

**Independent School District 720
Shakopee, Minnesota**

**Board Meeting Room
November 23, 2020**

6:00 PM



BOARD OF EDUCATION

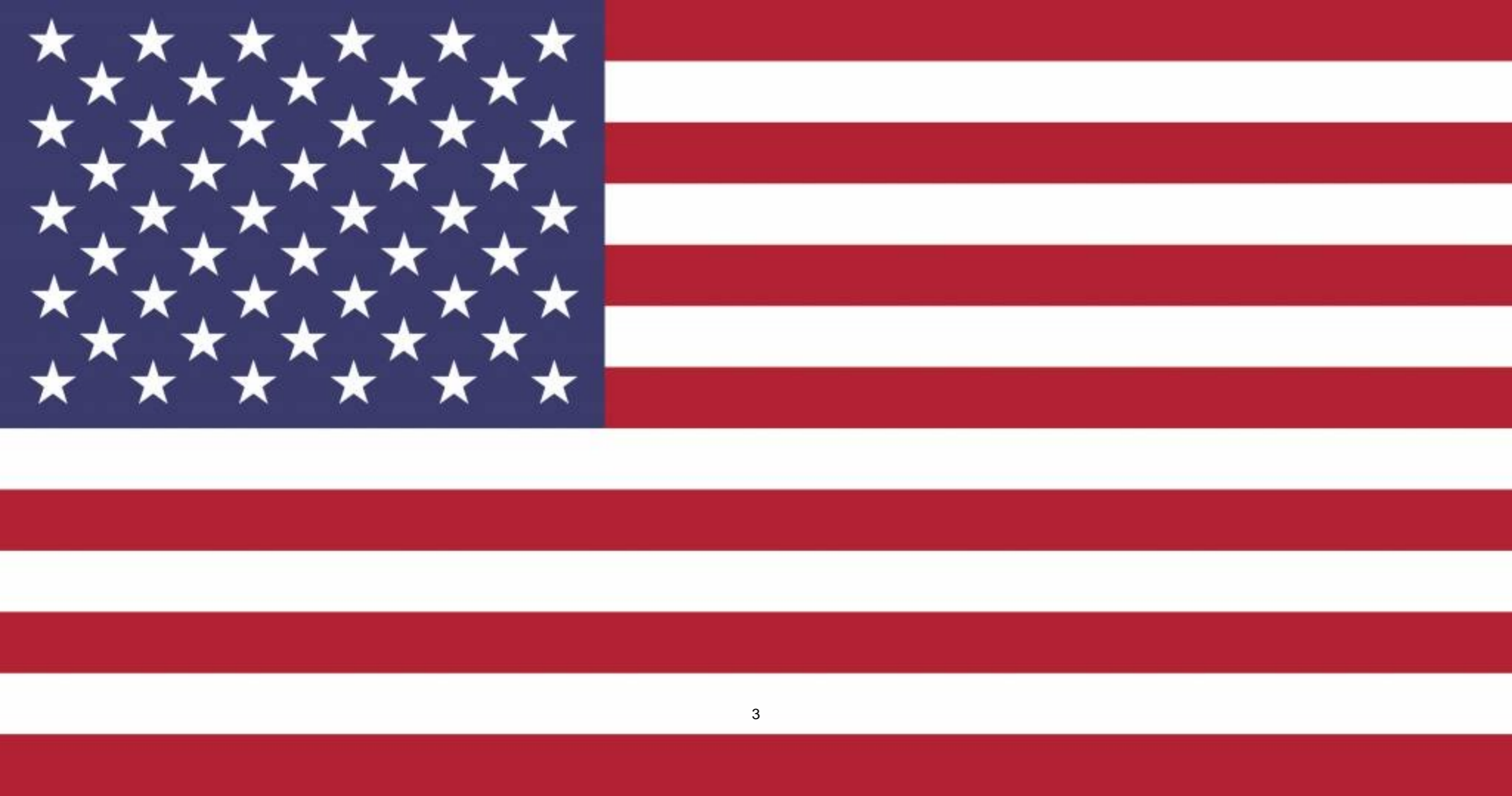
1. CALL TO ORDER SCHOOL BOARD BUSINESS MEETING AND ROLL CALL - CHAIR
PETERSON
2. PLEDGE OF ALLEGIANCE 3
3. SABER PRIDE 4
Kristi Peterson, School Board Chair
4. CONSIDERATION OF AGENDA AS PRESENTED
5. PUBLIC COMMENT
6. CONSENT ITEMS
1. Personnel Items
2. Approval of October 26 and November 9 School Board Meeting Minutes 7
7. INFORMATION
1. Welcome School Board Members - Elect
Kristi Peterson, School Board Chair
8. ACTION ITEMS
1. FY20 Audit 19
Bill Menozzi, Director of Finance and Operations
9. INFORMATION
1. Monthly Budget Update 261
Bill Menozzi, Director of Finance and Operations
2. Pandemic Response Update
Mike Redmond, Superintendent of Shakopee Public Schools
3. First Reading of Policies: 419, 516, 601, 607 262
Tim Brophy, School Board Member
10. ACTION ITEMS
1. Adjustment of Graduation Requirements 281
Nancy Thul, Director of Learning, Teaching & Equity
2. World's Best Workforce
Ford Rolfsrud
3. Approve School Board Meeting Calendar for 2021
Mike Redmond, Superintendent of Shakopee Public Schools
4. Restart of the Community Facilities Task Force
Judi Tomczik, School Board Member
Future plans for Central Building
5. Establish a Site Naming Committee
Judi Tomczik, School Board Member

6. POSSIBLE ADDITION
11. OTHER
12. COMMITTEE REPORTS
13. UPCOMING MEETINGS AND IMPORTANT DATES

286

Dates

14. ADJOURNMENT





Thank
you!

HEALTH SERVICES COVID LSN'S

TAYLA HASCH



PEGGY NERDAHL



JULIE BOCOCK



CONGRATULATIONS
MR. SOCCER
Zachary Susse



October 26, 2020 at 6:00 PM - School Board Regular Business Meeting

1. CALL TO ORDER SCHOOL BOARD BUSINESS MEETING AND ROLL CALL - CHAIR PETERSON

Description: All board members were present.

Aldrich

Brophy

Christiansen

McKeand

Tomczik

Tucker

Peterson

2. PLEDGE OF ALLEGIANCE

Attachments:

- [Flag](#)
10/20/2020 at 9:02 AM

3. SABER PRIDE

Description:

5 MINUTES

Shakopee Public Schools celebrated Kindness Week and Unity Day. At Sweeney Elementary, students wore orange on Unity Day and throughout the week, did many activities to spark conversation and understanding about kindness, friendship and inclusion. Our Communications Department was there on Wednesday as students showed up in their orange. Here's the video they created. [Unity Day/Kindness Week Video \(Elementary\)](#)

In other Saber Pride news, it was a clean sweep for Shakopee students in the 2019 Minnesota State Fire Chief's Association poster contest. In first place, for grades 2-3 was Lauren Butterfass. Emma Bronken claimed second place for grades 2-3 and Penny Rients took third place. Congratulations to these students and their dedication to the importance of fire safety!

Attachments:

- [FIRE SAFETY](#)
10/23/2020 at 9:55 AM

4. CONSIDERATION OF AGENDA AS PRESENTED

Discussion: Motion by Christiansen with a second by McKeand.

5. PUBLIC COMMENT

Description: Maximum time for public comment is a total of 15 minutes. Individual speakers will be allowed no more than 3 minutes. Reference Shakopee School District Policy 206 for additional information.

6. CONSENT ITEMS

Description: Motion to approve by Tucker with a second by Brophy.

6.1. Personnel Items

Description: Request for Leave of Absence

Krysten Ellis Dean of Students, at East Middle School is requesting a 1.0 FTE Leave of Absence, for the 2020/21 school year.

Recommended Action:

Approve the leave of absence.

Request for Leave of Absence

Debra Kroyer a program support assistant, at Pearson Early Learning Center is requesting a Leave of Absence, for the 2020/21 school year.

Recommended Action:

Approve the leave of absence.

Request for Leave of Absence

Candice Ayala a program support assistant, at Sweeney Elementary School is requesting a Leave of Absence, for the 2020/21 school year.

Recommended Action:

Approve the leave of absence.

Request for Leave of Absence

Lori Theis a program support assistant, at the High School is requesting a Leave of Absence, for the 2020/21 school year.

Recommended Action:

Approve the leave of absence.

Request for Leave of Absence

Regina Boham a program support assistant, at Red Oak Elementary School is requesting a Leave of Absence, for the 2020/21 school year.

Recommended Action:

Approve the leave of absence.

Acceptance of Resignations.

The following employees have submitted a letter of resignation from their position.

Last Name	First Name	Position	Location
-----------	------------	----------	----------

Armstrong	Rachel	Program Support Assistant	Eagle Creek Elementary Scho
Bigsby	Cinthia	Food Service Worker	West Middle School
Burley	Tanya	Program Support Assistant	Sweeney Elementary School
Glidden	Jessica	Office Assistant	High School
Halseth	Natasha	Human Resources Specialist	District Office
Kantrud	Laura	TOSA, Instructional Coach	Red Oak Elementary School
McCabe	Patrice	Program Support Assistant	Pearson Early Learning Cente
Sanders	Peyton	Program Support Assistant	Sweeney Elementary School
Solie	Heather	Program Support Assistant	Pearson Early Learning Cente
Spies	Mary	Program Support Assistant	Red Oak Elementary School
Young	Connor	Food Service Worker	High School

Recommended Action:

Accept the resignations and thank them for their service to the district.

Approval of Interim Principal Contract

Last Name	First Name	Position	Location	Effective	Salary
Ellis	Krysten	Interim Assistant Principal	East Middle School	9/28/2020	\$86,154

Recommended Action:

Approve the above Interim Principal contract for the above listed individual.

Approval of Long-Term Substitute Contracts.

Name LTS	Replacing	Position	Location	Approx. Dates
KammueLLer, Inga	Hunt, Erin	Teacher, Social Studies	Online High School	9/28/2020 through approx. 12/22/2020
Schnorr, Ann	N/A	Teacher, Grade 2	Online Elementary	9/22/2020 through approx. to be determined
Winter, Amy			Online Elementary	9/29/2020 through approx.

	N/A	Teacher, Intervention		6/11/2021
Yun, Natalie	Haugen, Amy	Teacher, Special Services	Red Oak Elementary School	9/10/2020 through approx. 10/02/2020

Approve the Long-Term Substitute contracts as presented.

Approval of Non-Certified Contracts for the 2020/21 School Year.

Last Name	First Name	Position	Location	Rate/Hour	Eff
Kirkland	Alyssa	Program Support Assistant	Sweeney Elementary School	\$13.55/hr	9/14
Culver	Shawna	Program Support Assistant	Jackson Elementary School	\$14.87/hr	9/21
Mattson	Christopher	Custodian	District Office /Tokata Learning Center	\$16.41/hr	9/14
Gure	Mahamed	Program Support Assistant	Eagle Creek Elementary School	\$14.59/hr	9/21
Guzman	Raul	Program Support Assistant Technology	High School	\$18.30/hr	10/1

Recommended Action:

Approve the non-certified contracts for the 2020/21 school year as presented.

Approval of Co-Curricular Assignments.

Last Name	First Name	Position Title
Sariego	Monica	LEAD
Hoffman	Michael	National Honor Society
Huffman	Shayla	Student Council
Kovic	Michael	Vocal Director
Kovic	Michael	Ensembles (2)
Keenan	Bridget	Assistant Vocal
Keenan	Bridget	Ensembles
Christenson	Eric	Instrumental Director
Christenson	Eric	Ensembles

Hoehn	Benjamin	Assistant Instrument Dir.
Hoehn	Benjamin	Ensembles
Amundsen	Thomas	Drama Club
Siebenahler	Callon	DECA (+ Saber Shop)
Dummer	Michael	DECA
Wilfahrt	Mary	Yearbook Advisor
Johnson	Krista	Yearbook Advisor
Kleppe	Emily	Student Council Advisor
Erdall	Kathryn	Student Council Advisor
Erdman	Matthew	Jr. National Honor Society
Skerletts	Jake	Science Olympiad
Drayna	Caitlin	Instrumental Ensemble
Schultz	Heather	Yearbook Advisor
Shampine	Wendy	Yearbook Advisor
Dub	Katelynn	Student Council Advisor
Fundermann	Jessica	Student Council Advisor
Toufar	Jacob	Science Olympiad
Van Sickle	Karen	Vocal Ensemble
Strobel	Becky	Instrumental Ensemble
Sederstrom	Emily	Jr. National Honor Society
Bertram	Justin	Jr. National Honor Society
Oman	John	Rube Goldberg
Akin	Zachary	JH Soccer Coach
McGinn	Stephanie	JH Soccer Coach
Trudeau	Jack	JH Soccer Coach
Amundsen	Thomas	Play Director
Cole	Robert	Assistant Play Director
Oman	John	Mountain Bike Coach
Sobota	Kyle	Assistant Mountain Bike Coach
Olson	Neal	Volunteer Football Coach-1-time stipend
King	Rex	Volunteer Football Coach-1-time stipend
Holte	Travis	Volunteer Football Coach-1-time stipend
Singer	Jason	Volunteer Football Coach-1-time stipend
Palkert	Kirsten	Head Cheer Coach

Fall	Alyssa	Volunteer Cheer Coach Stipend
Anderson	Karen	Head Fall Dance Coach
Betley	Stephanie	Assistant Fall Dance Coach
Huss	Jessica	Assistant Fall Dance Coach
Slaughter	Duane	Concessions Manager
Douds	Ryan	Volunteer Volleyball Coach Stipend
Murray	Aaron	JH Volleyball Coach
Culver	Kourtney	JH Volleyball Coach

Recommended Action:

Approve the Co-Curricular Assignments as presented.

7. SECOND READING

7.1. [Policies: 410, 413, 414, 415, 514, 522, 616, 806](#)

Presenter: Tim Brophy, School Board Member
Policy Update

Presenter: Tim Brophy, School Board Member

Description:

8 MINUTES

[Updated Policy 908](#)

[Current Policy 908](#)

Discussion: Motion to approve by Tucker with a second by Tomczik.

Policies above:

Motion to approve changes with McKeand with a second by Christiansen.

8. INFORMATION

8.1. Update on High School Activities

Presenter: John Janke, Facilities and Activities Supervisor & Jeff Pawlicki, Shakopee HS Principal

Description:

10 MINUTES

[Presentation](#)

Attachments:

- [Activities - Clubs - Organizations - Oct. 26](#)
10/23/2020 at 10:15 AM

8.2. Operating Levy

Presenter: Mike Redmond, Superintendent of Shakopee Public Schools

Description: 10 MINUTES

[Presentation](#)

8.3. Monthly Budget Update

Presenter: Bill Menozzi, Director of Finance and Operations

Description: 7 MINUTES

Attachments:

- [September 30 Updated](#)
10/23/2020 at 3:31 PM

8.4. COVID-19 Data and Possible Impacts on Learning Model

Presenter: Mike Redmond, Superintendent of Shakopee Public Schools

Description: 5 MINUTES

[Presentation](#)

9. ACTION

9.1. 2020C H&S Bond Sale Results

Presenter: Bill Menozzi, Director of Finance and Operations

Description: 4 MINUTES

Roll Call Vote:

Aldrich

Brophy

Christiansen

McKeand

Tomczik

Tucker

Peterson

Discussion: Motion to approve by Christiansen with a second by Brophy. Motion carries.

Attachments:

- [Award Resolution 2020C \(Capital Appreciation Bonds\)](#)
10/26/2020 at 3:47 PM
- [Board Sept. 28th](#)
10/26/2020 at 10:59 AM

9.2. 2020D Refunding Bond Sale Results

Presenter: Bill Menozzi, Director of Finance and Operations

Description: 4 MINUTES

Motion to approve by Aldrich with a second by Tucker.

Roll Call Vote:

Aldrich

Brophy

Christiansen

McKeand

Tomczik

Tucker

Peterson

Motion carries.

Attachments:

- [Award Resolution - 2020D](#)

10/26/2020 at 3:48 PM

9.3. 2020E Refunding Bond Sale Results

Presenter: Bill Menozzi, Director of Finance and Operations

Description: 4 MINUTES

Motion to reject the sale by Tucker with a second by McKeand.

Roll Call Vote:

Aldrich

Brophy

Christiansen

McKeand

Tomczik

Tucker

Peterson

Motion carries.

Attachments:

- [Resolution Rejecting Bids Series 2020E](#)

10/26/2020 at 3:49 PM

9.4. Set date/time/location for canvassing of election results

Presenter: Mike Redmond, Superintendent of Shakopee Public Schools

Description: 3 MINUTES

November 12, 7:00 PM, Welcome Center at District Office

Discussion: Motion to approve by Peterson with a second by Tomczik.

10. OTHER

11. COMMITTEE REPORTS

12. [UPCOMING MEETINGS AND IMPORTANT DATES](#)

13. ADJOURNMENT

November 9, 2020 at 6:00 PM - School Board Work Session

1. CALL TO ORDER SCHOOL BOARD BUSINESS MEETING AND ROLL CALL - CHAIR PETERSON

Description: All board members present with Aldrich attending virtually.

ALDRICH
BROPHY
CHRISTIANSEN
MCKEAND
TOMCZIK
TUCKER
PETERSON

2. PLEDGE OF ALLEGIANCE

Attachments:

- [flag](#)
11/4/2020 at 9:53 AM

3. SABER PRIDE

Presenter: Kristi Peterson

Description: 5 MINUTES

Shakopee Public Schools is a family and when a staff member or student needs our support, we go all out. That was the case at West Middle School. Students and staff dressed in pink and made signs for the first ever Breast Cancer Awareness walk on Vaughan Field last week. October was Breast Cancer Awareness Month. Breast cancer impacts families across the world and has also at West Middle School.

Over the summer, the school lost teacher Mandy Marek in a brave battle with the disease. Another teacher, Lindsay Block is currently fighting her battle after being diagnosed. After several laps around the track, the walk ended with a school picture on the turf. Thank you to West Middle School principal Lori Link for organizing this great event that brought awareness and thoughtfulness to our students.

[Breast Cancer Awareness Walk](#)

The Safe Sabers Series continues. This week the cameras were turned on recess at Sun Path Elementary school to see how students are taking precautions, while still having fun and being active!

[Safe Sabers Series - Recess](#)

4. CONSIDERATION OF AGENDA AS PRESENTED

5. PUBLIC COMMENT

Description: Maximum time for public comment is a total of 15 minutes. Individual speakers will be allowed no more than 3 minutes. Reference Shakopee School District Policy 206 for additional information.

6. CONSENT ITEMS

6.1. October Wires Report

Attachments:

- [October wires report](#)
11/9/2020 at 11:14 AM

6.2. AP Check Register

Attachments:

- [AP Check Register with Fund Totals - October](#)
11/9/2020 at 11:14 AM

7. INFORMATION

7.1. Levy Results and Budget Cuts

Presenter: Mike Redmond, Superintendent of Shakopee Public Schools

Description: 5 MINUTES

[Budget Cuts Document](#)

7.2. Learning Model Transition

Presenter: Mike Redmond, Superintendent of Shakopee Public Schools

Description: 12 MINUTES

[Presentation](#)

8. ACTION

8.1. Continuation of High School Activities and Athletics

Presenter: Mike Redmond, Superintendent of Shakopee Public Schools

Description:

Superintendent Redmond will share the advisory opinion, or recommendation, on this topic from the Pandemic Response Advisory Team. After careful consideration at the PRAT meeting on Thursday, November 5, the consensus of the members of PRAT is their recommendation is, at this time, to continue high school activities and athletics.

[High School Activities and Athletics](#)

15 MINUTES

Discussion: Motion to continue activities and athletics by Christiansen with a second by McKeand.

ALDRICH

BROPHY

CHRISTIANSSEN

MCKEAND

TOMCZIK

TUCKER

PETERSON

Motion carries unanimously.

9. INFORMATION

9.1. Enrollment Update

Presenter: Dave Orłowsky, Assistant Superintendent

Description: 10 MINUTES

Presentation

Attachments:

- [School Board meeting 11-9-20 Enrollment update](#)
11/9/2020 at 11:50 AM

9.2. Summary of Survey Data - Hybrid Learning

Presenter: Dave Orlowsky, Dale Anderson and Ford Rolfsrud

Description: 10 MINUTES

[Presentation](#)

Attachments:

- [School Board meeting 11-9-20 Survey results Fall 2020](#)
11/9/2020 at 11:52 AM

10. ACTION

10.1. District Equity Leadership Team

Presenter: Ray Betton & Nancy Thul

Description: 15 MINUTES

Discussion: Motion to accept the creation of DELT by Tomezik with a second by Christiansen.

Attachments:

- [DEL T One Pager for Board](#)
11/6/2020 at 9:49 AM

10.2. Negotiated 2020E Bond Sale

Presenter: Bill Menozzi, Director of Finance and Operations

Description: 8 MINUTES

Recommended Motion(s): Approve the Resolution as Presented. Roll Call. This motion, made by Board Member #1 and seconded by Board Member #2, Passed.

Discussion: Motion to approve by McKeand and a second by Tucker.

ALDRICH

BROPHY

CHRISTIANSEN

MCKEAND

TOMCZIK

TUCKER

PETERSON

Motion carries unanimously with a roll call.

Attachments:

- [Parameters Resolution ISD 720 \(2020E\) 11.9.2020](#)

11/9/2020 at 11:43 AM

11. OTHER

12. COMMITTEE REPORTS

13. [UPCOMING MEETINGS AND IMPORTANT DATES](#)

14. ADJOURNMENT

Discussion: Motion to adjourn by Tomczik with a second by Christiansen.



Superintendent: Dr. Mike Redmond
Finance Director: Bill Menozzi

To: Shakopee Public Schools Board of Education

From: Bill Menozzi, Director of Finance and Operations

Date: November 23, 2020

Re: 2019-20 Audit Report

Administration recommends that the School Board approve the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020. Shakopee Schools has received an "Unmodified Opinion" on our financial statements. An "Unmodified Opinion" is the highest audit opinion an entity can receive.

Shakopee Schools is proud to submit our CAFR to the Association of School Business Officials International for consideration of the Certificate of Excellence in Financial Reporting designation for the year ended June 30, 2020.

BergenKDV will be on hand to review the 2019-20 CAFR.



**DO
MORE.**

Independent School District No. 720
Shakopee, Minnesota

Comprehensive Annual
Financial Report

and

Audit Presentation

November 23, 2020

bergankdv

Components of the Audit

- Independent Auditor's Report
 - Unmodified Opinion on the District's Financial Statements for the year ended June 30, 2020
- Report on the results of an audit performed with *Government Auditing Standards*
 - One Internal Control Finding : Lack of Segregation of Accounting Duties
- Report on results of a Single Audit performed in accordance with Uniform Guidance
 - Paid Lunch Equity
- Report on results of testing on *Minnesota Legal Compliance*
 - No Findings

Average Daily Membership and Pupil Units

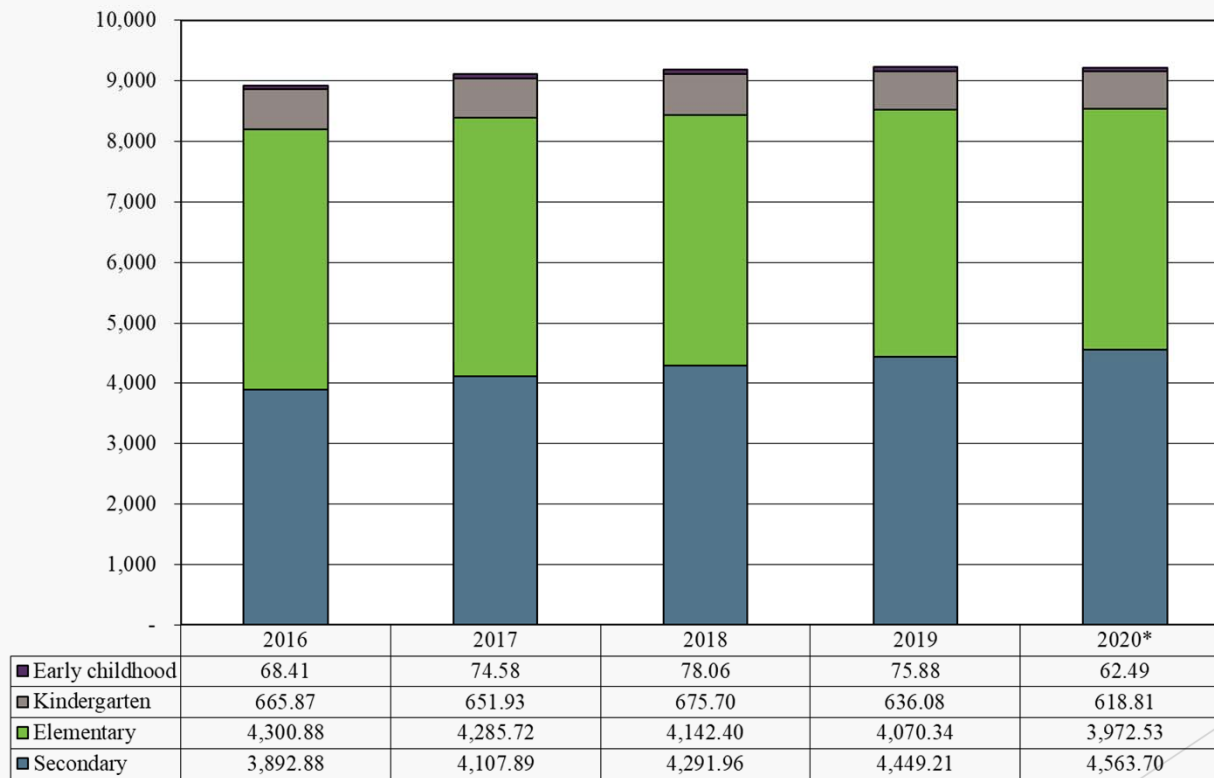
Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2011	\$ 5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Resident ADM

Resident ADM	2016	2017	2018	2019	2020*
Early childhood	68.41	74.58	78.06	75.88	62.49
Kindergarten	665.87	651.93	675.70	636.08	618.81
Elementary	4,300.88	4,285.72	4,142.40	4,070.34	3,972.53
Secondary	3,892.88	4,107.89	4,291.96	4,449.21	4,563.70
Total Resident ADM	8,928.04	9,120.12	9,188.12	9,231.51	9,217.53

Resident ADM



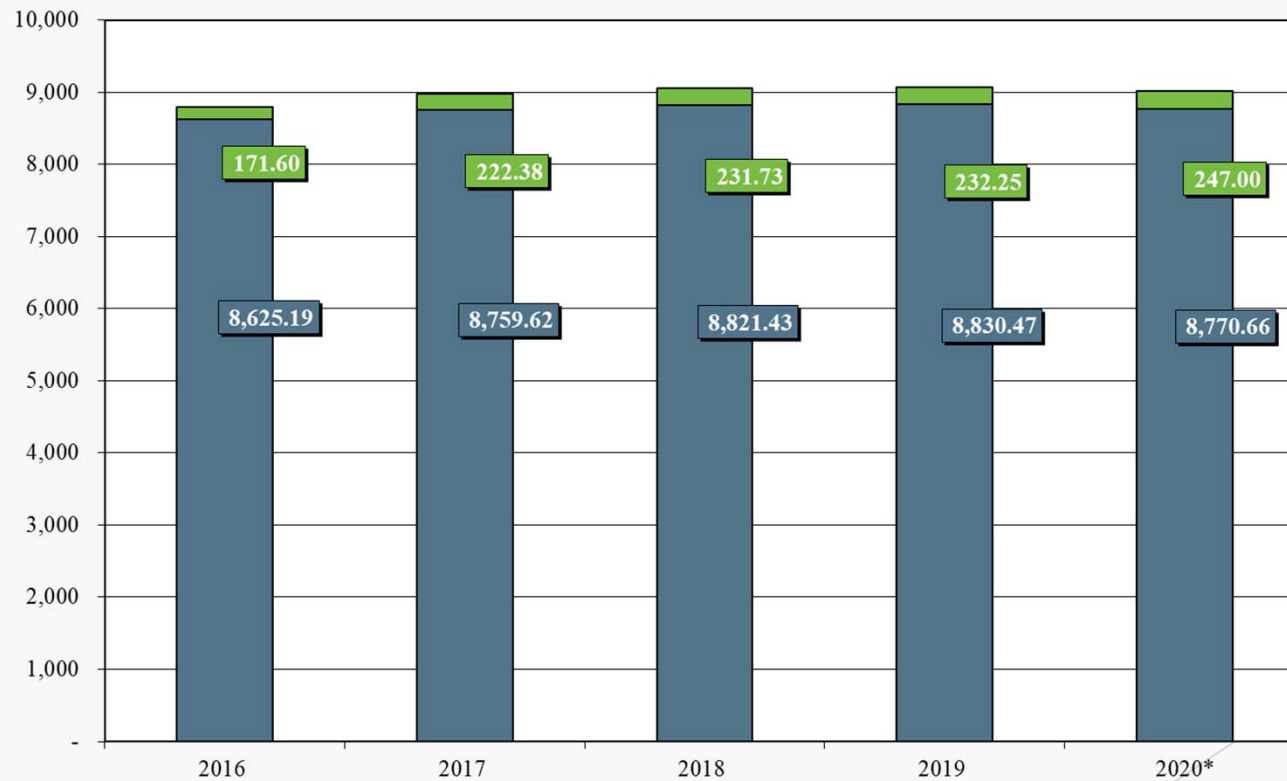
Pupil Units Weighting

Pupil Units Weighting						
	Pre- Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal years 2016-2020	1.000	1.000	1.000	1.000	1.000	1.200

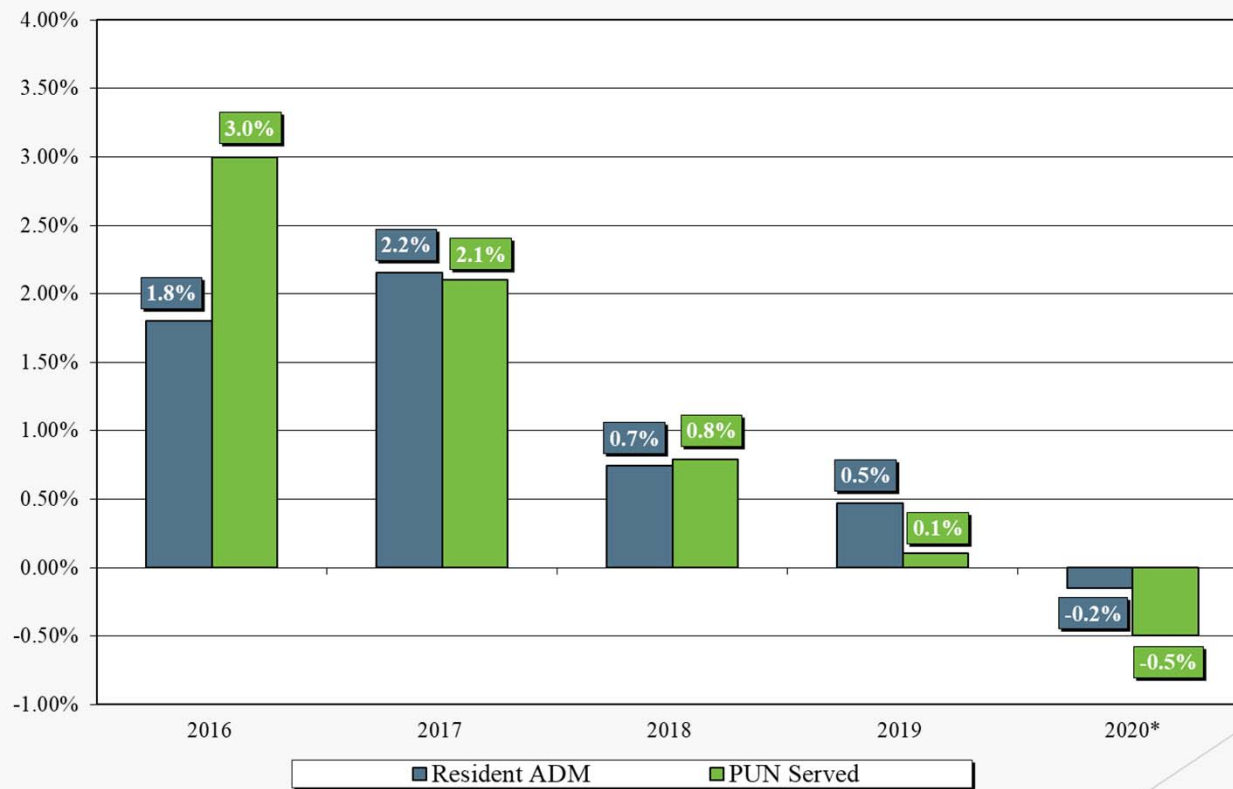
Total PUN Served

PUN	2016	2017	2018	2019	2020*
Residents	9,706.63	9,941.69	10,046.17	10,121.36	10,130.06
Resident PUN loss	(1,081.44)	(1,182.07)	(1,224.74)	(1,290.89)	(1,359.40)
Nonresident PUN gain	171.60	222.38	231.73	232.25	247.00
Total PUN Served	8,796.79	8,982.00	9,053.16	9,062.72	9,017.66

Total PUN Served



Change in ADM and Pupil Units



General Fund Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 15,379,882	\$ 13,614,609	\$ 15,449,305	\$ 1,834,696
Other local and county revenues	1,742,938	2,192,938	2,063,169	(129,769)
Revenue from state sources	79,743,410	80,300,324	79,187,028	(1,113,296)
Revenue from federal sources	2,258,755	2,506,039	2,268,115	(237,924)
Sales and other conversion of assets	156,039	156,039	198,906	42,867
Total revenues	99,281,024	98,769,949	99,166,523	396,574
Expenditures				
Administration	5,335,384	5,537,988	5,325,972	(212,016)
District support services	2,423,611	2,408,124	2,544,099	135,975
Regular instruction	44,215,094	44,833,568	42,682,471	(2,151,097)
Vocational education instruction	902,661	978,402	921,898	(56,504)
Special education instruction	18,623,486	18,523,920	19,019,489	495,569
Instructional support services	10,382,368	10,229,614	10,508,616	279,002
Pupil support services	8,094,325	8,365,107	8,688,532	323,425
Sites and buildings	7,896,956	5,749,295	5,959,984	210,689
Fiscal and other fixed cost programs	215,000	190,000	353,795	163,795
Debt service	2,196,614	2,196,614	2,692,512	495,898
Total expenditures	100,285,499	99,012,632	98,697,368	(315,264)
Excess of revenues over (under) expenditures	(1,004,475)	(242,683)	469,155	711,838
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,200,000	1,139,662	1,266,100	126,438
Issuance of capital leases	1,000,000	1,000,000	1,362,995	362,995
Transfers out	-	(500,000)	-	500,000
Total other financing sources	2,200,000	1,639,662	2,629,095	989,433
Net change in fund balances	\$ 1,195,525	\$ 1,396,979	\$ 3,098,250	\$ 1,701,271

General Fund Operations

	2016	2017	2018*	2019*	2020*
Revenues	\$ 83,619,991	\$ 92,327,693	\$ 95,073,678	\$ 98,233,003	\$ 99,166,523
Expenditures	90,113,013	97,233,076	94,233,448	98,892,999	98,697,368
Excess of revenues over (under) expenditures	(6,493,022)	(4,905,383)	840,230	(659,996)	469,155
Transfers/other financing sources	1,239,504	3,451,632	926,149	2,662,538	2,629,095
Fund balance, July 1	7,774,523	2,521,005	1,067,254	2,833,633	4,836,175
Change in accounting principle	-	-	-	-	544,092
Fund Balance, June 30	\$ 2,521,005	\$ 1,067,254	\$ 2,833,633	\$ 4,836,175	\$ 8,478,517

