ 438,549,609</u></u>	<u><u>\$ 442,296,101</u></u>
Liabilities and Deferred Inflows		
Current and other liabilities	\$ 11,767,387	\$ 17,879,061
Long-term liabilities, including due within one year	295,690,704	335,555,758
Total liabilities	<u>307,458,091</u>	<u>353,434,819</u>
Deferred inflows of resources	<u>121,022,415</u>	<u>97,204,334</u>
Net Position		
Net investment in capital assets	\$ 92,463,986	\$ 82,755,741
Restricted	11,885,035	10,079,420
Unrestricted	<u>(94,279,918)</u>	<u>(101,178,213)</u>
Total net position	<u>10,069,103</u>	<u>(8,343,052)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 438,549,609</u></u>	<u><u>\$ 442,296,101</u></u>

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt 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 financial position of the District improved this year as measured by total net position. For the year ended June 30, 2022, total net position increased by \$18,412,155. Net investment in capital assets increased by \$9,708,245 and unrestricted increased by \$6,898,295.

Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022

Financial Analysis of the District as A Whole (Continued)

Table 2 is a summarized view of the District's Statement of Activities:

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2022 and 2021

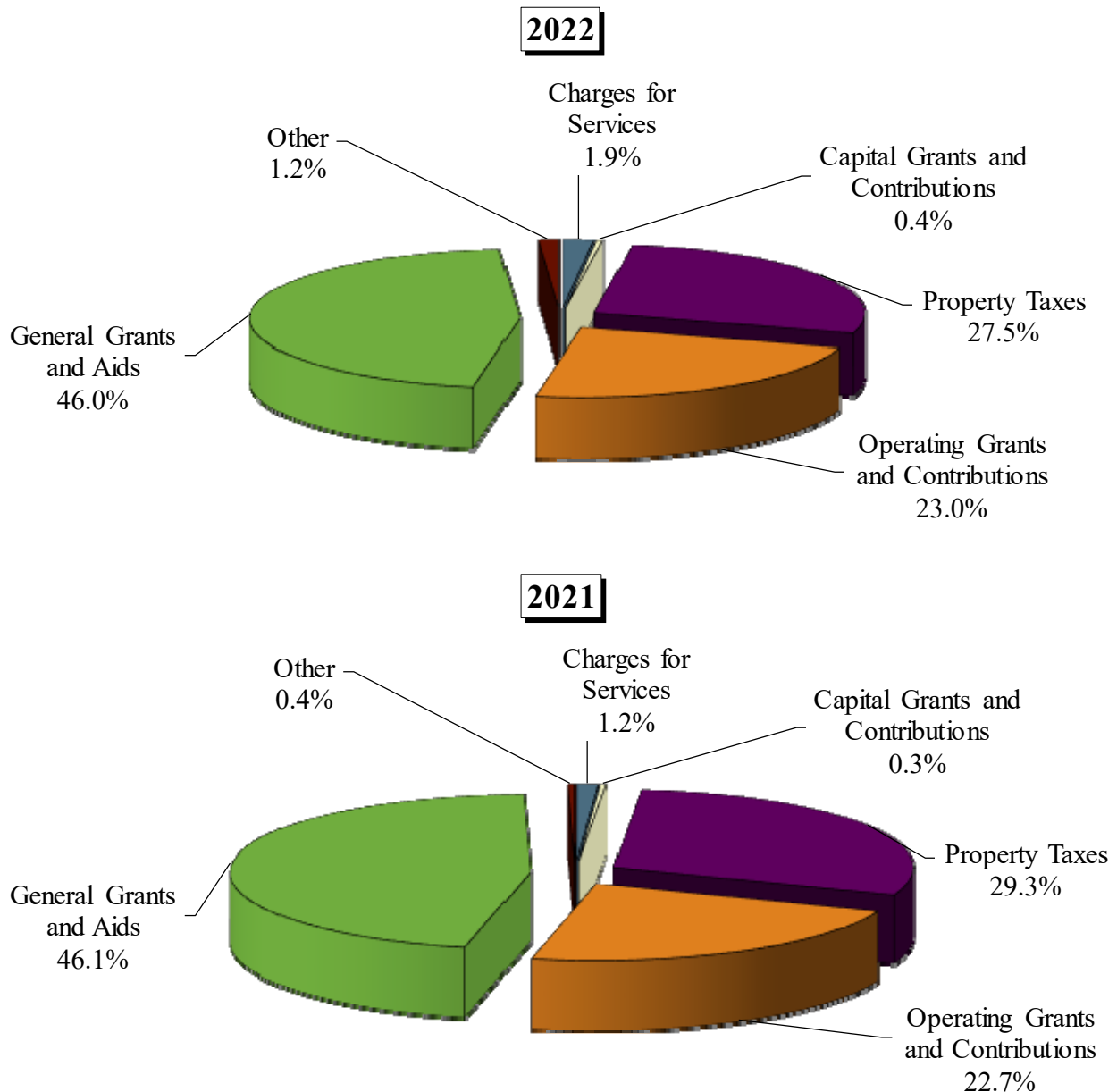
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 2,411,075	\$ 1,587,904
Operating grants and contributions	29,538,244	30,503,605
Capital grants and contributions	460,646	396,516
General revenues		
Property taxes	35,233,983	39,476,955
General grants and aids	59,031,031	62,073,034
Other	1,573,184	488,308
Total revenues	<u>128,248,163</u>	<u>134,526,322</u>
Expenses		
Administration	4,552,784	5,720,333
District support services	2,574,259	2,640,387
Elementary and secondary regular instruction	44,164,260	50,659,122
Vocational education instruction	703,393	1,031,568
Special education instruction	18,643,488	20,660,274
Instructional support services	7,522,292	7,628,921
Pupil support services	7,884,440	8,576,605
Sites and buildings	7,839,676	6,935,247
Fiscal and other fixed cost programs	239,205	174,026
Food service	4,461,094	3,397,836
Community service	2,615,986	2,815,962
Depreciation not allocated to other functions	3,628,782	3,509,260
Interest and fiscal charges	5,006,349	6,629,000
Total expenses	<u>109,836,008</u>	<u>120,378,541</u>
Change in net position	18,412,155	14,147,781
Net position - beginning, as restated	<u>(8,343,052)</u>	<u>(22,490,833)</u>
Net position - ending	<u><u>\$ 10,069,103</u></u>	<u><u>\$ (8,343,052)</u></u>

The table summarizes all of the governmental activities of the District and is presented on the accrual basis of accounting. Program revenues are allocated to specific programs and general revenues are shown separately and not allocated. Depreciation expense is included in expenses, but capital asset purchase costs, debt proceeds, and the repayment of debt principal are excluded.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022**

Financial Analysis of the District as A Whole (Continued)

Figure A – Sources of Revenue for Fiscal Years 2022 and 2021



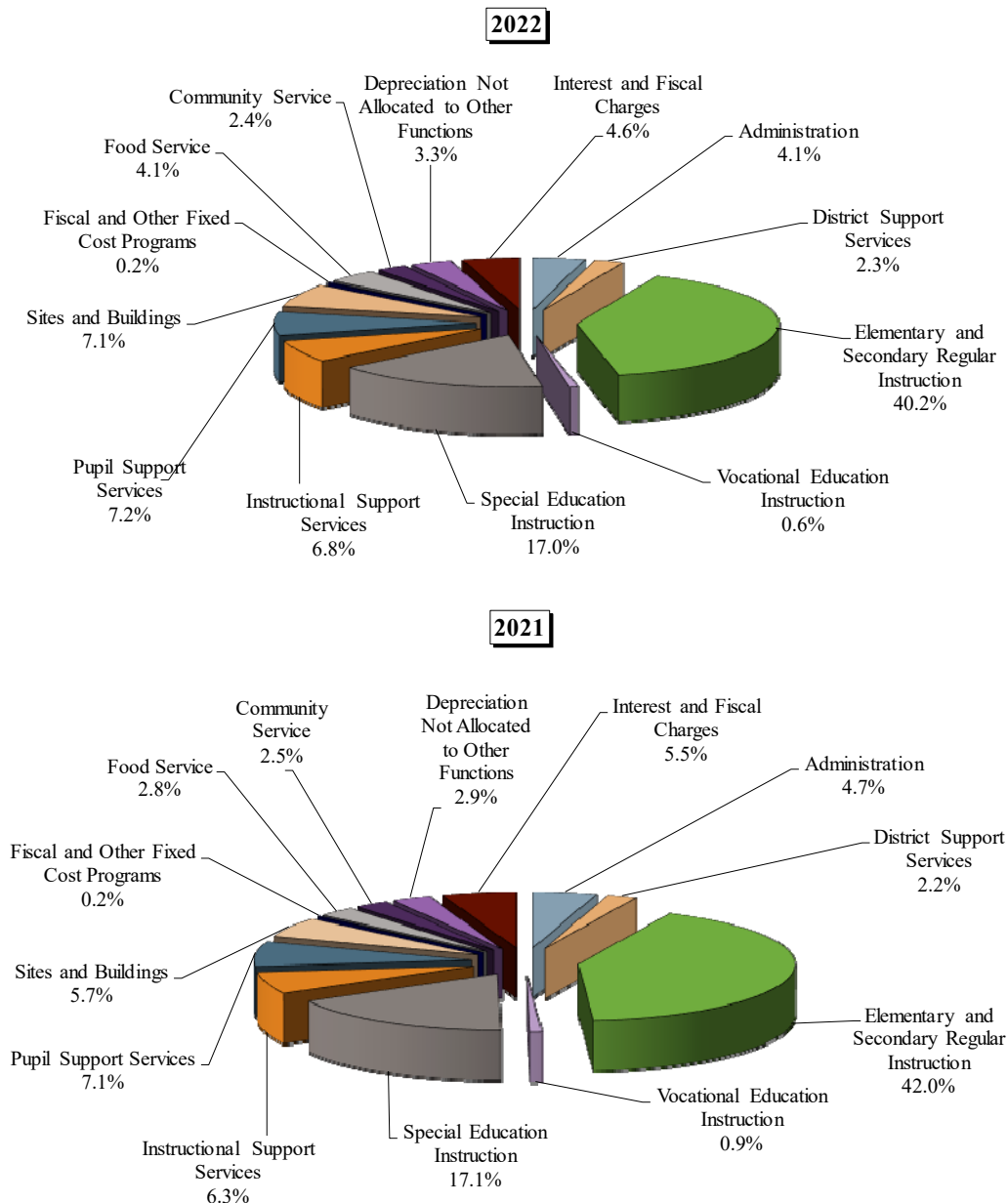
The largest share of the District's revenue is received from the state, which includes General Education Aid and most of the operating grants. Consequently, the District's funding depends significantly on the state's financial fluctuations.

Property taxes are generally the next largest source of funding. The level of property tax revenue is largely dependent on taxpayers of the District by way of operating and building referenda.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022**

Financial Analysis of the District as A Whole (Continued)

Figure B – Expenses for Fiscal Years 2022 and 2021



The District's expenses are predominately related to educating students. The majority of the District's expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022**

Financial Analysis of the District's Funds

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

**Table 3
Governmental Fund Balances
as of June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Governmental Funds			
Major funds			
General	\$ 14,399,102	\$ 10,893,068	\$ 3,506,034
Capital projects – building construction	5,282,706	10,896,629	(5,613,923)
Debt service	80,338,151	80,568,831	(230,680)
Nonmajor funds			
Special revenue funds			
Food service	1,901,469	494,312	1,407,157
Community service	<u>217,156</u>	<u>216,573</u>	<u>583</u>
Total governmental funds	<u>\$ 102,138,584</u>	<u>\$ 103,069,413</u>	<u>\$ (930,829)</u>

Analysis of the General Fund

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District may change the budget for known significant changes in circumstances, such as updated enrollment, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, special education tuition changes or utility rate changes. During the year, the District reviewed operating results and amended the original budget.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022**

Analysis of the General Fund (Continued)

Table 4 summarizes the operating results of the General Fund:

**Table 4
General Fund
Operating Results**

		Over (Under) Final Budget		Over (Under) Prior Year	
	2022 Actual	Amount	Percent	Amount	Percent
Revenue and other financing sources	\$ 100,095,351	\$ (2,010,592)	-2.01%	\$ (3,370,999)	-3.31%
Expenditures	<u>98,560,495</u>	(1,628,776)	-1.65%	(2,491,304)	-2.52%
Net change in fund balances	<u>\$ 1,534,856</u>				

Actual expenditures were under budget largely due to conservative budgeting in the general fund to account for possible contingencies. Expenses were lower than budget in several areas due to conservative budgeting and as a continued result of operations during the COVID-19 pandemic.

Analysis of Remaining Major Funds

The District's activity in the Capital Projects – Building Construction Fund is related to projects financed with general obligation (G.O.) building bonds. Voters approved a \$102.5 million building project in the spring of 2015. The money for the project was received in fiscal year 2016. A majority of the money was spent in fiscal years 2017 and 2018. The main component of the project increased the size of the current high school by over 300,000 square feet. The District also used the Capital Projects fund to improve security at several locations, make improvements at some outdoor facilities, and address energy efficiency and deferred maintenance projects in accordance with the facilities task force recommendations on long term facilities maintenance (LTFM). In November 2020, the District issued the 2020C G.O. Facilities Maintenance Bonds for \$24,068,822 to fund additional building maintenance projects.

Activity of the Debt Service Fund is largely controlled in accordance with each outstanding debt issue's amortization plan. The Debt Service Fund has approximately \$80.338 million of year-end fund balance to help finance future debt obligations.

Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022

Capital Assets and Long-Term Liabilities

Capital Assets

Table 5 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2022 and 2021:

Table 5
Capital Assets

	2022	2021	Increase (Decrease)
Land	\$ 13,475,173	\$ 13,475,173	\$ -
Construction in progress	8,041,719	34,005,959	(25,964,240)
Capital assets, net of accumulated depreciation			
Site improvements	11,493,578	8,239,653	3,253,925
Buildings	215,634,394	193,326,903	22,307,491
Furniture and equipment	8,390,610	8,238,169	152,441
Leased assets	1,351,890	-	1,351,890
Total	<u>\$ 258,387,364</u>	<u>\$ 257,285,857</u>	<u>\$ 1,101,507</u>
Depreciation expense	<u>\$ 8,598,879</u>	<u>\$ 8,096,938</u>	<u>\$ 501,941</u>

Long-Term Liabilities

Table 6 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

Table 6
Outstanding Long-Term Liabilities

	2022	2021	Increase (Decrease)
G.O. Bonds payable, net of premium	\$ 241,697,036	\$ 247,435,121	\$ (5,738,085)
Certificates of participation payable, net of premium	-	9,220,601	(9,220,601)
Financed purchase payable	3,563,043	3,397,078	165,965
Lease Liability	1,368,064	-	1,368,064
Compensated absences payable	469,318	446,388	22,930
Total	<u>\$ 247,097,461</u>	<u>\$ 260,499,188</u>	<u>\$ (13,401,727)</u>

Independent School District No. 720
Management's Discussion and Analysis
June 30, 2022

Capital Assets and Long-Term Liabilities (Continued)

Long-Term Liabilities (Continued)

Scheduled payments resulted in the decrease of the Certificates of Participation payable. The District is leasing MacBooks and iPads from Apple as part of a district-wide technology initiative.

