SPECIAL SCHOOL DISTRICT NO. 6
SOUTH ST. PAUL, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2018

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SPECIAL SCHOOL DISTRICT NO. 6

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INTRODUCTORY SECTION

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SPECIAL SCHOOL DISTRICT NO. 6

School Board and Administration
Year Ended June 30, 2018

SCHOOL BOARD

	Board Position
Chris Walker	Chair
Kristie Hood	Vice Chair
Wendy Felton	Clerk
Jeff McClellan	Treasurer
Patricia Bjorklund	Inspector
Nikki Laliberte	Inspector
Sarah Winslow-Brewer	Inspector

ADMINISTRATION

David Webb	Superintendent of Schools
Aaron Bushberger	Finance Director
Lynne Welsh	Assistant Business Manager

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Special School District No. 6
South St. Paul, 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 Special School District No. 6 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

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OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

(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.

Prior Year Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 13, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 8, 2018

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This section of Special School District No. 6's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018 by $36,584,687 (net position deficit). The District's total net position decreased by $9,708,882 during the fiscal year ended June 30, 2018, excluding the change in accounting principle reported in the current year as discussed below.

- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The change reflects standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to other post-employment benefit (OPEB) obligations. The implementation of this standard reduced beginning net position in the government-wide and proprietary fund statements by $4,648,985.

- Government-wide revenues totaled $51,211,104 and were $9,708,882 less than expenses of $60,919,986.

- The General Fund's total fund balance (under the governmental fund presentation) decreased by $278,626 from the prior year, compared to a decrease of $819,305 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of the district employees' dental claims, medical claims, and its other post-employment benefits (OPEB) liabilities. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. 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 a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary Statement of Net Position
as of June 30, 2018 and 2017

	2018	2017
Assets		
Current and other assets	$ 31,110,860	$ 28,213,371
Capital assets, net of depreciation	40,317,125	40,610,889
Total assets	$ 71,427,985	$ 68,824,260
Deferred outflows of resources		
Pension plan deferments	$ 44,043,742	$ 59,631,350
OPEB plan deferments	610,891	–
Total deferred outflows of resources	$ 44,654,633	$ 59,631,350
Liabilities		
Current and other liabilities	$ 6,579,725	$ 5,562,286
Long-term liabilities, including due within one year	123,348,245	135,764,108
Total liabilities	$ 129,927,970	$ 141,326,394
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 9,590,890	$ 8,295,744
Pension plan deferments	13,148,445	1,060,292
Total deferred inflows of resources	$ 22,739,335	$ 9,356,036
Net position		
Net investment in capital assets	$ 8,753,690	$ 7,706,078
Restricted	3,231,252	3,013,784
Unrestricted	(48,569,629)	(32,946,682)
Total net position	$ (36,584,687)	$ (22,226,820)

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

The District's increase in net investment in capital assets is due mostly to the District repaying debt at a faster rate than the assets are being depreciated. The District's increase in net position restricted for debt service, food service, and other state funding restrictions contributed to the growth in the restricted portion of net position. The change in accounting principle for OPEB previously discussed and fluctuations in the District's share of state-wide pension plans also contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position.

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

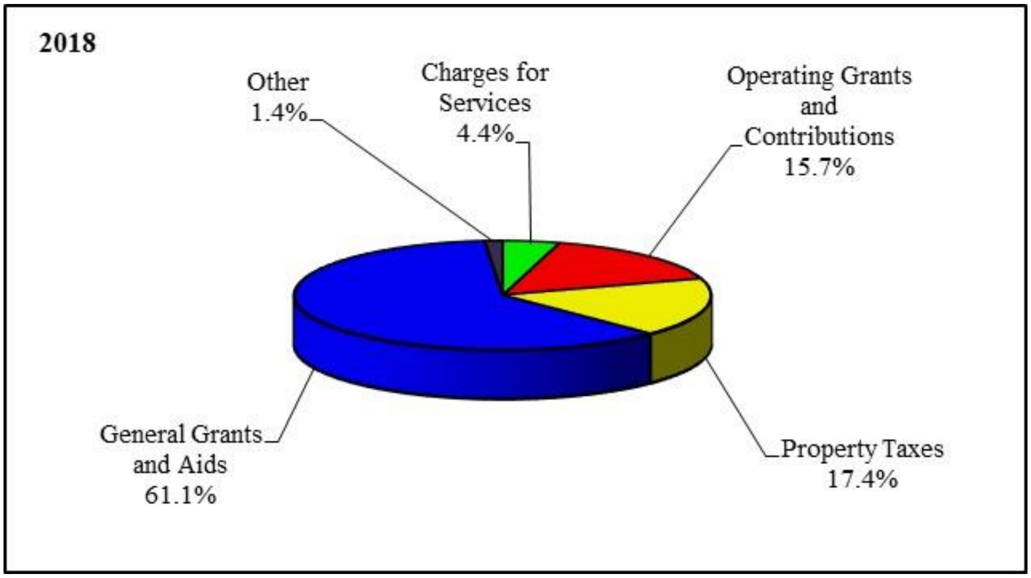
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2018 and 2017

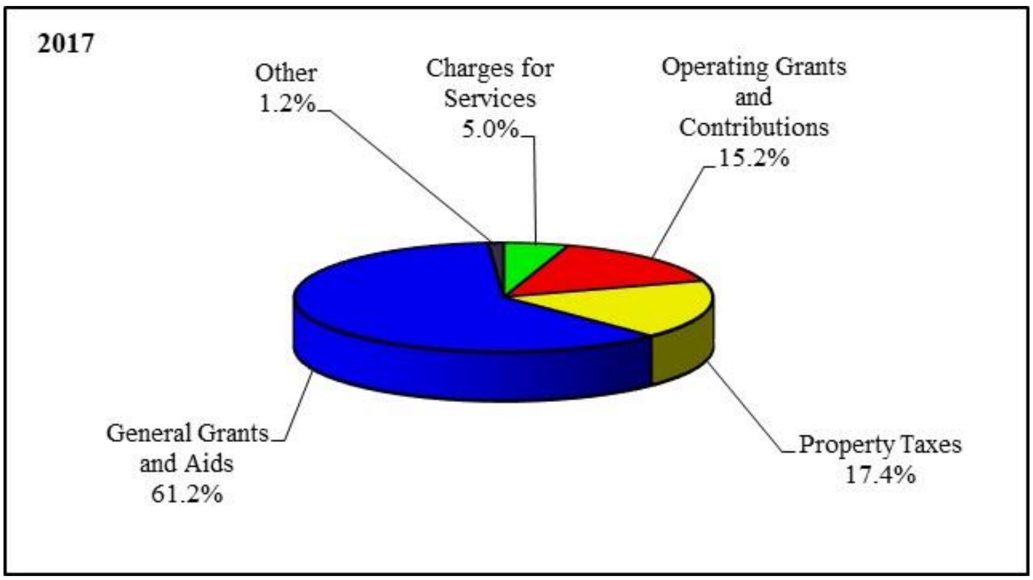
	2018	2017
Revenues		
Program revenues		
Charges for services	$ 2,252,264	$ 2,593,395
Operating grants and contributions	8,030,824	7,945,568
General revenues		
Property taxes	8,923,410	9,068,563
General grants and aids	31,301,712	31,866,738
Other	702,894	641,089
Total revenues	51,211,104	52,115,353
Expenses		
Administration	1,460,342	1,493,074
District support services	1,803,755	1,788,939
Elementary and secondary regular instruction	27,957,766	28,839,252
Vocational education instruction	252,554	251,888
Special education instruction	9,984,693	10,463,569
Instructional support services	4,517,900	4,493,422
Pupil support services	2,930,048	3,007,484
Sites and buildings	4,527,741	4,803,238
Fiscal and other fixed cost programs	182,420	155,560
Food service	1,985,158	2,081,770
Community service	2,693,355	2,759,987
Depreciation not allocated to other functions	1,427,210	1,342,250
Interest and fiscal charges on debt	1,197,044	1,219,318
Total expenses	60,919,986	62,699,751
Change in net position	(9,708,882)	(10,584,398)
Net position – beginning, as previously reported	(22,226,820)	(11,642,422)
Change in accounting principle	(4,648,985)	–
Net position – beginning, as restated	(26,875,805)	(11,642,422)
Net position – ending	$ (36,584,687)	$ (22,226,820)