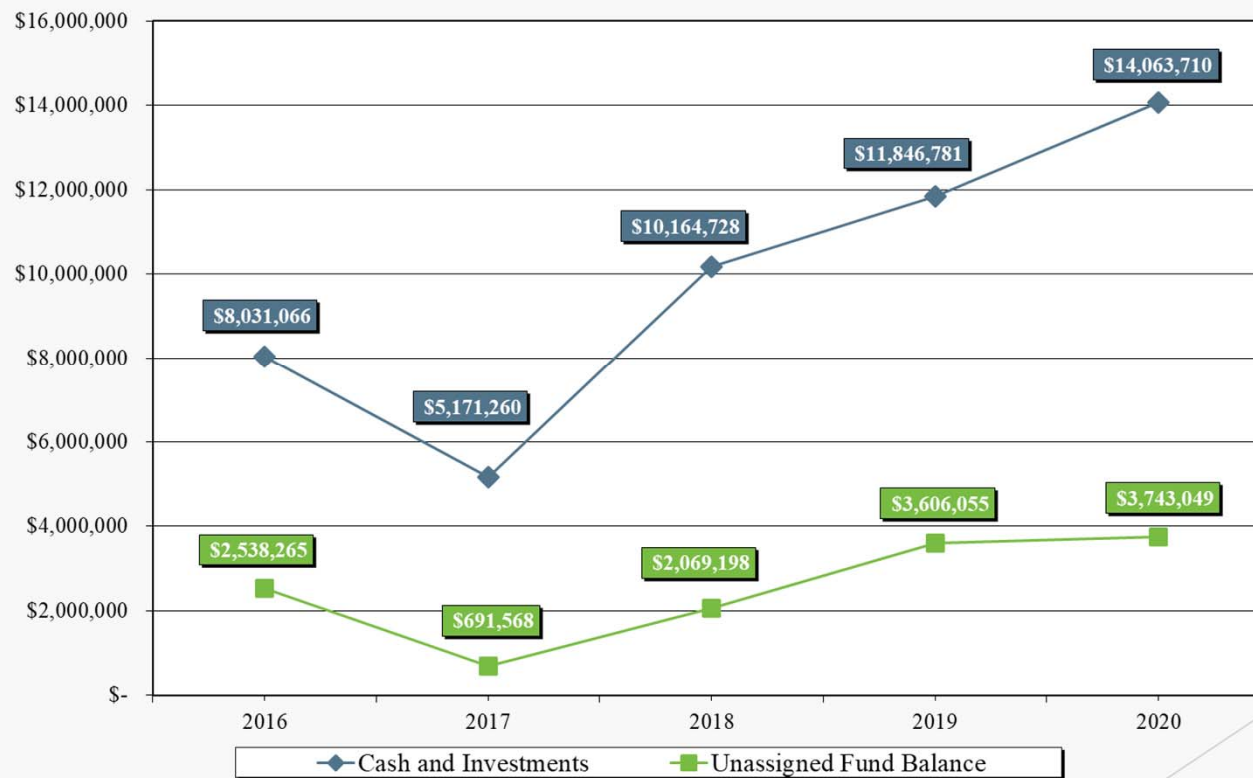
Components of Fund Balance

Nonspendable	\$ 115,556	\$ 657,884	\$ 208,934	\$ 245,117	\$ 26,816
Restricted for					
Student Activities	-	-	-	-	398,729
Capital projects levy*	(479,477)	(303,080)	(106,858)	112,719	-
Health and safety*	(894,373)	-	-	-	-
Achievement and integration	-	-	-	288	-
Safe schools levy*	-	-	-	(7,172)	473,196
Long-term facilities maintenance*	-	-	(378,012)	(154,088)	2,076,566
Operating capital	1,241,034	-	702,109	728,530	1,550,096
Medical assistance	-	-	152,874	37,496	-
Assigned	-	20,882	185,388	267,230	210,065
Unassigned	2,538,265	691,568	2,069,198	3,606,055	3,743,049
Total	\$ 2,521,005	\$ 1,067,254	\$ 2,833,633	\$ 4,836,175	\$ 8,478,517

Unassigned Fund Balance as a

Percentage of Expenditures	2.8%	0.7%	2.2%	3.6%	3.8%
----------------------------	------	------	------	------	------

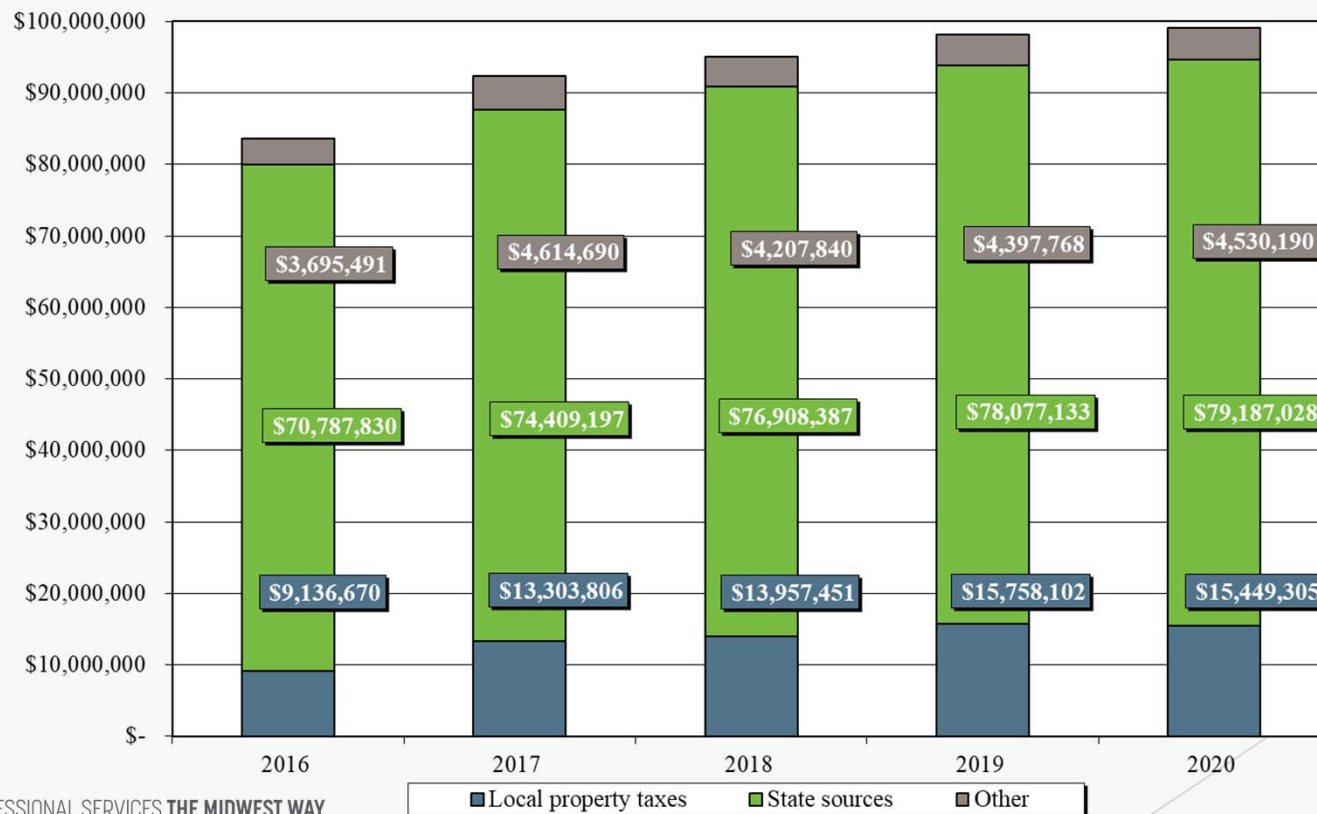
General Fund Financial Position



General Fund Sources of Revenue

	2016	2017	2018	2019	2020
Local property taxes	\$ 9,136,670	\$ 13,303,806	\$ 13,957,451	\$ 15,758,102	\$ 15,449,305
State sources	70,787,830	74,409,197	76,908,387	78,077,133	79,187,028
Other	3,695,491	4,614,690	4,207,840	4,397,768	4,530,190
Total	\$ 83,619,991	\$ 92,327,693	\$ 95,073,678	\$ 98,233,003	\$ 99,166,523

General Fund Sources of Revenue



Revenues Per Student

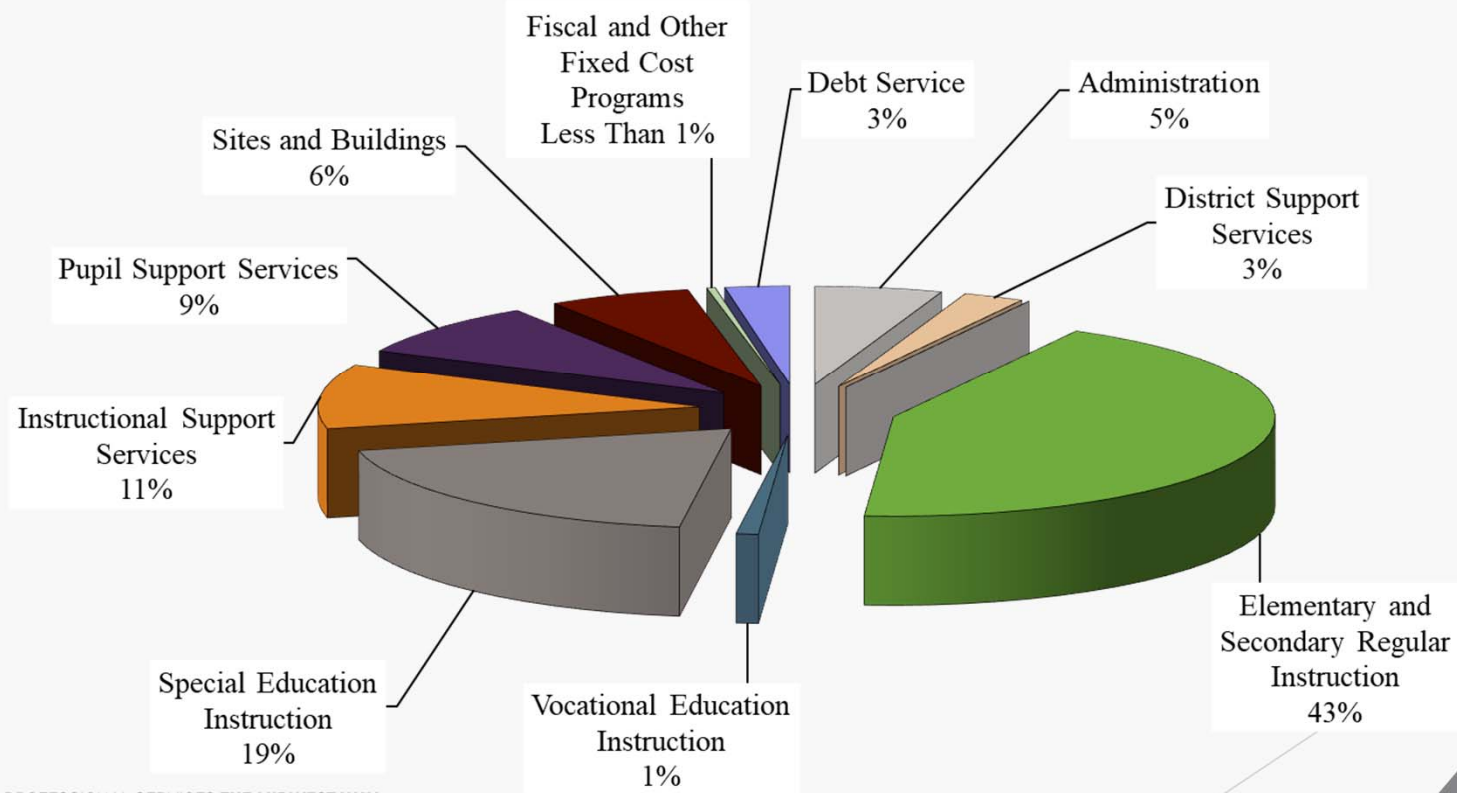
(ADM) Served

Shakopee					
General Fund	2016*	2017*	2018*	2019*	2020**
Property taxes	\$ 1,108	\$ 1,587	\$ 1,661	\$ 1,870	\$ 1,864
Other local sources	220	255	243	272	273
State aid	8,702	8,916	9,178	9,329	9,553
Federal aid	250	314	273	277	274
Total General Fund Revenue	\$ 10,280	\$ 11,072	\$ 11,355	\$ 11,748	\$ 11,964

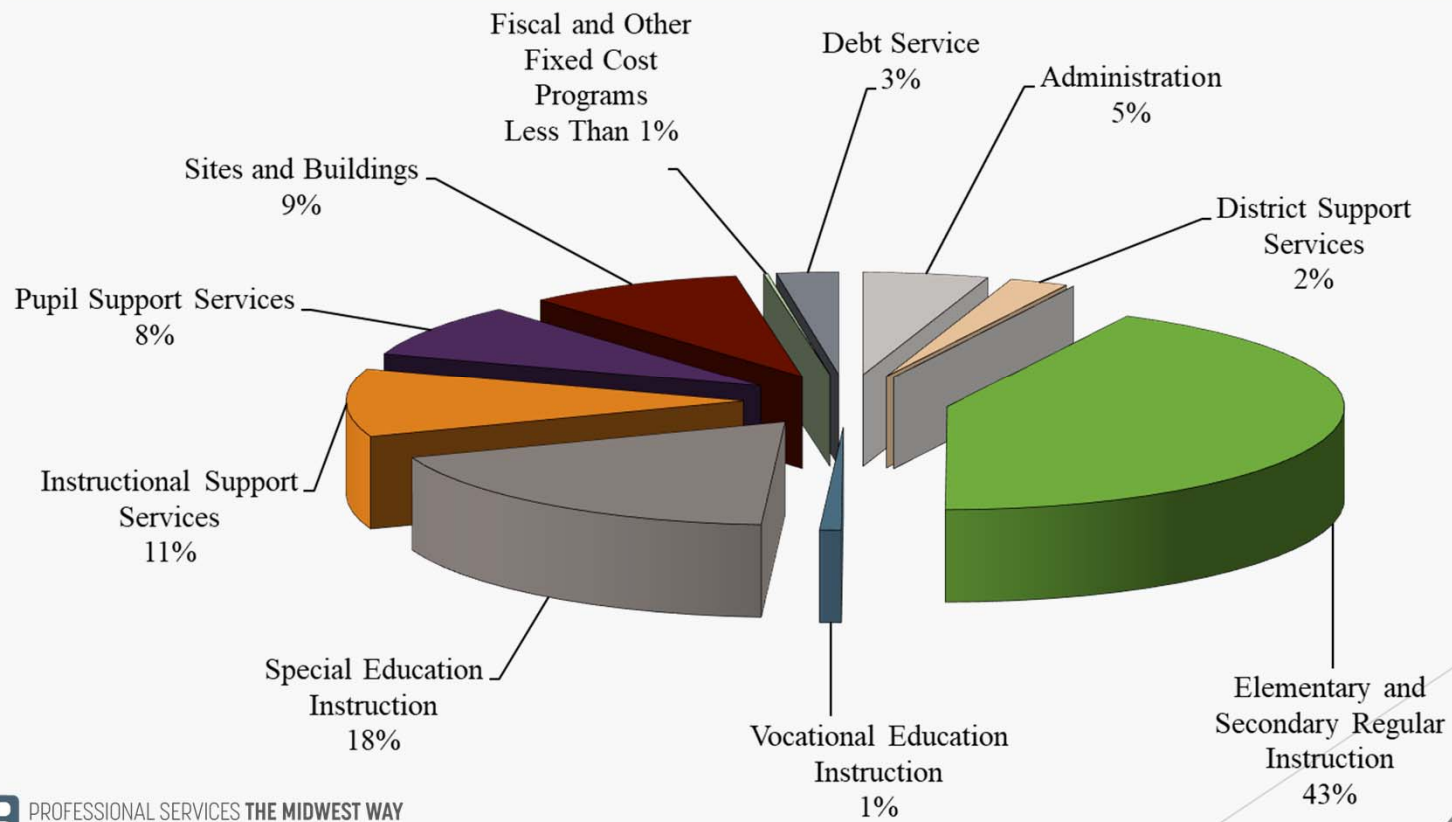
Seven-County Metro Area					
General Fund	2016*	2017*	2018*	2019*	2020**
Property taxes	\$ 2,342	\$ 2,516	\$ 2,638	\$ 2,796	N/A
Other local sources	392	423	433	454	N/A
State aid	9,357	9,387	9,625	9,885	N/A
Federal aid	447	480	474	499	N/A
Total General Fund Revenue	\$ 12,538	\$ 12,806	\$ 13,170	\$ 13,634	N/A

State-Wide					
General Fund	2016*	2017*	2018*	2019*	2020**
Property taxes	\$ 1,673	\$ 1,815	\$ 1,894	\$ 1,996	N/A
Other local sources	498	512	515	547	N/A
State aid	9,435	9,577	9,821	10,118	N/A
Federal aid	442	462	461	486	N/A
Total General Fund Revenue	\$ 12,048	\$ 12,366	\$ 12,691	\$ 13,147	N/A

General Fund 2020 Expenditures



General Fund 2019 Expenditures



Expenditures by Program

	2016	2017	2018	2019	2020
Administration	\$ 5,827,880	\$ 5,730,782	\$ 5,497,411	\$ 5,039,533	\$ 5,325,972
District Support Services	2,079,390	2,178,543	1,994,119	2,373,319	2,544,099
Elementary and Secondary Regular Instruction	41,008,818	41,747,541	41,670,362	42,107,757	42,682,471
Vocational Education Instruction	749,015	870,273	634,351	869,311	921,898
Special Education Instruction	17,206,868	18,441,870	18,072,758	18,189,490	19,019,489
Instructional Support Services	8,824,679	12,323,870	8,356,016	10,668,490	10,508,616
Pupil Support Services	7,260,151	7,614,151	7,871,201	8,303,685	8,688,532
Sites and Buildings	5,937,614	6,252,053	7,680,480	8,691,161	5,959,984
Fiscal and Other Fixed Cost Programs	211,184	191,091	199,020	172,683	353,795
Debt Service	1,007,414	1,882,902	2,257,700	2,477,570	2,692,512
Total	\$ 90,113,013	\$ 97,233,076	\$ 94,233,418	\$ 98,892,999	\$ 98,697,368

Expenditures Per Student (ADM) Served

Shakopee					
General Fund	2016*	2017*	2018*	2019*	2020**
Administration and district support services	\$ 1,007	\$ 967	\$ 935	\$ 938	\$ 935
Elementary and secondary regular instruction	5,008	4,971	4,938	5,002	5,129
Vocational education instruction	92	104	76	103	110
Special education instruction	2,109	2,199	2,155	2,173	2,293
Instructional support services	742	979	846	861	973
Pupil support services	893	916	942	995	1,048
Sites and buildings	620	560	640	695	739
Capital expenditures	454	553	673	762	681
Total General Fund Expenditures	\$ 10,925	\$ 11,249	\$ 11,205	\$ 11,529	\$ 11,908

Seven-County Metro Area					
General Fund	2016*	2017*	2018*	2019*	2020**
Administration and district support services	\$ 958	\$ 996	\$ 1,045	\$ 1,078	N/A
Elementary and secondary regular instruction	5,849	5,887	5,976	6,112	N/A
Vocational education instruction	146	153	154	165	N/A
Special education instruction	2,330	2,334	2,418	2,505	N/A
Instructional support services	725	765	748	751	N/A
Pupil support services	1,104	1,165	1,209	1,282	N/A
Sites and buildings	847	871	896	907	N/A
Capital expenditures	532	592	636	675	N/A
Total General Fund Expenditures	\$ 12,491	\$ 12,763	\$ 13,082	\$ 13,475	N/A

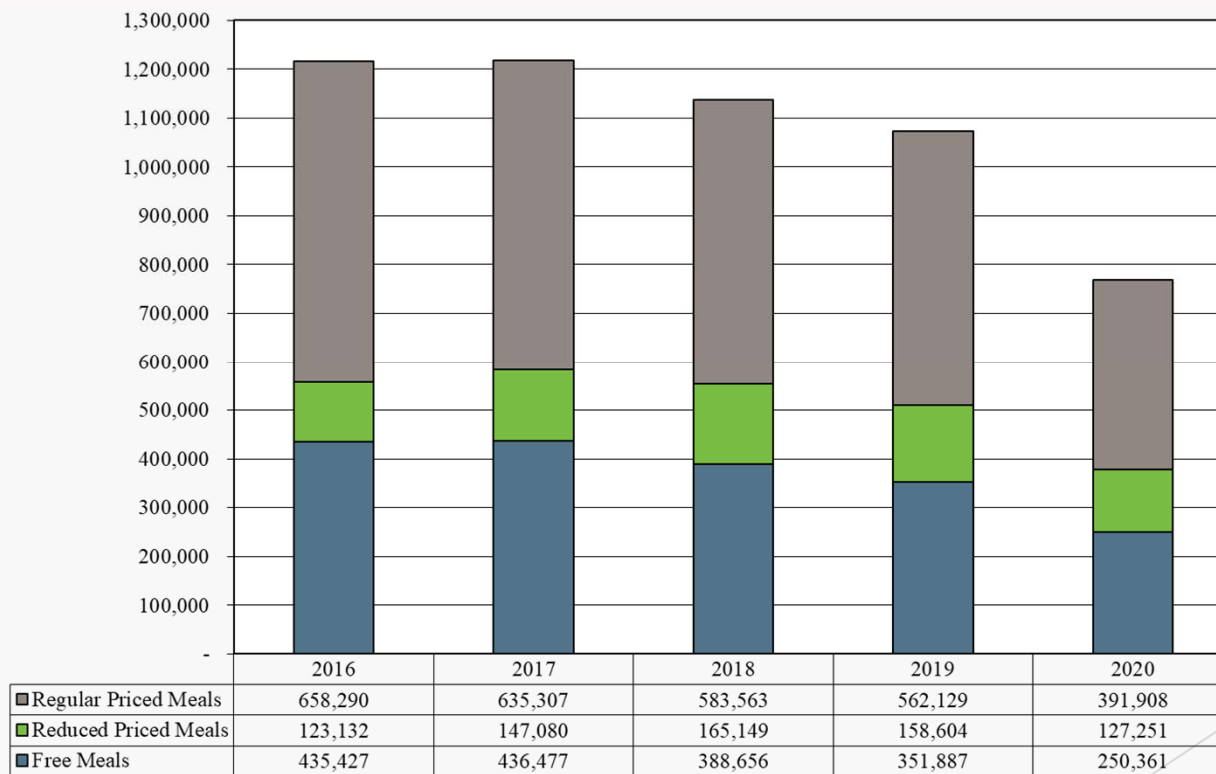
State-Wide					
General Fund	2016*	2017*	2018*	2019*	2020**
Administration and district support services	\$ 1,016	\$ 1,049	\$ 1,091	\$ 1,123	N/A
Elementary and secondary regular instruction	5,428	5,499	5,602	5,743	N/A
Vocational education instruction	149	156	159	168	N/A
Special education instruction	2,179	2,231	2,315	2,403	N/A
Instructional support services	606	643	639	650	N/A
Pupil support services	1,021	1,076	1,122	1,182	N/A
Sites and buildings	879	894	924	950	N/A
Capital expenditures	677	701	743	806	N/A
Total General Fund Expenditures	\$ 11,955	\$ 12,249	\$ 12,595	\$ 13,025	N/A

Food Service Fund

Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 4,409,632	\$ 4,544,864	\$ 4,477,075	\$ 4,381,114	\$ 4,087,377
Expenditures	4,186,026	4,566,784	4,454,642	4,298,637	4,331,833
Excess of revenues over (under) expenditures	223,606	(21,920)	22,433	82,477	(244,456)
Fund balance, July 1	450,436	674,042	652,122	674,555	757,032
Fund Balance, June 30	\$ 674,042	\$ 652,122	\$ 674,555	\$ 757,032	\$ 512,576

Food Service Fund

Meals Served to Students



Food Service Fund

Revenues and Expenditures Per ADM Served

Revenues					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 542	\$ 547	\$ 536	\$ 526	\$ 493
State-wide	543	554	553	553	N/A
Seven county metro area	545	557	554	556	N/A

Expenditures					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 515	\$ 550	\$ 533	\$ 516	\$ 523
State-wide	539	546	550	559	N/A
Seven county metro area	539	545	546	556	N/A

Community Service Fund

	2016	2017	2018	2019	2020
Revenues	\$ 2,338,577	\$ 2,760,027	\$ 2,793,651	\$ 2,800,117	\$ 2,644,153
Expenditures	2,250,884	2,670,134	2,705,633	2,700,825	2,769,207
Excess of revenues over (under) expenditures	87,693	89,893	88,018	99,292	(125,054)
Fund balance, July 1	12,681	100,374	190,267	278,285	377,577
Fund Balance, June 30	\$ 100,374	\$ 190,267	\$ 278,285	\$ 377,577	\$ 252,523

Components of Fund Balance

Restricted for					
Community Education	\$ (17,867)	\$ (153,567)	\$ (179,501)	\$ (45,220)	\$ (184,444)
ECFE	55,576	120,562	136,180	82,014	158,623
School Readiness	62,665	223,272	321,606	340,783	278,344
Total	\$ 100,374	\$ 190,267	\$ 278,285	\$ 377,577	\$ 252,523

Community Service Fund

Revenues and Expenditures Per ADM Served

Revenues					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 287	\$ 332	\$ 334	\$ 336	\$ 319
State-wide	562	595	607	638	N/A
Seven county metro area	692	733	752	797	N/A

Expenditures					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 277	\$ 321	\$ 323	\$ 324	\$ 334
State-wide	550	579	606	638	N/A
Seven county metro area	676	713	750	799	N/A

Debt Service Fund

Revenues and Expenditures Per ADM Served

Revenues					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 1,601	\$ 2,452	\$ 2,459	\$ 2,607	\$ 2,899
State-wide	991	1,050	1,056	1,146	N/A
Seven county metro area	1,084	1,118	1,120	1,287	N/A

Expenditures					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 1,916	\$ 2,381	\$ 4,579	\$ 2,579	\$ 2,748
State-wide	1,433	1,275	1,224	1,225	N/A
Seven county metro area	1,453	1,323	1,230	1,308	N/A

QUESTIONS?

Matthew Mayer

952-563-6873

Matt.Mayer@berganKDV.com





LET'S DO MORE, TOGETHER.

THANK YOU

BerganKDV is a leading professional services firm with a contagious culture; where growth is fostered and making a difference means something. Our values drive our decisions, and our passion is empowering people and creating a wow experience for our clients.

We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can...

DO MORE.



berganKDV
bergankdv.com | #starthere

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

SHAKOPEE PUBLIC SCHOOLS
INDEPENDENT SCHOOL
DISTRICT 720

SHAKOPEE.K12.MN.US

1200 SHAKOPEE TOWN SQUARE
SHAKOPEE, MN 55379
952.496.5000



COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
SHAKOPEE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 720
SHAKOPEE, MINNESOTA

For the Year Ended

June 30, 2020

Prepared by

THE FINANCE DEPARTMENT

William Menozzi
Director of Finance and Operations

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

Independent School District No. 720
Table of Contents

I. Introductory Section	
Board of Education and Administration	1
Letter of Transmittal	3
Certificate of Excellence in Financial Reporting	11
Organizational Chart	13
II. Financial Section	
Independent Auditor’s Report	15
Management’s Discussion and Analysis	19
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	33
Statement of Activities	35
Fund Financial Statements	
Balance Sheet – Governmental Funds	36
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	39
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	43
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	44
Statement of Net Position – Proprietary Funds	46
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	47
Statement of Cash Flows – Proprietary Funds	48
Statement of Fiduciary Net Position	49
Statement of Changes in Fiduciary Net Position	49
Notes to Financial Statements	51
Required Supplementary Information	
Schedule of Changes in Net OPEB Liability and Related Ratios	92
Schedule of Investment Returns – OPEB	93
Schedule of District’s and Non-Employer Proportionate Share of Net Pension Liability – General Employees Retirement Fund	94
Schedule of District’s and Non-Employer Proportionate Share of Net Pension Liability – TRA Retirement Fund	94
Schedule of District Contributions – General Employees Retirement Fund	95
Schedule of District Contributions – TRA Retirement Fund	95
Notes to the Required Supplementary Information	96

Independent School District No. 720
Table of Contents

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	106
Balance Sheet – General Fund	107
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	108
Balance Sheet – Food Service Fund	110
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Food Service Fund	111
Balance Sheet – Community Service Fund	112
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Service Fund	113
Balance Sheet – Debt Service Fund	114
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	115
Balance Sheet – Capital Projects Fund	116
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	117
Combining Statement of Net Position – Internal Service Funds	120
Combining Statement of Revenues, Expenses, and Changes in Fund Balances – Internal Service Funds	121
Combining Statement of Cash Flows – Internal Service Funds	122
Uniform Financial Accounting and Reporting Standards Compliance Table	125

III. Statistical Section

Net Position by Components	130
Changes in Net Position	132
Fund Balances, Governmental Funds	134
Changes in Fund Balances, Governmental Funds	136
Taxable Market Value of Properties	139
Direct and Overlapping Property Tax Rates	140
Principal Property Taxpayers	143
Property Tax Levies and Collections	144
Outstanding Debt by Type	146
Ratios of General Bonded Debt Outstanding	147
Computation of Direct and Overlapping Bonded Debt	148
Legal Debt Margin Information	149
Demographic and Economic Statistics	150
Principal Employers	151
Full-Time-Equivalent District Licensed Employees by Type	152
Operating Statistics	153
School Building Information	154

(THIS PAGE LEFT BLANK INTENTIONALLY)

**Independent School District No. 720
Board of Education and Administration
June 30, 2020**

<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
Paul Christiansen	Clerk	December 31, 2022
Joe Aldrich	Treasurer	December 31, 2022
Tim Brophy	Director	December 31, 2020
Matt McKeand	Director	December 31, 2020
Angela Tucker	Director	December 31, 2020
<u>Administration</u>		
Dr. Mike Redmond	Superintendent	
Dave Orlofsky	Assistant Superintendent	
William Menozzi	Director of Finance and Operations	
Julie Fred	Director of Special Services	
Bryan Drozd	Director of Instructional Technology	
Bob Greeley	Director of Community Education	
Keith Gray	Director of Human Resources	
Nancy Thul	Director of Teaching and Learning	

(THIS PAGE LEFT BLANK INTENTIONALLY)



Superintendent: Dr. Mike Redmond

Finance Director: Bill Menozzi

November 16, 2020

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

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 720, Shakopee, Minnesota (the District) for the fiscal year ended June 30, 2020, is presented for your information and review. The CAFR 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 CAFR 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 more than 8,190 students in Shakopee, Savage, Prior Lake, and the Jackson, Louisville, and Sand Creek Townships. The district is located in one of the fastest growing 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. Six years ago, the district began to look at the curriculum, and together with the instructional staff, began re-imagining academics in the district. The junior high model has transformed into a middle school model 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 Freshman Academy. Shakopee school district staff and leadership implemented these academies in the fall of 2018.

With over 1,100 total staff, Shakopee Public Schools is one of the major employers in the area. During 2019-2020, 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 28.23 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.

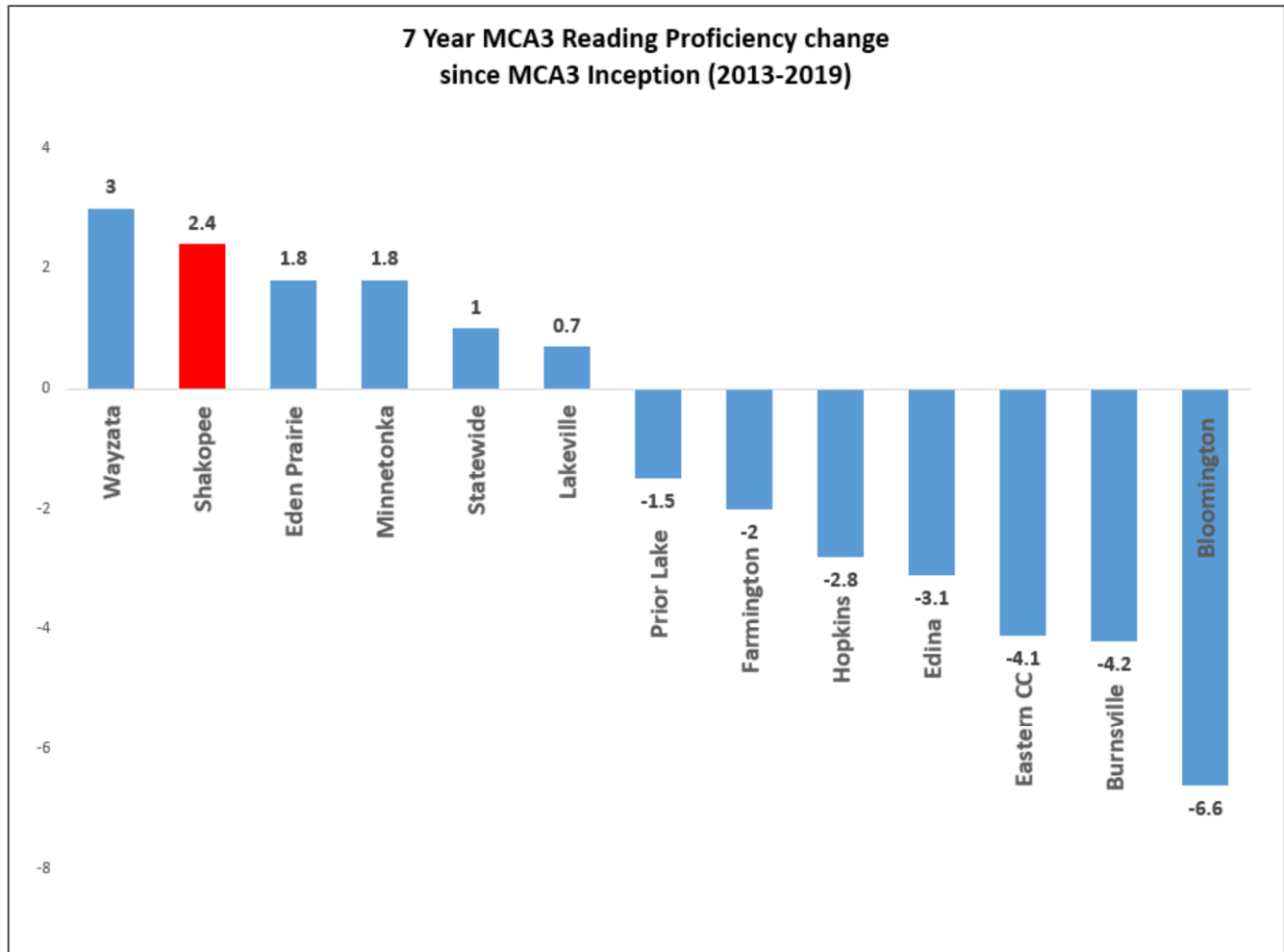
Testing Data

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.

DISTRICT PROFILE/ORGANIZATION (CONTINUED)

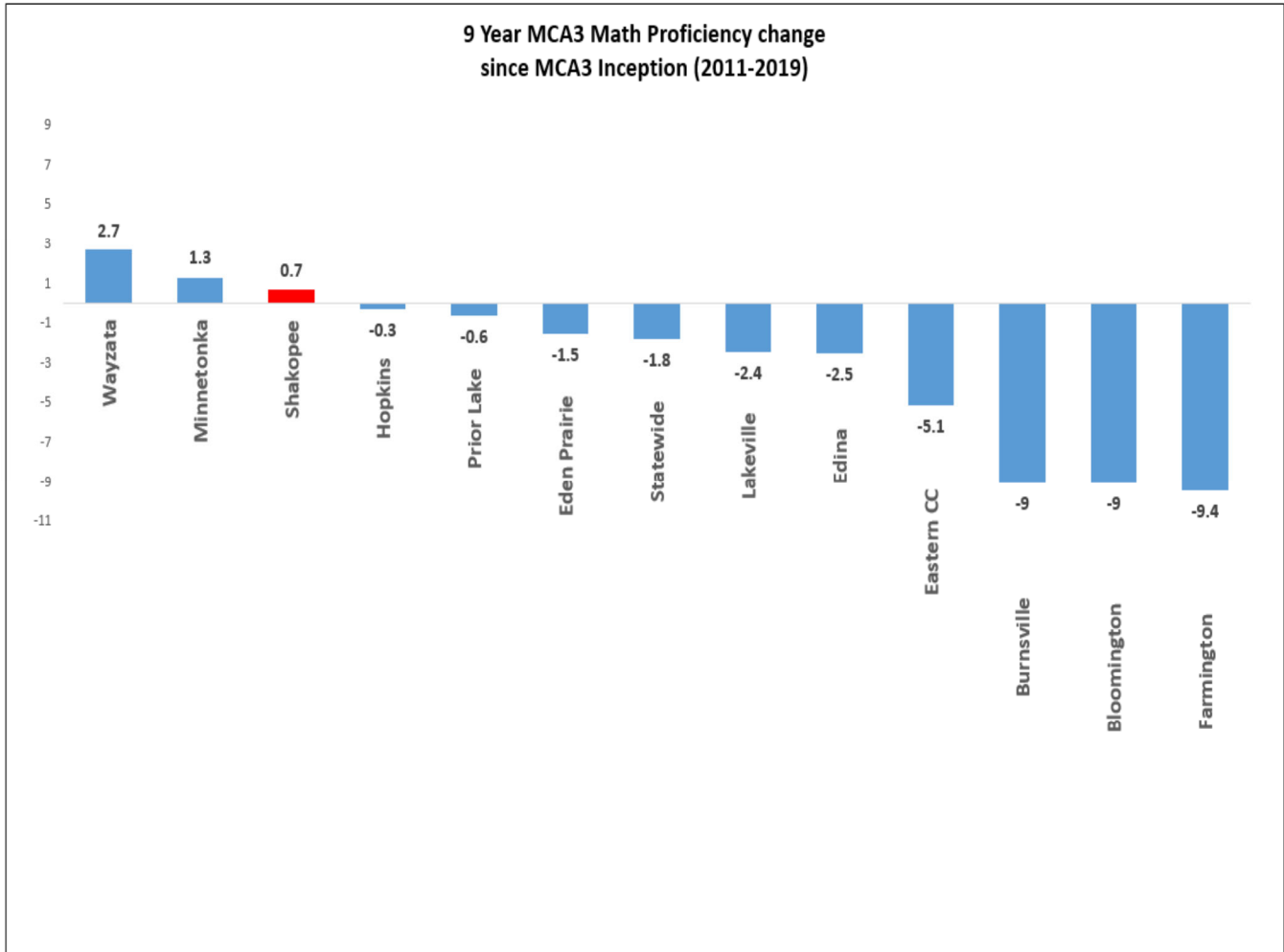
Testing Data (Continued)

Due to the Covid_19 pandemic MCA testing did not take place in the spring of 2020. Data through 2019 is shown below.