The state limits the amount of G.O. debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. (See Table 7.)

Table 7
Limitations on Debt

District's market value	\$ 6,720,140,882
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 1,008,021,132</u></u>

Additional details of the District's capital assets and long-term debt activity can be found in the Notes to the Financial Statements.

Factors Bearing on the District's Future

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the State of Minnesota for educational resources. The basic general education formula amount for all Minnesota school districts increased 2.45% to \$6,728 in 2022. An improving economy has reduced some of the challenges in funding education for Minnesota schools in recent years.

Shakopee Public Schools will need to continue to look at possible ways to increase other non-state revenue and continue to identify efficiencies to control expenses for fiscal year 2022-23 and beyond. The District utilizes a financial planning model that incorporates anticipated revenue and expenditure increases to more closely monitor the finances of the District on a long-range basis. The model is intended to show the total amount of reductions necessary for the District to adhere to its fund balance policy, while striving to maintain its commitment to academic excellence and educational opportunity for students.

Contacting the District's Financial Management

This financial report 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. More detailed information can be found in the other sections of this financial report. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 720, 1200 Shakopee Town Square, Shakopee, Minnesota 55379.

BASIC FINANCIAL STATEMENTS

Independent School District No. 720
Statement of Net Position
June 30, 2022

	Governmental Activities
	<u>2022</u>
Assets	
Cash and investments	\$ 124,440,500
Current property taxes receivable	21,173,329
Delinquent property taxes receivable	117,820
Accounts receivable	111,460
Due from Department of Education	7,005,194
Due from Federal Government through Department of Education	1,344,575
Due from Federal Government	9,989
Due from other Minnesota school districts	16,926
Due from other governmental units	940
Due from OPEB Trust Fund	314,253
Inventory	60,285
Prepaid items	758,525
Capital assets not being depreciated	
Land	13,475,173
Construction in progress	8,041,719
Capital assets, net of accumulated depreciation	
Site improvements	11,493,578
Buildings	215,634,394
Furniture and equipment	8,390,610
Leased assets, net of accumulated amortization	
Buildings	<u>1,351,890</u>
Total assets	<u>413,741,160</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	24,203,456
Deferred outflows of resources related to OPEB	<u>604,993</u>
Total deferred outflows of resources	<u>24,808,449</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 438,549,609</u></u>

Independent School District No. 720
Statement of Net Position
June 30, 2022

	<u>Governmental</u> <u>2022</u>
Liabilities	
Accounts payable	\$ 1,770,237
Contracts payable	244,105
Salaries and benefits payable	6,656,962
Interest payable	2,614,798
Due to other Minnesota school districts	228,500
Due to other governmental units	5,329
Unearned revenue	247,456
Bonds payable, net	
Payable within one year	28,995,000
Payable after one year	212,702,036
Certificates of participation payable, net	
Payable within one year	-
Payable after one year	-
Lease liability	
Payable within one year	296,884
Payable after one year	1,071,180
Financed purchase agreements payable	
Payable within one year	1,620,649
Payable after one year	1,942,394
Compensated absences payable	
Payable within one year	469,318
Net other post employment benefit (OPEB) liability	6,431,227
Net pension liability	42,162,016
Total liabilities	<u>307,458,091</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	42,596,628
Deferred amount on refunding	1,483,515
Deferred inflows of resources related to pensions	73,326,673
Deferred inflows of resources related to OPEB	3,615,599
Total deferred inflows of resources	<u>121,022,415</u>
Net Position	
Net investment in capital assets	92,463,986
Restricted	
Debt service	883,876
Food service	1,901,469
Community service	408,296
Other purposes	8,691,394
Unrestricted	(94,279,918)
Total net position	<u>10,069,103</u>
 Total liabilities, deferred inflows of resources, and net position	 <u><u>\$ 438,549,609</u></u>

Independent School District No. 720
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expense) and Changes in Net Activities 2022
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 4,552,784	\$ 1,163	\$ -	\$ -	\$ (4,551,621)
District support services	2,574,259	36,595	67	-	(2,537,597)
Elementary and secondary regular instruction	44,164,260	555,584	7,832,345	-	(35,776,331)
Vocational education instruction	703,393	613	16,860	-	(685,920)
Special education instruction	18,643,488	-	12,662,977	-	(5,980,511)
Instructional support services	7,522,292	100,628	2,220,050	-	(5,201,614)
Pupil support services	7,884,440	8,545	316,057	-	(7,559,838)
Sites and buildings	7,839,676	58,370	-	460,646	(7,320,660)
Fiscal and other fixed cost programs	239,205	-	-	-	(239,205)
Food service	4,461,094	416,184	5,580,055	-	1,535,145
Community education and services	2,615,986	1,233,393	909,833	-	(472,760)
Depreciation not allocated to other functions	3,628,782	-	-	-	(3,628,782)
Interest and fiscal charges on long-term debt	5,006,349	-	-	-	(5,006,349)
Total governmental activities	<u>\$ 109,836,008</u>	<u>\$ 2,411,075</u>	<u>\$ 29,538,244</u>	<u>\$ 460,646</u>	(77,426,043)
General revenues					
Taxes					
Property taxes, levied for general purposes					15,813,536
Property taxes, levied for community service					616,245
Property taxes, levied for debt service					18,804,202
State aid-formula grants					59,031,031
Other general revenues					1,182,082
Investment income					163,856
Gain on sale of capital assets					227,246
Total general revenues					<u>95,838,198</u>
Change in net position					<u>18,412,155</u>
Net position - beginning					<u>(8,343,052)</u>
Net position - ending					<u>\$ 10,069,103</u>

See notes to basic financial statements.

Balance Sheet - Governmental Funds
June 30, 2022

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds 2022
Assets					
Cash and investments	\$ 25,402,864	\$ 88,871,516	\$ 5,550,949	\$ 2,490,718	\$ 122,316,047
Current property taxes receivable	12,706,925	8,166,268	-	300,136	21,173,329
Delinquent property taxes receivable	49,724	66,097	-	1,999	117,820
Accounts receivable	106,562	-	-	4,898	111,460
Due from Department of Education	6,852,109	58,769	-	94,316	7,005,194
Due from Federal Government through Department of Education	1,118,975	-	-	225,600	1,344,575
Due from Federal Government	9,989	-	-	-	9,989
Due from other Minnesota school districts	16,926	-	-	-	16,926
Due from other governmental units	-	-	-	940	940
Due from OPEB Trust Fund	314,253	-	-	-	314,253
Inventory	-	-	-	60,285	60,285
Prepaid items	758,345	-	-	180	758,525
Total assets	<u>\$ 47,336,672</u>	<u>\$ 97,162,650</u>	<u>\$ 5,550,949</u>	<u>\$ 3,179,072</u>	<u>\$ 153,229,343</u>
Liabilities					
Accounts payable	\$ 946,220	\$ -	\$ 29,338	\$ 18,401	\$ 993,959
Contracts payable	5,200	-	238,905	-	244,105
Salaries and benefits payable	6,487,738	-	-	169,224	6,656,962
Due to other Minnesota school districts	228,500	-	-	-	228,500
Due to other governmental units	4,393	-	-	936	5,329
Unearned revenue	-	-	-	247,456	247,456
Total liabilities	<u>7,672,051</u>	<u>-</u>	<u>268,243</u>	<u>436,017</u>	<u>8,376,311</u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	25,215,795	16,758,402	-	622,431	42,596,628
Unavailable revenue - delinquent property taxes	49,724	66,097	-	1,999	117,820
Total deferred inflows of resources	<u>25,265,519</u>	<u>16,824,499</u>	<u>-</u>	<u>624,430</u>	<u>42,714,448</u>
Fund Balances					
Nonspendable	758,345	-	-	60,465	818,810
Restricted	8,691,394	80,338,151	5,282,706	2,247,301	96,559,552
Assigned	499,548	-	-	-	499,548
Unassigned	4,449,815	-	-	(189,141)	4,260,674
Total fund balances	<u>14,399,102</u>	<u>80,338,151</u>	<u>5,282,706</u>	<u>2,118,625</u>	<u>102,138,584</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 47,336,672</u>	<u>\$ 97,162,650</u>	<u>\$ 5,550,949</u>	<u>\$ 3,179,072</u>	<u>\$ 153,229,343</u>

**Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022**

	<u>2022</u>
Total fund balances - governmental funds	\$ 102,138,584
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	363,281,708
Less accumulated depreciation	(106,246,234)
Leased buildings	1,672,415
Less accumulated amortization	(320,525)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(230,000,141)
Certificates of participation payable	-
Premium on bonds and certificates of participation payable	(11,696,895)
Deferred amount on refunding	(1,483,515)
Financed purchase agreements	(3,563,043)
Lease liability	(1,368,064)
Compensated absences payable	(469,318)
Net OPEB liability	(6,431,227)
Net pension liability	(42,162,016)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	24,203,456
Deferred inflows of resources related to pensions	(73,326,673)
Deferred outflows of resources related to OPEB	604,993
Deferred inflows of resources related to OPEB	(3,615,599)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	117,820
The self-insured Health and Dental Internal Service Funds are used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.	1,348,175
Governmental funds do not report a liability for accrued interest on bonds and certificates of participation until due and payable.	<u>(2,614,798)</u>
Total net position - governmental activities	<u>\$ 10,069,103</u>

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022**

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds 2022
Revenues					
Local property taxes	\$ 15,817,079	\$ 18,817,749	\$ -	\$ 616,392	\$ 35,251,220
Other local and county revenues	1,688,285	113,342	27,291	1,261,098	3,090,016
Revenue from state sources	78,809,587	583,386	-	1,052,805	80,445,778
Revenue from federal sources	3,587,047	-	-	5,411,569	8,998,616
Sales and other conversion of assets	193,353	-	-	416,184	609,537
Total revenues	<u>100,095,351</u>	<u>19,514,477</u>	<u>27,291</u>	<u>8,758,048</u>	<u>128,395,167</u>
Expenditures					
Current					
Administration	4,682,246	-	-	-	4,682,246
District support services	2,561,123	-	-	-	2,561,123
Elementary and secondary regular instruction	42,169,525	-	-	-	42,169,525
Vocational education instruction	778,437	-	-	-	778,437
Special education instruction	19,621,000	-	-	-	19,621,000
Instructional support services	7,448,804	-	-	-	7,448,804
Pupil support services	7,958,440	-	-	-	7,958,440
Sites and buildings	6,571,045	-	-	-	6,571,045
Fiscal and other fixed cost programs	239,205	-	-	-	239,205
Food service	-	-	-	4,571,303	4,571,303
Community education and services	-	-	-	2,755,210	2,755,210
Capital outlay					
Administration	72,860	-	-	-	72,860
District support services	4,980	-	-	-	4,980
Elementary and secondary regular instruction	403,887	-	-	-	403,887
Vocational education instruction	5,919	-	-	-	5,919
Special education instruction	32,903	-	-	-	32,903
Instructional support services	2,243,106	-	-	-	2,243,106
Pupil support services	-	-	-	-	-
Sites and buildings	785,661	-	5,641,214	-	6,426,875
Food service	-	-	-	19,230	19,230
Community education and services	-	-	-	4,565	4,565
Debt service					
Principal	2,398,599	13,150,000	-	-	15,548,599
Interest and fiscal charges	582,755	6,595,157	-	-	7,177,912
Total expenditures	<u>98,560,495</u>	<u>19,745,157</u>	<u>5,641,214</u>	<u>7,350,308</u>	<u>131,297,174</u>
Excess of revenues over (under) expenditures	1,534,856	(230,680)	(5,613,923)	1,407,740	(2,902,007)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	227,246	-	-	-	227,246
Bond issuance	7,845,000	-	-	-	7,845,000
Bond premium	730,098	-	-	-	730,098
Issuance of capital leases	1,605,213	-	-	-	1,605,213
Insurance recovery	13,621	-	-	-	13,621
Payment of refunded long-term debt	(8,450,000)	-	-	-	(8,450,000)
Total other financing sources (uses)	<u>1,971,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,971,178</u>
Net change in fund balances	3,506,034	(230,680)	(5,613,923)	1,407,740	(930,829)
Fund Balances					
Beginning of year	<u>10,893,068</u>	<u>80,568,831</u>	<u>10,896,629</u>	<u>710,885</u>	<u>103,069,413</u>
End of year	<u>\$ 14,399,102</u>	<u>\$ 80,338,151</u>	<u>\$ 5,282,706</u>	<u>\$ 2,118,625</u>	<u>\$ 102,138,584</u>

See notes to basic financial statements.

Independent School District No. 720
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2022

	<u>2022</u>
Net change in fund balances - total governmental funds	\$ (930,829)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	8,027,971
Depreciation and amortization expense	(8,598,879)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(22,930)
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities recognizes when the expenses are incurred.	(204,642)
Principal payments on long-term debt are recognized as expenditures or other financing uses in the governmental funds but has no impact on net position in the Statement of Activities.	23,998,599
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	463,907
The accreted value of capital appreciation bonds is reported in the statement of net position but does not require the use of current financial resources.	(367,132)
Governmental funds report the effect of bond premiums when the debt is first issued as an other financing source, whereas these amounts are deferred and amortized in the Statement of Activities. Deferred amounts on refundings do not effect current financial resources.	1,344,690
Issuances of long-term debt are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	(9,450,213)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
Pension expense	4,397,718
The self-insured Health and Dental Internal Service Funds are used by management to charge the costs of the self-insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities	(228,868)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>(17,237)</u>
Change in net position - governmental activities	<u>\$ 18,412,155</u>

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	2022		2022	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Local property taxes	\$ 15,364,676	\$ 15,557,159	\$ 15,817,079	\$ 259,920
Other local and county revenues	1,704,618	1,579,363	1,688,285	108,922
Revenue from state sources	78,200,339	81,561,190	78,809,587	(2,751,603)
Revenue from federal sources	3,360,640	3,332,171	3,587,047	254,876
Sales and other conversion of assets	156,039	76,060	193,353	117,293
Total revenues	98,786,312	102,105,943	100,095,351	(2,010,592)
Expenditures				
Current				
Administration	5,406,676	4,891,038	4,682,246	(208,792)
District support services	2,455,869	2,554,573	2,561,123	6,550
Elementary and secondary regular instruction	42,134,421	42,883,259	42,169,525	(713,734)
Vocational education instruction	1,038,024	902,816	778,437	(124,379)
Special education instruction	20,026,033	20,031,950	19,621,000	(410,950)
Instructional support services	8,551,361	7,452,089	7,448,804	(3,285)
Pupil support services	8,517,037	8,637,117	7,958,440	(678,677)
Sites and buildings	6,156,380	6,063,103	6,571,045	507,942
Fiscal and other fixed cost programs	238,170	240,000	239,205	(795)
Capital outlay				
Administration	65,474	65,475	72,860	7,385
District support services	4,682	4,682	4,980	298
Elementary and secondary regular instruction	265,781	466,631	403,887	(62,744)
Vocational education instruction	1,561	6,323	5,919	(404)
Special education instruction	1,561	1,561	32,903	31,342
Instructional support services	1,992,023	1,991,781	2,243,106	251,325
Pupil support services	-	-	-	-
Sites and buildings	64,688	1,301,188	785,661	(515,527)
Debt service				
Principal	2,249,828	2,249,828	2,398,599	148,771
Interest and fiscal charges	445,857	445,857	582,755	136,898
Total expenditures	99,615,426	100,189,271	98,560,495	(1,628,776)
Excess of revenues over (under) expenditures	(829,114)	1,916,672	1,534,856	(381,816)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	75,000	-	227,246	227,246
Bond issuance	-	-	7,845,000	7,845,000
Bond premium	-	-	730,098	730,098
Issuance of capital leases	1,020,000	1,020,000	1,605,213	585,213
Insurance recovery	-	-	13,621	13,621
Payment of refunded long-term debt	-	-	(8,450,000)	(8,450,000)
Total other financing sources (uses)	1,095,000	1,020,000	1,971,178	951,178
Net change in fund balance	\$ 265,886	\$ 2,936,672	3,506,034	\$ 569,362
Fund Balance				
Beginning of year			10,893,068	
End of year			\$ 14,399,102	

See notes to basic financial statements.