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

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2018 and 2017



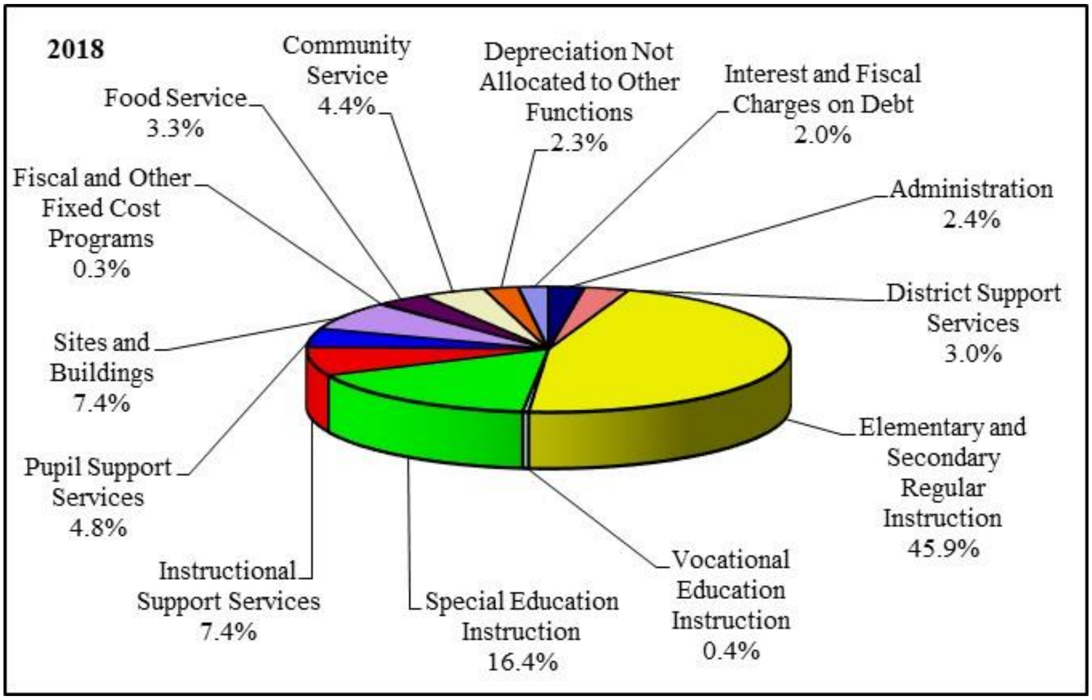


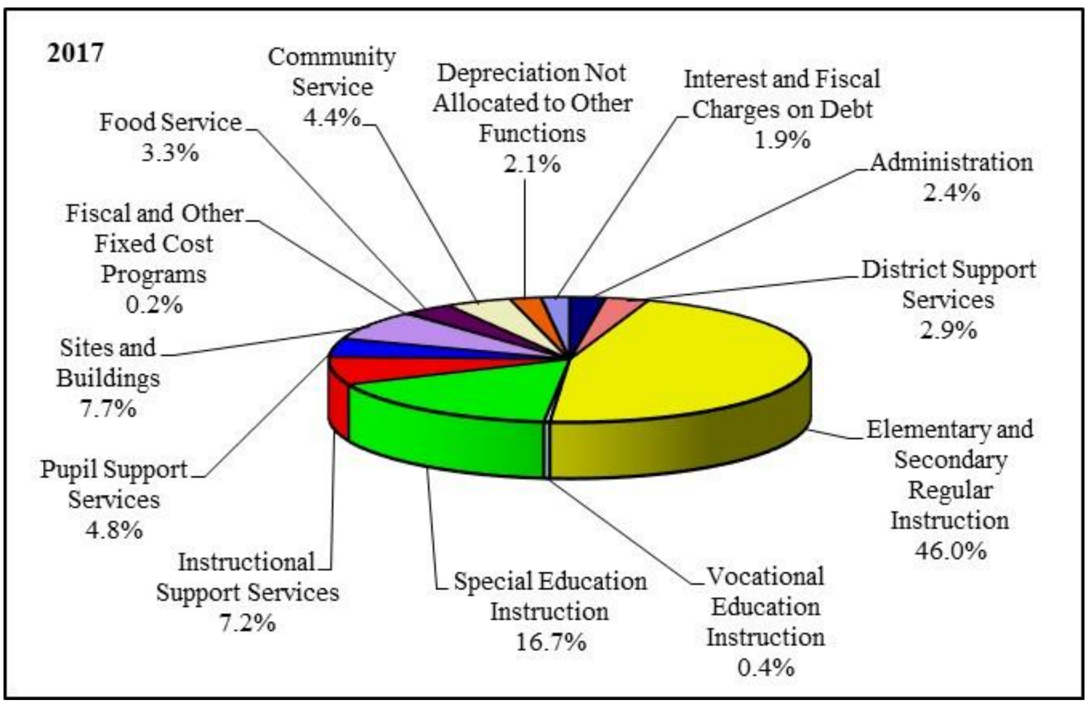
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2018 and 2017





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3
Governmental Fund Balances
as of June 30, 2018 and 2017

	2018	2017	Increase (Decrease)
Major funds			
General	$ 8,013,683	$ 8,292,309	$ (278,626)
Debt Service	678,674	506,850	171,824
Nonmajor funds			
Food Service Special Revenue	948,801	913,368	35,433
Community Service Special Revenue	304,215	429,368	(125,153)
Total governmental funds	$ 9,945,373	$ 10,141,895	$ (196,522)

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

At June 30, 2018, the District's governmental funds reported combined fund balances of $9,945,373, a decrease of $196,522 in comparison with the prior year. Approximately 44.0 percent of this amount ($4,373,904) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($46,929), 2) restricted for particular purposes ($3,636,310), or 3) assigned for particular purposes ($1,888,230).

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenues	$ 42,582,466	$ 42,772,766	$ 190,300	0.4%
Expenditures	$ 43,607,389	$ 43,592,071	$ (15,318)	–

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2018 Actual	Amount	Percent	Amount	Percent
Revenue	$ 43,360,123	$ 587,357	1.4%	$ 452,916	1.1%
Expenditures	43,645,652	53,581	0.1%	654,835	1.5%
Excess (deficiency) of revenue over expenditures	(285,529)	533,776		(201,919)	
Net other financing sources (uses)	6,903	6,903		3,685	
Net change in fund balances	$ (278,626)	$ 540,679		$ (198,234)	

The fund balance of the General Fund decreased $278,626, compared to a planned spend down of $819,305 approved in the final budget.

General Fund revenues were over budget 1.4 percent, spread across all financial statement categories presented, with the largest variance in other local sources, which were $251,477 more than projected in the budget. Other local sources were over budget, due to conservative budgeting for fees and contributions. The revenue growth over the prior year was due to the funding formula improvements on general education aid, special education aid, and long-term facilities maintenance aid contributing to the increase in total revenues.

General Fund expenditures were within 0.1 percent of budget, with the variance spread across several programs and object categories, with the largest variances in sites and buildings for capital spending. Expenditures also increased from the prior year. A majority of the increase occurred in salaries and benefits, along with more capital spending.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures by $171,824 in the current year. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The remaining fund balance of $678,674 at June 30, 2018 is available for meeting future debt service obligations.

The District issued $1,995,000 in general obligation bonds in the current year to refund a prior bond issue in order to reduce debt levies to District taxpayers. Details of this refunding are included in the notes to basic financial statements.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $35,433, compared to a planned fund balance reduction of $248,020.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, reducing equity by $125,153, compared to a planned fund balance reduction of $107,627.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The District currently maintains internal service funds to account for the District's self-insured dental plan, the District's self-insured medical plan, and for the District's OPEB obligations.

The combined total net position balance for the internal service funds as of June 30, 2018 was a deficit $3,161,305. Current year operations increased net position by $640,338, while the change in accounting principle previously discussed for OPEB reduced beginning net position by $4,648,985.

The District's Medical Self-Insurance Fund is new in fiscal year 2018, as the District became self-insured during the year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2018 and 2017.

Table 6
Capital Assets

	2018	2017	Change
Land	$ 1,590,642	$ 1,590,642	$ –
Construction in progress	221,109	474,368	(253,259)
Buildings	51,125,199	50,429,167	696,032
Building improvements	6,455,605	6,343,911	111,694
Furniture and equipment	4,294,250	3,741,641	552,609
Less accumulated depreciation	(23,369,680)	(21,968,840)	(1,400,840)
Total	$ 40,317,125	$ 40,610,889	$ (293,764)
Depreciation expense	$ 1,427,210	$ 1,342,250	$ 84,960

By the end of 2018, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2018, consistent with the activity of the capital spending in the General Fund.

The District defines capital assets as those with an initial, individual cost of $3,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District’s long-term liabilities with changes from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2018	2017	Change
General obligation bonds payable	$ 33,040,000	$ 34,870,000	$ (1,830,000)
Unamortized premium/discount	518,435	576,411	(57,976)
Net pension liability	80,313,290	96,258,602	(15,945,312)
Severance benefits payable	104,224	93,821	10,403
Compensated absences payable	209,340	205,242	4,098
Net OPEB liability	9,162,956	3,760,032	5,402,924
Total	$ 123,348,245	$ 135,764,108	$ (12,415,863)

The decrease in bonds in the table above is primarily due to the planned repayment schedules reflecting principal payments during fiscal year 2018 and refunding activity previously discussed with the Debt Service Fund discussion.

The difference in the net pension liability reflects the change in the District’s proportionate share of the state-wide pension obligations for the PERA and the TRA.

The increase in the net OPEB liability includes the change in accounting principle previously discussed.

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

Table 8
Limitations on Debt

District’s market value	$ 1,526,948,025
Limit rate	15.0%
Legal debt limit	$ 229,042,204

Additional details of the District’s long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. For the 2019 fiscal year, the Legislature added $124, or 2 percent, per pupil to the basic general education funding formula.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, Special School District No. 6, 104 – 5th Avenue South, South St. Paul, Minnesota 55075.

BASIC FINANCIAL STATEMENTS

SPECIAL SCHOOL DISTRICT NO. 6

Statement of Net Position
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	Governmental Activities	
	2018	2017
Assets		
Cash and temporary investments	$ 16,232,399	$ 13,779,024
Receivables		
Current taxes	6,074,084	5,393,660
Delinquent taxes	149,883	168,258
Accounts and interest	84,710	28,848
Due from other governmental units	3,614,441	3,679,263
Inventory	44,600	93,432
Prepaid items	79,568	499,489
Restricted assets		
Cash and investments for OPEB	4,831,175	4,571,397
Capital assets		
Not depreciated	1,811,751	2,065,010
Depreciated, net of accumulated depreciation	38,505,374	38,545,879
Total capital assets, net of accumulated depreciation	40,317,125	40,610,889
Total assets	71,427,985	68,824,260
Deferred outflows of resources		
Pension plan deferments	44,043,742	59,631,350
OPEB plan deferments	610,891	–
Total deferred outflows of resources	44,654,633	59,631,350
Total assets and deferred outflows of resources	$ 116,082,618	$ 128,455,610
Liabilities		
Salaries payable	$ 1,822,041	$ 1,745,249
Accounts and contracts payable	2,057,380	2,087,409
Accrued interest payable	486,150	521,567
Due to other governmental units	291,981	457,443
Unearned revenue	1,439,802	732,198
Claims incurred, but not reported	482,371	18,420
Long-term liabilities		
Due within one year	2,144,340	2,070,242
Due in more than one year	121,203,905	133,693,866
Total long-term liabilities	123,348,245	135,764,108
Total liabilities	129,927,970	141,326,394
Deferred inflows of resources		
Property taxes levied for subsequent year	9,590,890	8,295,744
Pension plan deferments	13,148,445	1,060,292
Total deferred inflows of resources	22,739,335	9,356,036
Net position		
Net investment in capital assets	8,753,690	7,706,078
Restricted for		
Capital asset acquisition	167,683	238,557
Debt service	222,231	27,536
Food service	948,801	913,368
Community service	308,671	435,537
Other purposes (state funding restrictions)	1,583,866	1,398,786
Unrestricted	(48,569,629)	(32,946,682)
Total net position	(36,584,687)	(22,226,820)
Total liabilities, deferred inflows of resources, and net position	$ 116,082,618	$ 128,455,610

See notes to basic financial statements

SPECIAL SCHOOL DISTRICT NO. 6

Statement of Activities
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

		2018			2017
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 1,460,342	$ –	$ –	$ (1,460,342)	$ (1,493,074)
District support services	1,803,755	–	–	(1,803,755)	(1,788,939)
Elementary and secondary regular instruction	27,957,766	450,478	640,536	(26,866,752)	(27,738,223)
Vocational education instruction	252,554	–	–	(252,554)	(251,888)
Special education instruction	9,984,693	269,414	5,065,675	(4,649,604)	(5,251,215)
Instructional support services	4,517,900	–	–	(4,517,900)	(4,493,422)
Pupil support services	2,930,048	–	24,135	(2,905,913)	(2,910,278)
Sites and buildings	4,527,741	26,277	–	(4,501,464)	(4,766,763)
Fiscal and other fixed cost programs	182,420	–	–	(182,420)	(155,560)
Food service	1,985,158	577,093	1,440,598	32,533	(57,191)
Community service	2,693,355	929,002	859,880	(904,473)	(692,667)
Depreciation not allocated to other functions	1,427,210	–	–	(1,427,210)	(1,342,250)
Interest and fiscal charges	1,197,044	–	–	(1,197,044)	(1,219,318)
Total governmental activities	$ 60,919,986	$ 2,252,264	$ 8,030,824	(50,636,898)	(52,160,788)
General revenues					
Taxes					
Property taxes, levied for general purposes				5,154,269	5,408,982
Property taxes, levied for community service				512,892	497,315
Property taxes, levied for debt service				3,256,249	3,162,266
General grants and aids				31,301,712	31,866,738
Other general revenues				290,043	188,456
Investment earnings				412,851	452,633
Total general revenues				40,928,016	41,576,390
Change in net position				(9,708,882)	(10,584,398)
Net position – beginning, as previously reported				(22,226,820)	(11,642,422)
Change in accounting principle				(4,648,985)	–
Net position – beginning, as restated				(26,875,805)	(11,642,422)
Net position – ending				$ (36,584,687)	$ (22,226,820)