DISTRICT PROFILE/ORGANIZATION (CONTINUED)

Testing Data (Continued)



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, 2020, 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 2019-20 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.

ACCOUNTING AND BUDGETING (CONTINUED)

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. To accurately track and report financial activities with a focus on site-based accounting, approximately 15,000 active accounts have been defined in the District's chart of accounts.

SIGNIFICANT EVENTS

The District's finances are largely dependent on student enrollment; with the state basic general education formula allowance at \$6,438 per student for the 2019-20 school year. Shakopee has experienced increasing enrollment from FY10 to FY20. During that time, 1,395 students joined the district, an increase of 20.5%.

With the continued enrollment, the voters of Shakopee approved a bond referendum in the spring of 2015 to expand the high school among other projects. The expansion, completed in the fall of 2018 allowed for the previously discussed grade reconfiguration.

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 1 to 1 computer initiative.

As the District continues with various academic program improvements, the District will need to access additional operating referendum authority. Currently, the District has Board approved referendum authority of \$724 per student, the lowest authority of its comparable districts. Shakopee Schools is experiencing pockets of growth in the taxing district, but overall growth K-12 has slowed.

In order to maintain high quality educational programs and experiences for students, the School Board passed a referendum resolution to seek voter approval on a phased-in general fund levy on November 3, 2020. Operating referendum authority is needed to sustain the high-quality programming in the District.

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 2019-20, the revised budget enrollment projection was 8,280 average daily membership (ADM). Actual enrollment was 8,190 ADM. Enrollment projections for 2020-21 have been adjusted downward to reflect the actual 19-20 enrollment and the enrollment impact of the COVID-19 pandemic.

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 bounce back from the economic downturn. Taxable market values increased by over \$1 billion from 2014 to 2020 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 years, the State of Minnesota's general education funding has been providing an annual 2% increase, the 2020 Legislative session again provided a 2.0% annual increase in the general education formula allowance. These increases fall far short of meeting today's educational needs and will necessitate the district enhancing local operating revenue.

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 new 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 May of 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

The district has committed itself to our mission of college and career readiness for all students. In the Fall of 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 have been reconfigured to 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 our efforts to ensure our students are ready for a global and interconnected world. The past three years we have placed devices into the hands of students at both the secondary and elementary levels.

INITIATIVES (CONTINUED)

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. Our strategic plan will continue to require a time, talent and resources until we have fully implemented our changes over the next three to five years.

INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE

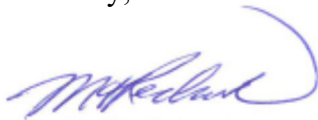
State statutes require an annual audit by independent certified public accountants. The accounting firm of BerganKDV LTD was selected by the School Board to conduct the annual audit.

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 2019, 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 2019-2020 CAFR to the ASBO Certificate Program for consideration.

ACKNOWLEDGMENTS

The time, effort, and attention that go into the timely preparation of a CAFR 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 Comprehensive Annual 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



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Shakopee Public School District

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

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



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

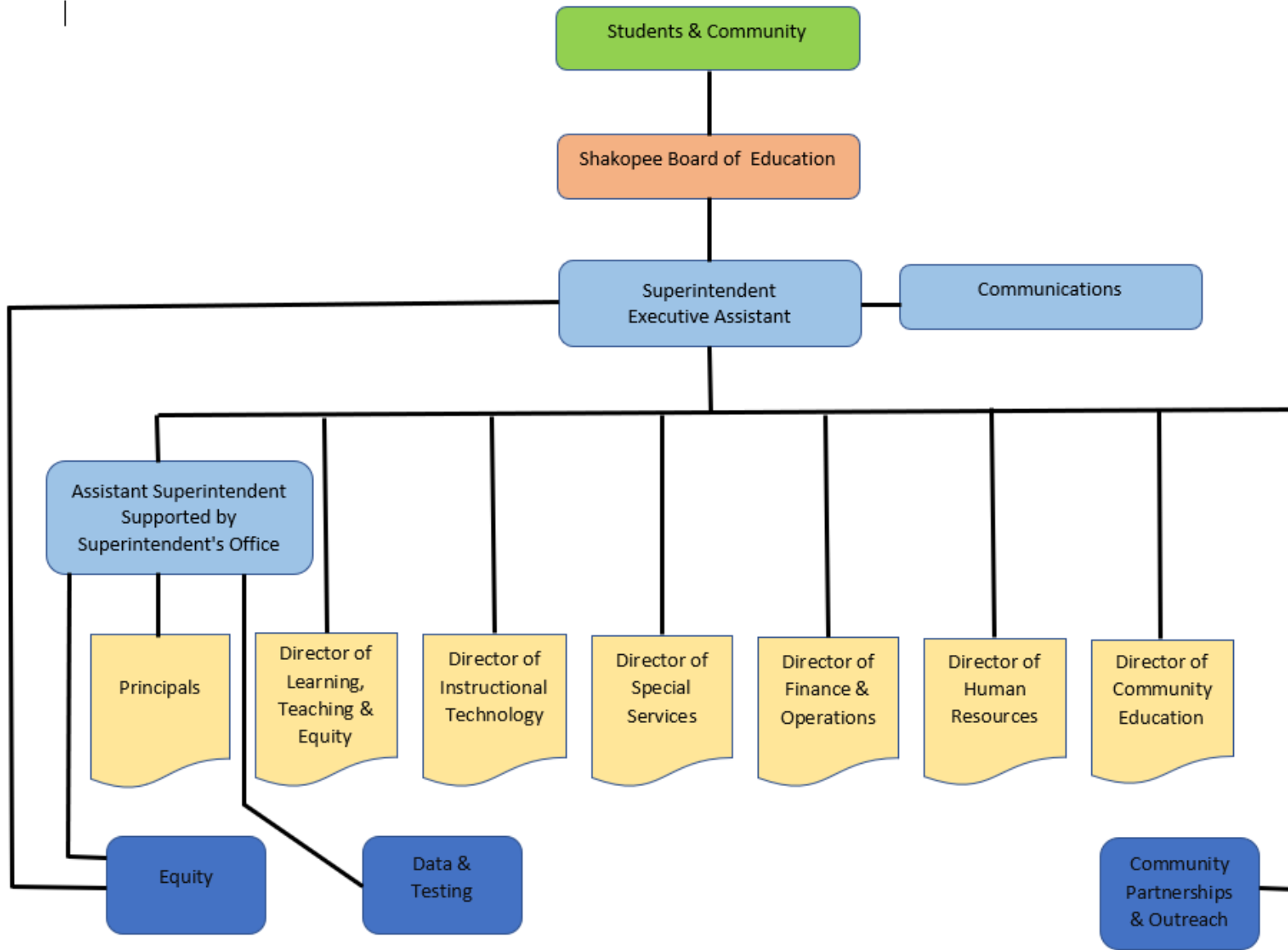
Claire Hertz, SFO
President

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

David J. Lewis
Executive Director

(THIS PAGE LEFT BLANK INTENTIONALLY)

**Independent School District No. 720
Organizational Chart
as of June 20, 2020**



(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph 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, Shakopee, Minnesota, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 84

As discussed in Note 9 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical sections of this report and the accompanying supplementary information identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

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

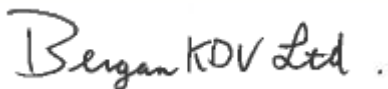
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which such partial information was derived.

We also have previously audited the District's 2019 basic financial statements and our report, dated December 9, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Minneapolis, Minnesota

November 16, 2020

(THIS PAGE LEFT BLANK INTENTIONALLY)

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2020**

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, 2020. 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, 2020

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 (Food Service Special Revenue Fund and Community Service Special Revenue Fund) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the 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, 2020**

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, 2020 and 2019**

	2020	2019
Assets and Deferred Outflows		
Current and other assets	\$ 69,374,107	\$ 61,660,310
Capital assets, net of depreciation	248,473,232	237,495,204
Total assets	317,847,339	299,155,514
Deferred outflows of resources	53,536,440	79,278,018
Total assets and deferred outflows of resources	\$ 371,383,779	\$ 378,433,532
Liabilities and Deferred Inflows		
Current and other liabilities	\$ 17,730,465	\$ 16,842,125
Long-term liabilities, including due within one year	250,615,460	250,722,831
Total liabilities	268,345,925	267,564,956
Deferred inflows of resources	125,528,687	143,489,584
Total liabilities and deferred inflows of resources	\$ 393,874,612	\$ 411,054,540
Net Position		
Net investment in capital assets	\$ 67,663,806	\$ 55,529,637
Restricted	7,194,893	2,446,033
Unrestricted	(97,349,532)	(90,596,678)
Total net position	\$ (22,490,833)	\$ (32,621,008)

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 did improve this year as measured by total net position. For the year ended June 30, 2020, total net position increased by \$10,130,175, which includes a change in accounting principle that added \$544,092 to the beginning of the year total net position.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2020**

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, 2020 and 2019**

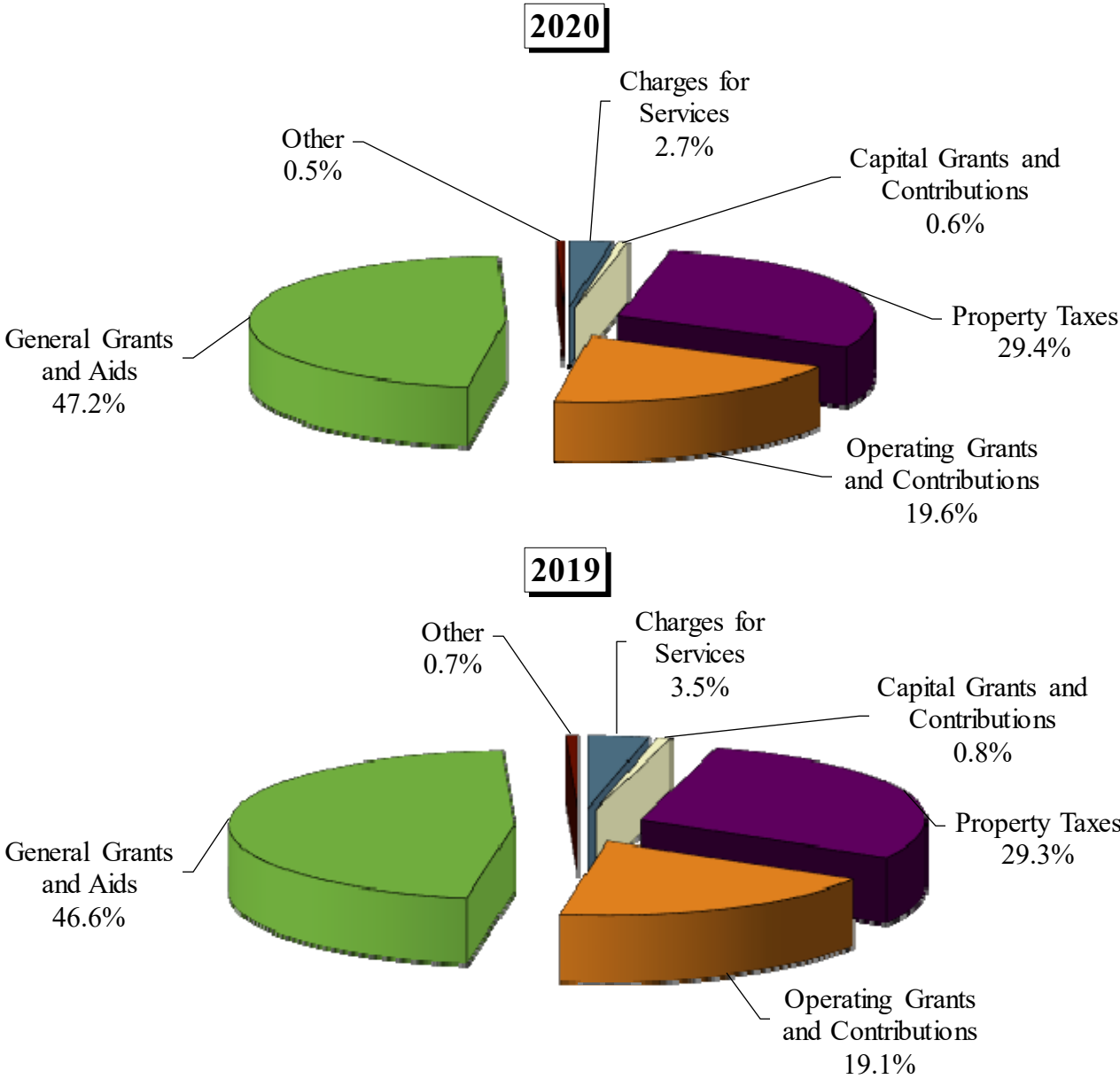
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 3,482,707	\$ 4,353,585
Operating grants and contributions	25,548,851	23,702,928
Capital grants and contributions	807,794	965,654
General revenues		
Property taxes	38,339,603	36,341,081
General grants and aids	61,464,606	57,877,841
Other	612,095	863,583
Total revenues	<u>130,255,656</u>	<u>124,104,672</u>
Expenses		
Administration	5,843,792	3,607,620
District support services	2,599,179	2,374,571
Elementary and secondary regular instruction	49,786,185	30,458,137
Vocational education instruction	1,000,405	528,644
Special education instruction	20,164,692	12,698,736
Instructional support services	9,380,581	6,601,313
Pupil support services	8,882,170	7,691,554
Sites and buildings	4,347,902	11,550,383
Fiscal and other fixed cost programs	353,795	172,683
Food service	4,261,487	4,173,484
Community service	2,993,523	2,282,557
Depreciation not allocated to other functions	5,803,460	1,713,784
Interest and fiscal charges	5,252,402	5,533,037
Total expenses	<u>120,669,573</u>	<u>89,386,503</u>
Change in net position	9,586,083	34,718,169
Net position - beginning, as restated	<u>(32,076,916)</u>	<u>(67,339,177)</u>
Net position - ending	<u>\$ (22,490,833)</u>	<u>\$ (32,621,008)</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, 2020**

Financial Analysis of the District as A Whole (Continued)

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



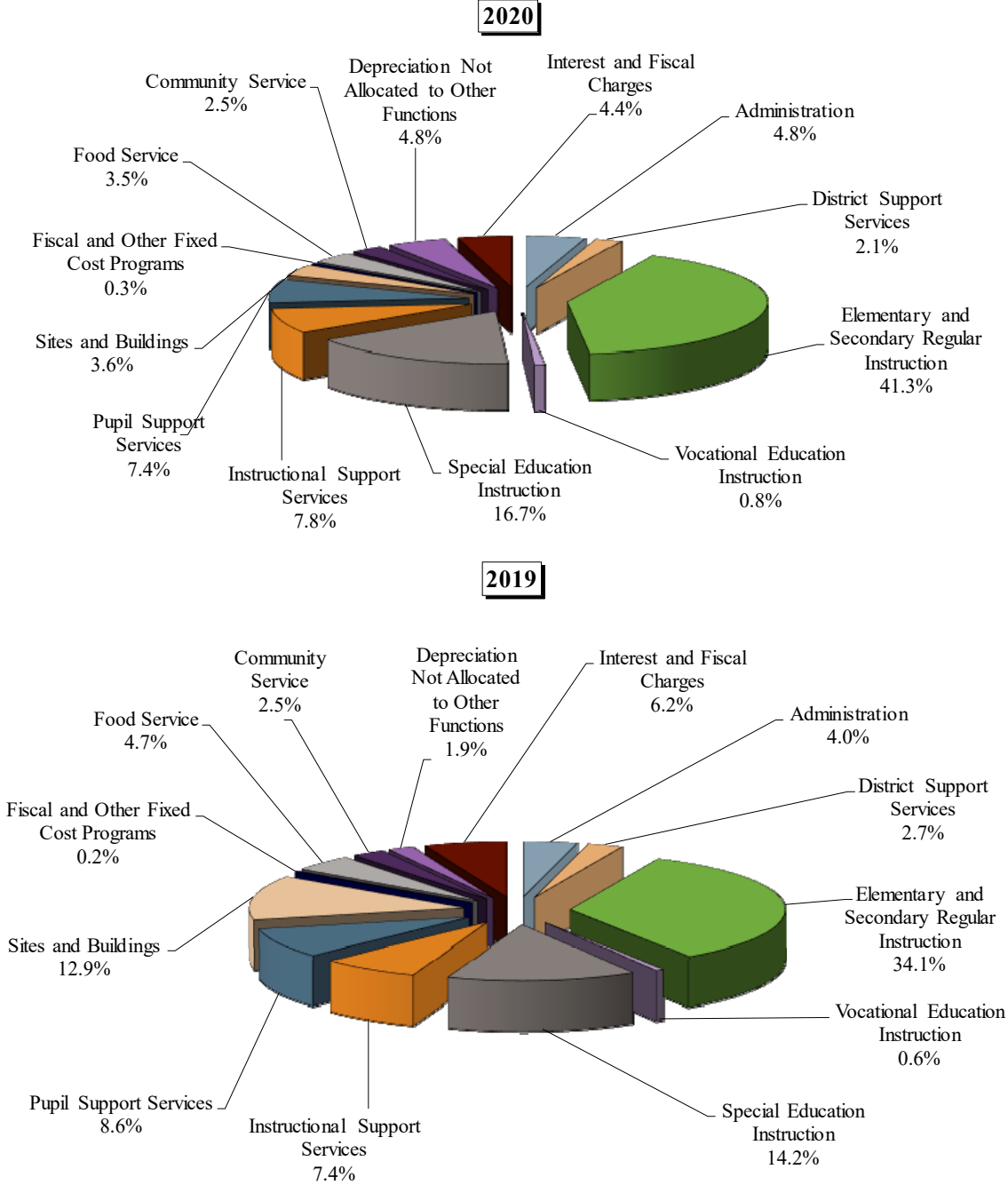
The largest share of the District's revenue is received from the state, which includes General Education Aid and most of the operating grants. Consequently, the District's funding depends significantly on the state's financial fluctuations.

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, 2020**

Financial Analysis of the District as A Whole (Continued)

Figure B – Expenses for Fiscal Years 2020 and 2019



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, 2020**

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, 2020 and 2019**

Governmental Funds	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Major funds			
General	\$ 8,478,517	\$ 4,836,175	\$ 3,642,342
Capital projects – building construction	1,428,258	2,022,715	(594,457)
Debt service	4,478,006	3,223,859	1,254,147
Nonmajor funds			
Special revenue funds			
Food service	512,576	757,032	(244,456)
Community service	252,523	377,577	(125,054)
Total governmental funds	<u>\$ 15,149,880</u>	<u>\$ 11,217,358</u>	<u>\$ 3,932,522</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, 2020**

Analysis of the General Fund (Continued)

Table 4 summarizes the operating results of the General Fund:

**Table 4
General Fund Operating Results**

	2020 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue and other financing sources	\$ 101,795,618	\$ 886,007	0.9%	\$ 368,777	0.4%
Expenditures	<u>98,697,368</u>	(815,264)	(0.8%)	(994,811)	(1.0)%
Net change in fund balances	<u>\$ 3,098,250</u>				

Actual expenditures were under budget largely due to conservative budgeting in the general fund to account for possible contingencies. Additionally, expenses were down in areas such as substitute teaching as a result of 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 increases 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 and to make improvements at some outdoor facilities. In 2020 the District issued two bonds to address energy efficiency and deferred maintenance projects in accordance with the facilities task force recommendations on long term facilities maintenance (LTFM). The 2020A G.O. Capital Facilities bonds for \$4,990,000 were issued in January 2020, and the 2020B G.O. Facilities Maintenance Bonds for \$11,990,000 were issued in February 2020.

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 \$4.4 million of year-end fund balance to help finance future debt obligations.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2020**

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, 2020 and 2019:

**Table 5
Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	\$ 13,475,173	\$ 14,627,269	\$ (1,152,096)
Construction in progress	19,457,829	94,604,902	(75,147,073)
Capital assets, net of accumulated depreciation			
Site improvements	8,489,471	8,891,321	(401,850)
Buildings	198,805,583	110,190,325	88,615,258
Furniture and equipment	<u>8,245,176</u>	<u>9,181,387</u>	<u>(936,211)</u>
Total	<u>\$ 248,473,232</u>	<u>\$ 237,495,204</u>	<u>\$ 10,978,028</u>
Accumulated depreciation	<u>\$ (91,064,988)</u>	<u>\$ (80,223,299)</u>	<u>\$ (10,841,689)</u>
Depreciation expense	<u>\$ 10,845,759</u>	<u>\$ 7,117,252</u>	<u>\$ 3,728,507</u>

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2020**

Capital Assets and Long-Term Liabilities (Continued)

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**

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
G.O. Bonds payable, net of premium	\$ 169,481,564	\$ 169,305,858	\$ 175,706
Certificates of participation payable, net of premium	9,855,653	10,475,705	(620,052)
Capital leases payable	3,514,599	3,779,547	(264,948)
Compensated absences payable	<u>479,570</u>	<u>380,169</u>	<u>99,401</u>
Total	<u>\$ 183,331,386</u>	<u>\$ 183,941,279</u>	<u>\$ (609,893)</u>

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 and entered into new lease agreements during the current year.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2020**

Capital Assets and Long-Term Liabilities (Continued)

Long-Term Liabilities (Continued)

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	\$5,645,002,901
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 846,750,435</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% to \$6,438 in 2020. 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 2020-21 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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Statement of Net Position
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	Governmental Activities	
	2020	2019
Assets		
Cash and investments	\$ 39,608,160	\$ 33,919,010
Current property taxes receivable	20,020,961	18,561,974
Delinquent property taxes receivable	87,372	85,536
Accounts receivable	911	128,327
Due from Department of Education	7,998,893	7,580,904
Due from Federal Government through Department of Education	1,223,625	949,743
Due from Federal Government	38,178	-
Due from other Minnesota school districts	133,820	140,877
Due from other governmental units	181,333	528
Inventory	54,038	48,294
Prepaid items	26,816	245,117
Capital assets not being depreciated		
Land	13,475,173	14,627,269
Construction in progress	19,457,829	94,604,902
Capital assets, net of accumulated depreciation		
Site improvements	8,489,471	8,891,321
Buildings	198,805,583	110,190,325
Furniture and equipment	8,245,176	9,181,387
Total assets	317,847,339	299,155,514
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	53,145,920	79,278,018
Deferred outflows of resources related to OPEB	390,520	-
Total deferred outflows of resources	53,536,440	79,278,018
 Total assets and deferred outflows of resources	 \$ 371,383,779	 \$ 378,433,532
Liabilities		
Accounts payable	\$ 1,857,503	\$ 2,183,312
Contracts payable	4,945,945	3,411,552
Salaries and benefits payable	7,494,888	7,517,932
Interest payable	2,763,500	2,883,426
Due to other Minnesota school districts	298,557	381,428
Due to other governmental units	137,509	278,133
Unearned revenue	232,563	186,342
Bonds payable, net		
Payable within one year	18,915,000	16,255,000
Payable after one year	150,566,564	153,050,858
Certificates of participation payable, net		
Payable within one year	625,000	610,000
Payable after one year	9,230,653	9,865,705
Capital lease payable		
Payable within one year	1,545,957	1,627,943
Payable after one year	1,968,642	2,151,604
Compensated absences payable		
Payable within one year	479,570	380,169
Net other post employment benefit (OPEB) liability	6,207,766	4,976,416
Net pension liability	61,076,308	61,805,136
Total liabilities	268,345,925	267,564,956
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	38,435,117	36,897,513
Deferred amount on refunding	347,619	427,172
Deferred inflows of resources related to pensions	83,429,788	102,450,586
Deferred inflows of resources related to OPEB	3,316,163	3,714,313
Total deferred inflows of resources	125,528,687	143,489,584
Net Position		
Net investment in capital assets	67,663,806	55,529,637
Restricted		
Debt service	1,771,718	388,700
Food service	508,426	757,032
Community service	416,162	421,268
Other purposes	4,498,587	879,033
Unrestricted	(97,349,532)	(90,596,678)
Total net position	(22,490,833)	(32,621,008)
 Total liabilities, deferred inflows of resources, and net position	 \$ 371,383,779	 \$ 378,433,532

See notes to financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Statement of Activities
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expense) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2020	2019
Governmental activities						
Administration	\$ 5,843,792	\$ 1,200	\$ 1,958	\$ -	\$ (5,840,634)	\$ (3,597,946)
District support services	2,599,179	87,978	1,025,094	-	(1,486,107)	(1,344,133)
Elementary and secondary regular instruction	49,786,185	422,253	8,599,092	-	(40,764,840)	(22,345,895)
Vocational education instruction	1,000,405	2,353	43,401	-	(954,651)	(476,537)
Special education instruction	20,164,692	-	10,984,796	-	(9,179,896)	(1,175,738)
Instructional support services	9,380,581	-	1,358,687	-	(8,021,894)	(6,436,595)
Pupil support services	8,882,170	64,931	256,443	-	(8,560,796)	(7,182,628)
Sites and buildings	4,347,902	59,874	4,233	807,794	(3,476,001)	(10,513,307)
Fiscal and other fixed cost programs	353,795	-	-	-	(353,795)	(172,683)
Food service	4,261,487	1,751,141	2,323,819	-	(186,527)	202,972
Community education and services	2,993,523	1,092,977	951,328	-	(949,218)	(75,025)
Depreciation not allocated to other functions	5,803,460	-	-	-	(5,803,460)	(1,713,784)
Interest and fiscal charges on long-term debt	5,252,402	-	-	-	(5,252,402)	(5,533,037)
Total governmental activities	\$ 120,669,573	\$ 3,482,707	\$ 25,548,851	\$ 807,794	(90,830,221)	(60,364,336)
General revenues						
Taxes						
					15,441,415	15,759,624
					601,809	586,578
					22,296,379	19,994,879
					61,464,606	57,877,841
					40,382	36,109
					368,966	639,236
					202,747	188,238
					<u>100,416,304</u>	<u>95,082,505</u>
					9,586,083	34,718,169
					(32,621,008)	(67,339,177)
					544,092	-
					<u>(32,076,916)</u>	<u>(67,339,177)</u>
					<u>\$ (22,490,833)</u>	<u>\$ (32,621,008)</u>

35 See notes to financial statements.

Independent School District No. 720
Balance Sheet - Governmental Funds
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	General	Debt Service	Capital Projects	Nonmajor Funds
Assets				
Cash and investments	\$ 14,063,710	\$ 16,381,558	\$ 6,374,882	\$ 1,363,026
Current property taxes receivable	7,635,941	12,079,042	-	305,978
Delinquent property taxes receivable	27,920	57,212	-	2,240
Accounts receivable	861	-	-	50
Due from Department of Education	7,706,966	158,872	-	133,055
Due from Federal Government through Department of Education	1,103,675	-	-	119,950
Due from Federal Government	38,178	-	-	-
Due from other Minnesota school districts	133,820	-	-	-
Due from other governmental units	181,333	-	-	-
Inventory	-	-	-	54,038
Prepaid items	26,816	-	-	-
Total assets	\$ 30,919,220	\$ 28,676,684	\$ 6,374,882	\$ 1,978,337
Liabilities				
Accounts payable	\$ 1,129,151	\$ 1,350	\$ 4,814	\$ 31,977
Contracts payable	4,135	-	4,941,810	-
Salaries and benefits payable	7,166,996	-	-	327,892
Due to other Minnesota school districts	298,557	-	-	-
Due to other governmental units	136,891	-	-	618
Unearned revenue	-	-	-	232,563
Total liabilities	8,735,730	1,350	4,946,624	593,050
Deferred Inflows of Resources				
Property taxes levied for subsequent year's expenditures	13,677,053	24,140,116	-	617,948
Unavailable revenue - delinquent property taxes	27,920	57,212	-	2,240
Total deferred inflows of resources	13,704,973	24,197,328	-	620,188
Fund Balances				
Nonspendable	26,816	-	-	54,038
Restricted	4,498,587	4,478,006	2,390,009	895,505
Assigned	210,065	-	-	-
Unassigned	3,743,049	-	(961,751)	(184,444)
Total fund balances	8,478,517	4,478,006	1,428,258	765,099
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,919,220	\$ 28,676,684	\$ 6,374,882	\$ 1,978,337

Total Governmental Funds

2020	2019
\$ 38,183,176	\$ 33,546,713
20,020,961	18,561,974
87,372	85,536
911	117,821
7,998,893	7,580,904
1,223,625	949,743
38,178	-
133,820	140,877
181,333	528
54,038	48,294
26,816	245,117
<u>\$ 67,949,123</u>	<u>\$ 61,277,507</u>

\$ 1,167,292	\$ 1,301,713
4,945,945	3,411,552
7,494,888	7,517,932
298,557	381,428
137,509	278,133
232,563	186,342
<u>14,276,754</u>	<u>13,077,100</u>

38,435,117	36,897,513
87,372	85,536
<u>38,522,489</u>	<u>36,983,049</u>

80,854	293,411
12,262,107	7,257,142
210,065	267,230
2,596,854	3,399,575
<u>15,149,880</u>	<u>11,217,358</u>

<u>\$ 67,949,123</u>	<u>\$ 61,277,507</u>
----------------------	----------------------

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	2020	2019
Total fund balances - governmental funds	\$ 15,149,880	\$ 11,217,358
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	339,538,220	317,718,503
Less accumulated depreciation	(91,064,988)	(80,223,299)
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	(155,385,000)	(155,315,000)
Certificates of participation payable	(9,730,000)	(10,340,000)
Premium on bonds and certificates of participation payable	(14,222,217)	(14,126,563)
Deferred amount on refunding	(347,619)	(427,172)
Capital lease payable	(3,514,599)	(3,779,547)
Compensated absences payable	(479,570)	(380,169)
Net OPEB liability	(6,207,766)	(4,976,416)
Net pension liability	(61,076,308)	(61,805,136)
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	53,145,920	79,278,018
Deferred inflows of resources related to pensions	(83,429,788)	(102,450,586)
Deferred outflows of resources related to OPEB	390,520	-
Deferred inflows of resources related to OPEB	(3,316,163)	(3,714,313)
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.		
	87,372	85,536
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.		
	734,773	(498,796)
Governmental funds do not report a liability for accrued interest on bonds and certificates of participation until due and payable.		
	(2,763,500)	(2,883,426)
Total net position - governmental activities	\$ (22,490,833)	\$ (32,621,008)

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	General	Debt Service	Capital Projects	Nonmajor Funds
Revenues				
Local property taxes	\$ 15,449,305	\$ 22,295,598	\$ -	\$ 592,864
Other local and county revenues	2,063,169	115,249	86,220	1,154,931
Revenue from state sources	79,187,028	1,618,415	-	1,138,402
Revenue from federal sources	2,268,115	-	-	2,094,192
Sales and other conversion of assets	198,906	-	-	1,751,141
Total revenues	<u>99,166,523</u>	<u>24,029,262</u>	<u>86,220</u>	<u>6,731,530</u>
Expenditures				
Current				
Administration	5,240,795	-	-	-
District support services	2,512,734	-	-	-
Elementary and secondary regular instruction	42,509,914	-	-	-
Vocational education instruction	914,384	-	-	-
Special education instruction	19,003,712	-	-	-
Instructional support services	8,060,941	-	-	-
Pupil support services	8,688,459	-	-	-
Sites and buildings	5,770,721	-	210,592	-
Fiscal and other fixed cost programs	353,795	-	-	-
Food service	-	-	-	4,187,792
Community education and services	-	-	-	2,764,912
Capital outlay				
Administration	85,177	-	-	-
District support services	31,365	-	-	-
Elementary and secondary regular instruction	172,557	-	-	-
Vocational education instruction	7,514	-	-	-
Special education instruction	15,777	-	-	-
Instructional support services	2,447,675	-	-	-
Pupil support services	73	-	-	-
Sites and buildings	189,263	-	18,413,542	-
Food service	-	-	-	144,041
Community education and services	-	-	-	4,295
Debt service				
Principal	2,237,943	16,255,000	-	-
Interest and fiscal charges	454,569	6,520,115	286,610	-
Total expenditures	<u>98,697,368</u>	<u>22,775,115</u>	<u>18,910,744</u>	<u>7,101,040</u>
Excess of revenues over (under) expenditures	469,155	1,254,147	(18,824,524)	(369,510)
Other Financing Sources				
Proceeds from sale of capital assets	1,266,100	-	-	-
Bond issuance	-	-	16,325,000	-
Bond premium	-	-	1,905,067	-
Issuance of capital leases	1,362,995	-	-	-
Total other financing sources	<u>2,629,095</u>	<u>-</u>	<u>18,230,067</u>	<u>-</u>
Net change in fund balances	3,098,250	1,254,147	(594,457)	(369,510)
Fund Balances				
Beginning of year, as previously stated	4,836,175	3,223,859	2,022,715	1,134,609
Change in accounting principle	544,092	-	-	-
Beginning of year, as restated	<u>5,380,267</u>	<u>3,223,859</u>	<u>2,022,715</u>	<u>1,134,609</u>
End of year	<u>\$ 8,478,517</u>	<u>\$ 4,478,006</u>	<u>\$ 1,428,258</u>	<u>\$ 765,099</u>

Total Governmental Funds	
2020	2019
\$ 38,337,767	\$ 36,338,193
3,419,569	3,971,453
81,943,845	80,594,484
4,362,307	4,328,807
1,950,047	2,321,585
<u>130,013,535</u>	<u>127,554,522</u>
5,240,795	4,967,825
2,512,734	2,368,148
42,509,914	41,850,504
914,384	867,839
19,003,712	18,184,600
8,060,941	7,624,820
8,688,459	8,303,551
5,981,313	6,462,215
353,795	172,683
4,187,792	4,184,109
2,764,912	2,699,409
85,177	71,708
31,365	5,171
172,557	257,253
7,514	1,472
15,777	4,890
2,447,675	3,043,670
73	134
18,602,805	11,834,995
144,041	114,528
4,295	1,416
18,492,943	16,320,536
7,261,294	7,647,264
<u>147,484,267</u>	<u>136,988,740</u>
(17,470,732)	(9,434,218)
1,266,100	188,238
16,325,000	-
1,905,067	-
1,362,995	2,474,300
<u>20,859,162</u>	<u>2,662,538</u>
3,388,430	(6,771,680)
11,217,358	17,989,038
544,092	-
<u>11,761,450</u>	<u>17,989,038</u>
<u>\$ 15,149,880</u>	<u>\$ 11,217,358</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

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, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Net change in fund balances - total governmental funds	\$ 3,388,430	\$ (6,771,680)
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	22,996,702	10,629,758
Depreciation expense	(10,845,759)	(7,117,252)
Book value of disposed capital assets	(1,172,915)	-
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	(99,401)	(68,676)
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities recognizes when the expenses are incurred.		
	(442,680)	569,645
Principal payments on long-term debt are recognized as expenditures in the governmental funds but has no impact on net position in the Statement of Activities.		
	18,492,943	16,320,536
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.		
	119,926	278,182
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.		
	(16,101)	1,836,045
Issuance of bonds and leases 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.		
	(17,687,995)	(2,474,300)
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	(6,382,472)	21,457,839
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		
	1,233,569	55,184
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>1,836</u>	<u>2,888</u>
Change in net position - governmental activities	<u>\$ 9,586,083</u>	<u>\$ 34,718,169</u>

See notes to financial statements.