Independent School District No. 720
Statement of Net Position - Proprietary Funds
As of June 30, 2022

	Governmental Activities - Internal Service Funds
Assets	
Current	
Cash and cash equivalents	<u>\$ 2,124,453</u>
Liabilities	
Current	
Incurred but not reported claims	<u>\$ 776,278</u>
Net Position	
Unrestricted	<u>1,348,175</u>
Total liabilities and net position	<u>\$ 2,124,453</u>

**Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2022**

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	<u>\$ 9,284,278</u>
Operating Expenses	
Insurance	9,468,222
Salaries	38,460
Benefits	6,623
Total operating expenses	<u>9,513,305</u>
Operating income	(229,027)
Nonoperating Revenue	
Investment income	<u>159</u>
Change in net position	(228,868)
Net Position	
Beginning of year	<u>1,577,043</u>
End of year	<u><u>\$ 1,348,175</u></u>

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from District contributions	\$ 9,282,697
Employee claims paid	(9,500,022)
Payments to employees	(45,083)
Net cash flows - operating activities	<u>(262,408)</u>
Cash Flows - Investing Activities	
Interest received	<u>159</u>
Net change in cash and cash equivalents	(262,249)
Cash and Cash Equivalents	
Beginning of year	<u>2,386,702</u>
End of year	<u><u>\$ 2,124,453</u></u>
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ (229,027)
Adjustments to reconcile operating loss to net cash flows - operating activities	
Salaries and benefits payable	(1,581)
Incurred but not reported claims	<u>(31,800)</u>
Net adjustments	<u>(33,381)</u>
Net cash flows - operating activities	<u><u>\$ (262,408)</u></u>

Independent School District No. 720
Statement of Fiduciary Net Position
June 30, 2022

	OPEB Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	\$ -	\$ 24,103
Investments		
Brokered money markets	91,060	-
Mutual funds - fixed income	1,818,960	-
Mutual funds - equity	3,344,290	-
Total assets	<u>5,254,310</u>	<u>24,103</u>
Liabilities		
Accounts payable	2,214	\$ 10,720
Due to General Fund	314,253	-
Total liabilities	<u>316,467</u>	<u>10,720</u>
Net Position		
Held in trust for OPEB	4,937,843	-
Held in trust for scholarships	<u>-</u>	<u>13,383</u>
Total net position held in trust	<u>\$ 4,937,843</u>	<u>\$ 13,383</u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

	OPEB Trust Fund	Custodial Fund
Additions		
Contributions	\$ -	\$ 12,161
Investment income	(810,616)	27
Total additions	<u>(810,616)</u>	<u>12,188</u>
Deductions		
Health insurance benefits	314,253	-
Scholarships	-	12,256
Professional fees	24,562	-
Total deductions	<u>338,815</u>	<u>12,256</u>
Change in net position	(1,149,431)	(68)
Net Position		
Beginning of year	<u>6,087,274</u>	<u>13,451</u>
End of year	<u>\$ 4,937,843</u>	<u>\$ 13,383</u>

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Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The basic financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

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

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 items are not included among program revenues; instead, they are properly reported as general revenues.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OPEB Trust Fund and the Custodial Fund are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, and claims and judgments are recognized when payment is due.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

Description of Funds:

Major Funds:

General Fund – This fund 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, and disabled accessibility projects. It is the basic operating fund of the District and accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

Proprietary Funds:

Health Insurance Internal Service Fund – This fund is used to account for self-insured employee health costs and related stop loss insurance.

Dental Insurance Internal Service Fund – This fund is used to account for self-insured employee dental costs and related stop loss insurance.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Fiduciary Funds:

OPEB Trust Fund – This fund is used for reporting resources set aside and held in an irrevocable trust arrangement for OPEB.

Custodial Fund – The Custodial Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Cash and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following pages.

The District's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

District Funds Other than OPEB Trust Fund

Cash and 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 individual funds based on the average of month-end cash and investment balances. The investments of the capital projects building construction funds are not pooled and earnings on these investments are allocated directly to that fund. The state and local government securities of the debt service fund are not pooled and earnings on these investments are allocated directly to that fund.

Cash and investments at June 30, 2022, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in MNTrust investment shares, brokered money markets, and state and local government securities. MSDLAF securities are valued at amortized cost, which approximates fair value.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. *Minnesota Statutes* authorize the District 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, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class or MNTrust investment shares. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Fund Investment Managers. As of June 30, 2022, they were comprised of brokered money market and mutual funds. The District's investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2021, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2022. The remaining portion of the levy will be recognized when measurable and available.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventory is recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Scott County is the collecting agency for the levy and remits the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the basic financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 with an estimated useful life in excess of five years, including all computer equipment regardless of the value. Such 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 its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

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 purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 10 to 60 years for site improvements and buildings and 5 to 30 years for furniture and equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. A deferred outflow of resources related to pension activity is recorded for various estimate differences that will be amortized and recognized over future years and is reported in the government-wide Statement of Net Position. A deferred outflow of resources related to OPEB activity is recorded in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Net Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which qualify for reporting in this category. The first item, 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 second item is 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. The third item is deferred inflows related to pension activity and is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. The fourth item is a deferred charge on refunding, which 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. The fifth item is a deferred inflows of resources related to OPEB and is recorded in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Compensated absence benefits are paid by the General Fund and Special Revenue Funds. Unused vacation is accrued as it is earned in the government-wide financial statements.

N. Post Employment Severance and Health Benefits

Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

Under the terms of certain collectively bargained employment contracts, the District is required to contribute health insurance premiums or to a health savings account for certain retired employees. The amount to be paid is limited as specified by contract.

Additional details for post employment health benefits can be found in Note 7.

O. Pensions

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 Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are report at cost.

Q. Risk Management

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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2022.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.
- **Restricted Fund Balances** – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** – These amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to year-end; however, the specific amounts actually committed can be determined in the subsequent year.
- **Assigned Fund Balances** – The School Board may vote to assign fund balances but also delegates the power to assign fund balances to the Director of Finance and Operations. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.
- **Unassigned Fund Balances** – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

The District's fund balance policy includes a target unassigned General Fund balance goal of between 8% and 12% of the annual budget.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

T. Use of Estimates

The preparation of basic 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the Director of Finance and Operations submits to the School Board a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Director of Finance and Operations is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds and OPEB Trust Fund

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds and OPEB Trust Fund (Continued)

Custodial Credit Risk – Deposits: For a deposit, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding federal deposit coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. As of June 30, 2022, the District's bank balances were not exposed to custodial credit risk because they were insured by FDIC insurance or fully collateralized.

As of June 30, 2022, the District had the following deposits:

Checking accounts	\$ 2,465,240
MNTrust Certificates of Deposit - District funds other than trust funds	747,900
MNTrust Savings Deposit Accounts	<u>7,009,865</u>
Total Deposits	<u><u>\$10,223,005</u></u>

B. Investments

District Funds Other than OPEB Trust Fund

As of June 30, 2022, the District had the following investments:

Investment Type	Investment Maturities			S&P/Moody's Rating
	Fair Value	Less than 1 Year	1-5 Years	
Brokered Money Markets	\$ 38,955,950	\$ 38,955,950	\$ -	N/A
State & Local Government Securities	74,706,534	15,673,115	59,033,419	AAA
MSDLAF+ Liquid Class	557,404	557,404	-	AAAm
MSDLAF+ MAX Class	<u>3,919</u>	<u>3,919</u>	<u>-</u>	AAAm
Total investments	<u><u>\$114,223,807</u></u>	<u><u>\$ 55,190,388</u></u>	<u><u>\$ 59,033,419</u></u>	

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to those in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. The District will minimize credit risk by limiting investments to those allowed by statutory constraints.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. The District's investments were not exposed to concentration of credit risk at June 30, 2022, as no investments represented more than 5% of total investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the school district listing pertinent investment information.

The District has the following recurring fair value measurements as of June 30, 2022:

- \$74,706,534 are valued using quoted market prices (Level 1 inputs)
- \$39,517,273 are not valued under Level 1 or 2, as they are not applicable to those fair value measurements

OPEB Trust Fund

As of June 30, 2022, the District's OPEB Trust Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Brokered money markets	\$ 91,060	N/A
Mutual funds - fixed income	1,818,960	N/A
Mutual funds - equity	3,362,081	N/A
Total investments	<u>\$ 5,272,101</u>	

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

OPEB Trust Fund (Continued)

The District's OPEB Trust Fund investments have the following recurring fair value measurements as of June 30, 2022:

- \$5,181,041 are valued using quoted market prices (Level 1 inputs)
- \$91,060 are not valued under Level 1 or 2 as they are not applicable to those fair value measurements

C. Deposits and Investments

The following is a summary of total deposits and investments:

District funds other than trust funds	
Deposits (Note 2.A.)	\$ 10,223,005
Investments (Note 2.B.)	114,223,807
OPEB Trust Fund	
Investments (Note 2.B.)	<u>5,272,101</u>
Total deposits and investments	<u><u>\$ 129,718,913</u></u>

Deposits and investments are presented in the June 30, 2022 basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 124,440,500
Statement of Fiduciary Net Position	
Custodial Fund	24,103
OPEB Trust Fund	<u>5,254,310</u>
Total deposits and investments	<u><u>\$ 129,718,913</u></u>

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 13,475,173	\$ -	\$ -	\$ 13,475,173
Construction in progress	34,005,959	5,284,795	31,249,035	8,041,719
Total capital assets not being depreciated	<u>47,481,132</u>	<u>5,284,795</u>	<u>31,249,035</u>	<u>21,516,892</u>
Other capital assets				
Site improvements	15,091,844	3,901,617	-	18,993,461
Buildings	267,204,145	28,147,138	-	295,351,283
Furniture and equipment	26,670,662	1,943,456	1,194,046	27,420,072
Leased buildings	-	1,672,415	-	1,672,415
Total other capital assets at historical cost	<u>308,966,651</u>	<u>35,664,626</u>	<u>1,194,046</u>	<u>343,437,231</u>
Less accumulated depreciation for				
Site improvements	6,852,191	647,692	-	7,499,883
Buildings	73,877,242	5,839,647	-	79,716,889
Furniture and equipment	18,432,493	1,791,015	1,194,046	19,029,462
Less accumulated amortization for				
Leased buildings	-	320,525	-	320,525
Total accumulated depreciation and amortization	<u>99,161,926</u>	<u>8,598,879</u>	<u>1,194,046</u>	<u>106,566,759</u>
Total other capital assets, net	<u>209,804,725</u>	<u>27,065,747</u>	<u>-</u>	<u>236,870,472</u>
Governmental activities capital assets, net	<u><u>\$ 257,285,857</u></u>	<u><u>\$ 32,350,542</u></u>	<u><u>\$ 31,249,035</u></u>	<u><u>\$ 258,387,364</u></u>

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2022, was charged to the following governmental functions.

Administration	\$ 657
District support services	29,217
Elementary and secondary regular instruction	3,490,150
Special education instruction	701
Instructional support services	26,534
Pupil support	45,053
Sites and buildings	1,303,186
Food service	57,505
Community service	17,094
Unallocated	<u>3,628,782</u>
Total depreciation and amortization expense	<u><u>\$ 8,598,879</u></u>

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds, including refunding bonds						
2013A Crossover Refunding Bonds	02/21/13	3.00%-5.00%	\$ 38,325,000	02/01/26	\$ 18,710,000	\$ 18,710,000
2015A School Building Bonds	07/20/15	3.00%-5.00%	85,030,000	02/01/34	52,985,000	3,365,000
2015B School Building Bonds	07/20/15	3.65%-3.75%	12,130,000	02/01/36	12,130,000	-
2016A Crossover Refunding Bonds	05/04/16	3.00%-5.00%	15,025,000	02/01/26	11,930,000	2,060,000
2020A Capital Facilities	02/20/20	2.00%-5.00%	4,990,000	02/01/35	4,720,000	160,000
2020B Facilities Maintenance	03/26/20	2.00%-5.00%	11,335,000	02/01/35	10,125,000	595,000
2020C Facilities Maintenance	11/24/20	0.87%-1.78%	24,068,822	02/01/30	23,609,567	-
Accretion on 2020C Bonds					435,574	-
2020D School Building Refunding Bonds	11/24/20	5.00%	14,860,000	02/01/25	11,040,000	3,515,000
2021A School Building Refunding Bonds	03/09/21	0.43%-2.09%	76,470,000	02/01/36	76,470,000	-
2021B School Building Refunding Bonds	11/18/21	2.00-4.00%	7,845,000	02/01/33	<u>7,845,000</u>	<u>590,000</u>
Total G.O. bonds					230,000,141	28,995,000
Unamortized bond premium/discount					11,696,895	-
Financed purchase agreements					3,563,043	1,620,649
Lease liability					1,368,064	296,884
Compensated absences payable					<u>469,318</u>	<u>469,318</u>
Total all long-term liabilities					<u><u>\$247,097,461</u></u>	<u><u>\$ 31,381,851</u></u>

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities and to refinance (refund) previous bond issues. G.O. bonds are liquidated from the Debt Service Fund while certificates of participation, financed purchase agreements, and lease liabilities are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, are also typically liquidated through the General Fund.

The District issued the \$76,470,000 School Building Refunding Bonds, Series 2021A for the crossover advance refunding of the February 1, 2024 through the February 1, 2026, maturities of the School Building Refunding Bonds, Series 2013A, the February 1, 2025 through the February 1, 2034, maturities of the School Building Bonds, Series 2015A, and the February 1, 2035 through the February 1, 2036, maturities of the School Building Bonds, Series 2015B. The proceeds of the 2021A issuance were placed in an escrow account. The refunding was undertaken to reduce total debt service payments by \$5,438,442 and resulted in a net present value benefit of \$4,781,669.

The District issued the \$7,485,000 School Building Refunding Bonds, Series 2021B for the current refunding of the February 1, 2023 through the February 1, 2033, maturities of the Certificates of Participation, Series 2013B. The refunding was undertaken to reduce total debt service payments by \$1,257,224 and resulted in a net present value benefit of \$1,140,096.