See notes to basic financial statements

SPECIAL SCHOOL DISTRICT NO. 6

Balance Sheet
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	$ 10,969,845	$ 2,043,808	$ 1,576,058
Receivables			
Current taxes	3,855,535	1,948,322	270,227
Delinquent taxes	90,143	51,830	7,910
Accounts and interest	6,291	–	33,089
Due from other governmental units	3,411,952	–	202,489
Inventory	–	–	44,600
Prepaid items	–	–	2,329
Total assets	$ 18,333,766	$ 4,043,960	$ 2,136,702
Liabilities			
Salaries payable	$ 1,748,718	$ –	$ 73,323
Accounts and contracts payable	1,995,561	–	61,819
Due to other governmental units	–	–	291,981
Unearned revenue	475,373	221,000	20,128
Total liabilities	4,219,652	221,000	447,251
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	56,099	29,707	4,456
Property taxes levied for subsequent year	6,044,332	3,114,579	431,979
Total deferred inflows of resources	6,100,431	3,144,286	436,435
Fund balances			
Nonspendable	–	–	46,929
Restricted	1,751,549	678,674	1,206,087
Assigned	1,888,230	–	–
Unassigned	4,373,904	–	–
Total fund balances	8,013,683	678,674	1,253,016
Total liabilities, deferred inflows of resources, and fund balances	$ 18,333,766	$ 4,043,960	$ 2,136,702

See notes to basic financial statements

Total Governmental Funds	
2018	2017
$ 14,589,711	$ 13,699,379
6,074,084	5,393,660
149,883	168,258
39,380	26,013
3,614,441	3,679,263
44,600	93,432
2,329	499,489
$ 24,514,428	$ 23,559,494
$ 1,822,041	$ 1,745,249
2,057,380	2,087,409
291,981	457,443
716,501	704,115
4,887,903	4,994,216
90,262	127,639
9,590,890	8,295,744
9,681,152	8,423,383
46,929	592,921
3,636,310	3,392,233
1,888,230	2,387,848
4,373,904	3,768,893
9,945,373	10,141,895
$ 24,514,428	$ 23,559,494

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SPECIAL SCHOOL DISTRICT NO. 6

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	2018	2017
Total fund balances – governmental funds	$ 9,945,373	$ 10,141,895
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	63,686,805	62,579,729
Accumulated depreciation	(23,369,680)	(21,968,840)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(33,040,000)	(34,870,000)
Unamortized premium/discount	(518,435)	(576,411)
Net pension liability	(80,313,290)	(96,258,602)
Severance benefits payable	(104,224)	(93,821)
Compensated absences payable	(209,340)	(205,242)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(486,150)	(521,567)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	(3,161,305)	847,342
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	44,043,742	59,631,350
Deferred inflows – pension plan deferments	(13,148,445)	(1,060,292)
Deferred inflows – unavailable revenue – delinquent taxes	90,262	127,639
Total net position – governmental activities	$ (36,584,687)	$ (22,226,820)

SPECIAL SCHOOL DISTRICT NO. 6

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	$ 5,177,387	$ 3,268,795	$ 514,605
Investment earnings	109,799	23,466	19,808
Other	1,029,309	–	1,506,095
State sources	35,710,305	–	986,648
Federal sources	1,333,323	–	1,313,830
Total revenue	43,360,123	3,292,261	4,340,986
Expenditures			
Current			
Administration	1,127,343	–	–
District support services	1,764,843	–	–
Elementary and secondary regular instruction	20,746,253	–	–
Vocational education instruction	180,445	–	–
Special education instruction	7,737,139	–	–
Instructional support services	3,677,803	–	–
Pupil support services	2,663,758	–	–
Sites and buildings	5,565,648	–	–
Fiscal and other fixed cost programs	182,420	–	–
Food service	–	–	1,952,208
Community service	–	–	2,432,062
Capital outlay	–	–	46,436
Debt service			
Principal	–	1,865,000	–
Interest and fiscal charges	–	1,297,197	–
Total expenditures	43,645,652	3,162,197	4,430,706
Excess (deficiency) of revenue over expenditures	(285,529)	130,064	(89,720)
Other financing sources (uses)			
Refunding debt issued	–	1,995,000	–
Premium on debt issued	–	6,760	–
Payments to refunded bond escrow agent	–	(1,960,000)	–
Sale of capital assets	6,903	–	–
Total other financing sources (uses)	6,903	41,760	–
Net change in fund balances	(278,626)	171,824	(89,720)
Fund balances			
Beginning of year	8,292,309	506,850	1,342,736
End of year	$ 8,013,683	$ 678,674	$ 1,253,016

See notes to basic financial statements

Total Governmental Funds	
2018	2017
$ 8,960,787	$ 9,133,579
153,073	87,485
2,535,404	2,778,633
36,696,953	36,055,931
2,647,153	2,645,863
50,993,370	50,701,491
1,127,343	1,072,918
1,764,843	1,704,901
20,746,253	20,410,135
180,445	187,501
7,737,139	7,751,666
3,677,803	3,492,275
2,663,758	2,689,663
5,565,648	5,461,050
182,420	155,560
1,952,208	2,031,111
2,432,062	2,431,938
46,436	181,587
1,865,000	1,872,966
1,297,197	1,313,235
51,238,555	50,756,506
(245,185)	(55,015)
1,995,000	–
6,760	–
(1,960,000)	–
6,903	3,218
48,663	3,218
(196,522)	(51,797)
10,141,895	10,193,692
$ 9,945,373	$ 10,141,895

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SPECIAL SCHOOL DISTRICT NO. 6

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Total net change in fund balances – governmental funds	$ (196,522)	$ (51,797)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,133,446	972,075
Depreciation expense	(1,427,210)	(1,342,250)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(1,995,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	3,825,000	1,810,000
Capital leases payable	–	62,966
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	57,976	71,870
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	15,945,312	(67,617,339)
Severance benefits payable	(10,403)	(8,799)
Compensated absences payable	(4,098)	(30,661)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	35,417	22,047
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	640,338	2,969
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	(15,587,608)	53,926,500
Deferred inflows – pension plan deferments	(12,088,153)	1,663,037
Deferred inflows – unavailable revenue – delinquent taxes	(37,377)	(65,016)
Change in net position – governmental activities	$ (9,708,882)	$ (10,584,398)

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SPECIAL SCHOOL DISTRICT NO. 6

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2018

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 5,073,526	$ 5,073,526	$ 5,177,387	$ 103,861
Investment earnings	40,000	75,000	109,799	34,799
Other	677,832	777,832	1,029,309	251,477
State sources	35,533,244	35,588,544	35,710,305	121,761
Federal sources	1,257,864	1,257,864	1,333,323	75,459
Total revenue	42,582,466	42,772,766	43,360,123	587,357
Expenditures				
Current				
Administration	1,117,545	1,125,990	1,127,343	1,353
District support services	1,878,902	1,733,847	1,764,843	30,996
Elementary and secondary regular instruction	20,756,722	20,777,161	20,746,253	(30,908)
Vocational education instruction	–	175,455	180,445	4,990
Special education instruction	8,186,151	7,934,674	7,737,139	(197,535)
Instructional support services	3,489,297	3,863,656	3,677,803	(185,853)
Pupil support services	2,625,484	2,812,762	2,663,758	(149,004)
Sites and buildings	5,368,140	4,943,378	5,565,648	622,270
Fiscal and other fixed cost programs	120,000	160,000	182,420	22,420
Debt service				
Principal	62,966	62,966	–	(62,966)
Interest and fiscal charges	2,182	2,182	–	(2,182)
Total expenditures	43,607,389	43,592,071	43,645,652	53,581
Excess (deficiency) of revenue over expenditures	(1,024,923)	(819,305)	(285,529)	533,776
Other financing sources				
Sale of capital assets	–	–	6,903	6,903
Net change in fund balances	$ (1,024,923)	$ (819,305)	(278,626)	$ 540,679
Fund balances				
Beginning of year			8,292,309	
End of year			$ 8,013,683	

SPECIAL SCHOOL DISTRICT NO. 6

Statement of Net Position
Internal Service Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	2018	2017
Assets		
Current assets		
Cash and temporary investments	$ 1,642,688	$ 79,645
Receivables		
Accounts and interest	45,330	2,835
Prepaid items	77,239	–
Total current assets	1,765,257	82,480
Long-term assets		
Restricted assets		
Cash and cash equivalents	3,019,345	2,912,311
Investments	1,811,830	1,659,086
Total long-term assets	4,831,175	4,571,397
Total assets	6,596,432	4,653,877
Deferred outflows of resources		
OPEB plan deferments	610,891	–
Liabilities		
Current liabilities		
Unearned revenue	723,301	28,083
Claims incurred, but not reported	482,371	18,420
Total current liabilities	1,205,672	46,503
Long-term liabilities		
Total OPEB liability	9,162,956	3,760,032
Total liabilities	10,368,628	3,806,535
Net position		
Restricted for OPEB	–	811,365
Unrestricted	(3,161,305)	35,977
Total net position	$ (3,161,305)	$ 847,342

See notes to basic financial statements

SPECIAL SCHOOL DISTRICT NO. 6

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Operating revenue		
Contributions from governmental funds	$ 4,153,719	$ 758,866
Operating expenses		
Dental benefit claims	264,758	136,414
Medical benefit claims	2,754,462	–
OPEB	753,939	984,631
Total operating expenses	3,773,159	1,121,045
Operating income (loss)	380,560	(362,179)
Nonoperating revenue		
Investment earnings	259,778	365,148
Change in net position	640,338	2,969
Net position		
Beginning of year, as previously reported	847,342	844,373
Change in accounting principle	(4,648,985)	–
Beginning of year, as restated	(3,801,643)	844,373
End of year	$ (3,161,305)	$ 847,342

See notes to basic financial statements

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SPECIAL SCHOOL DISTRICT NO. 6

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities		
Received from assessments made to other funds	$ 4,806,442	$ 784,114
Payment for dental claims	(277,076)	(117,994)
Payment for medical claims	(2,355,432)	–
Post-employment benefit payments	(610,891)	(586,475)
Net cash flows from operating activities	1,563,043	79,645
Cash flows from investing activities		
Purchase of investments	(367,201)	(188,813)
Sale of investments	214,457	118,700
Interest on investments	259,778	365,148
Net cash flows from investing activities	107,034	295,035
Net change in cash and cash equivalents	1,670,077	374,680
Cash and cash equivalents		
Beginning of year	2,991,956	2,617,276
End of year	$ 4,662,033	$ 2,991,956
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ 380,560	$ (362,179)
Adjustments to reconcile operating income (loss) to cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows		
Accounts and interest receivable	(42,495)	(2,835)
Prepaid items	(77,239)	–
OPEB plan deferments	(24,416)	–
Unearned revenue	695,218	28,083
Claims incurred, but not reported	463,951	18,420
Total OPEB liability	167,464	398,156
Net cash flows from operating activities	$ 1,563,043	$ 79,645

Cash and cash equivalents are reported on the Statement of Net Position as follows:

	2018	2017
Cash and temporary investments	$ 1,642,688	$ 79,645
Cash and cash equivalents	3,019,345	2,912,311
Total cash and cash equivalents	$ 4,662,033	$ 2,991,956

See notes to basic financial statements

SPECIAL SCHOOL DISTRICT NO. 6

Statement of Fiduciary Net Position
as of June 30, 2018

	Employee Benefit Trust Fund
Assets	
Cash and temporary investments	$ 40,140
Net position	
Held in trust for flexible benefits	$ 40,140

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Employee Benefit Trust Fund
Additions	
Contributions	$ 211,615
Deductions	
Flex benefit costs	253,207
Change in net position	(41,592)
Net position	
Beginning of year	81,732
End of year	$ 40,140

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Special School District No. 6 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's boundaries and the City of South St. Paul's boundaries are nearly the same, fostering a feeling of family, with many opportunities for parent and community involvement. The mission of the District is delivering lifelong education by providing opportunities for learners of all ages, backgrounds, and needs. In 2009, the District became Minnesota's first K–12 International Baccalaureate (IB) World Schools District after successfully being authorized in the IB Middle Years Program, serving all students in Grades 7–10, and the Primary Years Program, which serves all students in Grades K–6. The District has been offering the IB Diploma Program at the high school since 1986.