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020
(with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Local property taxes	\$ 15,379,882	\$ 13,614,609	\$ 15,449,305
Other local and county revenues	1,742,938	2,192,938	2,063,169
Revenue from state sources	79,743,410	80,300,324	79,187,028
Revenue from federal sources	2,258,755	2,506,039	2,268,115
Sales and other conversion of assets	156,039	156,039	198,906
Total revenues	<u>99,281,024</u>	<u>98,769,949</u>	<u>99,166,523</u>
Expenditures			
Current			
Administration	5,272,453	5,475,057	5,240,795
District support services	2,419,111	2,403,624	2,512,734
Elementary and secondary regular instruction	43,960,741	44,578,105	42,509,914
Vocational education instruction	901,161	976,902	914,384
Special education instruction	18,621,986	18,522,420	19,003,712
Instructional support services	8,663,868	8,210,472	8,060,941
Pupil support services	8,094,325	8,365,107	8,688,459
Sites and buildings	5,889,015	5,687,119	5,770,721
Fiscal and other fixed cost programs	215,000	190,000	353,795
Capital outlay			
Administration	62,931	62,931	85,177
District support services	4,500	4,500	31,365
Elementary and secondary regular instruction	254,353	255,463	172,557
Vocational education instruction	1,500	1,500	7,514
Special education instruction	1,500	1,500	15,777
Instructional support services	1,718,500	2,019,142	2,447,675
Pupil support services	-	-	73
Sites and buildings	2,007,941	62,176	189,263
Debt service			
Principal	1,725,149	1,725,149	2,237,943
Interest and fiscal charges	471,465	471,465	454,569
Total expenditures	<u>100,285,499</u>	<u>99,012,632</u>	<u>98,697,368</u>
Excess of revenues over (under) expenditures	(1,004,475)	(242,683)	469,155
Other Financing Sources			
Proceeds from sale of capital assets	1,200,000	1,139,662	1,266,100
Issuance of capital leases	1,000,000	1,000,000	1,362,995
Transfers out	-	(500,000)	-
Total other financing sources	<u>2,200,000</u>	<u>1,639,662</u>	<u>2,629,095</u>
Net change in fund balance	<u>\$ 1,195,525</u>	<u>\$ 1,396,979</u>	3,098,250
Fund Balance			
Beginning of year, as previously stated			4,836,175
Change in accounting principle			544,092
Beginning of year, as restated			<u>5,380,267</u>
End of year			<u>\$ 8,478,517</u>

<u>2020</u>	<u>2019</u>
Variance with Final Budget - Over (Under)	Actual Amounts
\$ 1,834,696	\$ 15,758,102
(129,769)	1,881,846
(1,113,296)	78,077,133
(237,924)	2,304,973
42,867	210,949
<u>396,574</u>	<u>98,233,003</u>
(234,262)	4,967,825
109,110	2,368,148
(2,068,191)	41,850,504
(62,518)	867,839
481,292	18,184,600
(149,531)	7,624,820
323,352	8,303,551
83,602	6,260,628
163,795	172,683
22,246	71,708
26,865	5,171
(82,906)	257,253
6,014	1,472
14,277	4,890
428,533	3,043,670
73	134
127,087	2,430,533
512,794	2,005,536
(16,896)	472,034
<u>(315,264)</u>	<u>98,892,999</u>
711,838	(659,996)
126,438	188,238
362,995	2,474,300
500,000	-
<u>989,433</u>	<u>2,662,538</u>
<u>\$ 1,701,271</u>	2,002,542
	2,833,633
	-
	<u>2,833,633</u>
	<u>\$ 4,836,175</u>

Independent School District No. 720
Statement of Net Position - Proprietary Funds
As of June 30, 2020

	Governmental Activities - Internal Service Funds
Assets	
Current	
Cash and cash equivalents	<u>\$ 1,424,984</u>
Liabilities	
Current	
Incurred but not reported claims	<u>\$ 690,211</u>
Net Position	
Unrestricted	<u>734,773</u>
Total liabilities and net position	<u>\$ 1,424,984</u>

Independent School District No. 720
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2020

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	\$ 9,413,842
Operating Expenses	
Insurance	8,181,142
Operating income	1,232,700
Nonoperating Revenue	
Investment income	869
Change in net position	1,233,569
Net Position	
Beginning of year	(498,796)
End of year	\$ 734,773

Independent School District No. 720
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2020

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from District contributions	\$ 9,424,348
Employee claims paid	(8,372,530)
Net cash flows - operating activities	1,051,818
 Cash Flows - Investing Activities	
Interest received	869
Net change in cash and cash equivalents	1,052,687
 Cash and Cash Equivalents	
Beginning of year	372,297
End of year	\$ 1,424,984
 Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ 1,232,700
Adjustments to reconcile operating loss to net cash flows - operating activities	
Accounts payable	(1,250)
Incurred but not reported claims	(190,138)
Accounts receivable	10,506
Net adjustments	(180,882)
Net cash flows - operating activities	\$ 1,051,818

Independent School District No. 720
Statement of Fiduciary Net Position
June 30, 2020

	<u>OPEB Trust Fund</u>	<u>Custodial Fund</u>
Assets		
Cash and cash equivalents	\$ -	\$ 15,589
Investments		
Brokered money markets	16,620	-
Mutual funds - fixed income	2,648,421	-
Mutual funds - equity	2,489,094	-
Total assets	<u>5,154,135</u>	<u>15,589</u>
Liabilities		
Due to other governments	<u>\$ 181,333</u>	<u>\$ -</u>
Net Position		
Held in trust for OPEB	4,972,802	-
Held in trust for scholarships	<u>-</u>	<u>15,589</u>
Total net position held in trust	<u><u>\$ 4,972,802</u></u>	<u><u>\$ 15,589</u></u>

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

	<u>OPEB Trust Fund</u>	<u>Custodial Fund</u>
Additions		
Contributions	\$ -	\$ 2,057
Investment income	291,201	299
Total additions	<u>291,201</u>	<u>2,356</u>
Deductions		
Health insurance benefits	260,707	-
Scholarships	<u>-</u>	<u>3,200</u>
Total deductions	<u>260,707</u>	<u>3,200</u>
Change in net position	30,494	(844)
Net Position		
Beginning of year	<u>4,942,308</u>	<u>16,433</u>
End of year	<u><u>\$ 4,972,802</u></u>	<u><u>\$ 15,589</u></u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Notes to 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 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 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.

As of July 1, 2019, the student activity accounts of the District have been taken under board control and will not be reported separately.

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 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 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 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 cash on hand, 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.

Cash and investments at June 30, 2020, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) including certificates of deposit, U.S. Treasury securities, U.S. government agencies, and commercial paper and shares in MNTrust. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value.

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.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized costs, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. 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. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Fund Investment Managers. As of June 30, 2020, they were comprised of 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 2019, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2020. The remaining portion of the levy will be recognized when measurable and available.

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.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 50 years for site improvements and buildings and 5 to 15 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 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 position 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 position 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 that 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.

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.

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.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020.

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.

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.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented by fund types and in total in the fund financial statements and government-wide statements in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with this year's presentation.

V. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the 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 Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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, 2020, 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, 2020, the District had the following deposits:

Checking - District funds other than trust funds	\$ 5,275,468
MNTrust Certificates of Deposit - District funds other than trust funds	1,239,900
Checking - Custodial Fund	15,589
Total Deposits	\$ 6,530,957

B. Investments

District Funds Other than OPEB Trust Fund

As of June 30, 2020, 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	\$ 27,676,730	\$ 27,676,730	\$ -	N/A
MNTrust Term Series	3,000,000	3,000,000	-	AAAf
MSDLAF+ Liquid Class	2,408,852	2,408,852	-	AAAm
MSDLAF+ MAX Class	7,210	7,210	-	AAAm
Total investments	\$ 33,092,792	\$ 33,092,792	\$ -	

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 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, 2020, 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, 2020:

- \$33,092,792 of \$33,092,792 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, 2020, 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	\$ 16,620	N/A
Mutual funds - fixed income	2,648,421	N/A
Mutual funds - equity	<u>2,489,094</u>	N/A
Total investments	<u>\$ 5,154,135</u>	

**Independent School District No. 720
Notes to 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, 2020:

- \$5,137,515 of \$5,154,135 are valued using quoted market prices (Level 1 inputs)
- \$16,620 of \$5,154,135 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.)	\$ 6,515,368
Investments (Note 2.B.)	33,092,792
Custodial Fund	
Deposits (Note 2.A.)	15,589
OPEB Trust Fund	
Investments (Note 2.B.)	<u>5,154,135</u>
Total deposits and investments	<u><u>\$ 44,777,884</u></u>

Deposits and investments are presented in the June 30, 2020 basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 39,608,160
Statement of Fiduciary Net Position	
Custodial Fund	15,589
OPEB Trust Fund	<u>5,154,135</u>
Total deposits and investments	<u><u>\$ 44,777,884</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 14,627,269	\$ 14,300	\$ 1,166,396	\$ 13,475,173
Construction in progress	94,604,902	20,982,458	96,129,531	19,457,829
Total capital assets not being depreciated	<u>109,232,171</u>	<u>20,996,758</u>	<u>97,295,927</u>	<u>32,933,002</u>
Capital assets Being depreciated				
Site improvements	14,644,375	140,553	-	14,784,928
Buildings	170,793,147	96,263,118	-	267,056,265
Furniture and equipment	23,048,810	1,723,354	8,139	24,764,025
Total capital assets being depreciated	<u>208,486,332</u>	<u>98,127,025</u>	<u>8,139</u>	<u>306,605,218</u>
Less accumulated depreciation for				
Site improvements	5,753,054	542,403	-	6,295,457
Buildings	60,602,822	7,647,860	-	68,250,682
Furniture and equipment	13,867,423	2,655,496	4,070	16,518,849
Total accumulated depreciation	<u>80,223,299</u>	<u>10,845,759</u>	<u>4,070</u>	<u>91,064,988</u>
Total capital assets being depreciated, net	<u>128,263,033</u>	<u>87,281,266</u>	<u>4,069</u>	<u>215,540,230</u>
Governmental activities capital assets, net	<u>\$ 237,495,204</u>	<u>\$ 108,278,024</u>	<u>\$ 97,299,996</u>	<u>\$ 248,473,232</u>

Independent School District No. 720
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$10,845,759 for the year ended June 30, 2020, was charged to the following governmental functions.

Administration	\$ 576
District support services	27,612
Elementary and secondary regular instruction	3,679,442
Special education instruction	701
Instructional support services	14,303
Pupil support	54,388
Sites and buildings	1,106,604
Food service	59,952
Community service	98,721
Unallocated	5,803,460
Total depreciation expense	\$ 10,845,759

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						
2012A Crossover Refunding Bonds	02/01/12	3.00%-5.00%	\$ 39,000,000	02/01/25	\$ 20,540,000	\$ 4,000,000
2013A Crossover Refunding Bonds	02/21/13	3.00%-5.00%	38,325,000	02/01/26	25,385,000	3,245,000
2014A Crossover Refunding Bonds	12/16/14	3.00%-5.00%	12,055,000	02/01/22	2,260,000	1,100,000
2015A School Building Bonds	07/20/15	3.00%-5.00%	85,030,000	02/01/34	65,185,000	8,995,000
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	13,560,000	800,000
2020A Capital Facilities	02/20/20	2.00%-5.00%	4,990,000	02/01/35	4,990,000	130,000
2020B Facilities Maintenance	03/26/20	2.00%-5.00%	11,335,000	02/01/35	11,335,000	645,000
Total G.O. bonds					155,385,000	18,915,000
Certificates of participation						
2013B certificates of participation	12/30/13	2.00-4.50%	13,175,000	02/01/33	9,730,000	625,000
Unamortized bond premium/discount					14,222,217	-
Capital lease payable					3,514,599	1,545,957
Compensated absences payable					479,570	479,570
Total all long-term liabilities					\$183,331,386	\$ 21,565,527

Independent School District No. 720
Notes to 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 and capital leases are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, are also typically liquidated through the General Fund.

B. Minimum Debt Payments for Bonds and Certificate of Participation

Minimum annual principal and interest payments required to retire bond and certificate of participation liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2021	\$ 18,915,000	\$ 6,323,536	\$ 25,238,536
2022	13,370,000	5,468,538	18,838,538
2023	14,135,000	4,865,587	19,000,587
2024	14,815,000	4,199,038	19,014,038
2025	15,445,000	3,582,587	19,027,587
2026-2030	40,160,000	10,891,863	51,051,863
2031-2035	32,365,000	4,488,637	36,853,637
2036	6,180,000	231,750	6,411,750
Total	<u>\$ 155,385,000</u>	<u>\$ 40,051,536</u>	<u>\$ 195,436,536</u>

Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2021	\$ 625,000	\$ 408,069	\$ 1,033,069
2022	655,000	383,069	1,038,069
2023	680,000	356,868	1,036,868
2024	660,000	329,669	989,669
2025	685,000	303,269	988,269
2026-2030	3,865,000	1,076,481	4,941,481
2031-2033	2,560,000	233,000	2,793,000
Total	<u>\$ 9,730,000</u>	<u>\$ 3,090,425</u>	<u>\$ 12,820,425</u>

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 155,315,000	\$ 16,325,000	\$ 16,255,000	\$ 155,385,000
Certificates of participation	10,340,000	-	610,000	9,730,000
Premium/discount	14,126,563	1,905,067	1,809,413	14,222,217
Capital leases payable	3,779,547	1,362,995	1,627,943	3,514,599
Compensated absences payable	380,169	708,770	609,369	479,570
	<u>\$ 183,941,279</u>	<u>\$ 20,301,832</u>	<u>\$ 20,911,725</u>	<u>\$ 183,331,386</u>
Total long-term liabilities	<u>\$ 183,941,279</u>	<u>\$ 20,301,832</u>	<u>\$ 20,911,725</u>	<u>\$ 183,331,386</u>

D. Capital Lease Obligations

The District entered into two lease purchase option agreements on July 15, 2016, with Apple Inc. for computers. The capital lease obligations totaled \$2,011,500. The capital lease agreements include annual principal and interest payments of \$78,615 and \$453,594 through July 15, 2018 and July 15, 2019, respectively. The book value of the computer equipment was \$603,450 at June 30, 2020.

The District entered into two lease purchase option agreements on April 12, 2017, with Apple Inc. for computers. The capital lease obligations totaled \$1,436,110. The capital lease agreements include annual principal and interest payments of \$199,906 and \$165,807 through July 15, 2020. The book value of the computer equipment was \$430,833 at June 30, 2020.

The District entered into a lease purchase option agreement on June 11, 2018, with Apple Inc. for computers. The capital lease obligations totaled \$417,480. The capital lease agreement includes annual principal and interest payments of \$141,425 through July 15, 2020. The book value of the computer equipment was \$208,740 at June 30, 2020.

The District entered into a lease purchase option agreement on July 15, 2018, with Apple Inc. for computers. The capital lease obligations totaled \$546,000. The capital lease agreement includes annual principal and interest payments of \$139,543 through July 15, 2021. The book value of the computer equipment was \$382,200 at June 30, 2020.

The District entered into a lease purchase option agreement on March 15, 2019, with Apple Inc. for iPads and Apple TV's. The capital lease obligations totaled \$742,700. The capital lease agreement includes annual principal and interest payments of \$252,488 through July 15, 2021. The book value of the equipment was \$519,890 at June 30, 2020.

The District entered into a lease purchase option agreement on June 15, 2019, with Apple Inc. for computers. The capital lease obligations totaled \$1,185,600. The capital lease agreement includes annual principal and interest payments of \$303,379 through July 15, 2022. The book value of the computer equipment was \$829,920 at June 30, 2020.

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

The District entered into a new lease purchase option agreement on March 1, 2020, with Apple Inc. for iPads. The capital lease obligations totaled \$346,800. The capital lease agreement includes annual principal and interest payments of \$117,860 through July 10, 2022. The book value of the computer equipment was \$289,000 at June 30, 2020.

The District entered into a new lease purchase option agreement on May 16, 2020, with Apple Inc. for computers. The capital lease obligations totaled \$1,016,195. The capital lease agreement include annual principal and interest payments of \$260,306 through July 10, 2023. The book value of the computer equipment was \$889,171 at June 30, 2020.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,		
2021		\$ 1,580,715
2022		1,073,576
2023		681,545
2024		260,306
Total minimum lease payments		3,596,142
Less amount representing interest		(81,543)
Present value of minimum lease payments		\$ 3,514,599

E. Operating Lease Obligations

The District leases space for the Area Learning Center and is classified as an operating lease. The original lease expired in 2019, however, the District also has two three-year options after the lease expired on July 31, 2019. One year of the Option Term 1 was initiated during fiscal year 2019, extending the lease through July 31, 2020. The remaining two years of Option Term 1 and all years of Option Term 2 are not included in the payment schedule on the following page. Total lease expenditures for 2020 were \$135,490.

Option Term 1

Annual rent per square foot – \$6.00
Monthly base rent – \$6,175.50

Option Term 2

Annual rent per square foot – \$7.00
Monthly base rent – \$7,204.75

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

E. Operating Lease Obligations (Continued)

Beginning on November 1, 2014, the District began leasing space for the District Office and is classified as an operating lease. The original lease expired in 2019, however, the District also has two three-year options after the lease expires on October 31, 2019. One year of the Option Term 1 was initiated during fiscal year 2019, extending the lease through October 31, 2020. The remaining two years of Option Term 1 and all years of Option Term 2 are not included in the payment schedule below. Total lease expenditures for 2019 were \$266,729.

Option Term 1

Annual rent per square foot – \$9.50

Monthly base rent – \$20,134.46

Option Term 2

Annual rent per square foot – \$10.50

Monthly base rent – \$22,253.88

Beginning December 1, 2016, the District has an agreement with the City of Shakopee for use of the ice rink and it is classified as an operating lease, which expires March 31, 2027. Total lease expenditures for 2020 were \$125,000.

Minimum future rental payments under the non-cancelable operating leases are:

Year Ending June 30,	
2021	\$ 211,714
2022	125,000
2023	125,000
2024	125,000
2025	125,000
2026-2027	<u>250,000</u>
Total	<u><u>\$ 961,714</u></u>

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.

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 54,038	\$ 54,038
Prepaid items	26,816	-	-	-	26,816
Total nonspendable	<u>26,816</u>	<u>-</u>	<u>-</u>	<u>54,038</u>	<u>80,854</u>
Restricted for					
Student Activities	398,729	-	-	-	398,729
Operating Capital	1,550,096	-	-	-	1,550,096
Safe Schools Levy	473,196	-	-	-	473,196
Long Term Facilities Maintenance	2,076,566	-	-	-	2,076,566
Early Childhood and Family Education	-	-	-	158,623	158,623
School Readiness	-	-	-	278,344	278,344
Debt Service	-	4,478,006	-	-	4,478,006
Capital Projects	-	-	2,390,009	-	2,390,009
Food Service	-	-	-	458,538	458,538
Total restricted	<u>4,498,587</u>	<u>4,478,006</u>	<u>2,390,009</u>	<u>895,505</u>	<u>12,262,107</u>
Assigned for					
One-to-One Insurance	210,065	-	-	-	210,065
Unassigned					
	<u>3,743,049</u>	<u>-</u>	<u>(961,751)</u>	<u>(184,444)</u>	<u>2,596,854</u>
Total fund balance	<u>\$ 8,478,517</u>	<u>\$ 4,478,006</u>	<u>\$ 1,428,258</u>	<u>\$ 765,099</u>	<u>\$ 15,149,880</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.

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 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).

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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, 2020, is a deficit (negative) \$184,444, 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.

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.

B. Net Position

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, 2020, was \$11,349,868. The components of pension expense are noted in the following plan summaries.

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

**Independent School District No. 720
Notes to Financial Statements**

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

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 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 Defined Contribution Plan (DCR) administered by the State of Minnesota.

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.

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.

**Independent School District No. 720
Notes to Financial Statements**

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

Teachers’ Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

- 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.

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, 2018, June 30, 2019, and June 30, 2020, were:

	June 30, 2018		June 30, 2019		June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

Independent School District No. 720
Notes to Financial Statements

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

Teachers’ Retirement Association (Continued)

C. Contribution Rate (Continued)

The following is a reconciliation of employer contributions in TRA’s CAFR “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 CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300
Deduct employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 437,714</u></u>

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

**Independent School District No. 720
Notes to Financial Statements**

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

Teachers’ Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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, 2019
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 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 six years and female rates set back five 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100 %</u>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 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 2018 valuation:

- 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.

**Independent School District No. 720
Notes to Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2019 contribution rate, contributions from school Districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2020, the District reported a liability of \$51,406,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 0.8065% at the end of the measurement period and 0.8207% 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	\$ 51,406,479
State's proportionate share of the net pension liability associated with the District	4,549,459

For the year ended June 30, 2020, the District recognized pension expense of \$10,272,719. It also recognized \$345,813 as an increase to this pension expense for the support provided by direct aid.

Independent School District No. 720
Notes to Financial Statements

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

Teachers’ Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2020, 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	\$ 7,097	\$ 1,289,853
Net difference between projected and actual earnings on plan investments	-	4,483,957
Changes of assumptions	44,596,879	69,958,507
Changes in proportion	3,663,009	5,188,075
Contributions to TRA subsequent to the measurement date	3,662,278	-
Total	\$ 51,929,263	\$ 80,920,392

The \$3,662,278 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, 2021.

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
2021	\$ 3,191,652
2022	(85,519)
2023	(20,324,365)
2024	(15,191,223)
2025	(243,952)
Total	\$ (32,653,407)

**Independent School District No. 720
Notes to Financial Statements**

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

Teachers’ Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease (6.50%)	Current (7.50%)	1% increase (8.50%)
\$ 81,954,498	\$ 51,406,479	\$ 26,220,089

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.

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

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Plan. 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.

Independent School District No. 720
Notes to Financial Statements

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

Public Employees’ Retirement Association (Continued)

B. Benefits Provided (Continued)

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% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 2020 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, 2020, were \$936,801. The District’s contributions were equal to the required contributions as set by state statute.

Independent School District No. 720
Notes to Financial Statements

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

Public Employees’ Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2020, the District reported a liability of \$9,669,829 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 to the fund in 2019. 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 \$300,487. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2019, the District’s proportionate share was 0.1749% at the end of the measurement period and 0.1849% for the beginning of the period.

District's proportionate share of net pension liability	\$ 9,669,829
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>300,487</u>
Total	<u><u>\$ 9,970,316</u></u>

For the year ended June 30, 2020, the District recognized pension expense of \$1,077,149 for its proportionate share of the General Employees Plan’s pension expense. In addition, the District recognized an additional \$22,504 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 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, 2020, 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	\$ 279,856	\$ -
Changes in actuarial assumptions	-	803,809
Difference between projected and actual investments earnings	-	1,049,855
Change in proportion	-	655,732
Contributions paid to PERA subsequent to the measurement date	936,801	-
Total	\$ 1,216,657	\$ 2,509,396

The \$936,801 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, 2021. 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
2021	\$ (825,712)
2022	(1,075,559)
2023	(343,850)
2024	15,581
Total	\$ (2,229,540)

**Independent School District No. 720
Notes to Financial Statements**

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

Public Employees’ Retirement Association (Continued)

E. Actuarial Assumptions

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

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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.

Independent School District No. 720
Notes to Financial Statements

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

Public Employees’ Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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 equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	<u>100 %</u>	

F. Discount Rates

The discount rate used to measure the total pension liability in 2019 was 7.5%. 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.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 15,896,678	\$ 9,669,829	\$ 4,528,327

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 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 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, 2018, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Active employees	<u>1,012</u>
Total	<u><u>1,032</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 with PreferredOne. The required contributions are on projected pay-as-you-go financing requirements. For fiscal year 2020, the District contributed \$272,488 to the plan.

**Independent School District No. 720
Notes to 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, 2018, 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

Investment rate of return	4.30%, net of investment expense
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	6.25% initially in 2019, grading to 5.0% over 5 years
Mortality Assumption	RP-2014 White Collar Mortality Tables with MP- 2017 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2014.

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

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

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 on the following page.

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	50.00 %	3.40 %
Domestic equity	33.00	5.20
International equity	17.00	5.20
Real estate	0.00	0.00
Other	0.00	0.00
Total	100.00 %	

Independent School District No. 720
Notes to 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 financial statements. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.9%. 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 2.6%. 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, 2019	\$ 9,918,725	\$ 4,942,309	\$ 4,976,416
Changes for the year			
Service cost	751,335	-	751,335
Interest	337,303	-	337,303
Assumption changes	433,912	-	433,912
Differences between expected and actual economic experience	-	78,681	(78,681)
Employer contributions	-	-	-
Projected investment return	-	212,519	(212,519)
Benefit payments	(260,707)	(260,707)	-
Administrative expense	-	-	-
Plan changes	-	-	-
Net changes	1,261,843	30,493	1,231,350
Balances at June 30, 2019	\$ 11,180,568	\$ 4,972,802	\$ 6,207,766
Plan fiduciary net position as a percentage of the total OPEB liability			44.48%

Independent School District No. 720
Notes to 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 2.6% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease (1.6%)	Current (2.6%)	1% increase (3.6%)
Net OPEB liability	\$ 7,073,234	\$ 6,207,766	\$ 5,371,731

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 (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25% decreasing to 6.0%)
Net OPEB liability	\$ 4,682,586	\$ 6,207,766	\$ 8,027,261

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

For the year ended June 30, 2020, the District recognized OPEB expense of a negative \$442,680. At June 30, 2020, 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	\$ -	\$ 178,410
Differences between expected and actual economic experience	-	2,353,367
Changes of assumptions	390,520	784,386
Total	\$ 390,520	\$ 3,316,163

Independent School District No. 720
Notes to 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>
2021	\$ (433,438)
2022	(416,387)
2023	(395,741)
2024	(376,696)
2025	(360,963)
Thereafter	<u>(942,418)</u>
Total	<u><u>\$ (2,925,643)</u></u>

NOTE 8 – COMMITMENTS

As of June 30, 2020, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Work Completed</u>	<u>Remaining Commitment</u>
South Site Fields	\$ 2,567,823	\$ 2,325,231	\$ 242,592
East Middle School Ventilation	8,520,493	5,445,809	3,074,684
Sweeney Ventilation	3,220,325	1,853,040	1,367,285
LTFM Projects	8,446,895	4,604,883	3,842,012
Energy Projects	6,565,650	4,771,889	1,793,761

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. This resulted in student activities being moved under board control, which resulted in an adjustment to the beginning fund balance in the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and on the Statement of Activities of \$544,092. This also resulted in the Private Purpose Trust Fund being reclassified to a Custodial Fund.

Independent School District No. 720
Notes to Financial Statements

NOTE 10 – SUBSEQUENT EVENTS

On October 26, 2020, the School Board approved the sale of G.O. Facilities Maintenance Bonds, Series 2020C (Capital Appreciation Bonds) in the amount of \$27,085,000 and G.O. School Building Refunding Bonds, Series 2020D in the amount of \$14,860,000 to refund the Series 2012A bonds.

NOTE 11 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service cost	\$ 1,026,321	\$ 958,236	\$ 661,857	\$ 751,335
Interest	369,801	430,395	489,794	337,303
Differenced between expected and actual experience	-	-	(2,941,709)	-
Changes of assumptions	(335,006)	(300,738)	(466,086)	433,912
Plan changes	-	-	(1,054,865)	-
Benefit payments	(299,365)	(290,672)	(203,286)	(260,707)
Net change in total OPEB liability	<u>761,751</u>	<u>797,221</u>	<u>(3,514,295)</u>	<u>1,261,843</u>
Beginning of year	<u>11,874,048</u>	<u>12,635,799</u>	<u>13,433,020</u>	<u>9,918,725</u>
End of year	<u>\$ 12,635,799</u>	<u>\$ 13,433,020</u>	<u>\$ 9,918,725</u>	<u>\$ 11,180,568</u>
Plan Fiduciary Net Pension (FNP)				
Employer contributions	\$ 126,365	\$ 106,667	\$ -	\$ -
Net investment income	180,697	202,898	208,337	212,519
Differences between expected and actual experience	85,258	103,230	95,205	78,681
Benefit payments	(299,365)	(290,672)	(203,286)	(260,707)
Administrative expense	-	(3,291)	(3,000)	-
Net change in plan fiduciary net position	<u>92,955</u>	<u>118,832</u>	<u>97,256</u>	<u>30,493</u>
Beginning of year	<u>4,633,266</u>	<u>4,726,221</u>	<u>4,845,053</u>	<u>4,942,309</u>
End of year	<u>\$ 4,726,221</u>	<u>\$ 4,845,053</u>	<u>\$ 4,942,309</u>	<u>\$ 4,972,802</u>
Net OPEB liability	<u>\$ 7,909,578</u>	<u>\$ 8,587,967</u>	<u>\$ 4,976,416</u>	<u>\$ 6,207,766</u>
Plan FNP as a percentage of the total OPEB liability	37.40%	36.07%	49.83%	44.48%
Covered-employee payroll	\$ 55,218,930	\$ 56,875,498	\$ 54,323,169	\$ 55,952,864
Net OPEB liability as a percentage of covered-employee pay	14.32%	15.10%	9.16%	11.09%

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

Independent School District No. 720
Schedule of Investment Returns

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Annual money-weighted rate of return, net of investment expense	5.70%	6.50%	6.30%	5.90%

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

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 Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate 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%

* 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 Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate 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%

* 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	936,801	936,801	-	12,490,680	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	3,662,278	3,662,278	-	46,240,884	7.92%

* 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

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%.
- 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.

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

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 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.

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

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Plan Provisions

- 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.

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 were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

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.

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.

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

Post Employment Health Care Plan

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

GOVERNMENTAL FUNDS

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue		
	Food Service	Community Service	Total
Assets			
Cash and investments	\$ 674,375	\$ 688,651	\$ 1,363,026
Current property taxes receivable	-	305,978	305,978
Delinquent property taxes receivable	-	2,240	2,240
Accounts receivable	-	50	50
Due from Department of Education	37,748	95,307	133,055
Due from Federal Government through Department of Education	119,950	-	119,950
Inventory	54,038	-	54,038
Total assets	\$ 886,111	\$ 1,092,226	\$ 1,978,337
Liabilities			
Accounts payable	\$ 26,386	\$ 5,591	\$ 31,977
Salaries and benefits payable	127,192	200,700	327,892
Due to other governmental units	-	618	618
Unearned revenue	219,957	12,606	232,563
Total liabilities	373,535	219,515	593,050
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	617,948	617,948
Unavailable revenue - delinquent property taxes	-	2,240	2,240
Total deferred inflows of resources	-	620,188	620,188
Fund Balances			
Nonspendable	54,038	-	54,038
Restricted for			
Early Childhood and Family Education Programs	-	158,623	158,623
School Readiness	-	278,344	278,344
Food Service	458,538	-	458,538
Unassigned	-	(184,444)	(184,444)
Total fund balances	512,576	252,523	765,099
Total liabilities, deferred inflows of resources, and fund balances	\$ 886,111	\$ 1,092,226	\$ 1,978,337

Independent School District No. 720
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue		
	Food Service	Community Service	Total
Revenues			
Local property taxes	\$ -	\$ 592,864	\$ 592,864
Other local and county revenues	36,799	1,118,132	1,154,931
Revenue from state sources	205,245	933,157	1,138,402
Revenue from federal sources	2,094,192	-	2,094,192
Sales and other conversion of assets	1,751,141	-	1,751,141
Total revenues	<u>4,087,377</u>	<u>2,644,153</u>	<u>6,731,530</u>
Expenditures			
Current			
Food service	4,187,792	-	4,187,792
Community education and services	-	2,764,912	2,764,912
Capital outlay			
Food service	144,041	-	144,041
Community education and services	-	4,295	4,295
Total expenditures	<u>4,331,833</u>	<u>2,769,207</u>	<u>7,101,040</u>
Excess of revenues (under) expenditures	(244,456)	(125,054)	(369,510)
Fund Balances			
Beginning of year	<u>757,032</u>	<u>377,577</u>	<u>1,134,609</u>
End of year	<u>\$ 512,576</u>	<u>\$ 252,523</u>	<u>\$ 765,099</u>

Independent School District No. 720
Balance Sheet - General Fund
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	2020	2019
Assets		
Cash and investments	\$ 14,063,710	\$ 11,846,781
Current property taxes receivable	7,635,941	7,389,522
Delinquent property taxes receivable	27,920	35,810
Accounts receivable	861	41,048
Due from Department of Education	7,706,966	7,336,141
Due from Federal Government through Department of Education	1,103,675	909,566
Due from Federal Government	38,178	-
Due from other Minnesota school districts	133,820	140,877
Due from other governmental units	181,333	528
Prepaid items	26,816	245,117
	<u>\$ 30,919,220</u>	<u>\$ 27,945,390</u>
Liabilities		
Accounts payable	\$ 1,129,151	\$ 1,121,218
Contracts payable	4,135	335,643
Salaries and benefits payable	7,166,996	7,261,450
Due to other Minnesota school districts	298,557	381,428
Due to other governmental units	136,891	277,357
Unearned revenue	-	2,000
Total liabilities	<u>8,735,730</u>	<u>9,379,096</u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	13,677,053	13,694,309
Unavailable revenue - delinquent property taxes	27,920	35,810
Total deferred inflows of resources	<u>13,704,973</u>	<u>13,730,119</u>
Fund Balance		
Nonspendable	26,816	245,117
Restricted	4,498,587	879,033
Assigned	210,065	267,230
Unassigned	3,743,049	3,444,795
Total fund balance	<u>8,478,517</u>	<u>4,836,175</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 30,919,220</u>	<u>\$ 27,945,390</u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020
(with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020		
	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Local property taxes	\$ 15,379,882	\$ 13,614,609	\$ 15,449,305
Other local and county revenues	1,742,938	2,192,938	2,063,169
Revenue from state sources	79,743,410	80,300,324	79,187,028
Revenue from federal sources	2,258,755	2,506,039	2,268,115
Sales and other conversion of assets	156,039	156,039	198,906
Total revenues	<u>99,281,024</u>	<u>98,769,949</u>	<u>99,166,523</u>
Expenditures			
Current			
Administration	5,272,453	5,475,057	5,240,795
District support services	2,419,111	2,403,624	2,512,734
Elementary and secondary regular instruction	43,960,741	44,578,105	42,509,914
Vocational education instruction	901,161	976,902	914,384
Special education instruction	18,621,986	18,522,420	19,003,712
Instructional support services	8,663,868	8,210,472	8,060,941
Pupil support services	8,094,325	8,365,107	8,688,459
Sites and buildings	5,889,015	5,687,119	5,770,721
Fiscal and other fixed cost programs	215,000	190,000	353,795
Capital outlay			
Administration	62,931	62,931	85,177
District support services	4,500	4,500	31,365
Elementary and secondary regular instruction	254,353	255,463	172,557
Vocational education instruction	1,500	1,500	7,514
Special education instruction	1,500	1,500	15,777
Instructional support services	1,718,500	2,019,142	2,447,675
Pupil support services	-	-	73
Sites and buildings	2,007,941	62,176	189,263
Debt service			
Principal	1,725,149	1,725,149	2,237,943
Interest and fiscal charges	471,465	471,465	454,569
Total expenditures	<u>100,285,499</u>	<u>99,012,632</u>	<u>98,697,368</u>
Excess of revenues over (under) expenditures	(1,004,475)	(242,683)	469,155
Other Financing Sources			
Proceeds from sale of capital assets	1,200,000	1,139,662	1,266,100
Issuance of capital leases	1,000,000	1,000,000	1,362,995
Transfers out	-	(500,000)	-
Total other financing sources	<u>2,200,000</u>	<u>1,639,662</u>	<u>2,629,095</u>
Net change in fund balance	<u>\$ 1,195,525</u>	<u>\$ 1,396,979</u>	<u>3,098,250</u>
Fund Balance			
Beginning of year, as previously stated			4,836,175
Change in accounting principle			<u>544,092</u>
Beginning of year, as restated			<u>5,380,267</u>
End of year			<u>\$ 8,478,517</u>

2020	2019
Variance with Final Budget - Over (Under)	Actual Amounts
\$ 1,834,696	\$ 15,758,102
(129,769)	1,881,846
(1,113,296)	78,077,133
(237,924)	2,304,973
42,867	210,949
<u>396,574</u>	<u>98,233,003</u>

(234,262)	4,967,825
109,110	2,368,148
(2,068,191)	41,850,504
(62,518)	867,839
481,292	18,184,600
(149,531)	7,624,820
323,352	8,303,551
83,602	6,260,628
163,795	172,683

22,246	71,708
26,865	5,171
(82,906)	257,253
6,014	1,472
14,277	4,890
428,533	3,043,670
73	134
127,087	2,430,533

512,794	2,005,536
(16,896)	472,034
<u>(315,264)</u>	<u>98,892,999</u>

711,838	(659,996)
---------	-----------

126,438	188,238
362,995	2,474,300
500,000	-
<u>989,433</u>	<u>2,662,538</u>

<u>\$ 1,701,271</u>	2,002,542
---------------------	-----------

2,833,633

-

2,833,633

\$ 4,836,175

Independent School District No. 720
Balance Sheet - Food Service Fund
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	2020	2019
Assets		
Cash and investments	\$ 674,375	\$ 912,808
Due from Department of Education	37,748	18,954
Due from Federal Government through Department of Education	119,950	40,177
Inventory	54,038	48,294
Total assets	\$ 886,111	\$ 1,020,233
Liabilities		
Accounts payable	\$ 26,386	\$ 40,784
Salaries and benefits payable	127,192	94,625
Unearned revenue	219,957	127,792
Total liabilities	373,535	263,201
Fund Balance		
Nonspendable	54,038	48,294
Restricted	458,538	708,738
Total fund balance	512,576	757,032
Total liabilities and fund balance	\$ 886,111	\$ 1,020,233