The District entered into various financed purchase agreements for the purchase of technology equipment. The District entered into various lease agreements for the leasing of building space.

B. Minimum Debt Payments for Bonds and Leases

Minimum annual principal and interest payments required to retire bond and lease liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2023	\$ 28,995,000	\$ 6,257,745	\$ 35,252,745
2024	73,385,000	4,989,981	78,374,981
2025	16,550,000	2,246,216	18,796,216
2026	17,915,000	1,842,823	19,757,823
2027	12,936,914	1,924,776	14,861,690
2028-2032	54,092,653	7,427,818	61,520,471
2033-2036	25,690,000	1,344,687	27,034,687
Total	229,564,567	<u>\$ 26,034,046</u>	<u>\$ 255,598,613</u>
Accretion on Capital Appreciation Bonds	<u>435,574</u>		
Total	<u>\$ 230,000,141</u>		

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Leases (Continued)

Year Ending June 30,	Lease Liability		
	Principal	Interest	Total
2023	\$ 296,884	\$ 54,820	\$ 351,704
2024	309,750	41,954	351,704
2025	323,174	28,530	351,704
2026	268,033	15,741	283,774
2027	170,223	5,642	175,865
Total	<u>\$ 1,368,064</u>	<u>\$ 146,687</u>	<u>\$ 1,514,751</u>

Year Ending June 30,	Financed Purchase Agreements		
	Principal	Interest	Total
2023	\$ 1,620,649	\$ 13,725	\$ 1,634,374
2024	1,163,920	49,215	1,213,135
2025	778,474	23,176	801,650
Total	<u>\$ 3,563,043</u>	<u>\$ 86,116</u>	<u>\$ 3,649,159</u>

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 234,938,009	\$ 8,212,132	\$ 13,150,000	\$ 230,000,141
Certificates of participation	9,105,000	-	9,105,000	-
Premium/discount	12,612,713	730,098	1,645,916	11,696,895
Financed purchase agreements	3,397,078	1,605,213	1,439,248	3,563,043
Lease liability	-	1,672,415	304,351	1,368,064
Compensated absences payable	446,388	622,110	599,180	469,318
Total long-term liabilities	<u>\$ 260,499,188</u>	<u>\$ 12,841,968</u>	<u>\$ 26,243,695</u>	<u>\$ 247,097,461</u>

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

A. Fund Balances

Fund balances are classified as shown on the following page to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 60,285	\$ 60,285
Prepaid items	758,345	-	-	180	758,525
Total nonspendable	<u>758,345</u>	<u>-</u>	<u>-</u>	<u>60,465</u>	<u>818,810</u>
Restricted for					
Student Activities	217,118			-	217,118
Operating Capital	2,147,479	-	-	-	2,147,479
Safe Schools Levy	510,142	-	-	-	510,142
Learning and Development	107,155	-	-	-	107,155
Staff Development	160	-	-	-	160
Long Term Facilities					
Maintenance	4,226,355	-	-	-	4,226,355
Capital Projects Levy	1,482,985	-	-	-	1,482,985
Early Childhood and					
Family Education	-	-	-	405,224	405,224
School Readiness	-	-	-	893	893
Debt Service	-	80,338,151	-	-	80,338,151
Capital Projects	-	-	5,282,706	-	5,282,706
Food Service	-	-	-	1,841,184	1,841,184
Total restricted	<u>8,691,394</u>	<u>80,338,151</u>	<u>5,282,706</u>	<u>2,247,301</u>	<u>96,559,552</u>
Assigned for					
Building activities	190,323	-	-	-	190,323
One-to-One Insurance	309,225	-	-	-	309,225
Total assigned	<u>499,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,548</u>
Unassigned	<u>4,449,815</u>	<u>-</u>	<u>-</u>	<u>(189,141)</u>	<u>4,260,674</u>
Total fund balance	<u>\$ 14,399,102</u>	<u>\$ 80,338,151</u>	<u>\$ 5,282,706</u>	<u>\$ 2,118,625</u>	<u>\$ 102,138,584</u>

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use.

Restricted/Reserved for Learning and Development – Learning and development is funded by general education revenue. This reserve represents available general education revenues for learning and development, which is mainly for reducing the pupil to staff ratio.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* 122A.61, subdivision 1).

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

Restricted for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, and extended day programs. The balance as of June 30, 2022, is a deficit (negative) amount, which is presented within unassigned fund balance for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Debt Service – This balance represents the balance of the Debt Service Fund available for future debt principal and interest payments.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position

Restricted for Capital Projects – This balance represents the balance of the Capital Projects Fund available for future capital purchases.

Restricted for Food Service – This balance represents the balance of the Food Service Fund that is available for future food service expenditures.

Assigned for One-to-One Insurance – This balance represents resources set aside for repairs/replacement of one-to-one devices.

Net Investment in Capital Assets – This amount represents the net book value of the District's capital assets less the balance of outstanding debt used to acquire them.

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, Debt Service, and Capital Projects Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2022, was \$345,028. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. 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. TRA is a separate statutory entity and administered by a Board of Trustees. The Board 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 teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by Minnesota State.

B. Benefits Provided

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 Statute* 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.

Independent School District No. 720
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Two methods are used to compute benefits for 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

Tier I	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- 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% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. 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 calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Independent School District No. 720
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (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. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2020, June 30, 2021, and June 30, 2022, were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

The following is a reconciliation of employer contributions in TRA's ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	\$ 448,829
Add employer contributions not related to future contribution efforts	379
Deduct TRA's contributions not included in allocation	<u>(538)</u>
Total employer contributions	448,670
Total non-employer contributions	<u>37,840</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 486,510</u></u>

Independent School District No. 720
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 720
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	100.0 %	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2022 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

- The investment return assumption was changed from 7.5% to 7.0%.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The discount rate used to measure the total pension liability at the prior measurement date was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Independent School District No. 720
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2022, the District reported a liability of \$34,953,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.7987% at the end of the measurement period and 0.7943% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to 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 net pension liability	\$ 34,953,500
State's proportionate share of the net pension liability associated with the District	2,948,067

For the year ended June 30, 2022, the District recognized pension expense of \$713,189. Included in this amount, the District recognized (\$33,009) as pension expense for the support provided by direct aid.

On June 30, 2022, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 941,484	\$ 1,009,537
Net difference between projected and actual earnings on plan investments	-	29,352,551
Changes of assumptions	12,808,947	32,590,913
Changes in proportion	1,145,487	3,186,780
Contributions to TRA subsequent to the measurement date	3,872,364	-
Total	<u>\$ 18,768,282</u>	<u>\$ 66,139,781</u>

The \$3,872,364 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Independent School District No. 720
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2023	\$ (24,533,299)
2024	(19,400,159)
2025	(4,452,865)
2026	(5,378,967)
2027	2,521,427
Total	<u><u>\$ (51,243,863)</u></u>

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District proportionate share of NPL		
1% decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% increase in Discount Rate (8.00%)
\$ 70,607,772	\$ 34,953,500	\$ 5,714,155

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

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

Independent School District No. 720
Notes to Basic Financial Statements

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

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. 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.

General Employees Plan Benefits

General Employees Plan 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 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 annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. 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. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Independent School District No. 720
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were \$885,635. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of \$7,208,516 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$220,064.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1688% at the end of the measurement period and 0.1786% for the beginning of the period.

District's proportionate share of net pension liability	\$ 7,208,516
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>220,064</u>
Total	<u><u>\$ 7,428,580</u></u>

For the year ended June 30, 2022, the District recognized pension expense of (\$368,161) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$17,756 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Independent School District No. 720
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2022, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 45,886	\$ 222,084
Changes in actuarial assumptions	4,401,371	167,601
Difference between projected and actual investments earnings	-	6,217,850
Change in proportion	102,282	579,357
Contributions paid to PERA subsequent to the measurement date	885,635	-
	<u>885,635</u>	<u>-</u>
Total	<u>\$ 5,435,174</u>	<u>\$ 7,186,892</u>

The \$885,635 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 ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2023	\$ (552,582)
2024	(193,156)
2025	(188,845)
2026	(1,702,770)
	<u>(1,702,770)</u>
Total	<u>\$ (2,637,353)</u>

Independent School District No. 720
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of 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:

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

Independent School District No. 720
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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 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.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 14,701,693	\$ 7,208,516	\$ 1,059,907

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through its Other Post Employment Benefits (OPEB) Plan, a single-employer defined benefit plan administered by the District. All post employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements.

The OPEB plan is included in the report of the District. A separate financial report is not issued.

B. Benefits Provided

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

C. Members

As of July 1, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Active employees	<u>1,038</u>
Total	<u><u>1,048</u></u>

D. Contributions

Retirees and their families have access to the health care plan at the same premium rate as District employees. This results in the retirees receiving an implicit rate subsidy. The premiums are based on the contract terms. The required contributions are on projected pay-as-you-go financing requirements. For fiscal year 2022, the District contributed \$314,799 to the plan.

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Discount rate	3.90%
Investment rate of return	4.60%, net of investment expense
Salary increases	Service graded
Inflation	2.50%
Healthcare cost trend increases	6.5% in 2021 decreasing to 5.00% over 6 years, then to 4.00% over the next 48 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale

The following are changes to actuarial assumptions since the prior valuation:

- The long-term expected investment return was changed from 4.3% to 4.6%
- The discount rate was changed from 2.3% to 3.9%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below:

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic equity	60.00 %	5.00 %
Fixed income	38.00	4.00
Cash	2.00	3.00
Total	100.00 %	

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The details of the investments and the investment policy are described in Note 2. of the District's basic financial statements. For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (13.7)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.9%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2021	\$ 11,752,010	\$ 6,087,274	\$ 5,664,736
Changes for the year			
Service cost	740,840	-	740,840
Interest	283,736	-	283,736
Assumption changes	(1,093,262)	-	(1,093,262)
Differences between expected and actual economic experience	-	(1,115,192)	1,115,192
Employer contributions	-	-	-
Projected investment return	-	280,015	(280,015)
Benefit payments	(314,799)	(314,799)	-
Net changes	(383,485)	(1,149,976)	766,491
Balances at June 30, 2022	\$ 11,368,525	\$ 4,937,298	\$ 6,431,227
Plan fiduciary net position as a percentage of the total OPEB liability			43.43%

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 3.90% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% Decrease in Discount Rate (2.90%)	Current Discount Rate (3.90%)	1% Increase in Discount Rate (4.90%)
Net OPEB liability	\$ 7,237,134	\$ 6,431,227	\$ 5,653,304

The total on the following page presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.0%) decreasing to 4.0%, then	Current (6.0%) decreasing to 5.0%, then	1% increase (7.0%) decreasing to 6.0%, then
Net OPEB liability	\$ 5,013,676	\$ 6,431,227	\$ 8,096,279

The trend rate assumption has not changed since the valuation date of July 1, 2020. The initial rate has decreased to 6.0% due to the assumed decrease over the select period.

I. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$204,642. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 301,257	\$ -
Liability losses/gains	-	1,795,570
Changes of assumptions	303,736	1,820,029
Total	<u>\$ 604,993</u>	<u>\$ 3,615,599</u>

Independent School District No. 720
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**I. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

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

<u>Year Ending June 30,</u>	<u>Total</u>
2023	\$ (519,273)
2024	(500,228)
2025	(484,493)
2026	(304,365)
2027	(493,902)
Thereafter	<u>(708,345)</u>
Total	<u><u>\$ (3,010,606)</u></u>

NOTE 8 – COMMITMENTS

As of June 30, 2022, the District had construction commitments totaling \$38,118,874.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 87 – *Leases*, which resulted in the recording of leased Assets and lease liability on July 1, 2021, in offsetting amounts of \$1,672,415. Because there was no net effect on the beginning net position, a change in accounting principle is not reported on the Statement of Activities.

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 720
Schedule of Changes in Net OPEB Liability
and Related Ratios

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Total OPEB Liability			
Service cost	\$ 1,026,321	\$ 958,236	\$ 661,857
Interest	369,801	430,395	489,794
Differenced between expected and actual experience	-	-	(2,941,709)
Changes of assumptions	(335,006)	(300,738)	(466,086)
Plan changes	-	-	(1,054,865)
Benefit payments	<u>(299,365)</u>	<u>(290,672)</u>	<u>(203,286)</u>
Net change in total OPEB liability	<u>761,751</u>	<u>797,221</u>	<u>(3,514,295)</u>
Beginning of year	<u>11,874,048</u>	<u>12,635,799</u>	<u>13,433,020</u>
End of year	<u><u>\$ 12,635,799</u></u>	<u><u>\$ 13,433,020</u></u>	<u><u>\$ 9,918,725</u></u>
Plan Fiduciary Net Pension (FNP)			
Employer contributions	\$ 126,365	\$ 106,667	\$ -
Net investment income	180,697	202,898	208,337
Differences between expected and actual experience	85,258	103,230	95,205
Benefit payments	(299,365)	(290,672)	(203,286)
Administrative expense	<u>-</u>	<u>(3,291)</u>	<u>(3,000)</u>
Net change in plan fiduciary net position	<u>92,955</u>	<u>118,832</u>	<u>97,256</u>
Beginning of year	<u>4,633,266</u>	<u>4,726,221</u>	<u>4,845,053</u>
End of year	<u><u>\$ 4,726,221</u></u>	<u><u>\$ 4,845,053</u></u>	<u><u>\$ 4,942,309</u></u>
Net OPEB liability	<u><u>\$ 7,909,578</u></u>	<u><u>\$ 8,587,967</u></u>	<u><u>\$ 4,976,416</u></u>
Plan FNP as a percentage of the total OPEB liability	37.40%	36.07%	49.83%
Covered-employee payroll	\$ 55,218,930	\$ 56,875,498	\$ 54,323,169
Net OPEB liability as a percentage of covered-employee payroll	14.32%	15.10%	9.16%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
\$ 751,335	\$ 915,182	\$ 740,840
337,303	311,257	283,736
-	(39,274)	-
433,912	(365,431)	(1,093,262)
-	-	-
(260,707)	(250,292)	(314,799)
<u>1,261,843</u>	<u>571,442</u>	<u>(383,485)</u>
 9,918,725	 11,180,568	 11,752,010
<u><u>\$ 11,180,568</u></u>	<u><u>\$ 11,752,010</u></u>	<u><u>\$ 11,368,525</u></u>
 \$ -	 \$ 250,292	 \$ -
212,519	213,830	280,015
78,681	900,642	(1,115,192)
(260,707)	(250,292)	(314,799)
-	-	-
<u>30,493</u>	<u>1,114,472</u>	<u>(1,149,976)</u>
 4,942,309	 4,972,802	 6,087,274
<u><u>\$ 4,972,802</u></u>	<u><u>\$ 6,087,274</u></u>	<u><u>\$ 4,937,298</u></u>
 <u><u>\$ 6,207,766</u></u>	 <u><u>\$ 5,664,736</u></u>	 <u><u>\$ 6,431,227</u></u>
 44.48%	 51.80%	 43.43%
\$ 55,952,864	\$ 59,163,976	\$ 60,938,895
 11.09%	 9.57%	 10.55%