B. Reporting Entity

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, district school boards can elect to either control or not control extracurricular student activities. The District's School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the District's General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not allocated to other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fiduciary funds are presented in the fiduciary fund financial statements by type: Employee Benefit Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the 2009 taxable OPEB bond issue.

Nonmajor Governmental Funds

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

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The District's internal service funds are used to account for dental and medical insurance benefits offered by the District to its employees as a self-insured plan and for the payment and financing of its OPEB liabilities, including the administration of assets held in a revocable trust to finance these liabilities.

Fiduciary Fund

Employee Benefit Trust Fund – The Employee Benefit Trust Fund is used to administer resources received and held by the District as the trustee for employees participating in the District's flexible benefit plan (Internal Revenue Code [IRC] § 125 Cafeteria Plan).

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the General Fund, Community Service Special Revenue Fund, and Debt Service Fund exceeded budgeted appropriations by $53,581, $80,224, and $38,986, respectively, during the year ended June 30, 2018. Revenues and other financing sources, along with available fund balance, financed these variances.

F. Cash and Temporary Investments

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

Cash and investments held by trustee include balances held in segregated accounts established for specific purposes. In the Internal Service Fund, this represents assets held in a revocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to these accounts.

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

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

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

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

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

G. Receivables

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

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $445,376 of the property tax levy collectible in 2018 as revenue to the District in fiscal year 2017–2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $3,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances. Unused vacation is accrued as it is earned in the government-wide financial statements.

N. Severance

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee’s unused accumulated sick leave. No individual can receive severance benefits in excess of one year’s salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual’s employment.

Severance payable and the District’s share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures due to employee termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. State-Wide Pension Plans

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

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

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

P. Deferred Outflows/Inflows of Resources

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

The District reports deferred outflows and inflows of resources related to pensions and OPEB plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

R. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's superintendent of schools is authorized to establish assignments of fund balance.

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

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

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

S. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide and internal service fund financial statements.

T. Risk Management and Self-Insurance

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

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

   The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

   Changes in the balance of dental claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2017 (first year)	$ –	$ 136,414	$ 117,994	$ 18,420
2018	$ 18,420	$ 264,758	$ 275,075	$ 8,103

   Changes in the balance of health insurance claim liabilities for the past year were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2018 (first year)	$ –	$ 2,754,462	$ 2,280,194	$ 474,268

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

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

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

W. Change in Accounting Principle

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This statement establishes standards for employer recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB. Certain amounts if necessary to fully restate fiscal year 2017 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this statement resulted in the following restatement of entity-wide and proprietary fund net position as of June 30, 2017. The details of the restatement are as follows:

	Governmental Activities	Internal Service Funds
Net position – beginning, as previously reported	$ (22,226,820)	$ 847,342
Change in accounting principle		
Net OPEB obligation, under previous reporting standards	3,760,032	3,760,032
Total OPEB liability, under current reporting standards	(8,995,492)	(8,995,492)
Deferred outflows of resources, under current reporting standards	586,475	586,475
Total change in accounting principle	(4,648,985)	(4,648,985)
Net position – beginning, restated	$ (26,875,805)	$ (3,801,643)

X. Deficit Net Position

As of June 30, 2018, the District has a net position deficit of $3,720,890 in its Other Post-Employment Benefits Internal Service Fund. This deficit will be eliminated through contributions and investment earnings.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was $3,746,935, while the balance on the bank records was $4,346,295. At June 30, 2018, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

B. Investments

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the District's revocable OPEB trust accounted for in its OPEB Internal Service Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

The following table presents the District's deposit and investment balances, and information relating to potential investment risks:

	Credit Risk		Fair Value	Interest Risk – Maturity Duration in Years		
Investment Type	Rating	Agency	Measurements	Less Than 1	1 to 5	Total
U.S. treasury note	AAA	Moody's	Level 1	$ 49,864	$ 224,889	$ 274,753
FHLMC	AA	S&P	Level 1	$ –	$ 49,722	49,722
Mortgage-backed securities	AAA	S&P	Level 1	$ –	$ 24,583	24,583
Corporate obligations	AA	S&P	Level 1	$ 49,844	$ 182,821	232,665
Corporate obligations	A	S&P	Level 1	$ 50,011	$ 763,180	813,191
Corporate obligations	BAA	Moody's	Level 1	$ –	$ 25,796	25,796
Corporate obligations	BBB	S&P	Level 1	$ 29,942	$ 189,941	219,883
Equities	N/R	N/R	Level 1	N/A	N/A	1,945,225
Real estate investment trust	N/R	N/R	Level 1	N/A	N/A	13,796
Real asset funds	N/R	N/R	Level 2	N/A	N/A	496,925
Investment pools/mutual funds						
Mutual funds	N/R	N/R	Level 1	N/A	N/A	639,786
MSDLAF	AAA	S&P	N/A	N/A	N/A	12,525,605
Wells Fargo Fund	AAA	S&P	Level 1	N/A	N/A	94,849
Total investments						17,356,779
Total deposits						3,746,935
Total deposits and investments						$ 21,103,714

N/A – Not Applicable
N/R – Not Rated

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool, which is not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC. The District's investment in this pool is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

Deposits and investments are included on the basic financial statements as follows:

Statement of Net Position	
Cash and temporary investments	$ 16,232,399
Restricted assets	
Cash and investments for OPEB	4,831,175
Statement of Fiduciary Net Position	
Cash and temporary investments	40,140
Total deposits and investments	$ 21,103,714

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 1,590,642	$ –	$ –	$ –	$ 1,590,642
Construction in progress	474,368	286,982	–	(540,241)	221,109
Total capital assets, not depreciated	2,065,010	286,982	–	(540,241)	1,811,751
Capital assets, depreciated					
Buildings	50,429,167	155,791	–	540,241	51,125,199
Building improvements	6,343,911	111,694	–	–	6,455,605
Furniture and equipment	3,741,641	578,979	(26,370)	–	4,294,250
Total capital assets, depreciated	60,514,719	846,464	(26,370)	540,241	61,875,054
Less accumulated depreciation for					
Buildings	(17,488,272)	(979,616)	–	–	(18,467,888)
Building improvements	(2,213,269)	(244,689)	–	–	(2,457,958)
Furniture and equipment	(2,267,299)	(202,905)	26,370	–	(2,443,834)
Total accumulated depreciation	(21,968,840)	(1,427,210)	26,370	–	(23,369,680)
Net capital assets, depreciated	38,545,879	(580,746)	–	540,241	38,505,374
Total capital assets, net	$ 40,610,889	$ (293,764)	$ –	$ –	$ 40,317,125

Depreciation expense for the year is reported as depreciation not allocated to other functions as a separate function in the Statement of Activities.

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
Series 2010A – Refunding	03/04/2010	2.000–3.000%	$ 4,105,000	02/01/2021	$ 1,440,000
Series 2013A – Refunding	06/05/2013	2.000%	$ 5,280,000	02/01/2021	2,090,000
Series 2013B – Building	08/13/2013	2.000–4.000%	$ 16,675,000	02/01/2029	16,505,000
Series 2014A – Building	01/29/2014	1.000–3.750%	$ 10,000,000	02/01/2033	9,920,000
Series 2015A – Capital facilities	04/09/2015	2.000%	$ 1,520,000	02/01/2025	1,090,000
Series 2017A – OPEB Refunding	11/07/2017	2.000%	$ 1,995,000	02/02/2021	1,995,000
Total general obligation bonds payable					$ 33,040,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized equal 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

In November 2017, the District issued $1,995,000 of General Obligation Taxable OPEB Refunding Bonds, Series 2017A. The proceeds of this issue were used to refund, in advance of their stated maturities, the 2019–2021 maturities of the District's 2009A Taxable OPEB Bonds. This advance refunding will reduce the District's total future debt service payments by $64,024, and will result in present value savings of $60,103.

B. Other Long-Term Liabilities

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

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans, administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2018:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 7,073,396	$ 2,128,155	$ 1,551,962	$ 923,304
TRA	73,239,894	41,915,587	11,596,483	12,939,075
Total	$ 80,313,290	$ 44,043,742	$ 13,148,445	$ 13,862,379

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

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

Year Ending	General Obligation Bonds Payable	
June 30,	Principal	Interest
2019	$ 1,935,000	$ 1,153,547
2020	1,995,000	1,100,938
2021	2,045,000	1,056,238
2022	1,975,000	1,010,338
2023	2,040,000	934,438
2024–2028	10,790,000	3,573,425
2029–2033	12,260,000	1,415,288
	$ 33,040,000	$ 10,244,210

D. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Change in Accounting Principle*	Restated Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 34,870,000	$ –	$ 34,870,000	$ 1,995,000	$ 3,825,000	$ 33,040,000	$ 1,935,000
Unamortized premium/discount	576,411	–	576,411	6,760	64,736	518,435	–
Total bonds payable	35,446,411	–	35,446,411	2,001,760	3,889,736	33,558,435	1,935,000
Net pension liability	96,258,602	–	96,258,602	1,335,938	17,281,250	80,313,290	–
Severance benefits payable	93,821	–	93,821	10,403	–	104,224	–
Compensated absences payable	205,242	–	205,242	402,483	398,385	209,340	209,340
Total OPEB liability	3,760,032	5,235,460	8,995,492	753,939	586,475	9,162,956	–
	$ 135,764,108	$ 5,235,460	$ 140,999,568	$ 4,504,523	$ 22,155,846	$ 123,348,245	$ 2,144,340

* The above figure only reflects a portion of the change in accounting principle described earlier in these notes.

NOTE 5 – FUND BALANCES

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

A. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unrestricted fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unrestricted General Fund balance of 12.0 percent of the annual budget. At June 30, 2018, the unrestricted fund balance (excluding restricted account deficits) of the General Fund was 15.0 percent of fiscal 2018 actual expenditures.

NOTE 5 – FUND BALANCES (CONTINUED)

B. Classifications

At year-end, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ –	$ –	$ 44,600	$ 44,600
Prepaid items	–	–	2,329	2,329
Total nonspendable	–	–	46,929	46,929
Restricted				
Staff development	158,666	–	–	158,666
Health and safety	91,873	–	–	91,873
Capital projects levy	16,022	–	–	16,022
Operating capital	59,788	–	–	59,788
Learning and development	192,789	–	–	192,789
Gifted and talented	153,305	–	–	153,305
Basic skills	584,453	–	–	584,453
Safe schools	13,634	–	–	13,634
Medical Assistance	375,958	–	–	375,958
Debt reduction	105,061	–	–	105,061
Debt service	–	678,674	–	678,674
Food service	–	–	904,201	904,201
Community education programs	–	–	113,214	113,214
Early childhood family education programs	–	–	37,504	37,504
School readiness	–	–	97,575	97,575
Adult basic education	–	–	53,593	53,593
Total restricted	1,751,549	678,674	1,206,087	3,636,310
Assigned				
Subsequent year budget	395,094	–	–	395,094
ATPPS program	277,025	–	–	277,025
Student activities	256,111	–	–	256,111
Separation benefits	335,000	–	–	335,000
Curriculum	250,000	–	–	250,000
Staff development	75,000	–	–	75,000
Construction	200,000	–	–	200,000
Building maintenance	100,000	–	–	100,000
Total assigned	1,888,230	–	–	1,888,230
Unassigned				
Unassigned – long-term facilities maintenance restricted account deficit	(294,034)	–	–	(294,034)
Unassigned	4,667,938	–	–	4,667,938
Total unassigned	4,373,904	–	–	4,373,904
Total	$ 8,013,683	$ 678,674	$ 1,253,016	$ 9,945,373

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the City of St. Paul and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by Minnesota State Colleges and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan administered by MnSCU.