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2020
(with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			Variance with Final Budget - Over (Under)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	\$ 11,000	\$ 11,000	\$ 36,799	\$ 25,799	\$ 12,911
Revenue from state sources	238,201	238,201	205,245	(32,956)	233,733
Revenue from federal sources	2,007,385	2,007,385	2,094,192	86,807	2,023,834
Sales and other conversion of assets	2,288,998	2,288,998	1,751,141	(537,857)	2,110,636
Total revenues	<u>4,545,584</u>	<u>4,545,584</u>	<u>4,087,377</u>	<u>(458,207)</u>	<u>4,381,114</u>
Expenditures					
Current					
Food service	4,720,833	4,720,833	4,187,792	(533,041)	4,184,109
Capital outlay					
Food service	50,000	50,000	144,041	94,041	114,528
Total expenditures	<u>4,770,833</u>	<u>4,770,833</u>	<u>4,331,833</u>	<u>(439,000)</u>	<u>4,298,637</u>
Net change in fund balance	<u>\$ (225,249)</u>	<u>\$ (225,249)</u>	(244,456)	<u>\$ (19,207)</u>	82,477
Fund Balance					
Beginning of year			<u>757,032</u>		<u>674,555</u>
End of year			<u>\$ 512,576</u>		<u>\$ 757,032</u>

Independent School District No. 720
Balance Sheet - Community Service Fund
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	2020	2019
Assets		
Cash and investments	\$ 688,651	\$ 840,519
Current property taxes receivable	305,978	285,854
Delinquent property taxes receivable	2,240	1,459
Accounts receivable	50	34,947
Due from Department of Education	95,307	83,406
Total assets	\$ 1,092,226	\$ 1,246,185
Liabilities		
Accounts payable	\$ 5,591	\$ 54,371
Salaries and benefits payable	200,700	161,857
Due to other governmental units	618	702
Unearned revenue	12,606	56,550
Total liabilities	219,515	273,480
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	617,948	593,669
Unavailable revenue - delinquent property taxes	2,240	1,459
Total deferred inflows of resources	620,188	595,128
Fund Balance		
Restricted for		
Early Childhood and Family Education Programs	158,623	82,014
School Readiness	278,344	340,783
Unassigned	(184,444)	(45,220)
Total fund balance	252,523	377,577
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,092,226	\$ 1,246,185

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2020
(with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			Variance with Final Budget - Over (Under)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property taxes	\$ 591,469	\$ 591,469	\$ 592,864	\$ 1,395	\$ 586,557
Other local and county revenues	1,352,160	1,352,160	1,118,132	(234,028)	1,360,669
Revenue from state sources	978,096	978,096	933,157	(44,939)	852,891
Revenue from federal sources	20,000	20,000	-	(20,000)	-
Total revenues	2,941,725	2,941,725	2,644,153	(297,572)	2,800,117
Expenditures					
Current					
Community education and services	2,936,868	2,936,868	2,764,912	(171,956)	2,699,409
Capital outlay					
Community education and services	5,000	5,000	4,295	(705)	1,416
Total expenditures	2,941,868	2,941,868	2,769,207	(172,661)	2,700,825
Net change in fund balance	\$ (143)	\$ (143)	(125,054)	\$ (124,911)	99,292
Fund Balance					
Beginning of year			377,577		278,285
End of year			\$ 252,523		\$ 377,577

Independent School District No. 720
Balance Sheet - Debt Service Fund
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	2020	2019
Assets		
Cash and investments	\$ 16,381,558	\$ 14,804,393
Current property taxes receivable	12,079,042	10,886,598
Delinquent property taxes receivable	57,212	48,267
Due from Department of Education	158,872	142,403
Total assets	\$ 28,676,684	\$ 25,881,661
Liabilities		
Accounts Payable	\$ 1,350	\$ -
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	\$ 24,140,116	\$ 22,609,535
Unavailable revenue - delinquent property taxes	57,212	48,267
Total deferred inflows of resources	24,197,328	22,657,802
Fund Balance		
Restricted	4,478,006	3,223,859
Total deferred inflows of resources and fund balance	\$ 28,676,684	\$ 25,881,661

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Debt Service Fund
Year Ended June 30, 2020
(with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			Variance with Final Budget - Over (Under)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property taxes	\$ 22,576,016	\$ 22,576,016	\$ 22,295,598	\$ (280,418)	\$ 19,993,534
Other local and county revenues	24,362	24,362	115,249	90,887	301,364
Revenue from state sources	1,329,622	1,329,622	1,618,415	288,793	1,430,727
Total revenues	<u>23,930,000</u>	<u>23,930,000</u>	<u>24,029,262</u>	<u>99,262</u>	<u>21,725,625</u>
Expenditures					
Debt service					
Principal	16,255,000	16,255,000	16,255,000	-	14,315,000
Interest and fiscal charges	6,525,000	6,525,000	6,520,115	(4,885)	7,175,230
Total expenditures	<u>22,780,000</u>	<u>22,780,000</u>	<u>22,775,115</u>	<u>(4,885)</u>	<u>21,490,230</u>
Net change in fund balance	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>	1,254,147	<u>\$ 104,147</u>	235,395
Fund Balance					
Beginning of year			<u>3,223,859</u>		<u>2,988,464</u>
End of year			<u>\$ 4,478,006</u>		<u>\$ 3,223,859</u>

Independent School District No. 720
Balance Sheet - Capital Projects Fund
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	2020	2019
Assets		
Cash and investments	\$ 6,374,882	\$ 5,142,212
Accounts receivable	-	41,826
	<u>\$ 6,374,882</u>	<u>\$ 5,184,038</u>
Liabilities		
Accounts payable	\$ 4,814	\$ 85,340
Contracts payable	4,941,810	3,075,909
Due to other governmental units	-	74
Total liabilities	<u>4,946,624</u>	<u>3,161,323</u>
Fund Balance		
Restricted	2,390,009	2,022,715
Unassigned	(961,751)	-
Total fund balance	<u>1,428,258</u>	<u>2,022,715</u>
Total liabilities and fund balance	<u>\$ 6,374,882</u>	<u>\$ 5,184,038</u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2020
(with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			Variance with Final Budget - Over (Under)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	\$ 30,000	\$ 30,000	\$ 86,220	\$ 56,220	\$ 414,663
Expenditures					
Current					
Sites and buildings	-	-	210,592	210,592	201,587
Capital outlay					
Sites and buildings	1,294,101	1,294,101	18,413,542	17,119,441	9,404,462
Debt service					
Interest and fiscal charges	-	14,399,060	286,610	(14,112,450)	-
Total expenditures	1,294,101	15,693,161	18,910,744	3,217,583	9,606,049
Excess of revenues under expenditures	(1,264,101)	(15,663,161)	(18,824,524)	(3,161,363)	(9,191,386)
Other Financing Sources					
Bond issuance	-	16,325,000	16,325,000	-	-
Bond premium	-	3,576,721	1,905,067	(1,671,654)	-
Total other financing sources (uses)	-	19,901,721	18,230,067	(1,671,654)	-
Net change in fund balance	\$ (1,264,101)	\$ 4,238,560	(594,457)	\$ (4,833,017)	(9,191,386)
Fund Balance					
Beginning of year			2,022,715		
End of year			\$ 1,428,258		

(THIS PAGE LEFT BLANK INTENTIONALLY)

INTERNAL SERVICE FUNDS

Independent School District No. 720
Combining Statement of
Net Position - Internal Service Funds
As of June 30, 2020

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Assets			
Current			
Cash and cash equivalents	\$ 1,194,107	\$ 230,877	\$ 1,424,984
Liabilities			
Current			
Incurred but not reported claims	\$ 658,524	\$ 31,687	\$ 690,211
Net Position			
Unrestricted	535,583	199,190	734,773
Total liabilities and net position	\$ 1,194,107	\$ 230,877	\$ 1,424,984

Independent School District No. 720
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2020

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Operating Revenue			
Charges for services	\$ 8,558,588	\$ 855,254	\$ 9,413,842
Operating Expenses			
Insurance	7,472,529	708,613	8,181,142
Operating income	1,086,059	146,641	1,232,700
Nonoperating Revenues			
Investment income	825	44	869
Change in net position	1,086,884	146,685	1,233,569
Net Position			
Beginning of year	(551,301)	52,505	(498,796)
End of year	\$ 535,583	\$ 199,190	\$ 734,773

Independent School District No. 720
Combining Statement of Cash Flows -
Internal Service Funds
Year Ended June 30, 2020

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Cash Flows - Operating Activities			
Receipts from District contributions	\$ 8,566,088	\$ 858,260	\$ 9,424,348
Employee claims paid	(7,609,497)	(763,033)	(8,372,530)
Net cash flows - operating activities	956,591	95,227	1,051,818
 Cash Flows - Investing Activities			
Interest received	825	44	869
 Net change in cash and cash equivalents	957,416	95,271	1,052,687
 Cash and Cash Equivalents			
Beginning of year	236,691	135,606	372,297
End of year	<u>\$ 1,194,107</u>	<u>\$ 230,877</u>	<u>\$ 1,424,984</u>
 Reconciliation of Operating Income to Net Cash Flows - Operating Activities			
Operating income	\$ 1,086,059	\$ 146,641	\$ 1,232,700
Adjustments to reconcile operating income to net cash flows - operating activities			
Accounts payable	(1,250)	-	(1,250)
Incurred but not reported claims	(135,718)	(54,420)	(190,138)
Accounts receivable	7,500	3,006	10,506
Net adjustments	<u>(129,468)</u>	<u>(51,414)</u>	<u>(180,882)</u>
Net cash flows - operating activities	<u>\$ 956,591</u>	<u>\$ 95,227</u>	<u>\$ 1,051,818</u>

UFARS COMPLIANCE TABLE

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2020

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 99,166,523	\$ 99,166,525	\$ (2)	Total revenue	\$ 86,220	\$ 86,220	\$ -
Total expenditures	98,697,368	98,697,370	(2)	Total expenditures	18,910,744	18,910,742	2
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	26,816	26,816	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	398,729	398,729	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.09 Alternative Facilities Program	-	-	-
4.03 Staff Development	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	-	-	-	4.67 Long-term Facilities Maintenance	(961,751)	(961,751)	-
4.08 Cooperative Programs	-	-	-	<i>Restricted:</i>			
4.09 Alternative Facility Program	-	-	-	4.64 Restricted fund balance	2,390,009	2,390,010	(1)
4.13 Building Projects Funded by COP/LP	-	-	-	<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	1,550,096	1,550,096	-	Total revenue	\$ 24,029,262	\$ 24,029,263	\$ (1)
4.26 \$25 Taconite	-	-	-	Total expenditures	22,775,115	22,775,115	-
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refundings	-	-	-
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	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.45 Career Technical Programs	-	-	-	4.64 Restricted fund balance	4,478,006	4,478,007	(1)
4.48 Achievement and Integration Revenue	-	-	-	<i>Unassigned:</i>			
4.49 Safe Schools Levy	473,196	473,196	-	4.63 Unassigned fund balance	-	-	-
4.51 QZAB Payments	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-	08 TRUST FUND			
4.53 Unfunded Severance and Retirement Levy	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.59 Basic Skills Extended Time	-	-	-	Total expenditures	-	-	-
4.67 Long-term Facilities Maintenance	2,076,566	2,076,566	-	<i>Unrestricted:</i>			
<i>Restricted:</i>				4.01 Student Activities	-	-	-
4.72 Medical Assistance	-	-	-	4.02 Scholarships	-	-	-
4.64 Restricted fund balance	-	-	-	4.22 Net position	-	-	-
4.75 Title VII - Impact Aid	-	-	-				
4.76 Payments in Lieu of Taxes	-	-	-	18 CUSTODIAL			
<i>Committed:</i>				Total revenue	\$ 2,356	\$ 2,357	\$ (1)
4.18 Committed for separation	-	-	-	Total expenditures	3,200	3,200	-
4.61 Committed	-	-	-	<i>Restricted/reserved:</i>			
<i>Assigned:</i>				4.01 Student Activities	-	-	-
4.62 Assigned fund balance	210,065	210,065	-	4.02 Scholarships	15,589	15,589	-
<i>Unassigned:</i>				4.48 Achievement and Integration	-	-	-
4.22 Unassigned fund balance	3,743,049	3,743,051	(2)	4.64 Restricted	-	-	-
02 FOOD SERVICES FUND				20 INTERNAL SERVICE FUND			
Total revenue	\$ 4,087,377	\$ 4,087,376	\$ 1	Total revenue	\$ 9,414,711	\$ 9,414,711	\$ -
Total expenditures	4,331,833	4,331,834	(1)	Total expenditures	8,181,142	8,181,142	-
<i>Nonspendable:</i>				<i>Unrestricted:</i>			
4.60 Nonspendable fund balance	54,038	54,038	-	4.22 Net position	734,773	734,774	(1)
<i>Restricted/reserved:</i>							
4.52 OPEB liabilities not held in trust	-	-	-	25 OPEB REVOCABLE TRUST			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	458,538	458,536	2	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Unrestricted:</i>			
4.63 Unassigned fund balance	-	-	-	4.22 Net position	-	-	-
04 COMMUNITY SERVICE FUND				45 OPEB IRREVOCABLE TRUST			
Total revenue	\$ 2,644,153	\$ 2,644,153	\$ -	Total revenue	\$ 291,201	\$ 291,200	\$ 1
Total expenditures	2,769,207	2,769,208	(1)	Total expenditures	260,707	260,707	-
<i>Nonspendable:</i>				<i>Unrestricted:</i>			
4.60 Nonspendable fund balance	-	-	-	4.22 Net position	4,972,802	4,972,802	-
<i>Restricted/reserved:</i>							
4.26 \$25 Taconite	-	-	-	47 OPEB DEBT SERVICE			
4.31 Community Education	(184,444)	(184,444)	-	Total revenue	\$ -	\$ -	\$ -
4.32 ECFE	158,623	158,623	-	Total expenditures	-	-	-
4.40 Teacher Development and Evaluations	-	-	-	<i>Nonspendable:</i>			
4.44 School Readiness	278,344	278,344	-	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	-	-	-
<i>Restricted:</i>				4.64 Restricted fund balance	-	-	-
4.64 Restricted fund balance	-	-	-	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.63 Unassigned fund balance	-	-	-
4.63 Unassigned fund balance	-	-	-				

(THIS PAGE LEFT BLANK INTENTIONALLY)

STATISTICAL SECTION

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Statistical Section (Unaudited)
June 30, 2020

III. Statistical Section (Unaudited)

This part of the Independent School District No. 720’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health. The 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.	130
Revenue Capacity This section contains information to help the reader assess the District’s most significant local revenue source, property taxes.	139
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.	146
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.	150
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.	152

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports 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			
	2011	2012	2013	2014
Governmental Activities				
Net investment in capital assets	\$ 15,056,846	\$ 18,615,135	\$ 21,509,142	\$ 21,840,189
Restricted	2,347,262	2,470,265	2,103,662	2,411,568
Unrestricted	11,515,977	12,968,400	10,655,933	8,100,912
Total governmental activities net position	<u>\$ 28,920,085</u>	<u>\$ 34,053,800</u>	<u>\$ 34,268,737</u>	<u>\$ 32,352,669</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 23,041,568	\$ 26,336,717	\$ 35,186,072	\$ 45,526,236	\$ 55,529,637	\$ 67,663,806
3,150,431	1,241,034	-	1,970,243	2,446,033	7,194,893
(45,145,697)	(51,864,194)	(85,542,839)	(114,835,656)	(90,596,678)	(97,349,532)
<u>\$ (18,953,698)</u>	<u>\$ (24,286,443)</u>	<u>\$ (50,356,767)</u>	<u>\$ (67,339,177)</u>	<u>\$ (32,621,008)</u>	<u>\$ (22,490,833)</u>

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
Governmental activities				
Administration	\$ 3,647,825	\$ 3,320,105	\$ 4,196,548	\$ 4,623,140
District support services	422,226	1,123,052	1,293,572	1,471,090
Regular instruction	31,680,570	35,835,287	37,728,992	40,000,664
Vocational education instruction	482,322	491,687	458,572	725,118
Special education instruction	11,791,040	13,004,305	14,503,636	15,085,785
Instructional support services	3,859,985	3,785,454	4,731,832	4,921,635
Pupil support services	4,817,243	5,653,320	5,768,903	6,213,364
Sites and buildings	5,664,493	4,503,714	5,785,361	6,880,602
Fiscal and other fixed cost programs	112,654	125,742	130,635	181,473
Food service	2,935,096	3,215,446	3,458,450	3,470,807
Community service	1,707,307	1,829,186	1,891,348	1,838,544
Depreciation not allocated to other functions	3,991,808	184,101	279,962	517,536
Interest and fiscal charges on long-term debt	6,292,484	6,520,580	7,523,483	7,146,210
Total governmental activities expenses	<u>77,405,053</u>	<u>79,591,979</u>	<u>87,751,294</u>	<u>93,075,968</u>
Program Revenues				
Governmental activities				
Charges for services				
Administration	20,801	23,308	26,300	23,151
District support services	7,839	5,684	8,246	8,568
Regular instruction	777,457	816,793	852,858	981,266
Vocational education instruction	5,539	1,916	-	175
Special education instruction	23,168	12,198	24,748	1,810
Instructional support services	1,489	773	696	128
Pupil support services	8,833	8,023	8,634	10,859
Sites and buildings	16,950	40,013	17,300	17,900
Food service	1,614,861	1,637,500	1,642,702	1,747,412
Community service	632,333	704,736	718,063	733,494
Operating grants and contributions	18,434,638	18,311,523	19,506,678	20,373,579
Capital grants and contributions	69,194	30,552	5,000	38,845
Total governmental activities program revenues	<u>21,613,102</u>	<u>21,593,019</u>	<u>22,811,225</u>	<u>23,937,187</u>
Total governmental activities net expense	<u>(55,791,951)</u>	<u>(57,998,960)</u>	<u>(64,940,069)</u>	<u>(69,138,781)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes				
General purpose	9,912,260	7,385,811	8,666,535	5,445,658
Community service	702,304	468,015	504,862	259,610
Debt service	12,266,179	12,356,247	13,906,651	12,933,157
General grants and aids	36,277,413	41,236,447	41,587,955	47,608,165
Investment earnings	270,628	103,512	344,424	331,125
Gain on sale of capital assets	6,000	4,000	200	119,370
Other general revenues	203,700	1,578,643	614,821	525,628
Total governmental activities	<u>59,638,484</u>	<u>63,132,675</u>	<u>65,625,448</u>	<u>67,222,713</u>
Total Net (Expense) Revenue	3,846,533	5,133,715	685,379	(1,916,068)
Net position - beginning, as previously stated	25,073,552	28,920,085	34,053,800	34,268,737
Change in accounting principle	-	-	(470,442)	-
Net position - beginning, as restated	<u>25,073,552</u>	<u>28,920,085</u>	<u>33,583,358</u>	<u>34,268,737</u>
Net position - ending	<u>\$ 28,920,085</u>	<u>\$ 34,053,800</u>	<u>\$ 34,268,737</u>	<u>\$ 32,352,669</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 5,547,166	\$ 5,955,670	\$ 7,523,283	\$ 7,340,382	\$ 3,607,620	\$ 5,843,792
1,912,672	2,122,209	2,456,591	2,106,366	2,374,571	2,599,179
42,847,228	45,554,644	63,959,236	63,492,106	30,458,137	49,786,185
703,295	726,293	1,286,927	945,260	528,644	1,000,405
15,515,994	17,425,823	25,091,784	24,552,734	12,698,736	20,164,692
6,047,476	7,548,519	10,762,588	9,547,642	6,601,313	9,380,581
6,905,267	7,377,729	8,401,426	8,625,780	7,691,554	8,882,170
7,807,706	7,337,340	6,929,012	8,170,286	11,550,383	4,347,902
215,914	211,184	191,091	199,020	172,683	353,795
3,794,772	4,158,297	4,724,099	4,480,777	4,173,484	4,261,487
2,056,634	2,322,011	3,286,539	3,303,658	2,282,557	2,993,523
628,829	787,506	1,265,819	1,589,799	1,713,784	5,803,460
5,254,492	8,055,214	7,322,643	6,559,035	5,533,037	5,252,402
<u>99,237,445</u>	<u>109,582,439</u>	<u>143,201,038</u>	<u>140,912,845</u>	<u>89,386,503</u>	<u>120,669,573</u>
23,040	14,225	12,993	13,376	9,477	1,200
35,897	35,292	25,189	25,579	55,730	87,978
448,664	474,275	438,789	528,522	544,335	422,253
300	37	140	328	527	2,353
228,614	179,203	200,061	3,361	1,844	-
614	562	243	68	-	-
29,502	107,857	221,004	228,447	235,796	64,931
13	59	32,413	61,245	61,668	59,874
1,958,315	2,035,210	2,084,558	2,038,572	2,110,636	1,751,141
787,156	1,016,566	1,229,308	1,265,406	1,333,572	1,092,977
21,935,044	24,000,053	25,885,369	23,511,826	23,702,928	25,548,851
-	-	470,297	979,803	965,654	807,794
<u>25,447,159</u>	<u>27,863,339</u>	<u>30,600,364</u>	<u>28,656,533</u>	<u>29,022,167</u>	<u>29,839,352</u>
<u>(73,790,286)</u>	<u>(81,719,100)</u>	<u>(112,600,674)</u>	<u>(112,256,312)</u>	<u>(60,364,336)</u>	<u>(90,830,221)</u>
9,264,493	9,114,215	13,310,119	13,953,937	15,759,624	15,441,415
523,173	517,493	542,360	580,326	586,578	601,809
12,470,062	12,620,244	18,735,124	18,817,481	19,994,879	22,296,379
51,064,387	53,137,665	59,536,734	60,765,061	57,877,841	61,464,606
119,007	938,932	657,661	750,641	639,236	368,966
13,580	21,600	4,022	304,669	188,238	202,747
33,402	36,206	78,576	101,787	36,109	40,382
<u>73,488,104</u>	<u>76,386,355</u>	<u>92,864,596</u>	<u>95,273,902</u>	<u>95,082,505</u>	<u>100,416,304</u>
(302,182)	(5,332,745)	(19,736,078)	(16,982,410)	34,718,169	9,586,083
32,352,669	(18,953,698)	(24,286,443)	(50,356,767)	(67,339,177)	(32,621,008)
(51,004,185)	-	(6,334,246)	-	-	544,092
<u>(18,651,516)</u>	<u>(18,953,698)</u>	<u>(30,620,689)</u>	<u>(50,356,767)</u>	<u>(67,339,177)</u>	<u>(32,076,916)</u>
<u>\$ (18,953,698)</u>	<u>\$ (24,286,443)</u>	<u>\$ (50,356,767)</u>	<u>\$ (67,339,177)</u>	<u>\$ (32,621,008)</u>	<u>\$ (22,490,833)</u>

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nondisposable	\$ -	\$ 24,214	\$ 350,000	\$ 96
Restricted	962,795	1,079,553	578,923	1,905,984
Assigned	-	-	-	-
Unassigned	9,572,538	12,251,872	11,555,217	8,530,840
Total general fund	<u>\$ 10,535,333</u>	<u>\$ 13,355,639</u>	<u>\$ 12,484,140</u>	<u>\$ 10,436,920</u>
All Other Governmental Funds				
Nondisposable				
Capital Project funds	\$ 798,799	\$ 222,856	\$ 139,501	\$ 139,501
Nonmajor funds	24,686	26,858	30,880	33,057
Restricted				
Capital project funds	23,746,242	19,209,028	14,207,934	20,592,233
Debt service funds	2,185,834	46,487,037	90,039,936	45,763,302
Nonmajor funds	576,293	505,406	363,285	463,128
Unassigned reported in				
Capital project funds	-	-	-	-
Nonmajor funds	-	-	-	-
Total all other governmental funds	<u>\$ 27,331,854</u>	<u>\$ 66,451,185</u>	<u>\$ 104,781,536</u>	<u>\$ 66,991,221</u>
Total all funds	<u>\$ 37,867,187</u>	<u>\$ 79,806,824</u>	<u>\$ 117,265,676</u>	<u>\$ 77,428,141</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 68,261	\$ 115,556	\$ 657,884	\$ 208,934	\$ 245,117	\$ 26,816
2,158,125	1,241,034	-	854,983	879,033	4,498,587
-	-	20,882	185,388	267,230	210,065
5,548,137	1,164,415	388,488	1,584,328	3,444,795	3,743,049
<u>\$ 7,774,523</u>	<u>\$ 2,521,005</u>	<u>\$ 1,067,254</u>	<u>\$ 2,833,633</u>	<u>\$ 4,836,175</u>	<u>\$ 8,478,517</u>
\$ 117,702	\$ 77,687	\$ -	\$ -	\$ -	\$ -
33,832	29,846	49,221	45,582	48,294	54,038
8,255,391	100,430,142	53,366,000	11,214,101	2,022,715	2,390,009
2,937,288	20,079,253	20,670,744	2,988,464	3,223,859	4,478,006
505,136	762,437	946,735	1,086,759	1,131,535	895,505
-	-	-	-	-	(961,751)
(75,851)	(17,867)	(153,567)	(179,501)	(45,220)	(184,444)
<u>\$ 11,773,498</u>	<u>\$ 121,361,498</u>	<u>\$ 74,879,133</u>	<u>\$ 15,155,405</u>	<u>\$ 6,381,183</u>	<u>\$ 6,671,363</u>
<u>\$ 19,548,021</u>	<u>\$ 123,882,503</u>	<u>\$ 75,946,387</u>	<u>\$ 17,989,038</u>	<u>\$ 11,217,358</u>	<u>\$ 15,149,880</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			
	2011	2012	2013	2014
Revenues				
Local sources				
Property taxes	\$ 22,894,058	\$ 20,531,670	\$ 23,015,692	\$ 18,718,986
Other	1,858,844	1,877,808	2,165,621	2,277,734
State sources	50,290,046	55,823,400	57,639,830	64,588,313
Federal sources	4,418,360	5,031,601	3,790,555	3,656,143
Sales and other conversion of assets	1,746,697	1,778,812	1,762,419	1,879,915
Total revenues	<u>81,208,005</u>	<u>85,043,291</u>	<u>88,374,117</u>	<u>91,121,091</u>
Expenditures				
Current				
Administration	3,646,172	3,195,735	4,059,643	4,521,361
District support services	549,423	1,034,206	1,178,509	1,348,643
Regular instruction	30,407,294	31,908,848	33,171,305	35,377,923
Vocational education instruction	481,814	490,161	457,254	718,252
Special education instruction	12,365,973	12,820,354	14,280,976	14,829,013
Instructional support services	3,195,334	3,282,279	4,583,789	4,544,911
Pupil support services	4,814,363	5,463,289	5,582,461	6,044,213
Sites and buildings	4,307,340	4,273,353	4,564,335	5,361,523
Fiscal and other fixed cost programs	112,654	125,742	130,635	181,473
Food service	2,929,746	3,187,982	3,392,964	3,421,835
Community service	1,700,616	1,742,213	1,795,498	1,746,124
Capital outlay	13,633,606	6,812,841	6,691,205	8,452,578
Debt service				
Principal	5,755,000	6,700,000	7,725,000	49,105,000
Interest and fiscal charges	6,462,436	6,494,170	7,737,467	8,791,140
Total expenditures	<u>90,361,771</u>	<u>87,531,173</u>	<u>95,351,041</u>	<u>144,443,989</u>
Excess (deficiency) of revenues over (under) expenditures	(9,153,766)	(2,487,882)	(6,976,924)	(53,322,898)
Other Financing Sources (Uses)				
Proceeds from sale of assets	6,000	4,000	200	119,370
Proceeds from bond issuance	-	39,000,000	38,325,000	-
Bond premium	-	5,423,519	6,110,576	-
Bond discount	-	-	-	-
Proceeds from certificate of participation	-	-	-	13,175,000
Premium on certificate of participation	-	-	-	190,993
Capital lease proceeds	-	-	-	-
Total other financing sources (uses)	<u>6,000</u>	<u>44,427,519</u>	<u>44,435,776</u>	<u>13,485,363</u>
Net change in fund balances	<u>\$ (9,147,766)</u>	<u>\$ 41,939,637</u>	<u>\$ 37,458,852</u>	<u>\$ (39,837,535)</u>
Debt service as a percentage of noncapital expenditures	15.9%	16.3%	17.4%	42.6%

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 22,314,253	\$ 22,312,062	\$ 32,575,051	\$ 33,363,243	\$ 36,338,193	\$ 38,337,767
2,331,605	3,468,932	3,810,443	4,005,832	3,971,453	3,419,569
68,614,824	72,135,291	77,109,197	79,556,814	80,594,484	81,943,845
3,600,238	4,172,968	4,829,246	4,425,124	4,328,807	4,362,307
2,117,288	2,198,848	2,281,609	2,309,279	2,321,585	1,950,047
<u>98,978,208</u>	<u>104,288,101</u>	<u>120,605,546</u>	<u>123,660,292</u>	<u>127,554,522</u>	<u>130,013,535</u>
5,437,582	5,759,082	5,648,428	5,452,115	4,967,825	5,240,795
1,780,294	2,067,743	2,175,658	1,992,860	2,368,148	2,512,734
38,542,795	40,739,884	41,499,067	41,375,223	41,850,504	42,509,914
683,688	747,306	868,774	633,155	867,839	914,384
15,337,996	17,154,198	18,342,688	18,062,751	18,184,600	19,003,712
5,405,273	6,459,308	8,185,448	7,276,861	7,624,820	8,060,941
6,727,114	7,259,476	7,614,151	7,869,648	8,303,551	8,688,459
5,742,925	6,151,407	5,852,566	6,225,856	6,462,215	5,981,313
215,914	211,184	191,091	199,020	172,683	353,795
3,740,537	4,098,498	4,534,624	4,301,406	4,184,109	4,187,792
1,974,288	2,247,122	2,653,638	2,701,273	2,699,409	2,764,912
14,020,032	13,601,299	52,761,602	45,992,413	15,335,237	21,511,279
63,095,000	9,718,773	12,528,917	31,546,121	16,320,536	18,492,943
7,222,016	7,965,462	9,136,642	8,915,088	7,647,264	7,261,294
<u>169,925,454</u>	<u>124,180,742</u>	<u>171,993,294</u>	<u>182,543,790</u>	<u>136,988,740</u>	<u>147,484,267</u>
(70,947,246)	(19,892,641)	(51,387,748)	(58,883,498)	(9,434,218)	(17,470,732)
13,580	21,600	4,022	508,669	188,238	1,266,100
12,055,000	112,185,000	-	-	-	16,325,000
998,546	10,805,831	-	-	-	1,905,067
-	(24,812)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,239,504	3,447,610	417,480	2,474,300	1,362,995
<u>13,067,126</u>	<u>124,227,123</u>	<u>3,451,632</u>	<u>926,149</u>	<u>2,662,538</u>	<u>20,859,162</u>
<u>\$ (57,880,120)</u>	<u>\$ 104,334,482</u>	<u>\$ (47,936,116)</u>	<u>\$ (57,957,349)</u>	<u>\$ (6,771,680)</u>	<u>\$ 3,388,430</u>
45.1%	16.0%	18.0%	29.3%	19.0%	20.7%

(THIS PAGE LEFT BLANK INTENTIONALLY)

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
2011	\$ 3,116,975,600	\$ 962,850,900	\$ 4,079,826,500	31.182%
2012	3,044,731,900	800,998,000	3,845,729,900	35.512%
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%

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	General Obligation Debt Service	NTC OPEB	Total Direct School Tax Rate	City of Shakopee	City of Savage
2011	0.139	3.061	0.996	27.125	-	31.182	34.731	48.278
2012	0.125	3.410	1.129	30.973	-	35.512	36.655	51.123
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

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

Prior Lake	Louisville Township	Jackson Township	Sand Creek Township	Metro Council	Metro Transit	Scott County	Direct and Overlapping Tax Rate City of
30.710	4.724	10.209	17.362	0.828	1.440	35.541	103.72
29.740	4.810	13.212	18.660	0.959	1.647	38.802	113.58
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

(THIS PAGE LEFT BLANK INTENTIONALLY

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

Taxpayer	Property Classification	2020			2011		
		Tax Capacity	Percentage of Total Tax Capacity	Rank	Tax Capacity	Percentage of Total Tax Capacity	Rank
RELP Shakopee, LLC	Commercial	\$ 1,386,750	2.10%	1			
Northern States Power	Utility	996,114	1.51%	2	\$ 538,822	1.17%	1
Rahr Malting Company	Commercial	796,149	1.21%	4	407,369	0.89%	2
WOP Addition	Commercial	569,804	0.86%	5			
St. Francis Regional Medical Center	Commercial	569,268	0.86%	6	358,500	0.78%	5
Duke Realty	Commercial	851,734	1.29%	3			
J & J Minneapolis LLC	Commercial	541,144	0.82%	7			
Lothenbach Properties	Commercial	497,772	0.75%	9			
Sears Roebuck & Co	Commercial				263,250	0.57%	9
Seagate Technology LLC	Commercial	506,424	0.77%	8	399,250	0.87%	3
Shakopee Mdewakanton Sioux	Commercial				398,369	0.87%	4
Inland Shak Valley Marketplace	Commercial				291,750	0.64%	8
Ryan Companies	Property Management				333,450	0.73%	6
Canterbury Park	Commercial				324,236	0.71%	7
Valleyfair	Amusement Park				259,250	0.56%	10
Shakkin LLC	Commercial	494,250	0.75%	10			
		<u>\$ 7,209,409</u>	<u>10.18%</u>		<u>\$ 3,574,246</u>	<u>5.79%</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)

Taxes Levied for the Fiscal Year						
Fiscal Year	General Fund RMV Voter	General Fund RMV Other	General Fund Basic Levy	Community Service Levy	Debt Service Fund Levy	Total Tax Levy (1)
2011	\$ 4,760,430	\$ 1,370,198	\$ 1,469,727	\$ 478,007	\$ 13,022,791	\$ 21,101,153 (2)
2012	4,538,364	1,119,477	1,541,595	510,690	14,004,282	21,714,407 (2)
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)

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		
\$ 10,333,871	49.0%	\$ 10,334,820	\$ 20,668,691	97.95%	\$ 432,462	2.09%
10,941,966	50.4%	10,556,005	21,497,972	99.00%	216,435	1.01%
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	49.96%	87,372	0.44%

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
	General Obligation Bonds	Certificates of Participation	Capital Leases Payable			
2011	\$ 143,855,000	\$ -	\$ -	\$ 143,855,000	42,411	\$ 3,392
2012	176,155,000	-	-	176,155,000	44,290	3,977
2013	206,755,000	-	-	206,755,000	44,711	4,624
2014	157,650,000	13,175,000	-	170,825,000	44,941	3,801
2015	107,220,000	12,565,000	-	119,785,000	46,376	2,583
2016	210,545,000	12,040,000	905,731	223,490,731	47,110	4,744
2017	199,410,000	11,495,000	3,504,424	214,409,424	47,569	4,507
2018	169,630,000	10,930,000	2,720,782	183,280,782	47,569	3,853
2019	155,315,000	10,340,000	3,779,547	169,434,547	48,954	3,461
2020	155,385,000	9,730,000	3,514,599	168,629,599	50,423	3,344

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
2011	\$ 143,855,000	\$ 2,185,834	\$ 141,669,166	\$4,079,826,500	3.47%	42,411	\$ 3,340
2012	176,155,000	2,309,255	173,845,745	3,845,729,900	4.52%	44,290	3,925
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	155,385,000	4,478,007	150,906,993	5,645,002,901	2.67%	50,423	2,993

Notes:

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

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

	Dec-19 Adjusted Taxable Net Tax Capacity	Dec-19 Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping				
Scott County	\$ 216,706,081	\$ 113,540,000	30.99%	\$ 35,190,106
Cities/Townships				
Shakopee	59,821,079	34,660,000	95.29%	33,027,081
Savage	43,083,858	47,945,000	7.01%	3,359,551
Prior Lake	41,060,580	39,460,000	2.95%	1,162,825
Total Overlapping				<u>72,739,562</u>
Direct				
Shakopee Public Schools ISD No. 720	65,966,758	155,385,000	100.00%	<u>155,385,000</u>
Total Direct and Overlapping Bonded Debt				<u><u>\$ 228,124,562</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)	Net Debt per Capita	Indicated Market Value (2)	Legal Debt Limit (3)	Legal Debt Margin (4)	Percent Bonded Debt to Debt Limit
2011	\$ 143,855,000	\$ 45,905,010	313.38%	3.53%	\$ 42,411	\$ 3,392	\$4,083,910,410	\$ 612,586,562	\$ 468,731,562	23.48%
2012	176,155,000	42,339,285	416.06%	4.58%	44,290	3,977	3,788,896,453	568,334,468	392,179,468	30.99%
2013	206,755,000	44,173,949	468.05%	5.85%	44,711	4,624	3,515,282,107	527,292,316	320,537,316	39.21%
2014	157,650,000	48,960,266	322.00%	4.28%	44,941	3,508	3,847,736,221	577,160,433	419,510,433	27.31%
2015	107,220,000	51,591,841	207.82%	2.58%	46,376	2,312	4,386,859,197	658,028,879	550,808,879	16.29%
2016	210,545,000	54,930,192	383.30%	4.81%	47,110	4,469	4,536,466,079	680,469,912	469,924,912	30.94%
2017	199,410,000	53,882,262	370.08%	4.36%	47,569	4,192	4,906,152,575	735,922,886	536,512,886	27.10%
2018	169,630,000	57,032,951	297.42%	3.49%	47,569	3,566	5,062,578,114	759,386,717	589,756,717	22.34%
2019	155,315,000	60,420,682	257.06%	3.01%	48,954	3,173	5,059,941,354	758,991,203	603,676,203	20.46%
2020	155,385,000	65,966,758	235.55%	2.75%	50,423	3,082	5,373,980,000	806,097,000	650,712,000	19.28%

Notes:

- (1) Net Bonded Debt, Net Tax Capacity and Estimated Population data is taken from other schedules within
- (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
- (4) The legal debt margin is calculated by subtracting outstanding net bonded debt from the legal debt limit.