Independent School District No. 720
Schedule of Investment Returns

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Annual money-weighted rate of return, net of investment expense	5.70%	6.50%	6.30%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
5.90%	22.40%	-13.70%

Independent School District No. 720
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and 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 (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1966%	\$ 9,235,283	\$ -	\$ 9,235,283	\$ 10,320,166	89.49%	78.75%
2015	0.1839%	9,530,652	-	9,530,652	10,626,680	89.69%	78.19%
2016	0.1931%	15,678,762	204,852	15,883,614	11,984,533	130.82%	68.91%
2017	0.1912%	12,206,082	153,497	12,359,579	12,318,853	99.08%	75.90%
2018	0.1849%	10,257,494	336,349	10,593,843	12,426,720	82.54%	79.53%
2019	0.1749%	9,669,829	300,487	9,970,316	12,174,187	79.43%	80.23%
2020	0.1786%	10,707,886	330,180	11,038,066	12,739,760	84.05%	79.06%
2021	0.1688%	7,208,516	220,064	7,428,580	12,151,920	59.32%	87.00%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - TRA Retirement Fund
Last Ten Years*

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.8067%	\$ 37,172,155	\$ 2,615,162	\$ 39,787,317	\$ 36,823,971	100.9%	81.50%
2015	0.7817%	48,355,876	5,931,424	54,287,300	39,672,933	121.9%	76.77%
2016	0.8321%	198,475,704	19,921,322	218,397,026	43,284,507	458.5%	44.88%
2017	0.8541%	170,493,853	16,481,743	186,975,596	45,978,120	370.8%	51.57%
2018	0.8207%	51,547,642	4,843,020	56,390,662	45,343,640	113.7%	78.07%
2019	0.8065%	51,406,479	4,549,459	55,955,938	46,052,918	111.6%	78.21%
2020	0.7943%	58,683,948	4,918,087	63,602,035	46,159,078	127.1%	75.48%
2021	0.7987%	34,953,500	2,948,067	37,901,567	47,794,994	73.1%	86.63%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Independent School District No. 720
Schedule of District Contributions -
General Employees Retirement Fund
Last Ten Years*

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 748,212	\$ 748,212	\$ -	\$ 10,320,166	7.25%
2015	797,001	797,001	-	10,626,680	7.50%
2016	898,840	898,840	-	11,984,533	7.50%
2017	923,914	923,914	-	12,318,853	7.50%
2018	932,004	932,004	-	12,426,720	7.50%
2019	913,064	913,064	-	12,174,187	7.50%
2020	955,482	955,482	-	12,739,760	7.50%
2021	911,394	911,394	-	12,151,920	7.50%
2022	885,635	885,635	-	11,808,467	7.50%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of District Contributions -
TRA Retirement Fund
Last Ten Years*

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 2,577,678	\$ 2,577,678	\$ -	\$ 36,823,971	7.00%
2015	2,975,470	2,975,470	-	39,672,933	7.50%
2016	3,246,338	3,246,338	-	43,284,507	7.50%
2017	3,448,359	3,448,359	-	45,978,120	7.50%
2018	3,400,773	3,400,773	-	45,343,640	7.50%
2019	3,550,680	3,550,680	-	46,052,918	7.71%
2020	3,655,799	3,655,799	-	46,159,078	7.92%
2021	3,885,733	3,885,733	-	47,794,994	8.13%
2022	3,872,364	3,872,364	-	46,431,223	8.34%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Independent School District No. 720
Notes to the Required Supplementary Information

TRA Retirement Fund

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% 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 July 1, 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 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.

Independent School District No. 720
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Independent School District No. 720
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2015 Changes (Continued)

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 720
Notes to the Required Supplementary Information

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 720
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

Independent School District No. 720
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees 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.

Independent School District No. 720
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2022 Changes

Changes in Actuarial Assumptions

- The long-term expected investment return was changed from 4.3% to 4.6%.
- The discount rate was changed from 2.3% to 3.9%.

2021 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 2.6% to 2.3%.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.20% to 2.60%.

2019 Changes

Benefit Changes

- For the fiscal year ending June 30, 2019, the teacher's post-employment subsidized benefit changed from the full single premium for the \$1,200 deductible plan to the same annual contribution toward single coverage as active employee.

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The percent of administration and teachers not eligible for a post-employment medical subsidy assumed to elect coverage at retirement was lowered from 70% to 50%.
- The discount rate was changed from 3.50% to 3.20%

2018 Changes

Changes in Actuarial Assumptions

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

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

**Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue		
	Community		
	Food Service	Service	Total
Assets			
Cash and investments	\$ 1,867,749	\$ 622,969	\$ 2,490,718
Current property taxes receivable	-	300,136	300,136
Delinquent property taxes receivable	-	1,999	1,999
Accounts receivable	-	4,898	4,898
Due from Department of Education	4,510	89,806	94,316
Due from Federal Government through Department of Education	225,600	-	225,600
Due from other governmental units	-	940	940
Inventory	60,285	-	60,285
Prepaid items	-	180	180
Total assets	<u>\$ 2,158,144</u>	<u>\$ 1,020,928</u>	<u>\$ 3,179,072</u>
Liabilities			
Accounts payable	\$ 4,943	\$ 13,458	\$ 18,401
Salaries and benefits payable	60,443	108,781	169,224
Due to other governmental units	-	936	936
Unearned revenue	191,289	56,167	247,456
Total liabilities	<u>256,675</u>	<u>179,342</u>	<u>436,017</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	622,431	622,431
Unavailable revenue - delinquent property taxes	-	1,999	1,999
Total deferred inflows of resources	<u>-</u>	<u>624,430</u>	<u>624,430</u>
Fund Balances			
Nonspendable	60,285	180	60,465
Restricted for			
Early Childhood and Family Education Programs	-	405,224	405,224
School Readiness	-	893	893
Food Service	1,841,184	-	1,841,184
Unassigned	-	(189,141)	(189,141)
Total fund balances	<u>1,901,469</u>	<u>217,156</u>	<u>2,118,625</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,158,144</u>	<u>\$ 1,020,928</u>	<u>\$ 3,179,072</u>

**Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2022**

	Special Revenue		
	Food Service	Community Service	Total
Revenues			
Local property taxes	\$ -	\$ 616,392	\$ 616,392
Other local and county revenues	11,883	1,249,215	1,261,098
Revenue from state sources	158,054	894,751	1,052,805
Revenue from federal sources	5,411,569	-	5,411,569
Sales and other conversion of assets	416,184	-	416,184
Total revenues	<u>5,997,690</u>	<u>2,760,358</u>	<u>8,758,048</u>
Expenditures			
Current			
Food service	4,571,303	-	4,571,303
Community education and services	-	2,755,210	2,755,210
Capital outlay			
Food service	19,230	-	19,230
Community education and services	-	4,565	4,565
Total expenditures	<u>4,590,533</u>	<u>2,759,775</u>	<u>7,350,308</u>
Excess of revenues over expenditures	1,407,157	583	1,407,740
Fund Balances			
Beginning of year	<u>494,312</u>	<u>216,573</u>	<u>710,885</u>
End of year	<u>\$ 1,901,469</u>	<u>\$ 217,156</u>	<u>\$ 2,118,625</u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	\$ 20,240	\$ 20,240	\$ 11,883	\$ (8,357)
Revenue from state sources	-	-	158,054	158,054
Revenue from federal sources	3,930,000	3,930,000	5,411,569	1,481,569
Sales and other conversion of assets	506,000	506,000	416,184	(89,816)
Total revenues	4,456,240	4,456,240	5,997,690	1,541,450
Expenditures				
Current				
Food service	4,356,796	4,465,461	4,571,303	105,842
Capital outlay				
Food service	50,000	50,000	19,230	(30,770)
Total expenditures	4,406,796	4,515,461	4,590,533	75,072
Net change in fund balance	\$ 49,444	\$ (59,221)	1,407,157	\$ 1,466,378
Fund Balance				
Beginning of year			494,312	
End of year			\$ 1,901,469	

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Local property taxes	\$ 615,905	\$ 606,010	\$ 616,392	\$ 10,382
Other local and county revenues	1,435,616	1,226,346	1,249,215	22,869
Revenue from state sources	906,346	916,241	894,751	(21,490)
Revenue from federal sources	-	-	-	-
Total revenues	<u>2,957,867</u>	<u>2,748,597</u>	<u>2,760,358</u>	<u>11,761</u>
Expenditures				
Current				
Community education and services	2,972,202	2,783,781	2,755,210	(28,571)
Capital outlay				
Community education and services	7,700	6,700	4,565	(2,135)
Total expenditures	<u>2,979,902</u>	<u>2,790,481</u>	<u>2,759,775</u>	<u>(30,706)</u>
Net change in fund balance	<u>\$ (22,035)</u>	<u>\$ (41,884)</u>	583	<u>\$ 42,467</u>
Fund Balance				
Beginning of year			<u>216,573</u>	
End of year			<u>\$ 217,156</u>	

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Debt Service Fund
Year Ended June 30, 2022

	2022			Variance with
	Budgeted Amounts		Actual	Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	\$ 18,954,263	\$ 18,954,264	\$ 18,817,749	\$ (136,515)
Other local and county revenues	25,000	10,000	113,342	103,342
Revenue from state sources	105,000	1,638,819	583,386	(1,055,433)
Total revenues	19,084,263	20,603,083	19,514,477	(1,088,606)
Expenditures				
Debt service				
Principal	13,150,000	13,805,000	13,150,000	(655,000)
Interest and fiscal charges	6,606,064	6,989,133	6,595,157	(393,976)
Total expenditures	19,756,064	20,794,133	19,745,157	(1,048,976)
Excess of revenues under expenditures	(671,801)	(191,050)	(230,680)	(39,630)
Other Financing Sources (Uses)				
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Payment of refunded bonds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (671,801)	\$ (191,050)	(230,680)	\$ (39,630)
Fund Balance				
Beginning of year			80,568,831	
End of year			\$ 80,338,151	

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2022

	2022		
	Budgeted Amounts		Variance with
	Original	Final	Final Budget -
			Over (Under)
Revenues			
Other local and county revenues	\$ -	\$ -	\$ 27,291
			\$ 27,291
Expenditures			
Capital outlay			
Sites and buildings	9,995,416	9,995,416	5,641,214
Debt service			(4,354,202)
Interest and fiscal charges	-	-	-
Total expenditures	9,995,416	9,995,416	5,641,214
			(4,354,202)
Excess of revenues over expenditures	(9,995,416)	(9,995,416)	(5,613,923)
			4,381,493
Other Financing Sources			
Bond issuance	-	-	-
			-
Net change in fund balance	\$ (9,995,416)	\$ (9,995,416)	(5,613,923)
			\$ 4,381,493
Fund Balance			
Beginning of year			10,896,629
End of year			\$ 5,282,706

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INTERNAL SERVICE FUNDS

Independent School District No. 720
Combining Statement of
Net Position - Internal Service Funds
As of June 30, 2022

		Internal Service Funds		
		Health Insurance	Dental Insurance	Total
Assets				
Current				
Cash and cash equivalents		\$ 1,821,552	\$ 302,901	\$ 2,124,453
Liabilities				
Current				
Incurred but not reported claims		\$ 744,278	\$ 32,000	\$ 776,278
Net Position				
Unrestricted		1,077,274	270,901	1,348,175
Total liabilities and net position		\$ 1,821,552	\$ 302,901	\$ 2,124,453

**Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2022**

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Operating Revenue			
Charges for services	\$ 8,452,049	\$ 832,229	\$ 9,284,278
Operating Expenses			
Insurance	8,708,598	759,624	9,468,222
Salaries	38,460	-	38,460
Benefits	6,623	-	6,623
Total Operating Expenses	8,753,681	759,624	9,513,305
Operating income	(301,632)	72,605	(229,027)
Nonoperating Revenues			
Investment income	111	48	159
Change in net position	(301,521)	72,653	(228,868)
Net Position			
Beginning of year	1,378,795	198,248	1,577,043
End of year	\$ 1,077,274	\$ 270,901	\$ 1,348,175

Independent School District No. 720
Combining Statement of Cash Flows -
Internal Service Funds
Year Ended June 30, 2022

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Cash Flows - Operating Activities			
Receipts from District contributions	\$ 8,450,468	\$ 832,229	\$ 9,282,697
Employee claims paid	(8,739,423)	(760,599)	(9,500,022)
Payments to employees	(45,083)	-	(45,083)
Net cash flows - operating activities	(334,038)	71,630	(262,408)
Cash Flows - Investing Activities			
Interest received	111	48	159
Net change in cash and cash equivalents	(333,927)	71,678	(262,249)
Cash and Cash Equivalents			
Beginning of year	2,155,479	231,223	2,386,702
End of year	\$ 1,821,552	\$ 302,901	\$ 2,124,453
Reconciliation of Operating Income to Net Cash Flows - Operating Activities			
Operating income	\$ (301,632)	\$ 72,605	\$ (229,027)
Adjustments to reconcile operating income to net cash flows - operating activities			
Salaries and benefits payable	(1,581)	-	(1,581)
Incurred but not reported claims	(30,825)	(975)	(31,800)
Net adjustments	(32,406)	(975)	(33,381)
Net cash flows - operating activities	\$ (334,038)	\$ 71,630	\$ (262,408)