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually through 2018, and 1.0 percent increases.

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent of average salary for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

Members first employed after June 30, 1989, receive only the Tier II 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.

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2018; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2018, were $549,688. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2017		2018	
	Employee	Employer	Employee	Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2018, were $1,445,979. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

		in thousands
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$	367,791
Add employer contributions not related to future contribution efforts		810
Deduct the TRA's contributions not included in allocation		(456)
Total employer contributions		368,145
Total nonemployer contributions		35,588
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	$	403,733

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2018, the District reported a liability of $7,073,396 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1108 percent at the end of the measurement period and 0.1074 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	7,073,396
State's proportionate share of the net pension liability associated with the District	$	88,931

For the year ended June 30, 2018, the District recognized pension expense of $920,735 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $2,569 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $6 million to the GERF.

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

At June 30, 2018, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 233,119	$ 442,567
Changes in actuarial assumptions	1,138,301	709,109
Differences between projected and actual investment earnings	–	334,592
Changes in proportion	207,047	65,694
District's contributions to the GERF subsequent to the measurement date	549,688	–
Total	$ 2,128,155	$ 1,551,962

A total of $549,688 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	$ (30,595)
2020	$ 432,259
2021	$ (74,906)
2022	$ (300,253)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of $73,239,894 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.3669 percent at the end of the measurement period and 0.3670 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 73,239,894
State's proportionate share of the net pension liability associated with the District	$ 7,080,446

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

For the year ended June 30, 2018, the District recognized pension expense of $12,803,277. It also recognized $135,798 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 572,033	$ 514,304
Changes in actuarial assumptions	39,716,662	10,259,753
Difference between projected and actual investment earnings	–	612,845
Changes in proportion	180,913	209,581
District's contributions to the TRA subsequent to the measurement date	1,445,979	–
Total	$ 41,915,587	$ 11,596,483

A total of $1,445,979 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	$ 7,751,564
2020	$ 9,055,343
2021	$ 7,706,925
2022	$ 6,517,693
2023	$ (2,158,400)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25% per year	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	5.12%

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. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter, and 2.0 percent per year for all future years for the TRA.

Actuarial assumptions used in the June 30, 2017 valuation for the GERF were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions for the GERF occurred in 2017:

1. **GERF**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2. **TRA**

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.

- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.

- Adjustments were made to CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.

- The investment return assumption was changed from 8.00 percent to 7.50 percent.

- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.

- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

- The single discount rate changed from 4.66 percent to 5.12 percent.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 5.12 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2017 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2017 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 projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 10,971,367	$ 7,073,396	$ 3,882,204
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	$ 96,662,549	$ 73,239,894	$ 53,491,749

H. Pension Plan Fiduciary Net Position

Pension Benefit Reforms – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the PERA and the TRA. The reforms include several changes, including modifications in future COLA and contribution rates.

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

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

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

A. Plan Description

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

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

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's contributions in the current year totaled $610,891 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section. The District has established a separate Internal Service Fund to finance these OPEB obligations.

D. Membership

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

Retirees and beneficiaries receiving benefits	61
Active plan members	478
Total members	539

E. Total OPEB Liability of the District

The District's total OPEB liability of $9,162,956 as of year-end was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2016 and measurement date as of July 1, 2017, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50% in 2017 grading to 5.00% over 6 years
Dental trend rate	4.00%

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

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The rates used are recent tables developed and recommended by the Society of Actuaries.

The retirement and withdrawal assumptions used to value GASB Statement No. 75 liabilities are similar to those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance	$ 8,995,492
Changes for the year	
Service cost	442,920
Interest	311,019
Benefit payments	(586,475)
Total net changes	167,464
Ending balance	$ 9,162,956

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.50 percent to 3.40 percent.

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

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.40%	3.40%	4.40%
Total OPEB liability	$ 9,786,073	$ 9,162,956	$ 8,572,847

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

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Dental trend rate	3.00%	4.00%	5.00%
Total OPEB liability	$ 8,532,708	$ 9,162,956	$ 9,903,686

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

For the current year ended, the District recognized OPEB expense of $753,939. As of year-end, 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
District's contributions subsequent to the measurement date	$ 610,891	$ –

A total of $610,891 reported as deferred outflows of resources related to OPEB contributions, subsequent to the measure date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a cafeteria plan (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are accounted for by a district employee who serves as the plan administrator. Payments are made to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements as an Employee Benefit Trust Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2018, the District had commitments totaling $100,670 under construction contracts for which the work was not yet completed.

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REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL SCHOOL DISTRICT NO. 6

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2018

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1107%	$ 5,200,131	$ –	$ 5,200,131	$ 5,796,603	89.71%	78.70%
06/30/2016	06/30/2015	0.1091%	$ 5,654,128	$ –	$ 5,654,128	$ 6,430,677	87.92%	78.20%
06/30/2017	06/30/2016	0.1074%	$ 8,720,346	$ 113,888	$ 8,834,234	$ 6,666,940	130.80%	68.90%
06/30/2018	06/30/2017	0.1108%	$ 7,073,396	$ 88,931	$ 7,162,327	$ 7,141,483	99.05%	75.90%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2018

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 474,641	$ 474,641	$ –	$ 6,430,677	7.38%
06/30/2016	$ 499,908	$ 499,908	$ –	$ 6,666,940	7.50%
06/30/2017	$ 535,497	$ 535,497	$ –	$ 7,141,483	7.50%
06/30/2018	$ 549,688	$ 549,688	$ –	$ 7,332,178	7.50%

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

SPECIAL SCHOOL DISTRICT NO. 6

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2018

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3819%	$ 17,597,677	$ 1,238,076	$ 18,835,753	$ 17,434,323	100.94%	81.50%
06/30/2016	06/30/2015	0.3716%	$ 22,987,135	$ 2,819,725	$ 25,806,860	$ 18,878,949	121.76%	76.80%
06/30/2017	06/30/2016	0.3670%	$ 87,538,256	$ 8,785,747	$ 96,324,003	$ 19,304,901	453.45%	44.88%
06/30/2018	06/30/2017	0.3669%	$ 73,239,894	$ 7,080,446	$ 80,320,340	$ 19,744,761	370.93%	51.57%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2018

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,415,929	$ 1,415,929	$ –	$ 18,878,949	7.50%
06/30/2016	$ 1,448,037	$ 1,448,037	$ –	$ 19,304,901	7.50%
06/30/2017	$ 1,481,077	$ 1,481,077	$ –	$ 19,744,761	7.50%
06/30/2018	$ 1,445,979	$ 1,445,979	$ –	$ 19,279,005	7.50%

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

SPECIAL SCHOOL DISTRICT NO. 6

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Total
OPEB Liability and Related Ratios
Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	$ 442,920
Interest	311,019
Benefit payments	(586,475)
Net change in total OPEB liability	167,464
Total OPEB liability – beginning of year	8,995,492
Total OPEB liability – end of year	$ 9,162,956
Covered-employee payroll	$ 24,641,269
Total OPEB liability as a percentage of covered-employee payroll	37.19%

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

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

TRA

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The discount rate was changed from 3.50 percent to 3.40 percent.

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SUPPLEMENTAL INFORMATION

SPECIAL SCHOOL DISTRICT NO. 6

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2018

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 1,014,118	$ 561,940	$ 1,576,058
Receivables			
Current taxes	–	270,227	270,227
Delinquent taxes	–	7,910	7,910
Accounts and interest	10,817	22,272	33,089
Due from other governmental units	50,196	152,293	202,489
Inventory	44,600	–	44,600
Prepaid items	–	2,329	2,329
Total assets	$ 1,119,731	$ 1,016,971	$ 2,136,702
Liabilities			
Salaries payable	$ 24,280	$ 49,043	$ 73,323
Accounts and contracts payable	27,377	34,442	61,819
Due to other governmental units	112,500	179,481	291,981
Unearned revenue	6,773	13,355	20,128
Total liabilities	170,930	276,321	447,251
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	4,456	4,456
Property taxes levied for subsequent year	–	431,979	431,979
Total deferred inflows of resources	–	436,435	436,435
Fund balances			
Nonspendable	44,600	2,329	46,929
Restricted	904,201	301,886	1,206,087
Total fund balances	948,801	304,215	1,253,016
Total liabilities, deferred inflows of resources, and fund balances	$ 1,119,731	$ 1,016,971	$ 2,136,702

SPECIAL SCHOOL DISTRICT NO. 6

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 514,605	$ 514,605
Investment earnings	9,996	9,812	19,808
Other	577,093	929,002	1,506,095
State sources	140,673	845,975	986,648
Federal sources	1,299,925	13,905	1,313,830
Total revenue	2,027,687	2,313,299	4,340,986
Expenditures			
Current			
Food service	1,952,208	–	1,952,208
Community service	–	2,432,062	2,432,062
Capital outlay	40,046	6,390	46,436
Total expenditures	1,992,254	2,438,452	4,430,706
Net change in fund balances	35,433	(125,153)	(89,720)
Fund balances			
Beginning of year	913,368	429,368	1,342,736
End of year	$ 948,801	$ 304,215	$ 1,253,016

SPECIAL SCHOOL DISTRICT NO. 6

General Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 10,969,845	$ 10,256,444
Receivables		
Current taxes	3,855,535	3,098,506
Delinquent taxes	90,143	103,949
Accounts and interest	6,291	23,918
Due from other governmental units	3,411,952	3,329,374
Prepaid items	–	498,225
Total assets	$ 18,333,766	$ 17,310,416
Liabilities		
Salaries payable	$ 1,748,718	$ 1,658,204
Accounts and contracts payable	1,995,561	2,018,257
Due to other governmental units	–	260,449
Unearned revenue	475,373	465,093
Total liabilities	4,219,652	4,402,003
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	56,099	79,217
Property taxes levied for subsequent year	6,044,332	4,536,887
Total deferred inflows of resources	6,100,431	4,616,104
Fund balances (deficit)		
Nonspendable for prepaid items	–	498,225
Restricted for staff development	158,666	161,960
Restricted for health and safety	91,873	104,222
Restricted for capital projects levy	16,022	115,629
Restricted for operating capital	59,788	18,706
Restricted for learning and development	192,789	313,631
Restricted for gifted and talented	153,305	122,897
Restricted for basic skills	584,453	603,840
Restricted for safe schools	13,634	14,078
Restricted for Medical Assistance	375,958	106,544
Restricted for debt reduction	105,061	75,836
Assigned for subsequent year budget	395,094	1,024,923
Assigned for ATPPS program	277,025	169,724
Assigned for student activities	256,111	233,201
Assigned for separation benefits	335,000	335,000
Assigned for curriculum	250,000	250,000
Assigned for staff development	75,000	75,000
Assigned for construction	200,000	200,000
Assigned for building maintenance	100,000	100,000
Unassigned – long-term facilities maintenance restricted account deficit	(294,034)	(114,756)
Unassigned	4,667,938	3,883,649
Total fund balances	8,013,683	8,292,309
Total liabilities, deferred inflows of resources, and fund balances	$ 18,333,766	$ 17,310,416