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

Fiscal Year	Population (1)	Personal Income <i>(thousands of dollars)</i> (2)	Per Capita Personal Income (2)	Enrollment (3)	Scott Co. Unemployment Rate (4)
2011	42,411	\$ -	\$ -	7,055	6.0%
2012	44,290	-	-	7,297	5.1%
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%

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 September 2020 rate is used.

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

Employer	Product/Service	2020		2011	
		Employees	Rank	Employees	Rank
Shakopee Mdewakanton Sioux Community	Entertainment	4,200	1		
Valleyfair	Entertainment park	2,050	2	1,238	2
Emerson	Manufacturing	1,187	3	1,600	1
ISD 720, Shakopee Public Schools	Public education	1,100	4	790	6
Amazon	Distribution	1,000	5		
St. Francis Regional Medical Center	Health care	960	6	838	5
Imagine! Print Solutions	Commercial printing	785	7	511	8
Canterbury Park	Horse racing	722	8	840	4
Scott County	County government	643	9	728	7
Seagate Technology LLC	Computer equipment manufacturing	625	10		
City of Shakopee	City government	-	0	350	9
Northstar Auto Auction	Motor vehicle sales	-	0	285	10
ADC Telecommunications	Telecommunications	-	0	882	3
		13,272		8,062	

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administrative Staff										
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Principals	8.0	7.0	9.0	10.0	12.0	11.0	15.0	14.6	9.0	15.0
Administrative Assistants (Asst. Principals and Asst. Superintendent)	3.0	4.0	5.0	9.0	12.0	13.8	10.0	10.0	15.0	14.0
Supervisory Coordinator	1.0	1.0	0.0	2.0	4.0	4.0	3.0	3.8	4.8	6.0
Total Administrative Staff	<u>13.0</u>	<u>13.0</u>	<u>15.0</u>	<u>22.0</u>	<u>29.0</u>	<u>29.8</u>	<u>29.0</u>	<u>29.4</u>	<u>29.8</u>	<u>36.0</u>
Support Service Staff										
Other Non-Instructional Staff	19.79	41.0	40.7	21.9	48.4	43.9	46.4	62.3	62.3	62.3
Counselors/Deans	3.0	3.0	5.0	6.0	7.0	11.0	11.0	9.0	10.0	23.7
Media/Librarian	7.0	7.0	8.0	8.0	8.0	10.0	9.0	5.0	5.0	4.0
Nurse	3.0	3.0	4.7	5.0	5.6	6.3	4.8	5.8	5.8	5.9
Social Worker	6.0	6.0	6.0	9.0	10.0	9.8	12.0	11.7	11.7	9.6
Psychologists	6.0	4.8	6.8	7.0	7.0	7.0	8.0	8.0	8.0	6.7
Teacher on Sp Assignment	21.8	23.3	28.6	6.4	19.0	14.5	19.5	20.1	20.1	19.6
Total Support Service Staff	<u>66.6</u>	<u>88.2</u>	<u>99.8</u>	<u>63.3</u>	<u>105.0</u>	<u>102.6</u>	<u>110.6</u>	<u>121.9</u>	<u>122.9</u>	<u>131.8</u>
Special Education Teachers										
Speech Language	17.8	17.4	19.7	20.8	18.8	20.8	20.8	20.1	20.1	19.8
Other Special Education Teachers	70.3	68.8	71.4	79.6	79.4	94.9	86.4	85.4	86.4	98.9
Total Special Education Teachers	<u>88.1</u>	<u>86.2</u>	<u>91.1</u>	<u>100.5</u>	<u>98.2</u>	<u>115.7</u>	<u>107.2</u>	<u>105.6</u>	<u>106.5</u>	<u>118.7</u>
Classroom Teachers										
K-12 Teacher	330.17	328.2	347.4	397.1	394.7	426.3	414.8	394.1	397.0	397.4
Vocational Education Teacher	5.4	5.8	6.2	6.0	6.1	4.9	5.5	4.8	4.8	9.0
Pre-K, ECFE, and Other Teacher	9.2	10.5	10.4	9.0	8.8	11.2	8.9	9.0	9.0	10.3
Total Classroom Teachers	<u>344.8</u>	<u>344.5</u>	<u>364.0</u>	<u>412.1</u>	<u>409.7</u>	<u>442.4</u>	<u>429.2</u>	<u>407.9</u>	<u>410.8</u>	<u>416.7</u>
Total	<u>512.4</u>	<u>531.9</u>	<u>570.0</u>	<u>597.9</u>	<u>641.9</u>	<u>690.4</u>	<u>676.0</u>	<u>664.8</u>	<u>670.1</u>	<u>703.2</u>

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

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
2011	7,055	\$ 90,361,771	\$ 12,809	8.50%	432.9	16.3
2012	7,297	87,531,173	11,995	-6.35%	430.7	16.9
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

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)

<u>School</u>	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elementary										
Sweeney Elementary										
Square feet	84,171	84,171	84,171	84,171	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)	675	708	712	707	683	652	640	655	652	677
Sun Path Elementary										
Square feet	96,600	96,600	96,600	96,600	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)	733	770	768	745	728	730	675	654	610	606
Pearson Elementary										
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)	588	- (2)	577	582	624	659	680	644	-	-
Red Oak Elementary										
Square feet	97,000	97,000	97,000	97,000	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)	753	812	731	715	717	689	644	610	564	558
Eagle Creek Elementary										
Square feet	100,185	100,185	100,185	100,185	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)	839	670	720	771	810	847	839	817	777	748
Jackson Elementary										
Square feet	-	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
Program Capacity	-	764	764	764	764	764	764	764	764	764
Enrollment (1)	-	698	759	806	835	852	868	864	850	794

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

Continued

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Middle										
East Junior High										
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)	1,059	1,143	726	806	798	841	851	883	844	743
West Junior High										
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)	981	975	925	976	968	978	1,065	1,144	1,148	1,169
High School										
Shakopee High School										
Square feet	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000	600,000	600,000
Building Capacity	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	3,000	3,000
Program Capacity	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	3,000	3,000
Enrollment (1)	1,361	1,451	1,381	1,379	1,494	1,611	1,719	1,728	2,479	2,629
Other										
Tokata Learning Center - ALC										
Square feet	-	-	12,351	12,351	12,351	12,351	12,351	12,351	12,351	12,351
Enrollment (1)	-	-	56	43	74	85	91	184	186	205
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)	66	69	50	63	66	68	82	82	75	61
Total										
Square feet	1,224,246	1,333,314	1,345,665	1,345,665	1,385,984	1,385,984	1,385,984	1,385,984	1,663,984	1,663,984
Building Capacity	7,043	7,807	7,807	7,807	7,807	7,807	7,807	7,807	9,195	9,195
Program Capacity	7,043	7,807	7,807	7,807	7,807	7,807	7,807	7,807	9,195	9,195
Enrollment	7,055	7,297	7,405	7,593	7,796	8,012	8,153	8,265	8,185	8,190

(THIS PAGE LEFT BLANK INTENTIONALLY

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

Continued

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<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	22	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	12	13	13	13	13	13	13	13	18	18
Swimming pools	2	2	2	2	2	2	2	2	2	2
Playgrounds	7	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.
- (2) In fiscal year 2012, Pearson Elementary was closed as the school was remodeled and transitioned into a sixth grade center and closed for fiscal year 2020.

**Independent School District No. 720
Shakopee, MN**

Communications Letter

June 30, 2020

Independent School District No. 720
Table of Contents

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Material Weakness	3
Required Communication	4
Financial Analysis	8
Legislative Summary	26
Emerging Issue	30

**Report on Matters Identified as a Result of
the Audit of the Financial Statements**

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

In planning and performing our audit of 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, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weakness identified is stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated November 16, 2020, on such statements.

This communication is intended solely for the information and use of management, the School Board and others within the District, and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV Ltd.

Minneapolis, Minnesota
November 16, 2020

Independent School District No. 720 Material Weakness

Lack of Segregation of Accounting Duties

During the year ended June 30, 2020, the District had a lack of segregation of accounting duties. The lack of segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Adequate segregation exists when the following components of a transaction are separate: authorization, custody of the related asset, recording, and reconciliation.

This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Director of Finance and Operations has access to all areas of the accounting system.
- A single individual has the ability to receipt money, prepare the deposit, take the deposit to the bank, and record the receipt in the general ledger.
- The Accountant enters capital asset additions and disposals, monitors and reviews asset lives and depreciation in the system, and maintains the master asset listing.
- The Accounts Payable Specialist reviews invoices, enters invoices in the system, and prints checks.
- The Payroll Specialist has the ability to enter time for an employee, prepare the payroll checks, and print checks.
- There is no formal documentation of the review of monthly bank reconciliations.

The District has implemented periodic spot checks of accounts payable and payroll to review activity after checks have been run. This helps mitigate the risk associated with the lack of segregation of accounting duties, but it does not eliminate the risk.

Independent School District No. 720 Required Communication

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audited financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our responsibility with respect to the other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited and we do not express an opinion or provide any assurance on it.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Independent School District No. 720 Required Communication

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

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

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during fiscal year 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

**Independent School District No. 720
Required Communication**

Qualitative Aspects of Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadlines, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Net Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB, and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Independent School District No. 720 Required Communication

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the District, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information accompanying the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Independent School District No. 720
Financial Analysis**

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

<u>Year</u>	<u>General Education Aid Formula Allowance</u>	
	<u>Amount</u>	<u>Percent Increase</u>
2011	\$ 5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

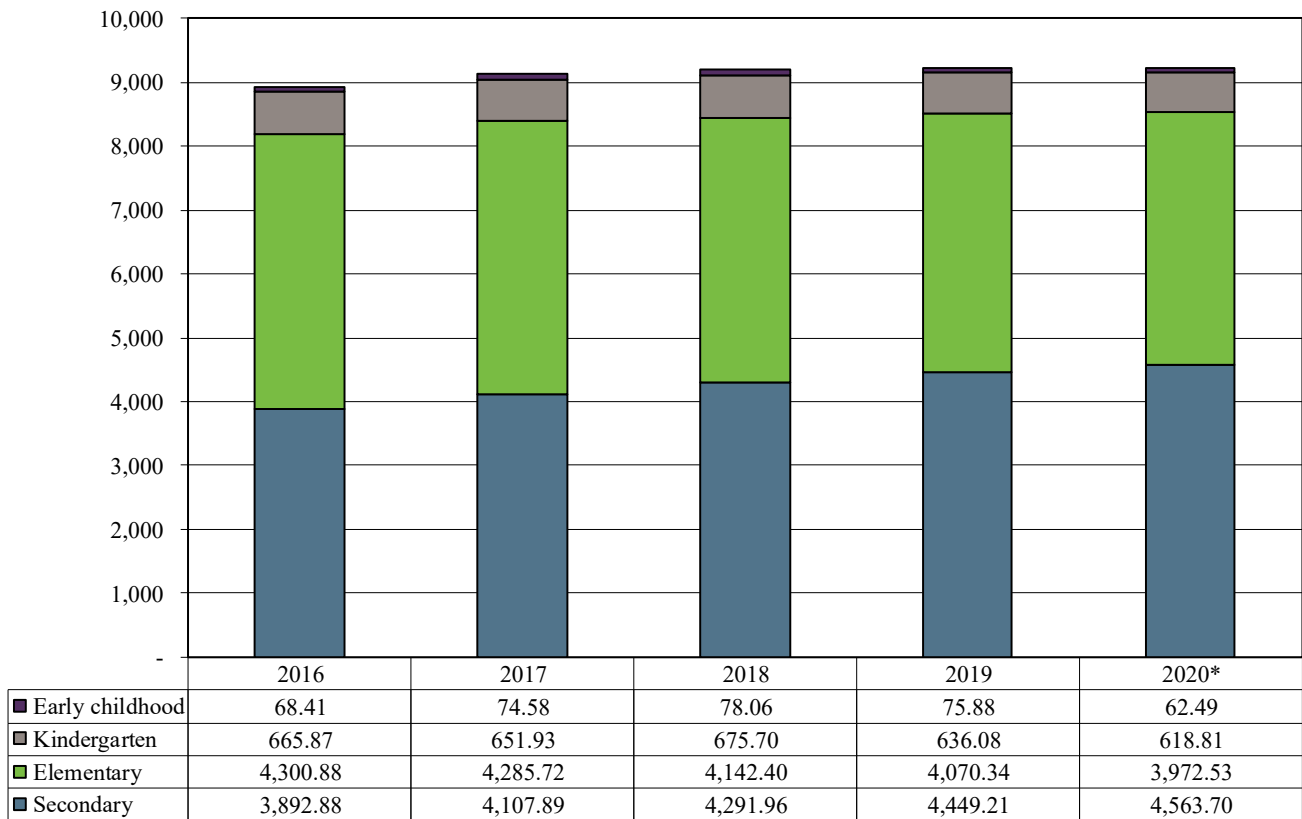
Independent School District No. 720 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

Approximately 80% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District for the past five years ended June 30.

Resident ADM	2016	2017	2018	2019	2020*
Early childhood	68.41	74.58	78.06	75.88	62.49
Kindergarten	665.87	651.93	675.70	636.08	618.81
Elementary	4,300.88	4,285.72	4,142.40	4,070.34	3,972.53
Secondary	3,892.88	4,107.89	4,291.96	4,449.21	4,563.70
Total Resident ADM	8,928.04	9,120.12	9,188.12	9,231.51	9,217.53

Resident ADM



*Estimate as of October 19, 2020

**Independent School District No. 720
Financial Analysis**

Average Daily Membership and Pupil Units (Continued)

The chart and graph on the previous page illustrate the steady increase in resident ADM experienced by the District over the past five years, with the exception of 2020. Total resident ADM has increased 3.2% since 2016 but decreased 0.2% between 2019 and 2020.

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table below.

	Pupil Units Weighting					
	Pre- Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal years 2016-2020	1.000	1.000	1.000	1.000	1.000	1.200

The total pupil units are converted to adjusted pupil units, which also may be used to calculate the District's education aids. Adjusted pupil units are calculated by multiplying 77% of current year pupil units and 23% of prior year, or 100% of current year, whichever is greater. The adjusted pupil unit data is used for districts with declining enrollment to lessen the negative impact.

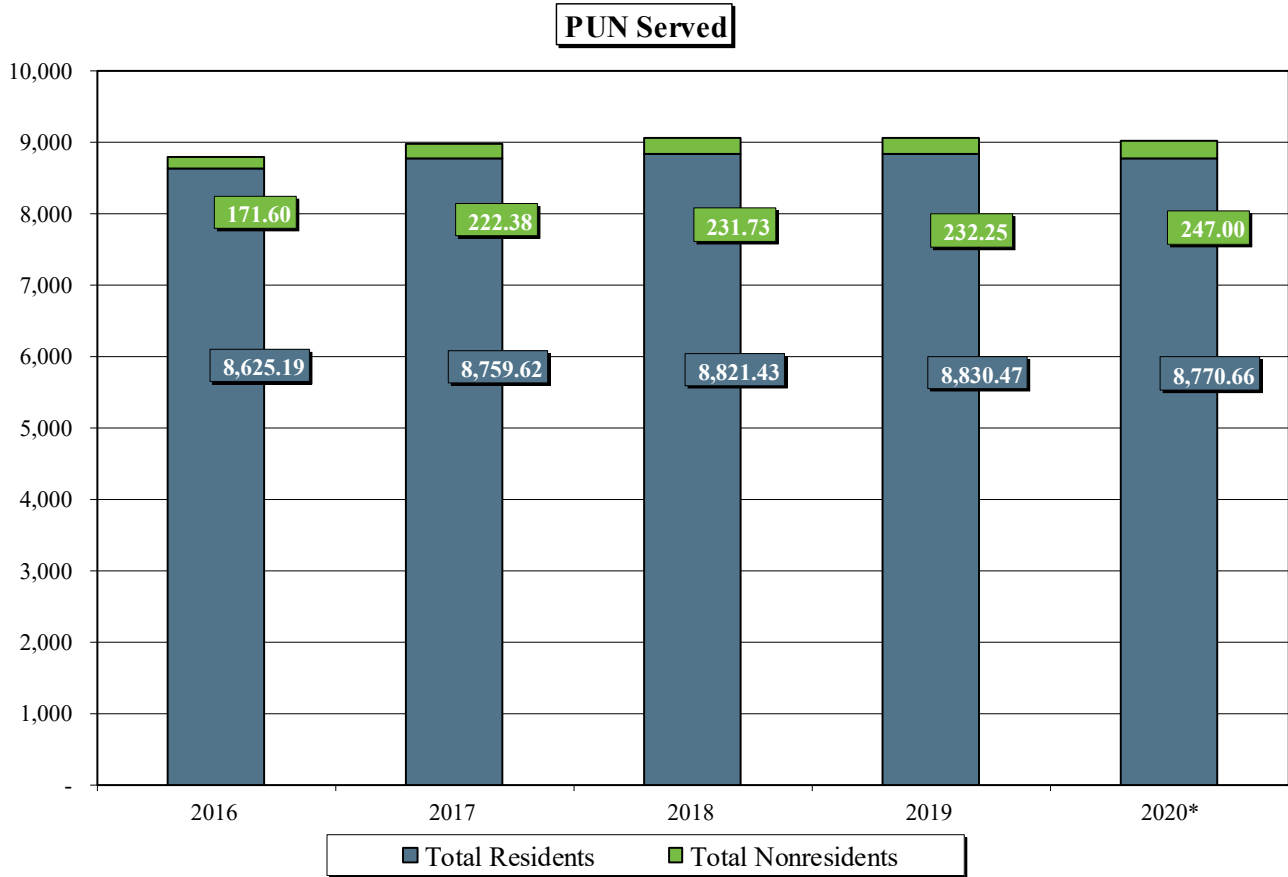
The pupil units (PUN) served table below and graph on the following page converts the resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

PUN	2016	2017	2018	2019	2020*
Residents	9,706.63	9,941.69	10,046.17	10,121.36	10,130.06
Resident PUN loss	(1,081.44)	(1,182.07)	(1,224.74)	(1,290.89)	(1,359.40)
Nonresident PUN gain	171.60	222.38	231.73	232.25	247.00
Total PUN Served	8,796.79	8,982.00	9,053.16	9,062.72	9,017.66

*Estimate as of October 19, 2020

**Independent School District No. 720
Financial Analysis**

Average Daily Membership and Pupil Units (Continued)



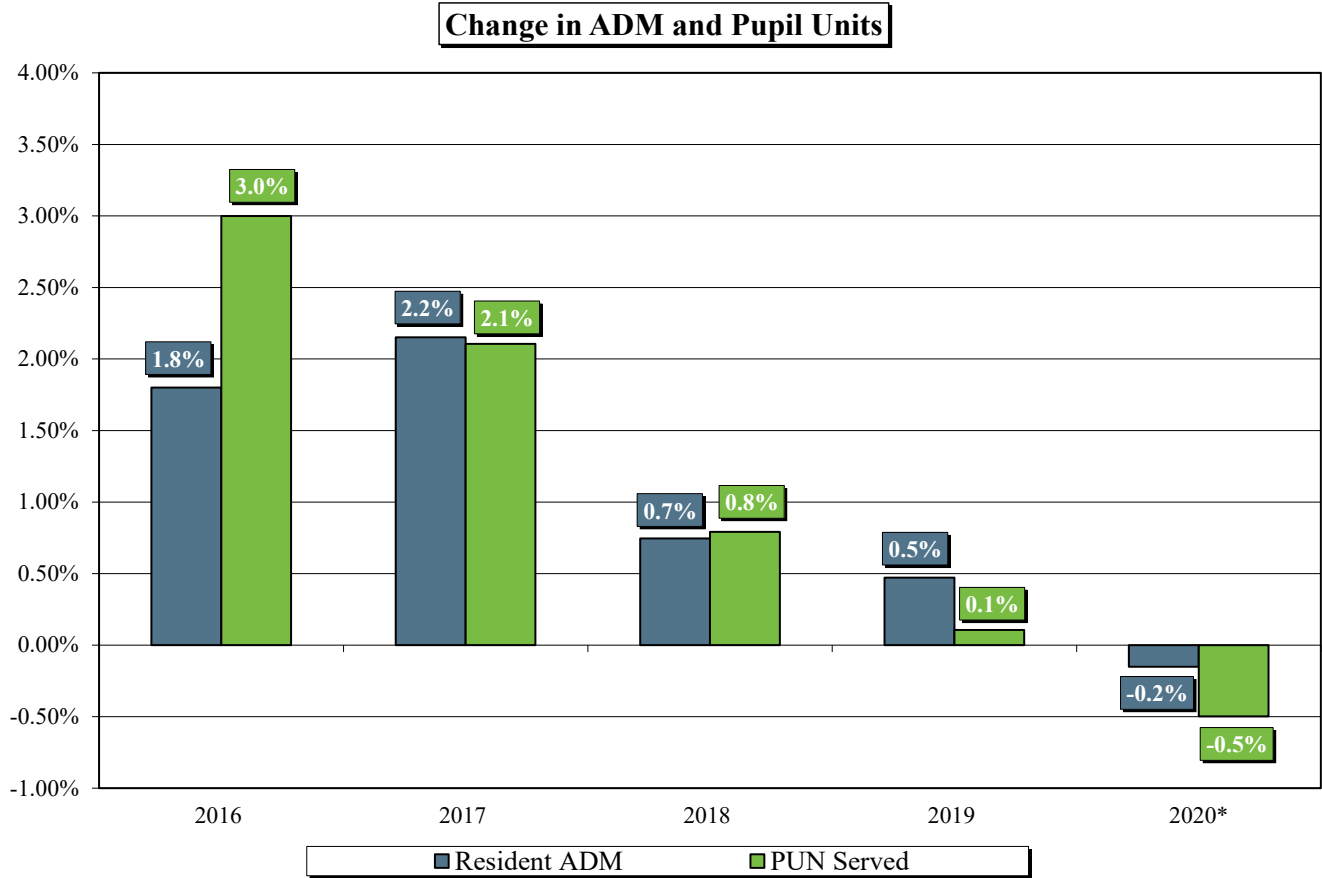
*Estimate as of October 19, 2020

Comparing 2019 to 2020, total PUN decreased 45.06, or 0.5%. Resident pupil units increased 0.1% and the effects of open enrollment loss increased 5.1%. Net losses in open enrollment totaled 1,112.40 in 2020, an increase from 1,058.64 in 2019.

Independent School District No. 720 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

The following graph illustrates the percentage change from year-to-year in resident ADM and PUN served.



*Estimate as of October 19, 2020

Independent School District No. 720 Financial Analysis

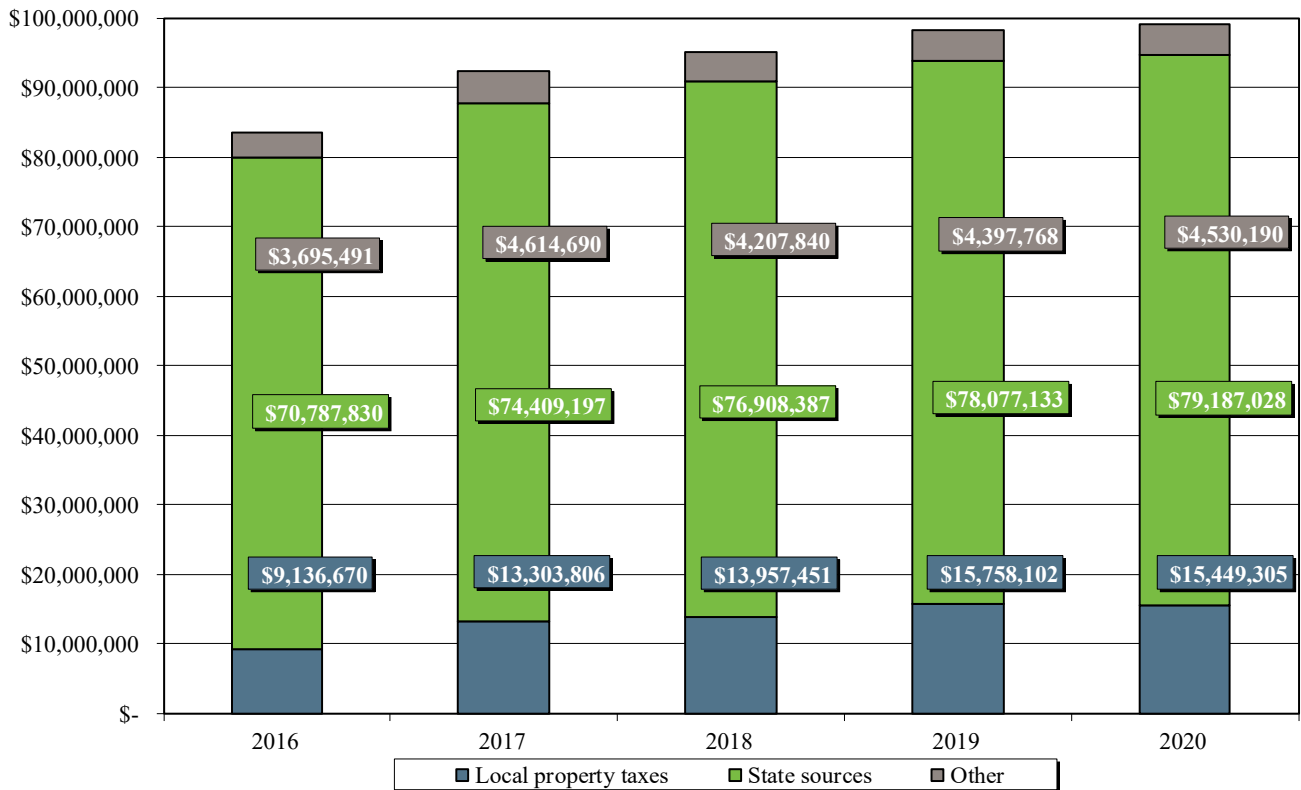
General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows for the last five years:

	2016	2017	2018	2019	2020
Local property taxes	\$ 9,136,670	\$ 13,303,806	\$ 13,957,451	\$ 15,758,102	\$ 15,449,305
State sources	70,787,830	74,409,197	76,908,387	78,077,133	79,187,028
Other	3,695,491	4,614,690	4,207,840	4,397,768	4,530,190
Total	\$ 83,619,991	\$ 92,327,693	\$ 95,073,678	\$ 98,233,003	\$ 99,166,523

State revenue sources represent 79.9% of the General Fund total revenue, with local taxpayers contributing 15.6% of the funding and federal and other sources making up the remaining 4.5%.

General Fund Sources of Revenue



Overall, General Fund revenue increased 1.0%, or \$933,520. Local property taxes decreased \$308,797 or 2.0% in 2020 primarily due to a decrease in the General Fund's share of the levy. Revenue from state sources increased \$1,109,895, or 1.4% in 2020 due to an increase of 2%, or \$126 per pupil unit, in the formula allowance for general education aid, offset by a decrease in PUN of 45.06 and a decrease in special education aid entitlement. Other revenues, which include local, county, and federal revenue remained relatively stable, increasing \$132,422, or 3.0%.

Independent School District No. 720
Financial Analysis

General Fund Budget and Actual

The chart below outlines the District's original and final budget and actual results for the General Fund. In June 2019, the District approved a General Fund revenue budget of \$99,281,024 and expenditure budget of \$100,285,499. There was an amendment made to the budget in February 2020, which decreased the General revenue to \$98,769,949 and decreased the General Fund expenditures to \$99,012,632.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 15,379,882	\$ 13,614,609	\$ 15,449,305	\$ 1,834,696
Other local and county revenues	1,742,938	2,192,938	2,063,169	(129,769)
Revenue from state sources	79,743,410	80,300,324	79,187,028	(1,113,296)
Revenue from federal sources	2,258,755	2,506,039	2,268,115	(237,924)
Sales and other conversion of assets	156,039	156,039	198,906	42,867
Total revenues	99,281,024	98,769,949	99,166,523	396,574
Expenditures				
Administration	5,335,384	5,537,988	5,325,972	(212,016)
District support services	2,423,611	2,408,124	2,544,099	135,975
Regular instruction	44,215,094	44,833,568	42,682,471	(2,151,097)
Vocational education instruction	902,661	978,402	921,898	(56,504)
Special education instruction	18,623,486	18,523,920	19,019,489	495,569
Instructional support services	10,382,368	10,229,614	10,508,616	279,002
Pupil support services	8,094,325	8,365,107	8,688,532	323,425
Sites and buildings	7,896,956	5,749,295	5,959,984	210,689
Fiscal and other fixed cost programs	215,000	190,000	353,795	163,795
Debt service	2,196,614	2,196,614	2,692,512	495,898
Total expenditures	100,285,499	99,012,632	98,697,368	(315,264)
Excess of revenues over (under) expenditures	(1,004,475)	(242,683)	469,155	711,838
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,200,000	1,139,662	1,266,100	126,438
Issuance of capital leases	1,000,000	1,000,000	1,362,995	362,995
Transfers out	-	(500,000)	-	500,000
Total other financing sources	2,200,000	1,639,662	2,629,095	989,433
Net change in fund balances	\$ 1,195,525	\$ 1,396,979	\$ 3,098,250	\$ 1,701,271

Independent School District No. 720
Financial Analysis

General Fund Budget and Actual (Continued)

In total, actual revenues were effectively right on budget, coming in \$396,574, or 0.4%, over budget. There were a couple variances among the different revenue sources. Property tax revenue came in \$1,834,696 over budget after reducing the budget by \$1,765,273 with the budget amendment. The budget was reduced in anticipation of revenue needing to move to the Debt Service Fund for the 2020 bond issuance, however, the revenue will remain in the General Fund to cover future LTFM expenditures. Revenues from state sources were \$1,113,296 under budget as a result of student enrollment being less than anticipated in the budget for state aids.

In total, actual expenditures were also effectively right on budget, coming in \$315,264, or 0.3%, under budget. The largest budget variance was in elementary and secondary regular instruction, which was \$2,151,097 under budget primarily as a result of conservative budgets for salaries and benefits, savings from not having substitute teachers while distance learning the last few months of the school year, and as a result of various positions that were not filled during the year, including some due to Covid-19.

**Independent School District No. 720
Financial Analysis**

Revenues Per Student (ADM) Served

General Fund revenues per student (ADM) served is summarized in the following table. In addition, tables for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Shakopee					
General Fund	2016*	2017*	2018*	2019*	2020**
Property taxes	\$ 1,108	\$ 1,587	\$ 1,661	\$ 1,870	\$ 1,864
Other local sources	220	255	243	272	273
State aid	8,702	8,916	9,178	9,329	9,553
Federal aid	250	314	273	277	274
Total General Fund Revenue	\$ 10,280	\$ 11,072	\$ 11,355	\$ 11,748	\$ 11,964

Seven-County Metro Area					
General Fund	2016*	2017*	2018*	2019*	2020**
Property taxes	\$ 2,342	\$ 2,516	\$ 2,638	\$ 2,796	N/A
Other local sources	392	423	433	454	N/A
State aid	9,357	9,387	9,625	9,885	N/A
Federal aid	447	480	474	499	N/A
Total General Fund Revenue	\$ 12,538	\$ 12,806	\$ 13,170	\$ 13,634	N/A

State-Wide					
General Fund	2016*	2017*	2018*	2019*	2020**
Property taxes	\$ 1,673	\$ 1,815	\$ 1,894	\$ 1,996	N/A
Other local sources	498	512	515	547	N/A
State aid	9,435	9,577	9,821	10,118	N/A
Federal aid	442	462	461	486	N/A
Total General Fund Revenue	\$ 12,048	\$ 12,366	\$ 12,691	\$ 13,147	N/A

* Source: *School District Profiles*

** Estimate as of October 19, 2020; seven county metro and state-wide averages are not available.

The mix of local and state revenues vary from year-to-year primarily based on funding formulas and the state's financial condition. The mix of revenue components from district to district varies due to factors such as the strength of property values, mix of property types, operating and bond referendums, enrollment trends, density of population, types of programs offered, and countless other criteria.

**Independent School District No. 720
Financial Analysis**

Expenditures Per Student (ADM) Served

General Fund expenditures by program per student (ADM) served is summarized in the following table. In addition, tables for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Shakopee					
General Fund	2016*	2017*	2018*	2019*	2020**
Administration and district support services	\$ 1,007	\$ 967	\$ 935	\$ 938	\$ 935
Elementary and secondary regular instruction	5,008	4,971	4,938	5,002	5,129
Vocational education instruction	92	104	76	103	110
Special education instruction	2,109	2,199	2,155	2,173	2,293
Instructional support services	742	979	846	861	973
Pupil support services	893	916	942	995	1,048
Sites and buildings	620	560	640	695	739
Capital expenditures	454	553	673	762	681
Total General Fund Expenditures	\$ 10,925	\$ 11,249	\$ 11,205	\$ 11,529	\$ 11,908

Seven-County Metro Area					
General Fund	2016*	2017*	2018*	2019*	2020**
Administration and district support services	\$ 958	\$ 996	\$ 1,045	\$ 1,078	N/A
Elementary and secondary regular instruction	5,849	5,887	5,976	6,112	N/A
Vocational education instruction	146	153	154	165	N/A
Special education instruction	2,330	2,334	2,418	2,505	N/A
Instructional support services	725	765	748	751	N/A
Pupil support services	1,104	1,165	1,209	1,282	N/A
Sites and buildings	847	871	896	907	N/A
Capital expenditures	532	592	636	675	N/A
Total General Fund Expenditures	\$ 12,491	\$ 12,763	\$ 13,082	\$ 13,475	N/A

State-Wide					
General Fund	2016*	2017*	2018*	2019*	2020**
Administration and district support services	\$ 1,016	\$ 1,049	\$ 1,091	\$ 1,123	N/A
Elementary and secondary regular instruction	5,428	5,499	5,602	5,743	N/A
Vocational education instruction	149	156	159	168	N/A
Special education instruction	2,179	2,231	2,315	2,403	N/A
Instructional support services	606	643	639	650	N/A
Pupil support services	1,021	1,076	1,122	1,182	N/A
Sites and buildings	879	894	924	950	N/A
Capital expenditures	677	701	743	806	N/A
Total General Fund Expenditures	\$ 11,955	\$ 12,249	\$ 12,595	\$ 13,025	N/A

* Source: *School District Profiles*

** Estimate as of October 19, 2020; seven county metro and state-wide averages are not available.

**Independent School District No. 720
Financial Analysis**

Expenditures Per Student (ADM) Served (Continued)

ADM served represents residents served in the District, residents attending elsewhere on tuition, and nonresidents served in the District both through open enrollment and tuition programs.