UFARS COMPLIANCE TABLE

**Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended January 0, 1900**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	#VALUE!	\$ 100,095,351	#VALUE!	Total revenue	#VALUE!	\$ 27,292	#VALUE!
Total expenditures	#VALUE!	107,010,499	#VALUE!	Total expenditures	#VALUE!	5,641,214	#VALUE!
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	-	758,346	(758,346)	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	-	217,118	(217,118)	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.03 Staff Development	-	160	(160)	4.67 Long-term Facilities Maintenance	-	5,125,679	(5,125,679)
4.07 Capital Projects Levy	-	1,482,985	(1,482,985)	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	#VALUE!	157,028	#VALUE!
4.13 Building Projects Funded by COP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.24 Operating Capital	-	2,147,479	(2,147,479)	Total revenue	#VALUE!	\$ 19,514,478	#VALUE!
4.26 \$25 Taconite	-	-	-	Total expenditures	#VALUE!	19,745,159	#VALUE!
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	107,155	(107,155)	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refundings	-	75,508,563	(75,508,563)
4.36 State Approved Alternative Program	-	-	-	4.33 Maximum Effort Loan	-	-	-
4.38 Gifted and Talented	-	-	-	4.51 QZAB payments	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.67 LTFM	-	1,092,182	(1,092,182)
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.48 Achievement and Integration Revenue	-	-	-	4.64 Restricted fund balance	#VALUE!	3,737,405	#VALUE!
4.49 Safe Schools Levy	-	510,142	(510,142)	<i>Unassigned:</i>			
4.51 QZAB Payments	-	-	-	4.63 Unassigned fund balance	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-				
4.53 Unfunded Severance and Retirement Levy	-	-	-	08 TRUST FUND			
4.59 Basic Skills Extended Time	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.67 Long-term Facilities Maintenance	-	4,226,355	(4,226,355)	Total expenditures	-	-	-
4.72 Medical Assistance	-	-	-	<i>Unrestricted:</i>			
4.73 PPP Loans	-	-	-	4.01 Student Activities	-	-	-
4.74 EIDL Loans	-	-	-	4.02 Scholarships	-	-	-
<i>Restricted:</i>				4.22 Net position	-	-	-
4.64 Restricted fund balance	-	-	-				
4.75 Title VII - Impact Aid	-	-	-	18 CUSTODIAL			
4.76 Payments in Lieu of Taxes	-	-	-	Total revenue	\$ 12,188	\$ 12,188	\$ -
<i>Committed:</i>				Total expenditures	12,256	12,255	1
4.18 Committed for separation	-	-	-	<i>Restricted/reserved:</i>			
4.61 Committed	-	-	-	4.01 Student Activities	-	-	-
<i>Assigned:</i>				4.02 Scholarships	13,383	13,383	-
4.62 Assigned fund balance	-	499,548	(499,548)	4.48 Achievement and Integration	-	-	-
<i>Unassigned:</i>				4.64 Restricted	-	-	-
4.22 Unassigned fund balance	#VALUE!	4,449,810	#VALUE!				
02 FOOD SERVICES FUND				20 INTERNAL SERVICE FUND			
Total revenue	#VALUE!	\$ 5,997,689	#VALUE!	Total revenue	\$ 9,284,437	\$ 9,284,436	\$ 1
Total expenditures	#VALUE!	4,590,533	#VALUE!	Total expenditures	9,513,305	9,513,305	-
<i>Nonspendable:</i>				<i>Unrestricted:</i>			
4.60 Nonspendable fund balance	-	60,285	(60,285)	4.22 Net position	1,348,175	1,348,175	-
<i>Restricted/reserved:</i>							
4.52 OPEB liabilities not held in trust	-	-	-	25 OPEB REVOCABLE TRUST			
4.74 EIDL Loans	-	-	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total expenditures	-	-	-
4.64 Restricted fund balance	#VALUE!	1,841,184	#VALUE!	<i>Unrestricted:</i>			
<i>Unassigned:</i>				4.22 Net position	-	-	-
4.63 Unassigned fund balance	-	-	-				
04 COMMUNITY SERVICE FUND				45 OPEB IRREVOCABLE TRUST			
Total revenue	#VALUE!	\$ 2,760,356	#VALUE!	Total revenue	\$ -	\$ (810,616)	\$ 810,616
Total expenditures	#VALUE!	2,759,771	#VALUE!	Total expenditures	338,815	338,814	1
<i>Nonspendable:</i>				<i>Unrestricted:</i>			
4.60 Nonspendable fund balance	-	180	(180)	4.22 Net position	4,937,843	4,937,844	(1)
<i>Restricted/reserved:</i>							
4.26 \$25 Taconite	-	-	-	47 OPEB DEBT SERVICE			
4.31 Community Education	#VALUE!	(189,141)	#VALUE!	Total revenue	\$ -	\$ -	\$ -
4.32 ECFE	-	405,224	(405,224)	Total expenditures	-	-	-
4.40 Teacher Development and Evaluations	-	-	-	<i>Nonspendable:</i>			
4.44 School Readiness	-	893	(893)	4.60 Nonspendable fund balance	-	-	-
4.47 Adult Basic Education	-	-	-	<i>Restricted:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.25 Bond refundings	-	-	-
4.73 PPP Loans	-	-	-	4.64 Restricted fund balance	-	-	-
4.74 EIDL Loans	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.63 Unassigned fund balance	-	-	-
4.64 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

STATISTICAL SECTION

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Independent School District No. 720
Statistical Section (Unaudited)
June 30, 2022

III. Statistical Section (Unaudited)

This part of the Independent School District No. 720's annual comprehensive financial report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information says about the District's overall financial health. The statistical section includes information related to these five sections:

<u>Contents</u>	<u>Page</u>
Financial Trends	
This section contains trend information to help the reader understand how the District's financial performance and well-being have changed over time.	112
Revenue Capacity	
This section contains information to help the reader assess the District's most significant local revenue source, property taxes.	121
Debt Capacity	
This section presents 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.	128
Demographic and Economic Information	
This section contains demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	134
Operating Information	
This section contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to services provided and activities performed.	136

Sources: Unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year.

Independent School District No. 720
Shakopee Public Schools
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2013	2014	2015	2016
Governmental Activities				
Net investment in capital assets	\$ 21,509,142	\$ 21,840,189	\$ 23,041,568	\$ 26,336,717
Restricted	2,103,662	2,411,568	3,150,431	1,241,034
Unrestricted	10,655,933	8,100,912	(45,145,697)	(51,864,194)
Total governmental activities net position	<u>\$ 34,268,737</u>	<u>\$ 32,352,669</u>	<u>\$ (18,953,698)</u>	<u>\$ (24,286,443)</u>

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 35,186,072	\$ 45,526,236	\$ 55,529,637	\$ 67,663,806	\$ 82,755,741	\$ 92,463,986
-	1,970,243	2,446,033	7,194,893	10,079,420	11,885,035
<u>(85,542,839)</u>	<u>(114,835,656)</u>	<u>(90,596,678)</u>	<u>(97,349,532)</u>	<u>(101,178,213)</u>	<u>(94,279,918)</u>
<u>\$ (50,356,767)</u>	<u>\$ (67,339,177)</u>	<u>\$ (32,621,008)</u>	<u>\$ (22,490,833)</u>	<u>\$ (8,343,052)</u>	<u>\$ 10,069,103</u>

Independent School District No. 720
Shakopee Public Schools
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2013	2014	2015	2016
Expenses				
Governmental activities				
Administration	\$ 4,196,548	\$ 4,623,140	\$ 5,547,166	\$ 5,955,670
District support services	1,293,572	1,471,090	1,912,672	2,122,209
Regular instruction	37,728,992	40,000,664	42,847,228	45,554,644
Vocational education instruction	458,572	725,118	703,295	726,293
Special education instruction	14,503,636	15,085,785	15,515,994	17,425,823
Instructional support services	4,731,832	4,921,635	6,047,476	7,548,519
Pupil support services	5,768,903	6,213,364	6,905,267	7,377,729
Sites and buildings	5,785,361	6,880,602	7,807,706	7,337,340
Fiscal and other fixed cost programs	130,635	181,473	215,914	211,184
Food service	3,458,450	3,470,807	3,794,772	4,158,297
Community service	1,891,348	1,838,544	2,056,634	2,322,011
Depreciation not allocated to other functions	279,962	517,536	628,829	787,506
Interest and fiscal charges on long-term debt	7,523,483	7,146,210	5,254,492	8,055,214
Total governmental activities expenses	87,751,294	93,075,968	99,237,445	109,582,439
Program Revenues				
Governmental activities				
Charges for services				
Administration	26,300	23,151	23,040	14,225
District support services	8,246	8,568	35,897	35,292
Regular instruction	852,858	981,266	448,664	474,275
Vocational education instruction	-	175	300	37
Special education instruction	24,748	1,810	228,614	179,203
Instructional support services	696	128	614	562
Pupil support services	8,634	10,859	29,502	107,857
Sites and buildings	17,300	17,900	13	59
Food service	1,642,702	1,747,412	1,958,315	2,035,210
Community service	718,063	733,494	787,156	1,016,566
Operating grants and contributions	19,506,678	20,373,579	21,935,044	24,000,053
Capital grants and contributions	5,000	38,845	-	-
Total governmental activities program revenues	22,811,225	23,937,187	25,447,159	27,863,339
Net governmental activities (expense)/revenue	(64,940,069)	(69,138,781)	(73,790,286)	(81,719,100)
Business-type activities	-	-	-	-
Total governmental activities net expense	(64,940,069)	(69,138,781)	(73,790,286)	(81,719,100)
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes				
General purpose	8,666,535	5,445,658	9,264,493	9,114,215
Community service	504,862	259,610	523,173	517,493
Debt service	13,906,651	12,933,157	12,470,062	12,620,244
General grants and aids	41,587,955	47,608,165	51,064,387	53,137,665
Investment earnings	344,424	331,125	119,007	938,932
Gain on sale of capital assets	200	119,370	13,580	21,600
Other general revenues	614,821	525,628	33,402	36,206
Total governmental activities	65,625,448	67,222,713	73,488,104	76,386,355
Total Net (Expense) Revenue	685,379	(1,916,068)	(302,182)	(5,332,745)
Net position - beginning, as previously stated	34,053,800	34,268,737	32,352,669	(18,953,698)
Change in accounting principle	(470,442)	-	(51,004,185)	-
Net position - beginning, as restated	33,583,358	34,268,737	(18,651,516)	(18,953,698)
Net position - ending	\$ 34,268,737	\$ 32,352,669	\$ (18,953,698)	\$ (24,286,443)

Fiscal year					
2017	2018	2019	2020	2021	2022
\$ 7,523,283	\$ 7,340,382	\$ 3,607,620	\$ 5,843,792	\$ 5,720,333	\$ 4,552,784
2,456,591	2,106,366	2,374,571	2,599,179	2,640,387	2,574,259
63,959,236	63,492,106	30,458,137	49,786,185	50,659,122	44,164,260
1,286,927	945,260	528,644	1,000,405	1,031,568	703,393
25,091,784	24,552,734	12,698,736	20,164,692	20,660,274	18,643,488
10,762,588	9,547,642	6,601,313	9,380,581	7,628,921	7,522,292
8,401,426	8,625,780	7,691,554	8,882,170	8,576,605	7,884,440
6,929,012	8,170,286	11,550,383	4,347,902	6,935,247	7,839,676
191,091	199,020	172,683	353,795	174,026	239,205
4,724,099	4,480,777	4,173,484	4,261,487	3,397,836	4,461,094
3,286,539	3,303,658	2,282,557	2,993,523	2,815,962	2,615,986
1,265,819	1,589,799	1,713,784	5,803,460	3,509,260	3,628,782
7,322,643	6,559,035	5,533,037	5,252,402	6,629,000	5,006,349
143,201,038	140,912,845	89,386,503	120,669,573	120,378,541	109,836,008
12,993	13,376	9,477	1,200	-	1,163
25,189	25,579	55,730	87,978	30,696	36,595
438,789	528,522	544,335	422,253	331,052	555,584
140	328	527	2,353	136	613
200,061	3,361	1,844	-	-	-
243	68	-	-	92,810	100,628
221,004	228,447	235,796	64,931	58,403	8,545
32,413	61,245	61,668	59,874	2,300	58,370
2,084,558	2,038,572	2,110,636	1,751,141	87,173	416,184
1,229,308	1,265,406	1,333,572	1,092,977	985,334	1,233,393
25,885,369	23,511,826	23,702,928	25,548,851	30,503,605	29,538,244
470,297	979,803	965,654	807,794	396,516	460,646
30,600,364	28,656,533	29,022,167	29,839,352	32,488,025	32,409,965
(112,600,674)	(112,256,312)	(60,364,336)	(90,830,221)	(87,890,516)	(77,426,043)
-	-	-	-	-	-
(112,600,674)	(112,256,312)	(60,364,336)	(90,830,221)	(87,890,516)	(77,426,043)
13,310,119	13,953,937	15,759,624	15,441,415	14,911,733	15,813,536
542,360	580,326	586,578	601,809	617,670	616,245
18,735,124	18,817,481	19,994,879	22,296,379	23,947,552	18,804,202
59,536,734	60,765,061	57,877,841	61,464,606	62,073,034	59,031,031
657,661	750,641	639,236	368,966	27,838	163,856
4,022	304,669	188,238	202,747	413,894	227,246
78,576	101,787	36,109	40,382	46,576	1,182,082
92,864,596	95,273,902	95,082,505	100,416,304	102,038,297	95,838,198
(19,736,078)	(16,982,410)	34,718,169	9,586,083	14,147,781	18,412,155
(24,286,443)	(50,356,767)	(67,339,177)	(32,621,008)	(22,490,833)	(8,343,052)
(6,334,246)	-	-	544,092	-	-
(30,620,689)	(50,356,767)	(67,339,177)	(32,076,916)	(22,490,833)	(8,343,052)
\$ (50,356,767)	\$ (67,339,177)	\$ (32,621,008)	\$ (22,490,833)	\$ (8,343,052)	\$ 10,069,103

Independent School District No. 720
Shakopee Public Schools
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable	\$ 350,000	\$ 96	\$ 68,261	\$ 115,556
Restricted	578,923	1,905,984	2,158,125	1,241,034
Assigned	-	-	-	-
Unassigned	11,555,217	8,530,840	5,548,137	1,164,415
	<u>\$ 12,484,140</u>	<u>\$ 10,436,920</u>	<u>\$ 7,774,523</u>	<u>\$ 2,521,005</u>
All Other Governmental Funds				
Nonspendable				
Capital Project funds	\$ 139,501	\$ 139,501	\$ 117,702	\$ 77,687
Nonmajor funds	30,880	33,057	33,832	29,846
Restricted				
Capital project funds	14,207,934	20,592,233	8,255,391	100,430,142
Debt service funds	90,039,936	45,763,302	2,937,288	20,079,253
Nonmajor funds	363,285	463,128	505,136	762,437
Unassigned reported in				
Capital project funds	-	-	-	-
Nonmajor funds	-	-	(75,851)	(17,867)
	<u>\$ 104,781,536</u>	<u>\$ 66,991,221</u>	<u>\$ 11,773,498</u>	<u>\$ 121,361,498</u>
Total all other governmental funds				
	<u>\$ 117,265,676</u>	<u>\$ 77,428,141</u>	<u>\$ 19,548,021</u>	<u>\$ 123,882,503</u>

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 657,884	\$ 208,934	\$ 245,117	\$ 26,816	\$ 1,011,456	\$ 758,345
-	854,983	879,033	4,498,587	8,195,420	8,691,394
20,882	185,388	267,230	210,065	235,383	499,548
388,488	1,584,328	3,444,795	3,743,049	1,450,809	4,449,815
<u>\$ 1,067,254</u>	<u>\$ 2,833,633</u>	<u>\$ 4,836,175</u>	<u>\$ 8,478,517</u>	<u>\$ 10,893,068</u>	<u>\$ 14,399,102</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49,221	45,582	48,294	54,038	65,125	60,465
53,366,000	11,214,101	2,022,715	2,390,009	10,896,629	5,282,706
20,670,744	2,988,464	3,223,859	4,478,006	80,568,831	80,338,151
946,735	1,086,759	1,131,535	895,505	785,401	2,247,301
-	-	-	(961,751)	-	-
(153,567)	(179,501)	(45,220)	(184,444)	(139,641)	(189,141)
<u>\$ 74,879,133</u>	<u>\$ 15,155,405</u>	<u>\$ 6,381,183</u>	<u>\$ 6,671,363</u>	<u>\$ 92,176,345</u>	<u>\$ 87,739,482</u>
<u>\$ 75,946,387</u>	<u>\$ 17,989,038</u>	<u>\$ 11,217,358</u>	<u>\$ 15,149,880</u>	<u>\$ 103,069,413</u>	<u>\$ 102,138,584</u>