SPECIAL SCHOOL DISTRICT NO. 6

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 5,073,526	$ 5,177,387	$ 103,861	$ 5,452,392
Investment earnings	75,000	109,799	34,799	66,287
Other	777,832	1,029,309	251,477	940,808
State sources	35,588,544	35,710,305	121,761	35,121,981
Federal sources	1,257,864	1,333,323	75,459	1,325,739
Total revenue	42,772,766	43,360,123	587,357	42,907,207
Expenditures				
Current				
Administration				
Salaries	805,513	810,426	4,913	797,931
Employee benefits	275,712	296,469	20,757	245,942
Purchased services	14,065	(13,167)	(27,232)	(11,793)
Supplies and materials	3,000	4,734	1,734	2,912
Capital expenditures	–	–	–	1,000
Other expenditures	27,700	28,881	1,181	36,926
Total administration	1,125,990	1,127,343	1,353	1,072,918
District support services				
Salaries	932,935	933,247	312	943,905
Employee benefits	375,942	443,779	67,837	372,009
Purchased services	336,710	308,610	(28,100)	264,452
Supplies and materials	116,360	109,390	(6,970)	120,636
Capital expenditures	400	2,919	2,519	2,212
Other expenditures	(28,500)	(33,102)	(4,602)	1,687
Total district support services	1,733,847	1,764,843	30,996	1,704,901
Elementary and secondary regular instruction				
Salaries	13,826,943	13,511,304	(315,639)	13,537,592
Employee benefits	5,204,382	5,592,047	387,665	5,255,189
Purchased services	921,846	918,279	(3,567)	925,018
Supplies and materials	723,125	549,588	(173,537)	487,747
Capital expenditures	87,500	72,341	(15,159)	98,470
Other expenditures	13,365	102,694	89,329	106,119
Total elementary and secondary regular instruction	20,777,161	20,746,253	(30,908)	20,410,135

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	128,960	129,254	294	132,327
Employee benefits	46,495	46,272	(223)	50,271
Purchased services	–	1,623	1,623	2,967
Supplies and materials	–	2,125	2,125	1,225
Other expenditures	–	1,171	1,171	711
Total vocational education instruction	175,455	180,445	4,990	187,501
Special education instruction				
Salaries	5,190,237	5,087,569	(102,668)	5,178,009
Employee benefits	2,204,257	2,214,049	9,792	2,118,724
Purchased services	475,910	348,991	(126,919)	376,970
Supplies and materials	58,070	50,824	(7,246)	41,023
Capital expenditures	6,100	6,056	(44)	6,984
Other expenditures	100	29,650	29,550	29,956
Total special education instruction	7,934,674	7,737,139	(197,535)	7,751,666
Instructional support services				
Salaries	2,304,167	2,252,273	(51,894)	2,128,007
Employee benefits	771,701	783,283	11,582	725,546
Purchased services	650,187	488,671	(161,516)	472,218
Supplies and materials	119,044	126,808	7,764	136,719
Other expenditures	18,557	26,768	8,211	29,785
Total instructional support services	3,863,656	3,677,803	(185,853)	3,492,275
Pupil support services				
Salaries	880,213	800,940	(79,273)	742,383
Employee benefits	378,799	348,742	(30,057)	323,489
Purchased services	1,550,750	1,507,320	(43,430)	1,617,519
Supplies and materials	3,000	3,159	159	2,796
Other expenditures	–	3,597	3,597	3,476
Total pupil support services	2,812,762	2,663,758	(149,004)	2,689,663

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,612,716	1,636,150	23,434	1,528,181
Employee benefits	492,284	495,222	2,938	472,086
Purchased services	1,325,668	1,384,818	59,150	1,758,930
Supplies and materials	227,200	221,590	(5,610)	234,241
Capital expenditures	1,357,510	1,905,390	547,880	1,410,632
Other expenditures	(72,000)	(77,522)	(5,522)	56,980
Total sites and buildings	4,943,378	5,565,648	622,270	5,461,050
Fiscal and other fixed cost programs				
Purchased services	160,000	182,420	22,420	155,560
Debt service				
Principal	62,966	–	(62,966)	62,966
Interest and fiscal charges	2,182	–	(2,182)	2,182
Total debt service	65,148	–	(65,148)	65,148
Total expenditures	43,592,071	43,645,652	53,581	42,990,817
Excess (deficiency) of revenue over expenditures	(819,305)	(285,529)	533,776	(83,610)
Other financing sources				
Sale of capital assets	–	6,903	6,903	3,218
Net change in fund balances	$ (819,305)	(278,626)	$ 540,679	(80,392)
Fund balances				
Beginning of year		8,292,309		8,372,701
End of year		$ 8,013,683		$ 8,292,309

SPECIAL SCHOOL DISTRICT NO. 6

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 1,014,118	$ 872,717
Receivables		
Accounts and interest	10,817	14
Due from other governmental units	50,196	16,236
Inventory	44,600	93,432
Total assets	$ 1,119,731	$ 982,399
Liabilities		
Salaries payable	$ 24,280	$ 27,289
Accounts and contracts payable	27,377	32,695
Due to other governmental units	112,500	–
Unearned revenue	6,773	9,047
Total liabilities	170,930	69,031
Fund balances		
Nonspendable for inventory	44,600	93,432
Restricted for food service	904,201	819,936
Total fund balances	948,801	913,368
Total liabilities and fund balances	$ 1,119,731	$ 982,399

SPECIAL SCHOOL DISTRICT NO. 6

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 4,000	$ 9,996	$ 5,996	$ 5,452
Other – primarily meal sales	614,215	577,093	(37,122)	588,009
State sources	100,872	140,673	39,801	131,150
Federal sources	1,277,938	1,299,925	21,987	1,305,420
Total revenue	1,997,025	2,027,687	30,662	2,030,031
Expenditures				
Current				
Salaries	614,254	560,818	(53,436)	689,627
Employee benefits	240,142	202,176	(37,966)	248,027
Purchased services	231,576	157,542	(74,034)	204,298
Supplies and materials	963,837	891,521	(72,316)	888,488
Other expenditures	182,236	140,151	(42,085)	671
Capital outlay	13,000	40,046	27,046	8,236
Total expenditures	2,245,045	1,992,254	(252,791)	2,039,347
Net change in fund balances	$ (248,020)	35,433	$ 283,453	(9,316)
Fund balances				
Beginning of year		913,368		922,684
End of year		$ 948,801		$ 913,368

SPECIAL SCHOOL DISTRICT NO. 6

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 561,940	$ 591,638
Receivables		
Current taxes	270,227	312,327
Delinquent taxes	7,910	8,260
Accounts and interest	22,272	2,081
Due from other governmental units	152,293	333,653
Prepaid items	2,329	1,264
Total assets	$ 1,016,971	$ 1,249,223
Liabilities		
Salaries payable	$ 49,043	$ 59,756
Accounts and contracts payable	34,442	36,457
Due to other governmental units	179,481	196,994
Unearned revenue	13,355	8,975
Total liabilities	276,321	302,182
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	4,456	6,169
Property taxes levied for subsequent year	431,979	511,504
Total deferred inflows of resources	436,435	517,673
Fund balances		
Nonspendable for prepaid items	2,329	1,264
Restricted for community education programs	113,214	73,076
Restricted for early childhood family education programs	37,504	177,848
Restricted for school readiness	97,575	96,893
Restricted for adult basic education	53,593	80,287
Total fund balances	304,215	429,368
Total liabilities, deferred inflows of resources, and fund balances	$ 1,016,971	$ 1,249,223

SPECIAL SCHOOL DISTRICT NO. 6

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 511,681	$ 514,605	$ 2,924	$ 499,803
Investment earnings	1,000	9,812	8,812	5,216
Other – primarily tuition and fees	901,034	929,002	27,968	1,249,816
State sources	836,886	845,975	9,089	802,800
Federal sources	–	13,905	13,905	14,704
Total revenue	2,250,601	2,313,299	62,698	2,572,339
Expenditures				
Current				
Salaries	1,454,950	1,447,661	(7,289)	1,534,888
Employee benefits	454,092	471,373	17,281	472,645
Purchased services	315,601	385,660	70,059	304,459
Supplies and materials	119,785	122,467	2,682	113,555
Other expenditures	2,100	4,901	2,801	6,391
Capital outlay	11,700	6,390	(5,310)	10,523
Total expenditures	2,358,228	2,438,452	80,224	2,442,461
Net change in fund balances	$ (107,627)	(125,153)	$ (17,526)	129,878
Fund balances				
Beginning of year		429,368		299,490
End of year		$ 304,215		$ 429,368

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SPECIAL SCHOOL DISTRICT NO. 6

Debt Service Fund
Balance Sheet by Account
as of June 30, 2018
(With Comparative Totals as of June 30, 2017)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2018	Totals 2017
Assets				
Cash and temporary investments	$ 1,617,530	$ 426,278	$ 2,043,808	$ 1,978,580
Receivables				
Current taxes	1,520,096	428,226	1,948,322	1,982,827
Delinquent taxes	38,929	12,901	51,830	56,049
Total assets	$ 3,176,555	$ 867,405	$ 4,043,960	$ 4,017,456
Liabilities				
Unearned revenue	$ 221,000	$ –	$ 221,000	$ 221,000
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	21,847	7,860	29,707	42,253
Property taxes levied for subsequent year	2,430,018	684,561	3,114,579	3,247,353
Total deferred inflows of resources	2,451,865	692,421	3,144,286	3,289,606
Fund balances				
Restricted for debt service	503,690	174,984	678,674	506,850
Total liabilities, deferred inflows of resources, and fund balances	$ 3,176,555	$ 867,405	$ 4,043,960	$ 4,017,456

SPECIAL SCHOOL DISTRICT NO. 6

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	$ 3,248,312	$ 2,543,227	$ 725,568
Investment earnings	–	15,185	8,281
Total revenue	3,248,312	2,558,412	733,849
Expenditures			
Debt service			
Principal	1,865,000	1,265,000	600,000
Interest	1,251,761	1,134,138	117,623
Fiscal charges and other	6,450	5,000	40,436
Total expenditures	3,123,211	2,404,138	758,059
Excess (deficiency) of revenue over expenditures	125,101	154,274	(24,210)
Other financing sources (uses)			
Refunding debt issued	–	–	1,995,000
Premium on debt issued	–	–	6,760
Payments to refunded bond escrow agent	–	–	(1,960,000)
Total other financing sources (uses)	–	–	41,760
Net change in fund balances	$ 125,101	154,274	17,550
Fund balances			
Beginning of year		349,416	157,434
End of year		$ 503,690	$ 174,984

2018		2017
Total	Over (Under) Budget	Actual
$ 3,268,795	$ 20,483	$ 3,181,384
23,466	23,466	9,939
3,292,261	43,949	3,191,323
1,865,000	–	1,810,000
1,251,761	–	1,304,673
45,436	38,986	6,380
3,162,197	38,986	3,121,053
130,064	4,963	70,270
1,995,000	1,995,000	–
6,760	6,760	–
(1,960,000)	(1,960,000)	–
41,760	41,760	–
171,824	$ 46,723	70,270
506,850		436,580
$ 678,674		$ 506,850

SPECIAL SCHOOL DISTRICT NO. 6

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2018
(With Comparative Totals as of June 30, 2017)