General Fund Expenditures by Program

General Fund expenditures by program are summarized in the following table:

	2016	2017	2018	2019	2020
Administration	\$ 5,827,880	\$ 5,730,782	\$ 5,497,411	\$ 5,039,533	\$ 5,325,972
District Support Services	2,079,390	2,178,543	1,994,119	2,373,319	2,544,099
Elementary and Secondary Regular Instruction	41,008,818	41,747,541	41,670,362	42,107,757	42,682,471
Vocational Education Instruction	749,015	870,273	634,351	869,311	921,898
Special Education Instruction	17,206,868	18,441,870	18,072,758	18,189,490	19,019,489
Instructional Support Services	8,824,679	12,323,870	8,356,016	10,668,490	10,508,616
Pupil Support Services	7,260,151	7,614,151	7,871,201	8,303,685	8,688,532
Sites and Buildings	5,937,614	6,252,053	7,680,480	8,691,161	5,959,984
Fiscal and Other Fixed Cost Programs	211,184	191,091	199,020	172,683	353,795
Debt Service	1,007,414	1,882,902	2,257,700	2,477,570	2,692,512
Total	\$ 90,113,013	\$ 97,233,076	\$ 94,233,418	\$ 98,892,999	\$ 98,697,368

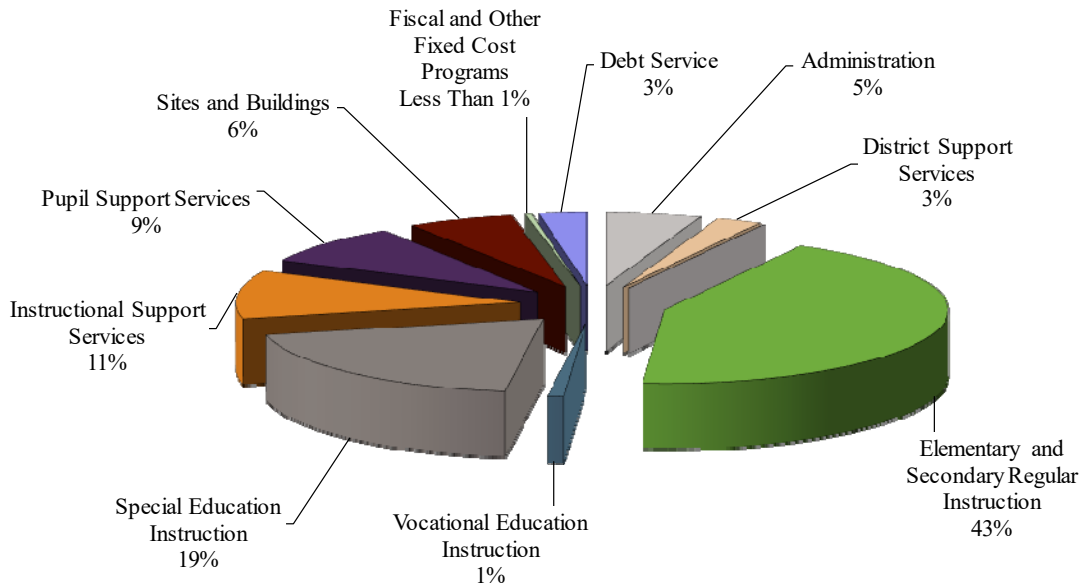
The District saw a \$195,631 decrease in General Fund expenditures from 2019 and 2020. Expenditures across all categories except for instructional support services and sites and buildings increased in 2020. The most significant increase was in special education instruction, which increased \$829,999, or 4.6%, primarily as a result of wage increases and an increase in speech and language service needs in fiscal year 2020. Elementary and regular instruction increased \$574,714 primarily as a result of wage increases and student activities being moved to board control. Pupil support services increased \$384,847 as a result of an increase in the transportation contract costs. The most significant decrease was in sites and buildings, which decreased \$2,731,177, or 31.4%, as a result of there being significant long-term facilities maintenance (LTFM) projects in fiscal year 2019 related to interior surfaces and mechanical systems projects. In fiscal year 2020, there were no significant LTFM projects in the General Fund. Instructional support services is the other category that decreased. Instructional support services expenditures decreased \$159,874, or 1.5%, primarily as a result of new Apple leases in 2019, which resulted in the recognition of \$2,474,300 in expenditures in 2019. There were also two new Apple leases in 2020 as well, however, the total amount of those leases was \$1,362,995. All other expenditure categories were relatively consistent with the prior year.

Independent School District No. 720 Financial Analysis

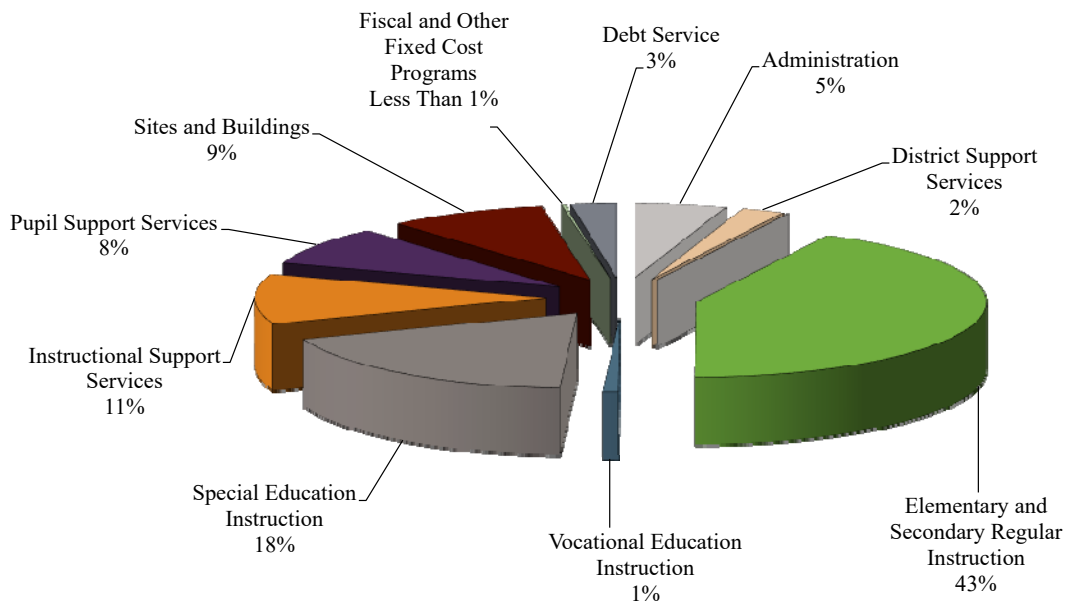
General Fund Expenditures

The graphs below depict the percentage of expenditures by program in the General Fund for 2019 and 2020. Expenditures remained consistent, decreasing \$195,631 from 2019 to 2020 while the allocation of expenditures changed slightly as a result of the variances discussed on the previous page.

2020



2019



Independent School District No. 720
Financial Analysis

General Fund Operations

The following table presents five years of comparative operating results for the District's General Fund:

	2016	2017	2018*	2019*	2020*
Revenues	\$ 83,619,991	\$ 92,327,693	\$ 95,073,678	\$ 98,233,003	\$ 99,166,523
Expenditures	90,113,013	97,233,076	94,233,448	98,892,999	98,697,368
Excess of revenues over (under) expenditures	(6,493,022)	(4,905,383)	840,230	(659,996)	469,155
Transfers/other financing sources	1,239,504	3,451,632	926,149	2,662,538	2,629,095
Fund balance, July 1	7,774,523	2,521,005	1,067,254	2,833,633	4,836,175
Change in accounting principle	-	-	-	-	544,092
Fund Balance, June 30	\$ 2,521,005	\$ 1,067,254	\$ 2,833,633	\$ 4,836,175	\$ 8,478,517

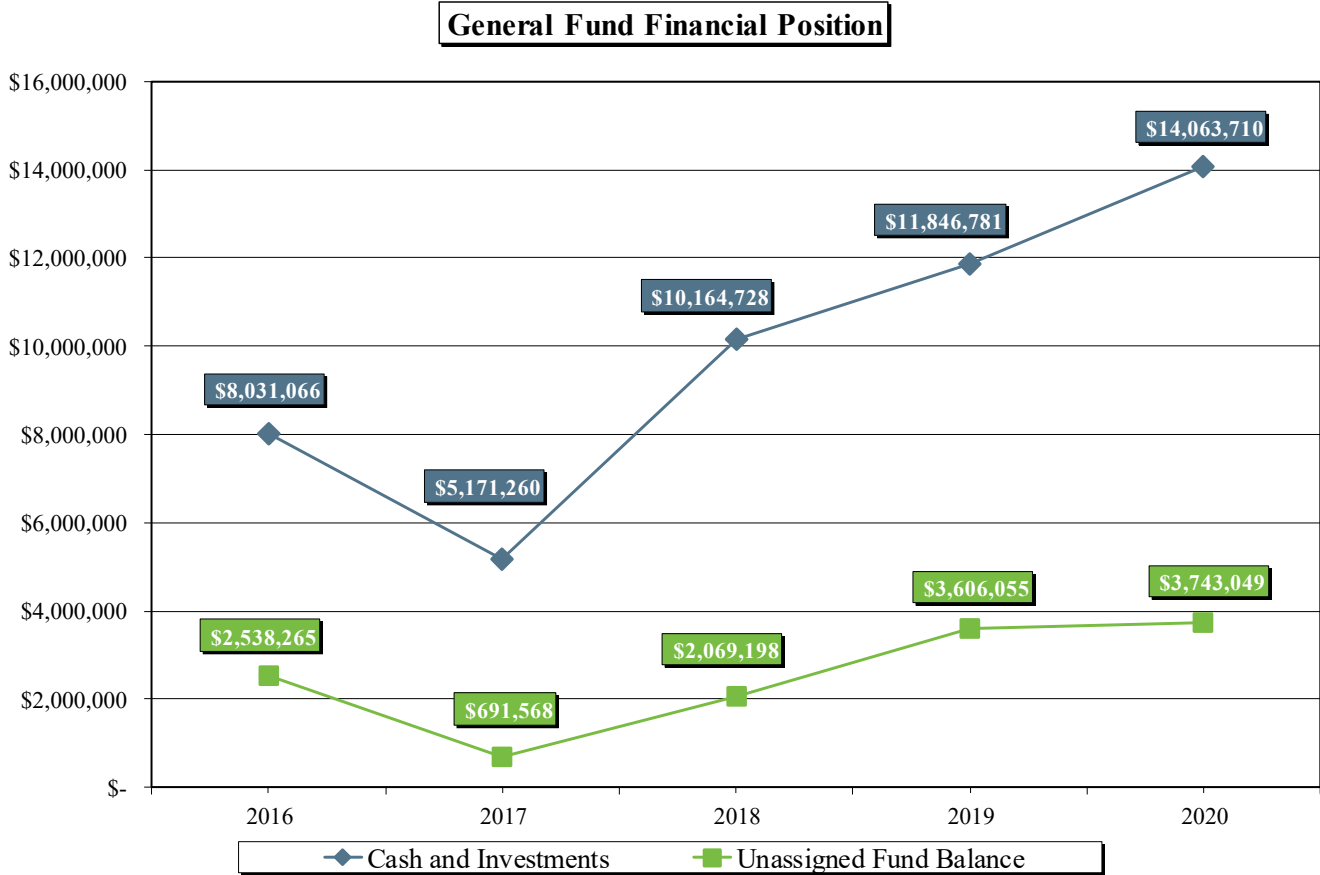
Components of Fund Balance					
Nonspendable	\$ 115,556	\$ 657,884	\$ 208,934	\$ 245,117	\$ 26,816
Restricted for					
Student Activities	-	-	-	-	398,729
Capital projects levy*	(479,477)	(303,080)	(106,858)	112,719	-
Health and safety*	(894,373)	-	-	-	-
Achievement and integration	-	-	-	288	-
Safe schools levy*	-	-	-	(7,172)	473,196
Long-term facilities maintenance*	-	-	(378,012)	(154,088)	2,076,566
Operating capital	1,241,034	-	702,109	728,530	1,550,096
Medical assistance	-	-	152,874	37,496	-
Assigned	-	20,882	185,388	267,230	210,065
Unassigned	2,538,265	691,568	2,069,198	3,606,055	3,743,049
Total	\$ 2,521,005	\$ 1,067,254	\$ 2,833,633	\$ 4,836,175	\$ 8,478,517

Unassigned Fund Balance as a Percentage of Expenditures	2.8%	0.7%	2.2%	3.6%	3.8%
--	------	------	------	------	------

* The negative UFARS restrictions are reclassified to unassigned fund balance on the face of the financial statements to be in accordance with accounting principles generally accepted in the United States of America.

Independent School District No. 720 Financial Analysis

General Fund Financial Position



Over the course of the five year-ends presented, the General Fund cash and investment balance increased \$6,032,644, while total unassigned fund balance increased \$1,204,784. Cash and unassigned fund balance increased \$2,216,929 and \$136,994, respectively, in 2020 due to revenues and other financing sources exceeding expenditures.

Independent School District No. 720 Financial Analysis

Food Service Fund

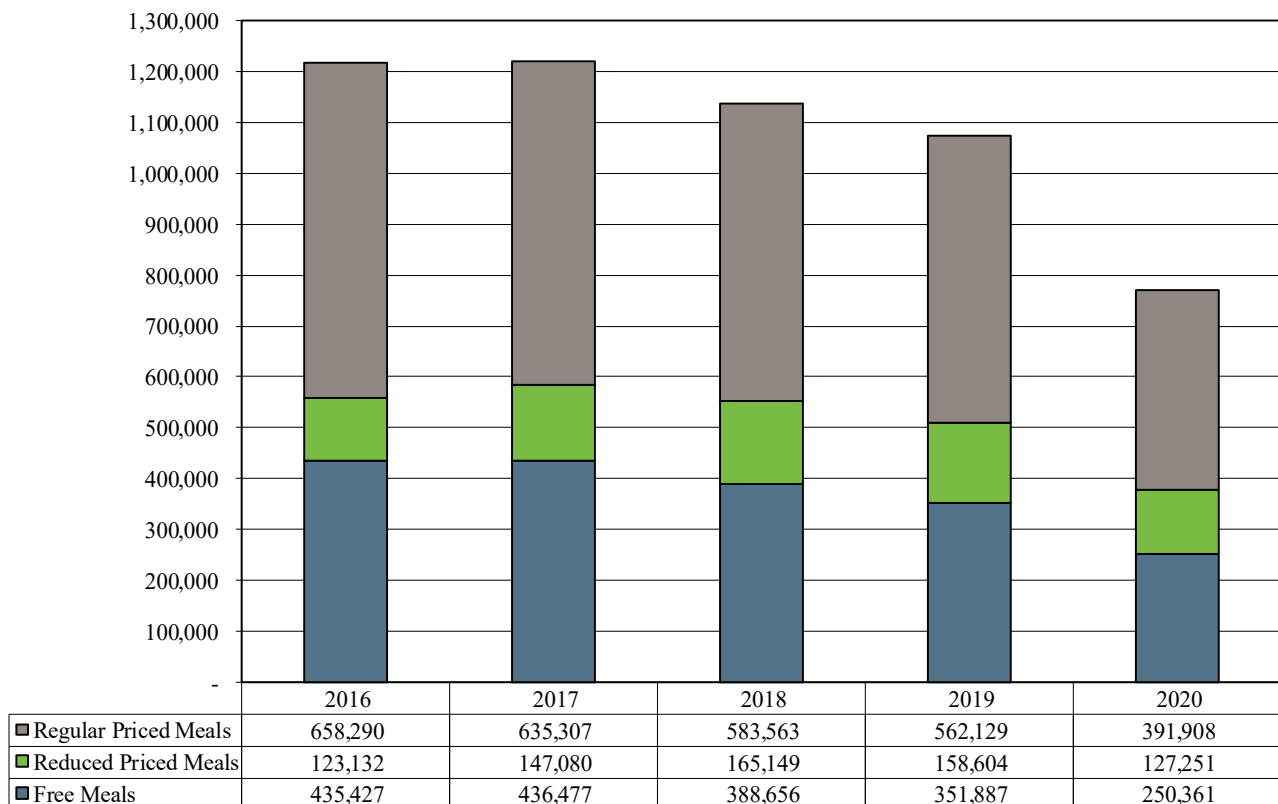
The following table presents five years of comparative operating results for the District's Food Service Fund:

Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 4,409,632	\$ 4,544,864	\$ 4,477,075	\$ 4,381,114	\$ 4,087,377
Expenditures	4,186,026	4,566,784	4,454,642	4,298,637	4,331,833
Excess of revenues over (under) expenditures	223,606	(21,920)	22,433	82,477	(244,456)
Fund balance, July 1	450,436	674,042	652,122	674,555	757,032
Fund Balance, June 30	\$ 674,042	\$ 652,122	\$ 674,555	\$ 757,032	\$ 512,576

Food service revenues decreased \$293,737, or 6.7% as a result of a decrease in sales due to Covid-19 and students beginning distance learning in March 2020 through the end of the school year. Expenditures remained relatively consistent with the prior year, increasing \$33,196, or 0.8%. The 2020 activity in the Food Service Fund resulted in a fund balance decrease to \$512,576, which is 11.8% of expenditures or just over one month of expenditures based on a nine-month operating year.

The chart below reflects the number and type of meals served to students over the past five years.

Meals Served to Students



* Source: *Food and Nutrition Services: District Financial Report* by the MDE

The total number of meals served decreased from 2019 to 2020 as a result of Covid-19.

**Independent School District No. 720
Financial Analysis**

Food Service Fund Revenues and Expenditures Per ADM Served

Food Service Fund expenditures and revenues per student (ADM) served are summarized in the following table. In addition, statistical data for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Revenues					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 542	\$ 547	\$ 536	\$ 526	\$ 493
State-wide	543	554	553	553	N/A
Seven county metro area	545	557	554	556	N/A

Expenditures					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 515	\$ 550	\$ 533	\$ 516	\$ 523
State-wide	539	546	550	559	N/A
Seven county metro area	539	545	546	556	N/A

* Source: *School District Profiles*

** Estimate as of October 19, 2020; seven county metro area and state-wide averages are not available.

Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

	2016	2017	2018	2019	2020
Revenues	\$ 2,338,577	\$ 2,760,027	\$ 2,793,651	\$ 2,800,117	\$ 2,644,153
Expenditures	2,250,884	2,670,134	2,705,633	2,700,825	2,769,207
Excess of revenues over (under) expenditures	87,693	89,893	88,018	99,292	(125,054)
Fund balance, July 1	12,681	100,374	190,267	278,285	377,577
Fund Balance, June 30	\$ 100,374	\$ 190,267	\$ 278,285	\$ 377,577	\$ 252,523

Components of Fund Balance					
Restricted for					
Community Education	\$ (17,867)	\$ (153,567)	\$ (179,501)	\$ (45,220)	\$ (184,444)
ECFE	55,576	120,562	136,180	82,014	158,623
School Readiness	62,665	223,272	321,606	340,783	278,344
Total	\$ 100,374	\$ 190,267	\$ 278,285	\$ 377,577	\$ 252,523

Expenditures exceeded revenues for the first time in the five years presented. During 2020, revenues decreased \$155,964, or 5.6%, while expenditures increased \$68,382, or 2.5%. The decrease in revenue is the result of programs not occurring during the last part of the year as a result of Covid-19.

**Independent School District No. 720
Financial Analysis**

Community Service Fund Revenues and Expenditures Per ADM Served

Community Service Fund expenditures and revenues per student (ADM) served are summarized in the following table. In addition, statistical data for the seven-county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Revenues					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 287	\$ 332	\$ 334	\$ 336	\$ 319
State-wide	562	595	607	638	N/A
Seven county metro area	692	733	752	797	N/A

Expenditures					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 277	\$ 321	\$ 323	\$ 324	\$ 334
State-wide	550	579	606	638	N/A
Seven county metro area	676	713	750	799	N/A

* Source: *School District Profiles*

** Estimate as of October 19, 2020; seven county metro area and state-wide averages are not available.

**Independent School District No. 720
Financial Analysis**

Debt Service Fund Revenues and Expenditures Per ADM Served

Debt Service Fund expenditures and revenues per student (ADM) served are summarized in the following table. In addition, statistical data for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Revenues					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 1,601	\$ 2,452	\$ 2,459	\$ 2,607	\$ 2,899
State-wide	991	1,050	1,056	1,146	N/A
Seven county metro area	1,084	1,118	1,120	1,287	N/A

Expenditures					
	2016*	2017*	2018*	2019*	2020**
Shakopee	\$ 1,916	\$ 2,381	\$ 4,579	\$ 2,579	\$ 2,748
State-wide	1,433	1,275	1,224	1,225	N/A
Seven county metro area	1,453	1,323	1,230	1,308	N/A

* Source: *School District Profiles*

** Estimate as of October 19, 2020; seven county metro area and state-wide averages are not available.

Independent School District No. 720 Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

State Aid Appropriations

The formula allowance for 2020 General Education Aid was increased \$126 (2%) to \$6,438. For 2021, the formula allowance is set at \$6,567, which is an increase of \$129, or 2%.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Funding provided includes Governor's Emergency Education Relief (GEER) funding totaling \$38.1 million to MDE to be used for technology and summer school programming. Elementary and Secondary School Emergency Relief (ESSER) funding totaling \$140.1 million is 90% allocated based on 2020 Title I, part A allocations and 9.5% is allocated as grants, with the remaining 0.5% available for administration. Child Nutrition Grants to States funding totaled \$160.3 million.

Compensatory Revenue

A percentage of the total compensatory revenue must be used for extended time activities. This percentage was 5.5% for 2020. For 2021 and later, this restriction was eliminated.

Special Education

Beginning for 2020, cross subsidy reduction aid was established as a new component of the special education aid formula. Cross subsidy reduction aid is a percentage of each district's initial cross subsidy for the prior fiscal year – 2.6% for 2020 and 6.43% for 2021 and later. The tuition rate paid by the resident school district for open enrolled special education students served by another district or charter school was reduced from 90% to 85% of unfunded costs for 2020 and will be reduced to 80% for 2021 and later.

For 2020, the special education aid cap was increased to the greater of the current cap or the sum of 56% of current year special education program costs plus 100% of current year special education transportation cost plus the tuition adjustment. For 2021 and later, the cap is eliminated.

Beginning in 2021, the pupil-driven portion of the initial special education aid formula will reflect 2018 data.

The special education hold harmless guarantee was limited to the sum of 90% in 2020, and will be limited to 85% in 2021, 80% in 2022, and 75% in 2023 and later, of current year special education program costs plus 100% of special transportation costs plus the tuition adjustment. The annual inflation adjustment used in the calculation of the hold harmless will be reduced by 0.2% per year from 4.4% in 2021 until the inflation adjustment reaches 2.0%.

Formula Adjustments in Response to COVID-19

Special education 2020 expenditures for employees and contracted services that would have been eligible for state aid in the absence of school closures due to COVID-19 must be included as eligible expenditures for the calculation of special education aid and for tuition billing, regardless of whether special education services were actually provided during the closure. State aid savings due to lower meal counts for regular school food service programs are reallocated on a per meal served basis to school providing summer food service meals between March 6, 2020 and June 30, 2020.

Independent School District No. 720 Legislative Summary

Formula Adjustments in Response to COVID-19 (Continued)

MDE is authorized to adjust reimbursement rate for career and technical expenditures to ensure the full expected amount of funding is distributed to schools. Expenditures for individuals who were essential personnel prior to March 13, 2020, and would have been eligible to generate revenue in the absence of school closures due to COVID-19 may be included as eligible expenditures for the calculation of revenue, regardless of whether services were actually provided during the closure.

MDE may adjust 2020 transportation expenditures used to determine future aid to ensure the full amount of transportation aid, and interdistrict desegregation or integration transportation aid is equitable amount districts.

MDE may recalculate the contact hour reimbursement rate for 2021 or otherwise adjust the formula to fully spend the estimated adult basic education aid.

Tests administered during the 2019-2020 school year are excluded from the three-year averages used in computing literacy incentive aid for fiscal years 2021, 2022, and 2023, and allows the commissions to adjust formula rates for these years to ensure total aid does not fall below the amount estimated in the February 2020 forecast.

School age care revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, continues at its approved amounts. Program funds may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

After-school enrichment revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

Early childhood screening aid for fiscal years 2020 and 2021 will be calculated using the formula amounts set in statute for each age group and the 2018-2019 school year counts of children screened for each age group.

School districts may carry over any unspent achievement and integration funds from its approved budget for fiscal year 2020 into 2021. If spent for approved purposes in fiscal year 2021, the district would generate additional 2021 revenue over and above the regular formula limitations.

Operating Referendum and Local Option Revenue (LOR) Simplification

For fiscal year 2021, the annual recalculation of referendum allowances approved before 2014 based on the amount of LOR a district opts to receive is eliminated. \$300 per pupil unit of referendum revenue is transferred to LOR and the board approved referendum is eliminated. To ensure there is no change in revenue, aid, or levy for any district, a two-tiered levy for LOR is created; Tier 1 of LOR replaces Tier 1 of the referendum. The referendum cap is reduced by \$300 to neutralize the impact of the \$300 transfer to LOR.

Independent School District No. 720 Legislative Summary

Fund Transfers

Emergency Executive Order allows a school district, charter school, or cooperative unit to make operating fund and account transfers for fiscal years 2020 and 2021 for certain costs related to care, transportation, technology, and for certain community service and food service salaries and benefits. Amounts transferred must not be already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law. Fund or account transfers must be neutral for the district and not affect aid or levy revenues. Board approval is required, and transfers must be made prior to the UFARS reporting deadline for the fiscal year.

Debt Service Relief

For fiscal year 2021, districts unable to make required debt service payments because of an anticipated delay in property tax receipts may apply for modified cash flow payments under Minnesota Statutes, section 127A.45. The Commissioner of Education may adjust the timing of IDEAS state aid payments.

Property Tax Bill

Effective for taxes payable in 2018, there will be a property tax credit on all property classified as agricultural. The credit will be equal to 40% of the tax on the property attributable to school district bonded debt levies. The credit is increased to 50% for taxes payable in 2020, 55% for taxes payable in 2021, 60% for taxes payable in 2022, and 70% for taxes payable in 2023 and thereafter. Estimated property tax relief totals \$10.9 million for pay 2020, \$18.2 million for pay 2021, and \$27.2 million for pay 2022.

Effective for 2021, the equalizing factor for tier 2 of the operating referendum was increased from \$510,000 to \$567,000. For 2021, property tax relief totals \$9.4 million.

Safe Schools Supplemental Aid

Funding is contingent based on the 2019 closing balance and will be up to \$30 million. The aid was allocated among districts and charter schools based on total adjusted ADMs for 2018. The one-time aid was paid out on the October 30, 2019 IDEAS payment. Aid must be used for the same purposes as the safe schools levy.

Voluntary Prekindergarten (VPK)/School Readiness Plus

For 2020 and 2021 only, the 4,000 seats currently expiring after 2019 will continue to be funded.

Pension Bill

Augmentation has been eliminated for TRA members after December 31, 2017, and early retirement subsidies have been phased out.

Post-retirement cost of living adjustments (COLAs) have been reduced –

- 1) TRA – lowers the COLA from 2% to 1% for five years; then the rate will increase by 0.1% each year until it reaches 1.5%
- 2) PERA – the increase will be 50% of the increase for Social Security announced January 1, but not less than 0.5% or more than 1.5%
- 3) Defers commencement of COLA for early retirees

Independent School District No. 720
Legislative Summary

Pension Bill (Continued)

The rate of interest paid on refunds of employee contributions to former employees has been reduced from 4% to 3%. TRA required contributions have increased to 7.75% for employees effective for fiscal year 2024. Required employer contributions will increase 0.21% for fiscal year 2019 to fiscal year 2023 and 0.2% in fiscal year 2024 until a required contribution rate of 8.75% is reached.

Pension adjustment revenue will increase to match the required contribution increases.

Independent School District No. 720 Emerging Issue

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and their applicability to your District.

Accounting Standard Update – GASB Statement No. 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Independent School District No. 720
Emerging Issues

Accounting Standard Update – GASB Statement No. 87 – *Leases* (Continued)

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**Independent School District No. 720
Shakopee, Minnesota**

**Reports on *Government Auditing
Standards*, the Uniform Guidance,
and Minnesota Legal Compliance**

June 30, 2020

Independent School District No. 720
Table of Contents

Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	5
Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance	8
Minnesota Legal Compliance	13
Schedule of Findings and Corrective Action Plans on Legal Compliance	14

Independent School District No. 720
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Agency/Pass Through Agency/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Program	10.555	\$ 311,153
School Breakfast	10.553	217,313
Type A Lunch	10.555	1,070,110
Special Milk	10.556	11,277
Summer Food Service	10.559	<u>497,519</u>
Total Child Nutrition Cluster and U.S. Department of Agriculture		2,107,372
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	554,337
Title III, Part A - English Language Acquisition	84.365	120,946
Title IV, Part A - Safe And Drug Free Schools	84.186	20,080
Title II, Part A - Supporting Effective Instruction	84.367	159,053
Special Education Cluster		
Special Education	84.027	1,294,517
Disabled Early Education	84.173	<u>13,388</u>
Total Special Education Cluster		<u>1,307,905</u>
Special Education - Infants and Toddlers	84.181	40,612
Through Southwest Metro Educational Cooperative		
Carl Perkins	84.048A	18,997
Direct		
Indian Education - Grants to Local Educational Agencies	84.060	<u>38,112</u>
Total U.S Department of Education		<u>2,260,042</u>
Total Federal Expenditures		<u>\$ 4,367,414</u>

Independent School District No. 720
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10% de minimis indirect cost rate.

**Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance as Audit Finding 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

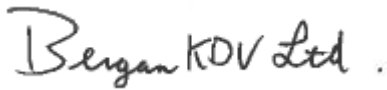
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

District's Response to the Finding

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

Purpose of this Report

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



Minneapolis, Minnesota
November 16, 2020

**Report on Compliance for Each Major Federal Program and on Internal Control
over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 720's, Shakopee, Minnesota compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 720 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance as Audit Finding 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

Report on Internal Control over Compliance (Continued)

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 16, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Minneapolis, Minnesota
November 16, 2020

**Independent School District No. 720
Schedule of Findings and Questioned Costs in
Accordance with the Uniform Guidance
June 30, 2020**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 2020-001
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516	Yes, Audit Finding 2020-002

Identification of Major Programs

CFDA No.:	10.553, 10.555, 10.556, 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

**Independent School District No. 720
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance
June 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001 – Lack of Segregation of Accounting Duties

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended June 30, 2020, the District had a lack of segregation of accounting duties.

This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Director of Finance and Operations has access to all areas of the accounting system.
- A single individual has the ability to receipt money, prepare the deposit, take the deposit to the bank, and record the receipt in the general ledger.
- The Accountant enters capital asset additions and disposals, monitors and reviews asset lives and depreciation in the system, and maintains the master asset listing.
- The Accounts Payable Specialist reviews invoices, enters invoices in the system, and prints checks.
- The Payroll Specialist has the ability to enter time for an employee, prepare the payroll checks, and print checks.
- There is no formal documentation of the review of monthly bank reconciliations.

The District has implemented periodic spot checks of accounts payable and payroll to review activity after checks have been run. This helps mitigate the risk associated with the lack of segregation of accounting duties, but it does not eliminate the risk.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are overlapping responsibilities and a breakdown in the control procedures occurred where the execution of the control was not adequate.

**Independent School District No. 720
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance
June 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2020-001 – Lack of Segregation of Accounting Duties (Continued)

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

Several controls were added December 1, 2010 in the Business Office to address the findings; including: The Accounting Specialist verifies a sample of information for each payroll. He will verify the information to the pay check document and initial the forms he reviews. The Director of Finance and Operations will continue to review gross and net pay reports for reasonableness compared to prior pay periods.

The Accounting Specialist will review the work of the Accounts Payable Clerk. He will take a sample of 10 items per check run and verify the documentation to the final check that will be mailed. The Director of Finance will continue to review total reports for reasonableness compared to prior months and prior years.

In addition to the controls added in December 2010, the Director of Finance and Operations will continue to review the operational reports of the departments for reasonableness. The Director of Finance and Operations will also continue to discuss with the departments, colleagues, and auditors to determine best practices with the limited staff available and implement changes that are economically feasible.

In addition, the District will take the following actions to remove the findings:

- Involve other members of Finance in the receipting process to prevent one person being responsible for all functions
- Perform a thorough review of our current process with the auditors and address areas of concern
- Effective October 11, 2017, the P card manual was revised to capture areas of risk in the P card process. Revisions included setting firm deadlines for turning in statements, defining required documentation and clarifying authorization requirements. In addition, procedures were established for handling non-compliance with the P card manual.

**Independent School District No. 720
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance
June 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2020-001 – Lack of Segregation of Accounting Duties (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

2. Actions Planned in Response to Finding (Continued)

- Staff are empowered to question expenditures. The District will develop and communicate channels of communication in the event that an employee has an incident to report for which they do not feel they are being heard.

3. Official Responsible for Ensuring CAP

William Menozzi, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The CAP will be monitored continually by the Director of Finance and Operations.

5. Plan to Monitor Completion of CAP

The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding 2020-002 – Paid Lunch Equity

Criteria or Specific Requirement:

An entity participating in the national school lunch program is required to ensure that sufficient funds are provided to its food service accounts from lunches served to student not eligible for free or reduced-price meals.

Condition:

During the year ended June 30, 2020, the District did not complete the paid lunch equity calculation to ensure they are charging enough to provide sufficient funds to its food service accounts from lunches served to students not eligible for free or reduced-price meals.

Context:

This finding impacts the District's compliance with the child nutrition program.

Questioned Costs:

None.

**Independent School District No. 720
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance
June 30, 2020**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2020-002 – Paid Lunch Equity (Continued)

Effect or Potential Effect:

The lack of completion of the paid lunch equity calculation could result in the District not providing sufficient funds to its food service accounts.

Cause:

The District has generally increased their meal prices the maximum amount allowed each year so the calculation was not necessary. Meal prices were not increased in fiscal year 2020 so the paid lunch equity calculation should have been completed to ensure meal prices were sufficient.

Recommendation:

We recommend the District ensure the paid lunch equity calculation is completed each year.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The Paid Lunch Equity calculation is typically completed by business office and food service administration during the fall. The calculation was not completed in the fall of 2019 for the 2019-20 fiscal year. The calculation was completed in the fall of 2020 for the 2020-21 fiscal year. As such, administration is confident this will not be a recurring issue going forward.
3. Official Responsible for Ensuring CAP
William Menozzi, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The CAP will be monitored continually by the Director of Finance and Operations.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, and have issued our report thereon dated November 16, 2020.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

Bergan KDV Ltd.

Minneapolis, Minnesota
 November 16, 2020

**Independent School District No. 720
Schedule of Findings and Corrective Action Plans
on Legal Compliance**

PRIOR YEAR LEGAL COMPLIANCE FINDING:

Eliminate Old Outstanding Checks:

According to *Minnesota Statutes* 345.38-.43, if the local government's records show unclaimed property over \$100 for more than three years, the property should be reported and paid or delivered to the State Commissioner of Commerce.

During our prior year audit, we noted outstanding checks over \$100 and more than three years old included as reconciling items on the bank reconciliation.

CORRECTIVE ACTION TAKEN:

The District has reported unclaimed property to the state as defined in statute.



**General Fund -
October 31, 2020**

**REVENUE & EXPENDITURE
SUMMARY BY SOURCE,
OBJECT SERIES**

REVENUE

REVENUE CATEGORIES	6/30/2019	6/30/2020	FY 21 Budget	FY21 Received YTD	Budget Remaining	10/31/2020	10/31/2019	10/31/2018
						% Budget Received	% Actuals Received	% Actuals Received
STATE	78,149,997	79,187,028	81,105,634	18,064,446	63,041,188	22.27%	22.04%	21.24%
FEDERAL	2,258,755	2,197,064	2,500,000	2,171	2,497,829	0.09%	0.36%	0.01%
PROPERTY TAXES	15,769,200	15,449,305	13,737,213	9,212,199	4,525,014	67.06%	88.64%	92.39%
LOCAL (FEES, INTEREST, ETC.)	1,948,812	2,876,567	1,958,157	625,680	1,332,477	31.95%	27.29%	31.44%
TOTALS	98,126,764	99,709,964	99,301,004	27,904,496	71,396,508	28.10%	32.03%	32.39%

EXPENDITURES

OBJECT SERIES	6/30/2019	6/30/2020	FY 21 Budget	Expended YTD	Budget Remaining	% Budget Spent	% Actuals Spent	% Actuals Spent
						% Budget Spent	% Actuals Spent	% Actuals Spent
SALARIES & WAGES	57,742,891	58,086,888	60,831,005	13,383,013	47,447,992	22.00%	21.98%	21.70%
EMPLOYEE BENEFITS	17,255,583	17,388,704	20,228,955	4,145,298	16,083,657	20.49%	20.99%	20.72%
PURCHASED SERVICES	13,024,331	12,626,980	12,797,387	2,287,373	10,510,014	17.87%	17.66%	16.22%
SUPPLIES	2,951,966	2,605,653	2,739,242	1,058,560	1,680,681	38.64%	51.67%	38.45%
EQUIPMENT	5,716,431	4,717,614	4,165,936	2,353,653	1,812,283	56.50%	73.75%	40.43%
OTHER EXPENDITURES	796,608	598,192	1,080,749	156,065	924,685	14.44%	19.23%	14.38%
TOTALS	97,487,810	96,024,031	101,843,274	23,383,962	78,459,312	22.96%	24.56%	22.34%

Revenue over (under) Expenditures: 638,954 3,685,933 (2,542,270)

	Actual June 30, 2019	DRAFT 11/18/20 ACTUAL JUNE 30, 2020	BUDGET 2020-21 PROJECTED JUNE 30, 2021
Non Spendable Fund Balance	245,117	26,816	26,816
Restricted Fund Balance	717,773	4,498,587	4,498,587
Assigned Fund Balance	267,230	210,065	210,065
Unassigned Fund Balance	3,606,058	3,743,051	1,200,781
Total Fund Balance	4,836,178	8,478,519	5,936,249

Adopted: _____

MSBA/MASA Model Policy 419

Orig. 1995

Revised: _____

Rev. 20192020

419 TOBACCO-FREE ENVIRONMENT; POSSESSION AND USE OF TOBACCO, TOBACCO-RELATED DEVICES, AND ELECTRONIC DELIVERY DEVICES; VAPING AWARENESS AND PREVENTION AND INSTRUCTION EDUCATION

[Note: School districts are not required by statute to have a policy addressing these issues. However, Minn. Stat. § 144.416 requires that entities that control public places must make reasonable efforts to prevent smoking in public places, including the posting of signs or any other means which may be appropriate. Additionally, Minn. Stat. § 120B.238 requires that vaping prevention instruction be provided as set forth in this policy.]