Independent School District No. 720
Shakopee Public Schools
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
Local sources				
Property taxes	\$ 23,015,692	\$ 18,718,986	\$ 22,314,253	\$ 22,312,062
Other	2,165,621	2,277,734	2,331,605	3,468,932
State sources	57,639,830	64,588,313	68,614,824	72,135,291
Federal sources	3,790,555	3,656,143	3,600,238	4,172,968
Sales and other conversion of assets	1,762,419	1,879,915	2,117,288	2,198,848
Total revenues	<u>88,374,117</u>	<u>91,121,091</u>	<u>98,978,208</u>	<u>104,288,101</u>
Expenditures				
Current				
Administration	4,059,643	4,521,361	5,437,582	5,759,082
District support services	1,178,509	1,348,643	1,780,294	2,067,743
Regular instruction	33,171,305	35,377,923	38,542,795	40,739,884
Vocational education instruction	457,254	718,252	683,688	747,306
Special education instruction	14,280,976	14,829,013	15,337,996	17,154,198
Instructional support services	4,583,789	4,544,911	5,405,273	6,459,308
Pupil support services	5,582,461	6,044,213	6,727,114	7,259,476
Sites and buildings	4,564,335	5,361,523	5,742,925	6,151,407
Fiscal and other fixed cost programs	130,635	181,473	215,914	211,184
Food service	3,392,964	3,421,835	3,740,537	4,098,498
Community service	1,795,498	1,746,124	1,974,288	2,247,122
Capital outlay	6,691,205	8,452,578	14,020,032	13,601,299
Debt service				
Principal	7,725,000	49,105,000	63,095,000	9,718,773
Interest and fiscal charges	7,737,467	8,791,140	7,222,016	7,965,462
Total expenditures	<u>95,351,041</u>	<u>144,443,989</u>	<u>169,925,454</u>	<u>124,180,742</u>
Excess (deficiency) of revenues over (under) expenditures	(6,976,924)	(53,322,898)	(70,947,246)	(19,892,641)
Other Financing Sources (Uses)				
Proceeds from sale of assets	200	119,370	13,580	21,600
Proceeds from bond issuance	38,325,000	-	12,055,000	112,185,000
Bond premium	6,110,576	-	998,546	10,805,831
Payment of refunding bonds	-	-	-	-
Bond discount	-	-	-	(24,812)
Proceeds from certificate of participation	-	13,175,000	-	-
Premium on certificate of participation	-	190,993	-	-
Capital lease proceeds	-	-	-	1,239,504
Total other financing sources (uses)	<u>44,435,776</u>	<u>13,485,363</u>	<u>13,067,126</u>	<u>124,227,123</u>
Net change in fund balances	<u>\$ 37,458,852</u>	<u>\$ (39,837,535)</u>	<u>\$ (57,880,120)</u>	<u>\$ 104,334,482</u>
Debt service as a percentage of noncapital expenditures	17.4%	42.6%	45.1%	16.0%

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 32,575,051	\$ 33,363,243	\$ 36,338,193	\$ 38,337,767	\$ 39,429,270	\$ 35,251,220
3,810,443	4,005,832	3,971,453	3,419,569	2,195,424	3,090,016
77,109,197	79,556,814	80,594,484	81,943,845	83,563,561	80,445,778
4,829,246	4,425,124	4,328,807	4,362,307	8,542,494	8,998,616
2,281,609	2,309,279	2,321,585	1,950,047	190,379	609,537
120,605,546	123,660,292	127,554,522	130,013,535	133,921,128	128,395,167
5,648,428	5,452,115	4,967,825	5,240,795	5,701,132	4,682,246
2,175,658	1,992,860	2,368,148	2,512,734	2,680,469	2,561,123
41,499,067	41,375,223	41,850,504	42,509,914	44,166,870	42,169,525
868,774	633,155	867,839	914,384	929,024	778,437
18,342,688	18,062,751	18,184,600	19,003,712	19,869,550	19,621,000
8,185,448	7,276,861	7,624,820	8,060,941	7,507,241	7,448,804
7,614,151	7,869,648	8,303,551	8,688,459	8,419,183	7,958,440
5,852,566	6,225,856	6,462,215	5,981,313	6,140,042	6,571,045
191,091	199,020	172,683	353,795	174,026	239,205
4,534,624	4,301,406	4,184,109	4,187,792	3,346,695	4,571,303
2,653,638	2,701,273	2,699,409	2,764,912	2,660,404	2,755,210
52,761,602	45,992,413	15,335,237	21,511,279	17,272,810	9,214,325
12,528,917	31,546,121	16,320,536	18,492,943	21,545,212	15,548,599
9,136,642	8,915,088	7,647,264	7,261,294	8,103,475	7,177,912
171,993,294	182,543,790	136,988,740	147,484,267	148,516,133	131,297,174
(51,387,748)	(58,883,498)	(9,434,218)	(17,470,732)	(14,595,005)	(2,902,007)
4,022	508,669	188,238	1,266,100	413,894	227,246
-	-	-	16,325,000	115,398,822	7,845,000
-	-	-	1,905,067	1,813,386	730,098
-	-	-	-	(16,540,000)	(8,450,000)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,447,610	417,480	2,474,300	1,362,995	1,428,436	1,618,834
3,451,632	926,149	2,662,538	20,859,162	102,514,538	1,971,178
\$ (47,936,116)	\$ (57,957,349)	\$ (6,771,680)	\$ 3,388,430	\$ 87,919,533	\$ (930,829)
18.0%	29.3%	19.0%	20.7%	22.5%	19.9%

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Independent School District No. 720
Shakopee Public Schools
Taxable Market Value of Properties
Last Ten Fiscal Years
(Unaudited)

Payable Year	(1) Residential Property	(2) Commercial Property	Total Assessed Value	Total Direct School Tax Rate
2013	\$ 2,739,797,200	\$ 796,576,600	\$ 3,536,373,800	39.715%
2014	2,841,717,800	844,413,500	3,686,131,300	36.963%
2015	3,252,532,100	897,436,700	4,149,968,800	35.577%
2016	3,423,877,400	949,275,900	4,373,153,300	53.484%
2017	3,473,072,500	1,099,461,700	4,572,534,200	49.282%
2018	3,703,806,500	1,153,737,200	4,857,543,700	52.141%
2019	3,900,645,000	1,258,375,800	5,159,020,800	52.930%
2020	4,080,936,100	1,564,066,801	5,645,002,901	50.558%
2021	4,743,669,103	1,439,142,897	6,182,812,000	37.372%
2022	5,137,645,794	1,582,495,088	6,720,140,882	52.900%

Notes:

- (1) Residential includes single family homes, townhomes and condominiums, and all other property including vacant land, farm, utilities, personal property and railroad property.
- (2) Commercial property above includes both commercial and industrial property.
- (3) The District has presented taxable market value, which is the best information available to represent estimated actual value of property, as the Counties do not provide this information to the District.

Source: Scott County Department of Property Tax and Public Records

Independent School District No. 720
Shakopee Public Schools
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)

Taxes Payable Year	ISD No. 720 Direct Rate					Overlapping Rates		
	RMV General Fund Rate	NTC General Fund Rate	NTC Community Service	NTC General Obligation Debt Service	NTC OPEB	Total Direct School Tax Rate	City of Shakopee	City of Savage
2013	0.145	7.529	1.210	30.976	-	39.715	41.990	55.508
2014	0.128	7.694	1.181	28.088	-	36.963	41.437	55.278
2015	0.100	8.222	1.070	26.285	-	35.577	37.862	51.742
2016	0.123	14.369	1.104	38.011	-	53.484	37.902	49.905
2017	0.115	13.945	1.057	34.280	-	49.282	38.522	47.841
2018	0.128	15.228	1.042	35.870	-	52.140	37.212	47.117
2019	0.110	14.519	0.981	37.430	-	52.930	34.940	44.474
2020	0.102	13.868	0.937	35.753	-	50.558	33.965	42.357
2021	0.107	11.083	0.827	25.462	-	37.372	32.105	42.254
2022	0.253	11.966	0.005	21.473	-	33.444	32.111	40.326

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all of the District's property owners (e.g., the rates for special districts apply only to the proportion of the District's property owners whose property is located within the geographic boundaries of the special district).

Sources: Overlapping Rate Data provided by the Scott County Department of Property Tax and Public Records School Tax Report from County Auditor's Office

Overlapping Rates

<u>Prior Lake</u>	<u>Louisville Township</u>	<u>Jackson Township</u>	<u>Sand Creek Township</u>	<u>Metro Council</u>	<u>Metro Transit</u>	<u>Scott County</u>	<u>Total Direct and Overlapping Tax Rate City of Shakopee</u>
31.887	4.896	12.207	18.864	1.017	1.744	40.674	125.14
30.736	4.507	12.719	18.717	1.034	1.624	39.720	120.78
31.988	4.641	11.162	18.059	0.959	1.524	36.628	112.55
31.953	4.959	10.843	17.476	0.921	1.485	36.175	129.97
32.685	5.004	12.129	17.761	0.850	1.407	35.896	125.96
33.039	4.918	12.681	17.837	0.853	1.410	35.896	127.51
33.020	4.589	10.636	16.583	0.679	1.560	33.841	123.95
32.496	4.494	10.436	17.737	0.609	1.401	32.718	119.25
30.265	4.134	8.495	17.111	0.634	1.249	31.025	102.39
30.465	4.218	9.907	17.687	0.650	1.185	30.492	97.88

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Independent School District No. 720
Shakopee Public Schools
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Property Classification	2022			2013		
		Tax Capacity	Percentage of Total Tax Capacity	Rank	Tax Capacity	Percentage of Total Tax Capacity	Rank
MCP Shakopee	Commercial	\$ 1,067,443	1.38%	1			
Doran Canterbury LLC	Commercial	937,500	1.22%	2			
Duke Realty Limited Partnership	Commercial	659,267	0.85%	3			
Northern States Power Co	Public Utility	583,212	0.76%	4	542,641	1.23%	1
Rahr Malting Company	Commercial	551,617	0.72%	5	411,613	0.93%	2
J & J Minneapolis LLC	Commercial	417,109	0.54%	6			
Shakkin LLC	Commercial	416,283	0.54%	7			
Seagate Technology LLC	Commercial	405,008	0.53%	8	409,123	0.93%	3
Lothenbach Properties	Commercial	404,554	0.52%	9			
Centerpoint Energy Resource	Public Utility	364,046	0.47%	10			
Shakopee Mdewakanton Sioux	Commercial				400,987	0.91%	4
St. Francis Medical Center	Healthcare				363,291	0.82%	5
Ryan Companies	Property Management				351,496	0.80%	6
Canterbury Park	Commercial				333,236	0.75%	7
Inland Shakopee Valley Marketplace	Commercial				293,493	0.66%	8
Sears & Roebuck & Co	Commercial				271,649	0.61%	9
Valleyfair	Amusement Park				264,164	0.60%	10
Total		<u>\$ 5,806,039</u>	<u>7.53%</u>		<u>\$ 3,641,693</u>	<u>8.24%</u>	

Source: Scott County Department of Property Tax and Public Records

Independent School District No. 720
Shakopee Public Schools
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year						Total Tax Levy (1)
	General Fund RMV Voter	General Fund RMV Other	General Fund Basic Levy	Community Service Levy	Debt Service Fund Levy		
2013	\$ 4,538,113	\$ 1,385,315	\$ 3,145,294	\$ 505,382	\$ 12,940,079	\$ 22,514,181	(2)
2014	-	5,565,310	3,429,210	526,412	12,518,345	22,039,277	(2)
2015	-	4,854,563	4,042,762	526,061	12,922,978	22,346,365	(2)
2016	2,500,000	5,951,726	4,647,062	548,983	18,906,524	32,554,296	(2)
2017	3,011,717	5,991,217	4,719,435	586,043	19,004,667	33,313,079	(2)
2018	3,206,596	7,009,394	5,423,209	590,824	20,341,203	36,571,228	(2)
2019	3,329,346	6,558,426	5,432,890	591,469	22,576,016	38,488,147	(2)
2020	3,527,108	6,551,159	5,233,905	618,406	24,140,695	40,071,273	(2)
2021	3,850,865	7,318,714	4,399,692	615,905	18,954,263	35,139,439	(2)
2022	15,432,430	6,404,607	4,523,233	622,431	16,758,403	43,741,104	(2)

Notes:

(1) State credits are included in the operating levy

(2) Original Gross Levy

Source: Scott County Department of Property Tax and Public Records - School Tax Report; State Auditor - Taxes Receivable Report

Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percentage of Levy Outstanding
Current Tax Collection	Percentage of Levy		Total Tax Collection	Percentage of Levy		
\$ 11,344,873	50.4%	\$ 10,890,518	\$ 22,235,391	98.76%	\$ 278,791	1.25%
11,191,649	50.8%	10,649,397	21,841,046	99.10%	198,230	0.91%
11,392,345	51.0%	10,812,315	22,204,660	99.37%	141,705	0.64%
17,026,255	52.3%	15,446,446	32,472,701	99.75%	81,595	0.25%
17,036,841	51.1%	16,182,091	33,218,933	99.72%	94,146	0.28%
19,099,575	52.2%	19,049,992	38,149,567	104.32%	82,647	0.22%
18,410,550	47.8%	18,561,974	36,972,524	96.06%	85,536	0.23%
20,020,961	50.0%	20,020,961	40,041,922	99.93%	87,372	0.22%
22,633,288	64.4%	16,795,983	39,429,271	112.21%	135,057	0.34%
14,076,891	32.2%	21,173,329	35,250,220	80.59%	117,820	0.33%

**Independent School District No. 720
Shakopee Public Schools
Outstanding Debt By Type
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Governmental Activities			Total Primary Government	Estimated Population	Per Capita	Assessed Value	Per Assessed Value
	General Obligation Bonds	Certificates of Participation	Capital Leases Payable					
2013	\$ 206,755,000	\$ -	\$ -	\$ 206,755,000	\$ 44,711	\$ 4,624	\$ 3,536,373,800	5.8%
2014	157,650,000	13,175,000	-	170,825,000	44,941	3,801	3,686,131,300	4.6%
2015	107,220,000	12,565,000	-	119,785,000	46,376	2,583	4,149,968,800	2.9%
2016	210,545,000	12,040,000	905,731	223,490,731	47,110	4,744	4,373,153,300	5.1%
2017	199,410,000	11,495,000	3,504,424	214,409,424	47,569	4,507	4,572,534,200	4.7%
2018	169,630,000	10,930,000	2,720,782	183,280,782	47,569	3,853	4,857,543,700	3.8%
2019	155,315,000	10,340,000	3,779,547	169,434,547	48,954	3,461	5,159,020,800	3.3%
2020	169,481,564	9,855,653	3,514,599	182,851,816	50,423	3,626	5,645,002,901	3.2%
2021	247,435,121	9,220,601	3,397,078	260,052,800	51,683	5,032	6,182,812,000	4.2%
2022	241,697,036	-	3,563,043	245,260,079	53,233	4,607	6,720,140,882	3.6%

Notes:

- (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.
- (2) Personal income information for residents living within the District is not available