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Totals 2018	Totals 2017
Assets					
Current assets					
Cash and temporary investments	$ 103,721	$ 1,538,967	$ –	$ 1,642,688	$ 79,645
Receivables					
Accounts and interest	5,839	39,491	–	45,330	2,835
Prepaid items	2,001	75,238	–	77,239	–
Total current assets	111,561	1,653,696	–	1,765,257	82,480
Long-term assets					
Restricted assets					
Cash and cash equivalents	–	–	3,019,345	3,019,345	2,912,311
Investments	–	–	1,811,830	1,811,830	1,659,086
Total long-term assets	–	–	4,831,175	4,831,175	4,571,397
Total assets	111,561	1,653,696	4,831,175	6,596,432	4,653,877
Deferred outflows of resources					
OPEB plan deferments	–	–	610,891	610,891	–
Liabilities					
Current liabilities					
Unearned revenue	27,296	696,005	–	723,301	28,083
Claims incurred, but not reported	8,103	474,268	–	482,371	18,420
Total current liabilities	35,399	1,170,273	–	1,205,672	46,503
Long-term liabilities					
Total OPEB liability	–	–	9,162,956	9,162,956	3,760,032
Total liabilities	35,399	1,170,273	9,162,956	10,368,628	3,806,535
Net position					
Restricted for OPEB	–	–	–	–	811,365
Unrestricted	76,162	483,423	(3,720,890)	(3,161,305)	35,977
Total net position	$ 76,162	$ 483,423	$ (3,720,890)	$ (3,161,305)	$ 847,342

SPECIAL SCHOOL DISTRICT NO. 6

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Totals 2018	Totals 2017
Operating revenue					
Contributions from governmental funds	$ 304,943	$ 3,237,885	$ 610,891	$ 4,153,719	$ 758,866
Operating expenses					
Dental benefit claims	264,758	–	–	264,758	136,414
Medical benefit claims	–	2,754,462	–	2,754,462	–
OPEB	–	–	753,939	753,939	984,631
Total operating expenses	264,758	2,754,462	753,939	3,773,159	1,121,045
Operating income (loss)	40,185	483,423	(143,048)	380,560	(362,179)
Nonoperating revenue					
Investment earnings	–	–	259,778	259,778	365,148
Change in net position	40,185	483,423	116,730	640,338	2,969
Net position					
Beginning of year, as previously reported	35,977	–	811,365	847,342	844,373
Change in accounting principle	–	–	(4,648,985)	(4,648,985)	–
Beginning of year, as restated	35,977	–	(3,837,620)	(3,801,643)	844,373
End of year	$ 76,162	$ 483,423	$ (3,720,890)	$ (3,161,305)	$ 847,342

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Total 2018	Total 2017
Cash flows from operating activities					
Received from assessments made to other funds	$ 301,152	$ 3,894,399	$ 610,891	$ 4,806,442	$ 784,114
Payment for dental claims	(277,076)	–	–	(277,076)	(117,994)
Payment for medical claims	–	(2,355,432)	–	(2,355,432)	–
Post-employment benefit payments	–	–	(610,891)	(610,891)	(586,475)
Net cash flows from operating activities	24,076	1,538,967	–	1,563,043	79,645
Cash flows from investing activities					
Purchase of investments	–	–	(367,201)	(367,201)	(188,813)
Sale of investments	–	–	214,457	214,457	118,700
Interest on investments	–	–	259,778	259,778	365,148
Net cash flows from investing activities	–	–	107,034	107,034	295,035
Net change in cash and cash equivalents	24,076	1,538,967	107,034	1,670,077	374,680
Cash and cash equivalents					
Beginning of year	79,645	–	2,912,311	2,991,956	2,617,276
End of year	$ 103,721	$ 1,538,967	$ 3,019,345	$ 4,662,033	$ 2,991,956
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	$ 40,185	$ 483,423	$ (143,048)	$ 380,560	$ (362,179)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets, liabilities, and deferred outflows/inflows					
Accounts and interest receivable	(3,004)	(39,491)	–	(42,495)	(2,835)
Prepaid items	(2,001)	(75,238)	–	(77,239)	–
OPEB plan deferments	–	–	(24,416)	(24,416)	–
Unearned revenue	(787)	696,005	–	695,218	28,083
Claims incurred, but not reported	(10,317)	474,268	–	463,951	18,420
Total OPEB liability	–	–	167,464	167,464	398,156
Net cash flows from operating activities	$ 24,076	$ 1,538,967	$ –	$ 1,563,043	$ 79,645

Cash and cash equivalents are reported on the Statement of Net Position as follows:

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Total 2018	Total 2017
Cash and temporary investments	$ 103,721	$ 1,538,967	$ –	$ 1,642,688	$ 79,645
Cash and cash equivalents	–	–	3,019,345	3,019,345	2,912,311
Total cash and cash equivalents	$ 103,721	$ 1,538,967	$ 3,019,345	$ 4,662,033	$ 2,991,956

OTHER DISTRICT INFORMATION

(UNAUDITED)

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SPECIAL SCHOOL DISTRICT NO. 6

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues		General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2009	$ 2,909,473	$ 5,331,681	$ 8,286,635	$ 23,616,319	$ 444,465	$ 40,588,573
	7%	13%	21%	58%	1%	100%
2010	2,885,180	5,832,928	8,344,278	22,634,604	176,053	39,873,043
	7%	15%	21%	57%	–	100%
2011	2,827,857	6,148,088	11,420,169	20,101,699	716,341	41,214,154
	7%	15%	27%	49%	2%	100%
2012	2,661,679	5,695,085	8,923,422	23,757,188	124,340	41,161,714
	6%	14%	22%	58%	–	100%
2013	2,686,319	6,435,504	8,310,930	24,614,074	616,600	42,663,427
	6%	15%	20%	58%	1%	100%
2014	2,502,597	6,428,553	5,660,896	28,358,725	745,221	43,695,992
	6%	15%	13%	65%	1%	100%
2015	2,668,863	6,909,688	8,617,083	28,799,116	314,619	47,309,369
	5%	15%	18%	61%	1%	100%
2016	2,679,050	7,276,738	8,644,541	30,313,012	120,499	49,033,840
	5%	15%	18%	62%	–	100%
2017	2,593,395	7,945,568	9,068,563	31,866,738	641,089	52,115,353
	5%	15%	18%	61%	1%	100%
2018	2,252,264	8,030,824	8,923,410	31,301,712	702,894	51,211,104
	4%	16%	18%	61%	1%	100%

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

SPECIAL SCHOOL DISTRICT NO. 6

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2009	$ 1,222,705	$ 675,186	$ 16,621,668	$ 399,108	$ 5,268,241	$ 3,026,873	$ 1,715,026
	3%	2%	43%	1%	14%	8%	4%
2010	918,191	647,279	16,562,389	252,151	5,798,734	2,697,836	1,829,664
	2%	2%	43%	1%	15%	7%	5%
2011	936,969	571,894	16,706,339	253,389	6,069,374	2,982,567	1,834,422
	2%	2%	42%	1%	15%	8%	5%
2012	864,544	684,754	17,014,454	265,411	6,085,145	2,869,793	1,629,324
	2%	2%	44%	1%	15%	7%	4%
2013	942,689	762,764	17,971,803	171,539	6,411,286	3,083,373	1,714,132
	2%	2%	44%	1%	15%	7%	4%
2014	870,834	1,216,403	18,349,953	236,672	6,816,750	3,012,807	1,806,707
	2%	3%	42%	1%	16%	7%	4%
2015	1,033,622	1,360,462	19,102,239	245,692	7,330,447	3,573,162	2,093,948
	2%	3%	40%	1%	16%	8%	4%
2016	1,153,014	1,612,075	20,230,015	150,444	7,934,604	3,743,950	2,624,337
	2%	3%	41%	–	16%	8%	5%
2017	1,493,074	1,788,939	28,839,252	251,888	10,463,569	4,493,422	3,007,484
	2%	3%	46%	1%	17%	7%	5%
2018	1,460,342	1,803,755	27,957,766	252,554	9,984,693	4,517,900	2,930,048
	2%	3%	46%	1%	17%	7%	5%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation Not Allocated to Other Functions	Interest and Fiscal Charges	Total
$ 4,140,635	$ 119,451	$ 1,531,723	$ 2,223,349	$ 730,908	$ 926,071	$ 38,600,944
11%	–	4%	6%	2%	2%	100%
3,609,112	155,918	1,724,491	2,420,004	763,033	874,336	38,253,138
10%	–	5%	6%	2%	2%	100%
4,123,103	121,761	1,676,808	2,676,777	776,791	819,610	39,549,804
10%	–	4%	7%	2%	2%	100%
4,523,908	113,771	1,722,078	2,361,546	785,438	610,425	39,530,591
11%	–	4%	6%	2%	2%	100%
4,634,278	118,911	1,674,627	2,450,631	773,799	674,622	41,384,454
11%	–	4%	6%	2%	2%	100%
4,465,638	130,887	1,720,704	2,432,466	761,628	1,604,152	43,425,601
10%	–	4%	5%	2%	4%	100%
5,899,085	139,313	1,784,294	2,547,479	907,695	1,343,443	47,360,881
12%	–	4%	5%	2%	3%	100%
5,130,866	145,114	1,868,409	2,278,869	1,349,560	1,277,194	49,498,451
10%	–	4%	5%	3%	3%	100%
4,803,238	155,560	2,081,770	2,759,987	1,342,250	1,219,318	62,699,751
8%	–	3%	4%	2%	2%	100%
4,527,741	182,420	1,985,158	2,693,355	1,427,210	1,197,044	60,919,986
8%	–	3%	4%	2%	2%	100%

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SPECIAL SCHOOL DISTRICT NO. 6

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2009	$ 5,959,272	$ 26,169,302	$ 1,159,925	$ 897,808	$ 34,186,307
	17%	77%	3%	3%	100%
2010	6,077,843	22,939,120	3,820,728	842,433	33,680,124
	18%	68%	11%	3%	100%
2011	9,020,408	22,451,939	2,186,889	884,680	34,543,916
	26%	65%	6%	3%	100%
2012	6,320,046	26,467,481	1,154,065	868,163	34,809,755
	18%	77%	3%	2%	100%
2013	5,993,422	28,046,726	1,362,961	883,566	36,286,675
	17%	77%	4%	2%	100%
2014	3,444,981	31,513,967	1,221,561	854,343	37,034,852
	10%	85%	3%	2%	100%
2015	5,398,296	32,342,678	1,218,316	916,987	39,876,277
	14%	81%	3%	2%	100%
2016	5,064,027	34,259,165	1,257,276	844,992	41,425,460
	12%	83%	3%	2%	100%
2017	5,452,392	35,121,981	1,325,739	1,007,095	42,907,207
	13%	82%	3%	2%	100%
2018	5,177,387	35,710,305	1,333,323	1,139,108	43,360,123
	12%	82%	3%	3%	100%