I. PURPOSE

The purpose of this policy is to maintain a learning and working environment that is tobacco free.

II. GENERAL STATEMENT OF POLICY

- A. A violation of this policy occurs when any student, teacher, administrator, other school personnel of the school district, or person smokes or uses tobacco, tobacco-related devices, or carries or uses an activated electronic delivery device in a public school. This prohibition extends to all facilities, whether owned, rented, or leased, and all vehicles that a school district owns, leases, rents, contracts for, or controls. In addition, this prohibition includes vehicles used, in whole or in part, for work purposes, during hours of school operation, if more than one person is present. This prohibition includes all school district property and all off-campus events sponsored by the school district.
- B. A violation of this policy occurs when any elementary school, middle school, or secondary school student possesses any type of tobacco, tobacco-related devices, or electronic delivery devices in a public school. This prohibition extends to all facilities, whether owned, rented, or leased, and all vehicles that a school district owns, leases, rents, contracts for, or controls and includes vehicles used, in whole or in part, for school purposes, during hours of school operation, if more than one person is present. This prohibition includes all school district property and all off-campus events sponsored by the school district.
- C. The school district will act to enforce this policy and to discipline or take appropriate action against any student, teacher, administrator, school personnel, or person who is found to have violated this policy.

[Note: The following language is not required by law but is recommended by MSBA for inclusion in this policy.]

D. *The school district will not solicit or accept any contributions or gifts of money, curricula, materials, or equipment from companies that directly manufacture and are identified with tobacco products, tobacco-related devices, or electronic delivery devices. The school district will not promote or allow promotion of tobacco products or electronic delivery devices on school property or at school-sponsored events.*

III. ~~TOBACCO, AND TOBACCO-RELATED DEVICES, AND VAPING~~ DEFINITIONS

~~A.~~ A. “Electronic delivery device” means any product containing or delivering nicotine, lobelia, or any other substance, whether natural or synthetic, -intended for human consumption ~~that can be used by a person to simulate smoking in the delivery of nicotine or any other substance~~ through inhalation of aerosol or vapor from the product. Electronic delivery devices includes but is not limited to devices manufactured, marketed, or sold as electronic cigarettes, electronic cigars, electronic pipe, vape pens, modes, tank systems, or under any other product name or descriptor. Electronic delivery device includes any component part of a product, whether or not marketed or sold separately. Electronic delivery device ~~does not include any product that has been approved or certified by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is marketed and sold for such an approved purpose.~~excludes drugs, devices, or combination products, as those terms are defined in the Federal Food, Drug, and Cosmetic Act, that are authorized for sale by the United States Food and Drug Administration.

~~A.B.~~ “Heated tobacco product” means a tobacco product that produces aerosols containing nicotine and other chemicals which are inhaled by users through the mouth.

~~C.B.~~ “Tobacco” means cigarettes and any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; perique; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco; and other kinds and forms of tobacco. Tobacco excludes any ~~tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.~~drugs, devices, or combination products, as those terms are defined in the Federal Food, Drug, and Cosmetic Act, that are authorized for sale by the United States Food and Drug Administration.-

~~D.C.~~ “Tobacco-related devices” means cigarette papers or pipes for smoking or other

devices intentionally designed or intended to be used in a manner which enables the chewing, sniffing, smoking, or inhalation of ~~vapors~~aerosol or vapor of tobacco or tobacco products. Tobacco-related devices include components of tobacco-related devices which may be marketed or sold separately.

ED. “Smoking” means inhaling, exhaling, burning, or carrying any lighted or heated cigar, cigarette, pipe, or any other lighted or heated product containing, made, or derived from nicotine, tobacco, marijuana, or other plant, whether natural or synthetic, that is intended for inhalation. Smoking includes carrying or using an activated electronic delivery device.

F. “Vaping” means using an activated electronic delivery device or heated tobacco product.”

IV. EXCEPTIONS

- A. A violation of this policy does not occur when an Indian adult lights tobacco on school district property as a part of a traditional Indian spiritual or cultural ceremony. An Indian is a person who is a member of an Indian tribe as defined under Minnesota law.
- B. A violation of this policy does not occur when an adult nonstudent possesses a tobacco or nicotine product that has been approved by the United States Food and Drug Administration for sale as a tobacco-cessation product, as a tobacco-dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose. Nothing in this exception authorizes smoking or use of tobacco, tobacco-related devices, or electronic delivery devices on school property or at off-campus events sponsored by the school district.

V. VAPING AWARENESS AND PREVENTION INSTRUCTION

A. The school district must provide vaping prevention instruction at least once to students in grades 6 through 8.

B. The school district may use instructional materials based upon the Minnesota Department of Health’s school e-cigarette toolkit or may use other smoking prevention instructional materials with a focus on vaping and the use of electronic delivery devices and heated tobacco products. The instruction may be provided as part of the school district’s locally developed health standards.

[NOTE: In addition, school districts may choose to require (a) evidence-based vaping prevention instruction to students in grades 9 through 12; and/or (b) a peer-to-peer education program to provide vaping prevention instruction.]

VI. ENFORCEMENT

- A. All individuals on school premises shall adhere to this policy.

- B. Students who violate this tobacco-free policy shall be subject to school district discipline procedures.
- C. School district administrators and other school personnel who violate this tobacco-free policy shall be subject to school district discipline procedures.
- D. School district action taken for violation of this policy will be consistent with requirements of applicable collective bargaining agreements, Minnesota or federal law, and school district policies.
- E. Persons who violate this tobacco-free policy may be referred to the building administration or other school district supervisory personnel responsible for the area or program at which the violation occurred.
- F. School administrators may call the local law enforcement agency to assist with enforcement of this policy. Smoking or use of any tobacco product in a public school is a violation of the Minnesota Clean Indoor Air Act and/or the Freedom to Breathe Act of 2007 and is a petty misdemeanor. A court injunction may be instituted against a repeated violator.
- G. No persons shall be discharged, refused to be hired, penalized, discriminated against, or in any manner retaliated against for exercising any right to a smoke-free environment provided by the Freedom to Breathe Act of 2007 or other law.

VII. DISSEMINATION OF POLICY

- A. This policy shall appear in the student handbook.
- B. The school district will develop a method of discussing this policy with students and employees.

Legal References: [Minn. Stat. § 120B.238 \(Vaping Awareness and Prevention\)](#)
Minn. Stat. §§ 144.411-144.417 (Minnesota Clean Indoor Air Act)
Minn. Stat. § 609.685 (Sale of Tobacco to Children)
2007 Minn. Laws Ch. 82 (Freedom to Breathe Act of 2007)

Cross References: MSBA/MASA Model Policy 403 (Discipline, Suspension, and Dismissal of School District Employees)
MSBA/MASA Model Policy 506 (Student Discipline)
MSBA Service Manual, Chapter 2, Students; Rights, Responsibilities and Behavior

Adopted: _____

MSBA/MASA Model Policy 516

Orig. 1995

Revised: _____

Rev. ~~2019~~2020

516 STUDENT MEDICATION

[Note: The necessary provisions for complying with Minn. Stat. §§ 121A.22, Administration of Drugs and Medicine, 121A.221, Possession and Use of Asthma Inhalers by Asthmatic Students, and 121A.222, Possession and Use of Nonprescription Pain Relievers by Secondary Students are included in this policy. The statutes do not regulate administration of drugs and medicine for students age 18 and over or other nonprescription medications. Please note that §121A.22 does not require school districts to apply the administration of medication rule to drugs or medicine used off school grounds, drugs or medicines used in connection with athletics or extra-curricular activities, and drugs and medicines that are used in connection with activities that occur before or after the regular school day.]

I. PURPOSE

The purpose of this policy is to set forth the provisions that must be followed when administering nonemergency prescription medication to students at school.

II. GENERAL STATEMENT OF POLICY

The school district acknowledges that some students may require prescribed drugs or medication during the school day. The school district's licensed school nurse, trained health clerk, principal, or teacher will administer prescribed medications, except any form of medical cannabis, in accordance with law and school district procedures.

III. REQUIREMENTS

- A. The administration of prescription medication or drugs at school requires a completed signed request from the student's parent. An oral request must be reduced to writing within two school days, provided that the school district may rely on an oral request until a written request is received.
- B. An "Administering Prescription Medications" form must be completed annually (once per school year) and/or when a change in the prescription or requirements for administration occurs. Prescription medication as used in this policy does not include any form of medical cannabis as defined in Minn. Stat. § 152.22, Subd. 6.
- C. Prescription medication must come to school in the original container labeled for the student by a pharmacist in accordance with law, and must be administered in a manner consistent with the instructions on the label.
- D. The school nurse may request to receive further information about the prescription, if needed, prior to administration of the substance.

- E. Prescription medications are not to be carried by the student, but will be left with the appropriate school district personnel. Exceptions to this requirement are: prescription asthma medications self-administered with an inhaler (See Part J.5. below), and medications administered as noted in a written agreement between the school district and the parent or as specified in an IEP (individualized education program), Section 504 plan, or IHP (individual health plan).
- F. The school must be notified immediately by the parent or student 18 years old or older in writing of any change in the student's prescription medication administration. A new medical authorization or container label with new pharmacy instructions shall be required immediately as well.
- G. For drugs or medicine used by children with a disability, administration may be as provided in the IEP, Section 504 plan or IHP.
- H. The school nurse, or other designated person, shall be responsible for the filing of the Administering Prescription Medications form in the health records section of the student file. The school nurse, or other designated person, shall be responsible for providing a copy of such form to the principal and to other personnel designated to administer the medication.

I. ~~I.~~ Procedures for administration of drugs and medicine at school and school activities shall be developed in consultation with a school nurse, a licensed school nurse, or a public or private health organization or other appropriate party (if appropriately contracted by the school district under Minn. Stat. § 121A.21). The school district administration shall submit these procedures and any additional guidelines and procedures necessary to implement this policy to the school board for approval. Upon approval by the school board, such guidelines and procedures shall be an addendum to this policy.

J. If the administration of a drug or medication described in this section requires the school district to store the drug or medication, the parent or legal guardian must inform the school if the drug or medication is a controlled substance. For a drug or medication that is not a controlled substance, the request must include a provision designating the school district as an authorized entity to transport the drug or medication for the purpose of destruction if any unused drug or medication remains in the possession of school personnel. For a drug or medication that is a controlled substance, the request must specify that the parent or legal guardian is required to retrieve the drug or controlled substance when requested by the school.

KJ. Specific Exceptions:

- 1. Special health treatments and health functions such as catheterization, tracheostomy suctioning, and gastrostomy feedings do not constitute administration of drugs and medicine;

2. Emergency health procedures, including emergency administration of drugs and medicine are not subject to this policy;
3. Drugs or medicine provided or administered by a public health agency to prevent or control an illness or a disease outbreak are not governed by this policy;
4. Drugs or medicines used at school in connection with services for which a minor may give effective consent are not governed by this policy;
5. Drugs or medicines that are prescription asthma or reactive airway disease medications can be self-administered by a student with an asthma inhaler if:
 - a. the school district has received a written authorization from the pupil's parent permitting the student to self-administer the medication;
 - b. the inhaler is properly labeled for that student; and
 - c. the parent has not requested school personnel to administer the medication to the student.

The parent must submit written authorization for the student to self-administer the medication each school year. In a school that does not have a school nurse or school nursing services, the student's parent or guardian must submit written verification from the prescribing professional which documents that an assessment of the student's knowledge and skills to safely possess and use an asthma inhaler in a school setting has been completed.

If the school district employs a school nurse or provides school nursing services under another arrangement, the school nurse or other appropriate party must assess the student's knowledge and skills to safely possess and use an asthma inhaler in a school setting and enter into the student's school health record a plan to implement safe possession and use of asthma inhalers;

6. Medications:
 - a. that are used off school grounds;
 - b. that are used in connection with athletics or extracurricular activities; or
 - c. that are used in connection with activities that occur before or after the regular school day

are not governed by this policy.

[Note: The provisions of paragraph 6 are optional and the school board may choose to include or exclude any of the provisions specified.]

7. Nonprescription Medication. A secondary student may possess and use nonprescription pain relief in a manner consistent with the labeling, if the school district has received written authorization from the student's parent or guardian permitting the student to self-administer the medication. The parent or guardian must submit written authorization for the student to self-administer the medication each school year. The school district may revoke a student's privilege to possess and use nonprescription pain relievers if the school district determines that the student is abusing the privilege. This provision does not apply to the possession or use of any drug or product containing ephedrine or pseudoephedrine as its sole active ingredient or as one of its active ingredients. Except as stated in this paragraph, only prescription medications are governed by this policy.

[Note: School districts should consult with licensed medical and nursing personnel to address whether nonprescription medications will be allowed at elementary schools and whether and under what conditions school personnel will participate in storing or administering nonprescription medications.]

8. At the start of each school year or at the time a student enrolls in school, whichever is first, a student's parent, school staff, including those responsible for student health care, and the prescribing medical professional must develop and implement an individualized written health plan for a student who is prescribed epinephrine auto-injectors that enables the student to:
 - a. possess epinephrine auto-injectors; or
 - b. if the parent and prescribing medical professional determine the student is unable to possess the epinephrine, have immediate access to epinephrine auto-injectors in close proximity to the student at all times during the instructional day.

The plan must designate the school staff responsible for implementing the student's health plan, including recognizing anaphylaxis and administering epinephrine auto-injectors when required, consistent with state law. This health plan may be included in a student's § 504 plan.

9. A student may possess and apply a topical sunscreen product during the school day while on school property or at a school-sponsored event without a prescription, physician's note, or other documentation from a licensed health care professional. School personnel are not required to provide sunscreen or assist students in applying sunscreen.

LK. “Parent” for students 18 years old or older is the student.

ML. Districts and schools may obtain and possess epinephrine auto-injectors to be maintained and administered by school personnel to a student or other individual if, in good faith, it is determined that person is experiencing anaphylaxis regardless of whether the student or other individual has a prescription for an epinephrine auto-injector. The administration of an epinephrine auto-injector in accordance with this section is not the practice of medicine.

A district or school may enter into arrangements with manufacturers of epinephrine auto-injectors to obtain epinephrine auto-injectors at fair-market, free, or reduced prices. A third party, other than a manufacturer or supplier, may pay for a school’s supply of epinephrine auto-injectors.

N. Procedure regarding unclaimed drugs or medications.

1. The school district must have adopted the following procedure for the collection and transport of any unclaimed or abandoned prescription drugs or medications remaining in the possession of school personnel in accordance with this policy. The procedure must ensure that before the transportation of any prescription drug or medication under this policy, the school district shall make a reasonable attempt to return the unused prescription drug or medication to the student’s parent or legal guardian. The procedure must provide that transportation of unclaimed or unused prescription drugs or medications will occur at least annually, or but may occur more frequently at the discretion of s-determined by the school district.

2. If the unclaimed or abandoned prescription drug is not a controlled substance as defined under Minnesota Statutes § 152.01, subdivision 4, or is an over-the-counter medication, the school district may will either designate an individual who shall be responsible for transporting the drug or medication to a designated drop-off box or collection site or may request that a law enforcement agency transport the drug or medication to a drop-off box or collection site on behalf of the school district.

3. If the unclaimed or abandoned prescription drug is a controlled substance as defined in Minnesota Statutes § 152.01, subdivision 4, the school district or school personnel is prohibited from transporting the prescription drug to a drop-off box or collection site for prescription drugs identified under this paragraph. The school district must request that a law enforcement agency transport the prescription drug or medication to a collection bin that complies with Drug Enforcement Agency regulations, or if a site is not available, under the agency’s procedure for transporting drugs.

Legal References: Minn. Stat. § 13.32 (Student Health Data)
Minn. Stat. § 121A.21 (Hiring of Health Personnel)

Minn. Stat. § 121A.22 (Administration of Drugs and Medicine)
Minn. Stat. § 121A.221 (Possession and Use of Asthma Inhalers by Asthmatic Students)
Minn. Stat. § 121A.222 (Possession and Use of Nonprescription Pain Relievers by Secondary Students)
Minn. Stat. § 121A.2205 (Possession and Use of Epinephrine Auto-Injectors; Model Policy)
Minn. Stat. § 121A.2207 (Life-Threatening Allergies in Schools; Stock Supply of Epinephrine Auto-Injectors)
Minn. Stat. § 121A.223 (Possession and Use of Sunscreen)
[Minn. Stat. § 152.01 \(Definitions\)](#)
Minn. Stat. § 151.212 (Label of Prescription Drug Containers)
Minn. Stat. § 152.22 (Medical Cannabis; Definitions)
Minn. Stat. § 152.23 (Medical Cannabis; Limitations)
20 U.S.C. § 1400 *et seq.* (Individuals with Disabilities Education Improvement Act of 2004)
29 U.S.C. § 794 *et seq.* (Rehabilitation Act of 1973, § 504)

Cross References: MSBA/MASA Model Policy 418 (Drug-Free Workplace/Drug-Free School)

Adopted: _____

MSBA/MASA Model Policy 601

Orig. 1995

Revised: _____

Rev. ~~2019~~ 2020

601 SCHOOL DISTRICT CURRICULUM AND INSTRUCTION GOALS

[Note: Minn. Stat. § 120B.11 requires school districts to adopt a comprehensive long-term strategic plan that addresses the review of curriculum, instruction, student achievement, and assessment. MSBA/MASA Model Policies 601, 603, and 616 address these statutory requirements. In addition, MSBA/MASA Model Policies 613-615 and 617-620 provide procedures to further implement the requirements of Minn. Stat. § 120B.11.]

I. PURPOSE

The purpose of this policy is to establish broad curriculum parameters for the school district that encompass the Minnesota Academic Standards and federal law and are aligned with creating the world's best workforce.

II. GENERAL STATEMENT OF POLICY

The policy of the school district is to establish the "world's best workforce" in which all learning in the school district should be directed and for which all school district learners should be held accountable.

III. DEFINITIONS

- A. "Academic standard" means a summary description of student learning in a required content area or elective content area.
- B. "Benchmark" means specific knowledge or skill that a student must master to complete part of an academic standard by the end of the grade level or grade band.
- C. "Curriculum" means district or school adopted programs and written plans for providing students with learning experiences that lead to expected knowledge, skills, and career and college readiness.
- D. "Instruction" means methods of providing learning experiences that enable students to meet state and district academic standards and graduation requirements.
- E. "Performance measures" are measures to determine school district and school site progress in striving to create the world's best workforce and must include at least the following:

1. the size of the academic achievement gap and rigorous course taking, including college-level advanced placement, international baccalaureate, postsecondary enrollment options, including concurrent enrollment, other rigorous courses of study or industry certification courses or programs, and enrichment experiences by student subgroup;
 2. student performance on the Minnesota Comprehensive Assessments;
 3. high school graduation rates; and
 4. career and college readiness under Minn. Stat. § 120B.30, Subd. 1.
- F. “World’s best workforce” means striving to: meet school readiness goals; have all third-grade students achieve grade-level literacy; close the academic achievement gap among all racial and ethnic groups of students and between students living in poverty and students not living in poverty; have all students attain career and college readiness before graduating from high school; and have all students graduate from high school.
- G. “Experiential learning” means learning for students that includes career exploration through a specific class or course or through work-based experiences such as job shadowing, mentoring, entrepreneurship, service learning, volunteering, internships, other cooperative work experience, youth apprenticeship, or employment.

IV. LONG-TERM STRATEGIC PLAN

- A. The school board, at a public meeting, shall adopt a comprehensive, long-term strategic plan to support and improve teaching and learning that is aligned with creating the world’s best workforce and includes the following:
1. clearly defined school district and school site goals and benchmarks for instruction and student achievement for all student categories identified in state and federal law;
- [Note: MSBA/MASA Model Policy 601, Section IV.B. and MSBA/MASA Model Policy 616 address this requirement.]***
2. a process to assess and evaluate each student’s progress toward meeting state and local academic standards, assess and identify students for participation in gifted and talented programs and accelerate their instruction, adopt procedures for early admission to kindergarten or first grade of gifted and talented learners which are sensitive to under-represented groups, and identify the strengths and weaknesses of instruction in pursuit of student and school success and curriculum affecting students’ progress and growth toward career and college readiness and leading to the world’s best workforce;

[Note: MSBA/MASA Model Policy 618 addresses this requirement.]

3. a system to periodically review and evaluate the effectiveness of all instruction and curriculum, taking into account strategies and best practices, student outcomes, principal evaluations under Minn. Stat. § 123B.147, Subd. 3, students' access to effective teachers who are members of populations under-represented among the licensed teachers in the district or school and who reflect the diversity of enrolled students under Minn. Stat. § 120B.35, Subd. 3(b)(2), and teacher evaluations under Minn. Stat. § 122A.40, Subd. 8, or 122A.41, Subd. 5;

[Note: MSBA/MASA Model Policy 616 addresses this requirement.]

4. strategies for improving instruction, curriculum, and student achievement, including the English and, where practicable, the native language development and the academic achievement of English learners;

[Note: MSBA/MASA Model Policy 616 addresses this requirement.]

5. a process to examine the equitable distribution of teachers and strategies to ensure low-income and minority children are not taught at higher rates than other children by inexperienced, ineffective, or out-of-field teachers;
6. education effectiveness practices that integrate high-quality instruction, rigorous curriculum, technology, and a collaborative professional culture that develops and supports teacher quality, performance, and effectiveness; and
7. an annual budget for continuing to implement the school district plan.

B. School district site and school site goals shall include the following:

1. All students will be required to demonstrate essential skills to effectively participate in lifelong learning.* These skills include the following:

[*Note: The criteria for acceptable performance in basic skills areas may need to be modified for students with unique learning needs. These modifications will be reflected in the Individualized Education Program (IEP) or Rehabilitation Act Section 504 Accommodation plan.]

- a. reading, writing, speaking, listening, and viewing in the English language;
- b. mathematical and scientific concepts;
- c. locating, organizing, communicating, and evaluating information and developing methods of inquiry (i.e., problem solving);

- d. creative and critical thinking, decision making, and study skills;
 - e. work readiness skills;
 - f. global and cultural understanding.
2. Each student will have the opportunity and will be expected to develop and apply essential knowledge that enables that student to:
- a. live as a responsible, productive citizen and consumer within local, state, national, and global political, social, and economic systems;
 - b. bring many perspectives, including historical, to contemporary issues;
 - c. develop an appreciation and respect for democratic institutions;
 - d. communicate and relate effectively in languages and with cultures other than the student's own;
 - e. practice stewardship of the land, natural resources, and environment;
 - f. use a variety of tools and technology to gather and use information, enhance learning, solve problems, and increase human productivity.
3. Students will have the opportunity to develop creativity and self-expression through visual and verbal images, music, literature, world languages, movement, and the performing arts.
4. School practices and instruction will be directed toward developing within each student a positive self-image and a sense of personal responsibility for:
- a. establishing and achieving personal and career goals;
 - b. adapting to change;
 - c. leading a healthy and fulfilling life, both physically and mentally;
 - d. living a life that will contribute to the well-being of society;
 - e. becoming a self-directed learner;
 - f. exercising ethical behavior.
5. Students will be given the opportunity to acquire human relations skills

necessary to:

- a. appreciate, understand, and accept human diversity and interdependence;
- b. address human problems through team effort;
- c. resolve conflicts with and among others;
- d. function constructively within a family unit;
- e. promote a multicultural, gender-fair, disability-sensitive society.

[Note: School district and site goals example courtesy of the Winona School District.]

- C. Every child is reading at or above grade level no later than the end of grade 3, including English learners, and teachers provide comprehensive, scientifically based reading instruction, including a program or collection of instructional practices that is based on valid, replicable evidence showing that, when the programs or practices are used, students can be expected to achieve, at a minimum, satisfactory reading progress. The program or collection of practices must include, at a minimum, effective, balanced instruction in all five areas of reading (phonemic awareness, phonics, fluency, vocabulary development, and reading comprehension), as well as instructional strategies for continuously assessing, evaluating, and communicating the student's reading progress and needs.
1. The school district must identify, before the end of kindergarten, grade 1, and grade 2, all students who are not reading at grade level. Students identified as not reading at grade level by the end of kindergarten, grade 1, and grade 2 must be screened for characteristics of dyslexia, unless a different reason for the reading difficulty has been identified.
 2. Students in grade 3 or higher who demonstrate a reading difficulty to a classroom teacher must be screened for characteristics of dyslexia, unless a different reason for the reading difficulty has been identified.

[Note: According to Minnesota statutes, dyslexia screening is to be conducted in a locally determined manner.]

3. Reading assessments in English and in the predominant languages of district students, where practicable, must identify and evaluate students' areas of academic need related to literacy. The school district also must monitor the progress and provide reading instruction appropriate to the specific needs of English learners. The school district must use locally adopted, developmentally appropriate, and culturally responsive

assessment and annually report summary assessment results to the Commissioner of Education by July 1.

4. The school district must annually report to the Commissioner of Education by July 1 a summary of the district's efforts to screen and identify students with: who demonstrate characteristics of dyslexia using screening tools such as those recommended by the Minnesota Department of Education's dyslexia specialist. With respect to students screened or identified under paragraph (1), the report must include:

(a) a summary of the district's efforts to screen for dyslexia;

(b) the number of students screened for that reporting year; and

(c) the number of students demonstrating characteristics of dyslexia for that year.

~~b. —convergence insufficiency disorder.~~

5. A student identified as having a reading difficulty must be provided with alternate instruction under Minn. Stat. § 125A.56, Subd. 1.
6. At least annually, the school district must give the parent of each student who is not reading at or above grade level timely information about:
 - a. the student's reading proficiency as measured by a locally adopted assessment;
 - b. reading-related services currently being provided to the student and the student's progress; and
 - c. strategies for parents to use at home in helping their students succeed in becoming grade-level proficient in reading English and their native languages.

This provision may not be used to deny a student's right to a special education evaluation.

7. For each student who is not reading at or above grade level, the school district shall provide reading intervention to accelerate student growth and reach the goal of reading at or above grade level by the end of the current grade and school year. If a student does not read at or above grade level by the end of grade 3, the school district must continue to provide reading intervention until the student reads at grade level. Intervention methods shall encourage family engagement and, where possible, collaboration with appropriate school and community programs. Intervention methods may include, but are not limited to, requiring attendance in summer

school, intensified reading instruction that may require that the student be removed from the regular classroom for part of the school day, extended day programs, or programs that strengthen students' cultural connections.

[Note: School districts are strongly encouraged, but not required, to provide personal learning plans, as provided in Paragraph 8.]

8. The school district will provide a personal learning plan for a student who is unable to demonstrate grade-level proficiency, as measured by the statewide reading assessment in grade 3. The school district will determine the format of the personal learning plan in collaboration with the student's educators and other appropriate professionals. The school district will develop the personal learning plan in consultation with the student's parent or guardian. The personal learning plan will address knowledge gaps and skill deficiencies through strategies such as specific exercises and practices during and outside of the school day, periodic assessments, and reasonable timelines. The personal learning plan may include grade retention if it is in the student's best interest. The student's school will maintain and regularly update and modify the personal learning plan until the student reads at grade level. This paragraph does not apply to a student under an Individualized Education Program.

Legal References: Minn. Stat. § 120B.018 (Definitions)
Minn. Stat. § 120B.02 (Educational Expectations for Minnesota Students)
Minn. Stat. § 120B.11 (School District Process)
Minn. Stat. § 120B.12 (Reading Proficiently no Later than the End of Grade 3)
Minn. Stat. § 120B.30, Subd. 1 (Statewide Testing and Reporting System)
Minn. Stat. § 120B.35, Subd. 3 (Student Academic Achievement and Growth)
Minn. Stat. § 122A.40, Subd. 8 (Employment; Contracts; Termination)
Minn. Stat. § 122A.41, Subd. 5 (Teacher Tenure Act; Cities of the First Class; Definitions)
Minn. Stat. § 123B.147, Subd. 3 (Principals)
Minn. Stat. § 125A.56, Subd. 1 (Alternate Instruction Required)
20 U.S.C. § 5801, *et seq.* (National Education Goals 2000)
20 U.S.C. § 6301, *et seq.* (Every Student Succeeds Act)

Cross References: MSBA/MASA Model Policy 104 (School District Mission Statement)
MSBA/MASA Model Policy 613 (Graduation Requirements)
MSBA/MASA Model Policy 614 (School District Testing Plan and Procedure)
MSBA/MASA Model Policy 615 (Testing Accommodations, Modifications, and Exemptions for IEPs, Section 504 Plans, and LEP Students)
MSBA/MASA Model Policy 616 (School District System Accountability)
MSBA/MASA Model Policy 618 (Assessment of Student Achievement)

Adopted: _____

MSBA/MASA Model Policy 607

Orig. 1995

Revised: _____

Rev. ~~2005~~ 2020

607 ORGANIZATION OF GRADE LEVELS

I. PURPOSE

The purpose of this policy is to address the grade level organization of schools within the school district.

II. GENERAL STATEMENT OF POLICY

A. The policy of the school district is to address the groupings of grade levels as recognized in Minn. Stat. § 120A.05, as follows:

[Note: Each school district should identify within the groupings as defined in Minn. Stat. § 120A.05, how grade levels shall be organized within the school district from the options listed below:

<i>Elementary:</i>	<i>Grades prekindergarten through 6</i>
<i>Middle:</i>	<i>Minimum of two consecutive grades above 4th but below 10th</i>
<i>Secondary:</i>	<i>(Grades 7 through 12)</i>
<i>Junior High</i>	<i>Grades ___ through ___</i>
<i>Senior High</i>	<i>Grades ___ through ___</i>
<i>Vocational</i>	<i>Grades 7 through 12]</i>

B. The superintendent may seek school board approval to administer certain programs on a nongraded basis or a design different from that indicated. Program proposals that seek school board approval must meet all state requirements and reflect the rationale for the modification.

C. The school district may request documentation that verifies a student falls within the school’s minimum and maximum age requirements for admission to publicly funded prekindergarten, preschool, kindergarten, or grades 1 through 12. Documentation may include a passport, a hospital birth record or physician’s certificate, a baptismal or religious certificate, an adoption record, health records, immunization records, immigration records, previously verified school records, early childhood screening records, Minnesota Immunization Information Connection records, or an affidavit from a parent.

III. DEFINITIONS

- A. “Kindergarten” means a program designed for students five years of age on September 1 of the calendar year in which the school year commences that prepares students to enter first grade the following school year.
- B. “Prekindergarten” means a program designed for students younger than five years of age on September 1 of the calendar year in which the school year commences that prepares students to enter kindergarten the following school year.

Legal References: Minn. Stat. § 120A.05, Subds. 9, 10a, 11, 13, 17 (Public Schools)
Minn. Stat. § 120A.20, Subd. 4 (Verification of Age for Admission to Public School)
Minn. Stat. § 123B.02, Subd. 2 (General Powers of Independent School Districts)

Cross References:



High School Graduation Requirements (Proposed Revisions)

Overview

The proposal outlined below will delay the implementation of some of the local graduation requirements previously approved by the School Board. The purpose of the proposal is to minimize any negative impact on students as a result of the disruption of programs due to the COVID 19 pandemic.

Shakopee High School

Two areas of the High School academic program were impacted by offering an IHD model and online program for their students.

- Freshman Seminar
 - Shakopee Online was unable to offer this course online this year.
- Programs of Study courses
 - Master Schedule changes in August meant some courses did not run due to less students attending than originally scheduled because of the Shakopee Online program.
 - Shakopee Online was unable to offer the full range of Program of Study courses that are currently offered at the high school due to their enrollment numbers.

Tokata Learning Center

The TLC redesigned their program this year to offer both an IHD model and an online program for their students.

- Next Step Pathway
 - The constraints of offering both programs resulted in neither TLC seminar or Adulting 101 being offered to students this year.

Shakopee High School Graduation Requirements (Current)

Graduation Requirements	Class of 2021 (12 th Grade)	Class of 2022 (11 th Grade)	Class of 2023 & Beyond (9 th and 10 th Grade)
English	8	8	8
Health	1	1	1
Mathematics	6	6	6
Physical Education	2	2	2
Science	6	6	6
Social Studies	8	8	8
Fine Arts	2	2	2
Freshman Seminar	0	1	1
Financial Literacy	0	1	1
Program of Study (3 Course Sequence)	0	3	3
Total Required Credits	33	38	38
Total Elective Credits	19	16	18
Total Credits Required to Graduate	52	54	56
Total Possible Credits	60 ²⁸	62	64

Shakopee High School Graduation Requirements (Proposed Revisions)

Graduation Requirements	Class of 2021 (12 th Grade)	Class of 2022 (11th Grade)	Class of 2023 (10th Grade)	Class of 2024 (9th Grade)	Class of 2025 & Beyond
English	8	8	8	8	8
Health	1	1	1	1	1
Mathematics	6	6	6	6	6
Physical Education	2	2	2	2	2
Science	6	6	6	6	6
Social Studies	8	8	8	8	8
Fine Arts	2	2	2	2	2
Freshman Seminar	0	1	1	0	1
Financial Literacy	0	1	1	1	1
Program of Study (3 Course Sequence)	0	0	0	3	3
Total Required Credits	33	35	35	37	38
Total Elective Credits	19	19	21	19	18
Total Credits Required to Graduate	52	54	56	56	56
Total Possible Credits	60	62 <small>283</small>	64	64	64

Tokata Learning Center Graduation Requirements (Current)

	<i>Class of 2019</i>	<i>Class of 2020</i>	<i>Class of 2021</i>	<i>Class of 2022</i>	<i>Class of 2023+</i>
<i>English</i>	8	8	8	8	8
<i>Mathematics</i>	6	6	6	6	6
<i>Social Studies</i>	8	8	8	8	7
<i>Science</i>	6	6	6	6	6
<i>Fine Arts</i>	2	2	2	2	2
<i>Health</i>	1	1	1	1	1
<i>Physical Education</i>	2	2	2	2	2
<i>NEXT STEPS PATHWAY(TLC Seminar, Adulting 101, College/Career Readiness, TLC Capstone)</i>	0	1 TLC SEMINAR	2 TLC SEMINAR Adulting 101	2 TLC SEMINAR Adulting 101	4 TLC SEMINAR Adulting 101 Adulting 201 Capstone
<i>Additional Electives</i>	15	15	15	15	15
<i>Total Credits Required:</i>	48	49	50	50	52

**Tokata Learning Center Graduation Requirements
Proposed Adjustments**

	<i>Class of 2020</i>	<i>Class of 2021 (12)</i>	<i>Class of 2022 (11)</i>	<i>Class of 2023 (10)</i>	<i>Class of 2024 (9)</i>	<i>Class of 2025 and beyond</i>
<i>English</i>	8	8	8	8	8	8
<i>Mathematics</i>	6	6	6	6	6	6
<i>Social Studies</i>	8	8	8	7	7	7
<i>Science</i>	6	6	6	6	6	6
<i>Fine Arts</i>	2	2	2	2	2	2
<i>Health</i>	1	1	1	1	1	1
<i>Physical Education</i>	2	2	2	2	2	2
<i>Next Step Pathway</i>	0	0	0	0	2	4
<i>Additional Electives</i>	15	15	15	15	15	15
<i>Total Credits Required:</i>	48	48	48	48	50	52

FORM A

RESOLUTION OF SCHOOL BOARD SUPPORTING FORM A APPLICATION TO MINNESOTA STATE HIGH SCHOOL LEAGUE FOUNDATION

WHEREAS, the Minnesota State High School League Foundation was formed to provide support for Minnesota's high school youth to participate in athletics and fine arts;

WHEREAS, the District _____ School Board recognizes the value of student participation in extracurricular activities; and

WHEREAS, the MSHSL Foundation is offering grants and funding to assist school districts in recognizing, promoting and funding extracurricular participation by high school students in athletic and fine arts programs.

THEREFORE, BE IT RESOLVED, that the _____ School Board supports the District's application to the Minnesota State High School League Foundation for a FORM A grant to offset student activity fees.

Date

Board Chair

Date

Board Clerk - Treasurer