Independent School District No. 720
Shakopee Public Schools
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Less Amounts Available In Debt Service fund	Net Bonded Debt	Total Assessed Value	Percentage of Est Actual Value of Taxable Property	Estimated Population	Net Bonded Debt Per Capita
2013	\$ 206,755,000	\$ 2,903,984	\$ 203,851,016	\$ 3,536,373,800	5.76%	\$ 44,711	\$ 4,559
2014	157,650,000	2,981,462	154,668,538	3,686,131,300	4.20%	44,941	3,442
2015	107,220,000	2,937,288	104,282,712	4,149,968,800	2.51%	46,376	2,249
2016	210,545,000	20,079,253	190,465,747	4,373,153,300	4.77%	47,110	4,043
2017	199,410,000	20,670,744	178,739,256	4,572,534,200	4.29%	47,569	3,757
2018	169,630,000	2,988,464	166,641,536	4,857,543,700	3.43%	47,569	3,503
2019	155,315,000	3,223,859	152,091,141	5,159,020,800	2.95%	48,954	3,107
2020	169,481,564	4,478,007	165,003,557	5,645,002,901	2.92%	50,423	3,272
2021	247,435,121	80,568,831	166,866,290	6,182,812,000	2.70%	51,683	3,229
2022	241,697,036	80,338,151	161,358,885	6,720,140,882	2.40%	53,233	3,031

Notes:

(1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

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Independent School District #720
Shakopee Public Schools
Computation of Direct and Overlapping Bonded Debt
(Unaudited)

	Dec-21 Adjusted Taxable Net Tax Capacity	Dec-21 Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping				
Scott County	\$ 246,995,150	\$ 115,680,000	30.99%	\$ 35,853,368
Cities/Townships				
Shakopee	70,028,033	37,395,000	95.29%	35,633,228
Savage	49,426,157	39,830,000	7.01%	2,790,925
Prior Lake	48,173,676	32,760,000	2.95%	965,386
Total Overlapping				<u>75,242,908</u>
Direct				
Shakopee Public Schools ISD No. 720	77,133,945	247,435,121	100.00%	<u>247,435,121</u>
Total Direct and Overlapping Bonded Debt				<u><u>\$ 322,678,029</u></u>

Sources: Taxable value data used to estimate applicable percentages and Debt outstanding data provided by Scott County Taxpayer Services Department

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Independent School District No. 720
Shakopee Public Schools
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Net Bonded Debt (1)	Net Tax Capacity (1)	Percent of Net Debt to Net Tax Capacity	Percent of Bonded Debt to Market Value	Estimated Population (1)
2013	\$ 206,755,000	\$ 44,173,949	468.05%	5.85%	44,711
2014	157,650,000	48,960,266	322.00%	4.28%	44,941
2015	107,220,000	51,591,841	207.82%	2.58%	46,376
2016	210,545,000	54,930,192	383.30%	4.81%	47,110
2017	199,410,000	53,882,262	370.08%	4.36%	47,569
2018	169,630,000	57,032,951	297.42%	3.49%	47,569
2019	155,315,000	60,420,682	257.06%	3.01%	48,954
2020	169,481,564	65,966,758	256.92%	3.00%	50,423
2021	247,435,121	71,899,365	344.14%	4.00%	51,683
2022	241,697,036	77,133,946	313.35%	3.60%	53,233

Notes:

- (1) Net Bonded Debt, Net Tax Capacity and Estimated Population data is taken from other schedules within this Statistical Section.
- (2) The Indicated Market Value is calculated by dividing the taxable market value by the sales ratio.
- (3) The legal debt limit for a school district in Minnesota is 15% of the indicated market value of all taxable property within the school district.
- (4) The legal debt margin is calculated by subtracting outstanding net bonded debt from the legal debt limit.

	Net Debt per Capita	Indicated Market Value (2)	Legal Debt Limit (3)	Legal Debt Margin (4)	Percent Bonded Debt to Debt Limit
\$	4,624	\$ 3,515,282,107	\$ 527,292,316	\$ 320,537,316	39.21%
	3,508	3,847,736,221	577,160,433	419,510,433	27.31%
	2,312	4,386,859,197	658,028,880	550,808,880	16.29%
	4,469	4,536,466,079	680,469,912	469,924,912	30.94%
	4,192	4,906,152,575	735,922,886	536,512,886	27.10%
	3,566	5,062,578,114	759,386,717	589,756,717	22.34%
	3,173	5,059,941,354	758,991,203	603,676,203	20.46%
	3,361	5,373,980,000	806,097,000	636,615,436	21.02%
	4,788	6,576,682,189	986,502,328	739,067,207	25.08%
	4,540	7,204,343,949	1080651592	838,954,556	22.37%

Independent School District No. 720
Shakopee Public Schools
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Enrollment (3)	Scott Co. Unemployment Rate (4)
2013	44,711	\$ -	\$ -	7,405	4.7%
2014	44,941	-	-	7,593	3.7%
2015	46,376	-	-	7,791	3.2%
2016	47,110	-	-	8,012	3.4%
2017	47,569	-	-	8,153	3.2%
2018	47,569	-	-	8,265	3.0%
2019	48,954	-	-	8,184	2.3%
2020	50,423	-	-	8,190	8.4%
2021	51,683	-	-	8,074	3.0%
2022	53,233	-	-	7,936	1.8%

Sources:

- (1) Scott County Levy Documentation
- (2) Personal income information for residents living within the District is not available
- (3) MN Department of Education
- (4) MN Employment and Economic Development. The August 2021 rate is used.

Independent School District No. 720
Shakopee Public Schools
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	Product/Service	2021		2012	
		Employees	Rank	Employees	Rank
Amazon	Distribution	2,500	1		
Valleyfair	Entertainment	1,600	2	1600	1
ISD 720, Shakopee Public Schools	Education	1,383	3	1090	3
Emerson	Manufacturing	1,192	4		
Canterbury Park	Entertainment	1,118	5	750	5
St. Francis Regional Medical Center	Healthcare	840	6	1000	4
Entrust Datacard	Manufacturing	800	7		
Scott County	Givernment	751	8	700	6
Imagine Print Solutions	Printing	700	9		
Shutterfly	Printing	359	10		
Northstar Auto Auction	Auto Auction			350	7
Seagate	Manufacturing			1,595	2
MN Correctional Facility	Government			259	9
Anchor Glass	Manufacturing			279	8
Toro	Manufacturing			240	10
Total		<u>2,610</u>		<u>3,423</u>	

Source: Information provided by City and County Comprehensive Annual Financial Reports

Note: Total employment for the area served by Shakopee Public Schools is not available and, therefore, a percentage of total employment for each of the employers listed above is not included.

Independent School District No. 720
Shakopee Public Schools
Full-time-Equivalent District Licensed Employees by Type
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year					
	2012	2013	2014	2015	2016	2017
Administrative Staff						
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0
Principals	7.0	9.0	10.0	12.0	11.0	15.0
Administrative Assistants (Asst. Principals and Asst. Superintendent)	4.0	5.0	9.0	12.0	13.8	10.0
Supervisory Coordinator	1.0	0.0	2.0	4.0	4.0	3.0
Total Administrative Staff	13.0	15.0	22.0	29.0	29.8	29.0
Support Service Staff						
Other Non-Instructional Staff	41.0	40.7	21.9	48.4	43.9	46.4
Counselors/Deans	3.0	5.0	6.0	7.0	11.0	11.0
Media/Librarian	7.0	8.0	8.0	8.0	10.0	9.0
Nurse	3.0	4.7	5.0	5.6	6.3	4.8
Social Worker	6.0	6.0	9.0	10.0	9.8	12.0
Psychologists	4.8	6.8	7.0	7.0	7.0	8.0
Teacher on Sp Assignment	23.3	28.6	6.4	19.0	14.5	19.5
Total Support Service Staff	88.2	99.8	63.3	105.0	102.6	110.6
Special Education Teachers						
Speech Language	17.4	19.7	20.8	18.8	20.8	20.8
Other Special Education Teachers	68.8	71.4	79.6	79.4	94.9	86.4
Total Special Education Teachers	86.2	91.1	100.5	98.2	115.7	107.2
Classroom Teachers						
K-12 Teacher	328.2	347.4	397.1	394.7	426.3	414.8
Vocational Education Teacher	5.8	6.2	6.0	6.1	4.9	5.5
Pre-K, ECFE, and Other Teacher	10.5	10.4	9.0	8.8	11.2	8.9
Total Classroom Teachers	344.5	364.0	412.1	409.7	442.4	429.2
Total	531.9	570.0	597.9	641.9	690.4	676.0

Source: Minnesota Department of Education STARS data and District records for Licensed Staff.

Fiscal Year				
2018	2019	2020	2021	2022
1.0	1.0	1.0	1.0	1.0
14.6	9.0	15.0	15.0	9.0
10.0	15.0	14.0	14.0	5.0
3.8	4.8	6.0	7.0	6.0
29.4	29.8	36.0	37.0	21.0
62.3	62.3	62.3	82.2	60.2
9.0	10.0	23.7	22.0	23.0
5.0	5.0	4.0	4.0	4.0
5.8	5.8	5.9	5.4	5.4
11.7	11.7	9.6	9.6	9.6
8.0	8.0	6.7	6.5	7.0
20.1	20.1	19.6	19.9	13.8
121.9	122.9	131.8	149.6	123.0
20.1	20.1	19.8	20.3	20.3
85.4	86.4	98.9	110.1	105.9
105.6	106.5	118.7	130.4	126.2
394.1	397.0	397.4	423.8	365.8
4.8	4.8	9.0	9.0	9.0
9.0	9.0	10.3	9.8	10.1
407.9	410.8	416.7	442.6	385.0
664.8	670.1	703.2	759.6	655.2

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Independent School District No. 720
Shakopee Public Schools
Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Total Governmental Fund Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil– Teacher Ratio
2013	7,405	\$ 95,351,041	\$ 12,876	7.34%	455.2	16.3
2014	7,593	144,443,989	19,024	47.75%	512.6	14.8
2015	7,791	169,925,454	21,809	14.64%	507.9	15.3
2016	8,012	124,180,742	15,499	-28.93%	558.0	14.4
2017	8,153	171,993,294	21,095	36.11%	536.4	15.2
2018	8,265	182,543,790	22,086	4.70%	513.4	16.1
2019	8,184	136,988,740	16,739	-24.21%	517.4	15.8
2020	8,190	147,484,267	18,008	7.58%	535.4	15.3
2021	8,074	148,516,133	18,394	2.15%	573.0	14.1
2022	7,936	131,297,174	16,545	-10.06%	-	N/A

Source: District records and teaching staff numbers from the Minnesota Department of Education STARS data.

Independent School District No. 720
Shakopee Public Schools
School Building Information
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>School</u>										
Elementary										
Sweeney Elementary										
Square feet	84,171	84,171	94,914	94,914	94,914	94,914	94,914	94,914	94,914	94,914
Building Capacity	672	672	672	672	672	672	672	672	672	672
Program Capacity	672	672	672	672	672	672	672	672	672	672
Enrollment (1)	712	707	683	652	640	655	652	677	650	610
Sun Path Elementary										
Square feet	96,600	96,600	106,455	106,455	106,455	106,455	106,455	106,455	106,455	106,455
Building Capacity	764	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764	764
Enrollment (1)	768	745	728	730	675	654	610	606	582	494
Pearson Early Learning Center										
Square feet	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235
Building Capacity	586	586	586	586	586	586	586	586	586	586
Program Capacity	586	586	586	586	586	586	586	586	586	586
Enrollment (1)	577	582	624	659	680	644	-	-	75	75
Red Oak Elementary										
Square feet	97,000	97,000	106,818	106,818	106,818	106,818	106,818	106,818	106,818	106,818
Building Capacity	764	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764	764
Enrollment (1)	731	715	717	689	644	610	564	558	525	503
Eagle Creek Elementary										
Square feet	100,185	100,185	110,088	110,088	110,088	110,088	110,088	110,088	110,088	110,088
Building Capacity	764	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764	764
Enrollment (1)	720	771	810	847	839	817	777	748	715	630
Jackson Elementary										
Square feet	109,068	109,068	109,068	109,068	109,068	109,068	109,068	109,068	109,068	109,068
Building Capacity	764	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764	764
Enrollment (1)	759	806	835	852	868	864	850	794	753	729

**Independent School District No. 720
Shakopee Public Schools
School Building Information
Last Ten Fiscal Years
(Unaudited)**

Continued

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Middle										
East Middle School										
Square feet	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917
Building Capacity	985	985	985	985	985	985	985	985	985	985
Program Capacity	985	985	985	985	985	985	985	985	985	985
Enrollment (1)	726	806	798	841	851	883	844	743	860	788
West Middle School										
Square feet	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941
Building Capacity	896	896	896	896	896	896	896	896	896	896
Program Capacity	896	896	896	896	896	896	896	896	896	896
Enrollment (1)	925	976	968	978	1,065	1,144	1,148	1,169	964	895
High School										
Shakopee High School										
Square feet	322,000	322,000	322,000	322,000	322,000	322,000	600,000	600,000	600,000	644,600
Building Capacity	1,612	1,612	1,612	1,612	1,612	1,612	3,000	3,000	3,000	3,000
Program Capacity	1,612	1,612	1,612	1,612	1,612	1,612	3,000	3,000	3,000	3,000
Enrollment (1)	1,381	1,379	1,494	1,611	1,719	1,728	2,479	2,629	2,780	2,749
Other										
Tokata Learning Center - ALC										
Square feet	12,351	12,351	12,351	12,351	12,351	12,351	12,351	12,351	12,351	17,798
Enrollment (1)	56	43	74	85	91	184	186	205	90	81
Central Family Center										
Square feet	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197
Enrollment (1)	50	63	66	68	82	82	75	61	-	-
Total										
Square feet	1,345,665	1,345,665	1,385,984	1,385,984	1,385,984	1,385,984	1,663,984	1,663,984	1,663,984	1,714,031
Building Capacity	7,807	7,807	7,807	7,807	7,807	7,807	9,195	9,195	9,195	9,195
Program Capacity	7,807	7,807	7,807	7,807	7,807	7,807	9,195	9,195	9,195	9,195
Enrollment	7,405	7,593	7,796	8,012	8,153	8,265	8,185	8,190	7,994	7,554

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**Independent School District No. 720
Shakopee Public Schools
School Building Information
Last Ten Fiscal Years
(Unaudited)**

Continued

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
<u>Athletics</u>										
Football fields	1	1	1	1	1	1	1	1	1	1
Running tracks	1	1	1	1	1	1	1	1	1	1
Baseball/softball	23	23	23	23	23	23	23	23	23	23
Tennis courts	14	14	14	14	14	14	14	14	14	14
Multi-purpose fields (lacrosse, soccer)	11	11	11	11	11	11	11	11	11	11
Multi-purpose gyms	13	13	13	13	13	13	18	18	18	18
Swimming pools	2	2	2	2	2	2	2	2	2	2
Playgrounds	8	8	8	8	8	8	8	8	8	8

Notes:

(1) Enrollment reflects average daily membership served by site. Resident students served under tuition agreements are excluded from this enrollment data.