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

SPECIAL SCHOOL DISTRICT NO. 6

General Fund Expenditures by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2009	$ 1,138,722	$ 675,186	$ 16,332,814	$ 399,108	$ 5,180,710
	3%	2%	49%	1%	16%
2010	1,000,109	722,357	19,145,787	282,173	6,785,154
	2%	2%	51%	1%	18%
2011	967,662	562,321	16,229,465	247,033	5,888,748
	2%	2%	48%	1%	18%
2012	843,583	675,281	16,542,521	259,121	5,906,391
	2%	2%	49%	1%	17%
2013	890,024	748,850	17,448,094	166,422	6,198,625
	2%	2%	49%	–	18%
2014	916,594	1,191,400	17,833,876	229,287	6,603,735
	2%	3%	49%	1%	18%
2015	995,335	1,355,193	19,001,794	244,040	7,278,906
	2%	3%	46%	1%	18%
2016	1,079,698	1,593,886	19,997,954	147,844	7,832,449
	2%	4%	48%	–	19%
2017	1,072,918	1,704,901	20,410,135	187,501	7,751,666
	2%	4%	48%	–	18%
2018	1,127,343	1,764,843	20,746,253	180,445	7,737,139
	3%	4%	48%	–	18%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 3,013,743	$ 1,706,273	$ 4,761,024	$ 203,533	$ 33,411,113
9%	5%	14%	1%	100%
2,981,074	1,933,313	4,526,399	228,831	37,605,197
8%	5%	12%	1%	100%
2,928,809	1,810,118	4,630,580	188,338	33,453,074
9%	5%	14%	1%	100%
2,816,592	1,605,272	5,008,509	297,210	33,954,480
8%	5%	15%	1%	100%
3,023,767	1,689,984	4,876,894	330,844	35,373,504
9%	5%	14%	1%	100%
2,961,199	1,783,217	4,640,689	321,762	36,481,759
8%	5%	13%	1%	100%
3,596,957	2,093,077	6,107,057	267,150	40,939,509
9%	5%	15%	1%	100%
3,707,592	2,609,229	4,649,362	262,554	41,880,568
9%	6%	11%	1%	100%
3,492,275	2,689,663	5,461,050	220,708	42,990,817
8%	6%	13%	1%	100%
3,677,803	2,663,758	5,565,648	182,420	43,645,652
8%	6%	13%	–	100%

SPECIAL SCHOOL DISTRICT NO. 6

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2009	$ 6,169,861	$ 294,858	$ 2,113,764	$ 8,578,483
	2010	6,397,909	320,842	2,079,840	8,798,591
	2011	5,974,094	302,297	2,455,196	8,731,587
	2012	5,885,823	300,211	1,988,390	8,174,424
	2013	5,859,808	359,131	2,040,956	8,259,895
	2014	5,360,648	313,666	2,916,376	8,590,690
	2015	5,018,970	446,220	3,101,405	8,566,595
	2016	5,072,061	499,299	3,176,475	8,747,835
	2017	4,971,240	511,504	3,247,353	8,730,097
	2018	6,489,708	431,979	3,114,579	10,036,266
Tax capacity rates					
	2009	13.894	1.593	11.420	26.907
	2010	13.592	1.766	11.449	26.807
	2011	13.715	1.860	15.106	30.681
	2012	16.907	2.020	13.379	32.306
	2013	17.855	2.637	14.986	35.478
	2014	20.025	2.379	22.118	44.522
	2015	13.836	2.773	19.272	35.881
	2016	12.591	3.278	20.850	36.719
	2017	12.815	3.137	19.916	35.868
	2018	11.991	2.360	17.016	31.367
Market value rates					
	2009	0.18357	–	–	0.18357
	2010	0.21400	–	–	0.21400
	2011	0.21687	–	–	0.21687
	2012	0.19530	–	–	0.19530
	2013	0.21801	–	–	0.21801
	2014	0.14862	–	–	0.14862
	2015	0.16295	–	–	0.16295
	2016	0.18667	–	–	0.18667
	2017	0.14734	–	–	0.14734
	2018	0.23734	–	–	0.23734

Note: A tax rate based on market value is used primarily for the District’s referendum levy.

Source: State of Minnesota School Tax Report

SPECIAL SCHOOL DISTRICT NO. 6

Tax Capacities and Market Values
Last Ten Fiscal Years

	Tax Capacity Valuation				
Taxes Collectible	Agricultural and Nonagricultural	Net Fiscal Disparities Distribution	Tax Increment	Total Taxable	Market Value
2009	$ 18,307,927	$ 2,461,939	$ (2,357,707)	$ 18,412,159	$ 1,588,604,500
2010	17,142,697	2,687,600	(1,678,542)	18,151,755	1,477,603,900
2011	15,567,450	2,723,445	(1,548,398)	16,742,497	1,329,568,050
2012	13,872,371	2,658,809	(1,480,108)	15,051,072	1,294,977,350
2013	12,878,501	2,506,969	(1,445,441)	13,940,029	1,202,553,350
2014	12,885,732	2,606,084	(1,556,699)	13,935,117	1,199,668,500
2015	14,232,820	2,550,076	(1,568,940)	15,213,956	1,322,540,825
2016	14,486,492	2,491,955	(1,661,773)	15,316,674	1,333,685,325
2017	15,213,174	2,736,665	(1,732,491)	16,217,348	1,394,111,550
2018	16,741,700	2,801,054	(1,816,971)	17,725,783	1,526,948,025

Source: State of Minnesota School Tax Report

SPECIAL SCHOOL DISTRICT NO. 6

Property Tax Levies and Receivables
Last Ten Fiscal Years

	Original Levy			
Taxes Collectible	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2009	$ 6,597,110	$ 1,665,177	$ 316,196	$ 8,578,483
2010	6,674,756	1,799,120	324,715	8,798,591
2011	6,477,594	1,898,153	355,840	8,731,587
2012	6,179,907	1,994,517	–	8,174,424
2013	6,295,738	1,964,157	–	8,259,895
2014	6,346,937	2,243,753	–	8,590,690
2015	6,306,926	2,259,669	–	8,566,595
2016	6,791,300	1,956,535	–	8,747,835
2017	6,468,534	2,261,563	–	8,730,097
2018	7,923,706	2,112,560	–	10,036,266

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

Note 2: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2018			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
21,743	0.27	–	–
7,312	0.09	–	–
9,799	0.11	–	–
15,338	0.18	–	–
25,323	0.29	–	–
70,368	0.81	–	–
–	–	6,074,084	60.52
$ 149,883		$ 6,074,084	

SPECIAL SCHOOL DISTRICT NO. 6

Students Served
Last Ten Fiscal Years

	Average Daily Membership (ADM) (Including Enrollment Option)					
Year Ended June 30,	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2009	57.95	252.32	1,466.62	1,560.30	3,337.19	3,844.62
2010	63.68	232.35	1,488.29	1,520.54	3,304.86	3,810.61
2011	61.50	237.02	1,476.23	1,457.05	3,231.80	3,716.55
2012	67.40	267.58	1,509.01	1,490.83	3,334.82	3,820.66
2013	79.48	245.08	1,584.80	1,470.86	3,380.22	3,874.81
2014	67.30	251.99	1,621.44	1,477.92	3,418.65	3,917.20
2015	55.54	251.13	1,657.25	1,503.79	3,467.71	3,768.45
2016	70.67	230.04	1,681.05	1,526.21	3,507.97	3,813.22
2017	119.07	198.26	1,654.38	1,553.52	3,525.23	3,835.94
2018	158.47	191.10	1,540.08	1,549.21	3,438.86	3,748.70

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2009 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2018	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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SPECIAL SCHOOL DISTRICT NO. 6

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures		Noncash Assistance
U.S. Department of Education				
Passed through Minnesota Department of Education				
Special education cluster				
Special Education Grants to States	84.027	$ 673,576		
Special Education Preschool Grants	84.173	21,127		
Total special education cluster			$ 694,703	
Special Education – Grants for Infants and Families	84.181		20,878	
Title I Grants to Local Educational Agencies	84.010		502,492	
Supporting Effective Instruction State Grant	84.367		91,925	
English Language Acquisition State Grants	84.365		18,807	
Adult Education – Basic Grants to States	84.002		13,905	
Passed through Intermediate School District No. 917				
Career and Technical Education – Basic Grants to States	84.048		4,518	
U.S. Department of Agriculture				
Passed through Minnesota Department of Education				
Child nutrition cluster				
School Breakfast Program	10.553	302,227		
National School Lunch Program	10.555	929,329		$ 111,172
Summer Food Service Program for Children	10.559	68,370		
Total child nutrition cluster			1,299,926	
Total federal awards			$ 2,647,154	

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: 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: The District did not elect to use the 10 percent de minimis indirect cost rate.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OV FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of
Special School District No. 6
South St. Paul, 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 Special School District No. 6 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2018.

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 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified one deficiency in internal control as item 2018-001, that we consider to be a material weakness.

(continued)

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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 FINDING

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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 report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 8, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board and Management of
Special School District No. 6
South St. Paul, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Special School District No. 6's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *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, 2018. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

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 for 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.

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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 on the previous page. 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 have not been identified.

PURPOSE OF THIS REPORT

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.

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

Minneapolis, Minnesota
November 8, 2018

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Special School District No. 6
South St. Paul, 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 Special School District No. 6 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2018.

MINNESOTA LEGAL COMPLIANCE

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,* except as described in the Schedule of Findings and Questioned Costs as item 2018-002. 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 District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in our 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 compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 8, 2018

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SPECIAL SCHOOL DISTRICT NO. 6

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unmodified ___ Qualified ___ Adverse ___ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	X Yes	___ No
Significant deficiency(ies) identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		
U.S. Department of Agriculture – child nutrition cluster		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Summer Food Service Program for Children	10.559

Threshold for distinguishing type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	___ Yes	X No

B. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2018-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Special School District No. 6 (the District) has limited segregation of duties in several areas, including the processing of receipts, payroll transactions, adjusting journal entries, and certain computer controls.

Questioned Costs – Not applicable.

Context – The condition applies to multiple areas as noted above.

Repeat Finding – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected and corrected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost beneficial.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2018-2 Withholding Affidavit

Criteria – Minnesota Statutes § 270C.66.

Condition – Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the District must obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statutes § 290.92 (either Form IC134 or a Contractor's Withholding Affidavit). The District did not obtain the required certificate for one contract completed during fiscal 2018.

Questioned Costs – Not applicable.

Context – One contract tested was not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District did not obtain the required documentation of either a withholding affidavit or Commissioner of Revenue Form IC134.

Recommendation – We recommend that the District review purchasing procedures and obtain required documentation for future contracts.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review policies and procedures to prevent this finding in the future. The District has separately issued a Corrective Action Plan related to this finding.

SPECIAL SCHOOL DISTRICT NO. 6

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2018

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 43,360,123	$ 43,360,123	$ –
Total expenditures		$ 43,645,652	$ 43,645,650	$ 2
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
403	Staff development	$ 158,666	$ 158,666	$ –
406	Health and safety	$ 91,873	$ 91,873	$ –
407	Capital projects levy	$ 16,022	$ 16,022	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ 59,788	$ 59,788	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ 192,789	$ 192,789	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ 153,305	$ 153,305	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ 584,453	$ 584,453	$ –
445	Career and technical programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ 13,634	$ 13,634	$ –
450	Pre-Kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ (294,034)	$ (294,034)	$ –
472	Medical Assistance	$ 375,958	$ 375,958	$ –
464	Restricted fund balance	$ 105,061	$ 105,061	$ –
475	Title VII - Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 1,888,230	$ 1,888,230	$ –
Unassigned				
422	Unassigned fund balance	$ 4,667,938	$ 4,667,938	$ –
Food Service				
Total revenue		$ 2,027,687	$ 2,027,688	$ (1)
Total expenditures		$ 1,992,254	$ 1,992,254	$ –
Nonspendable				
460	Nonspendable fund balance	$ 44,600	$ 44,600	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 904,201	$ 904,201	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 2,313,299	$ 2,313,299	$ –
Total expenditures		$ 2,438,452	$ 2,438,452	$ –
Nonspendable				
460	Nonspendable fund balance	$ 2,329	$ 2,329	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 113,214	$ 113,214	$ –
432	ECFE	$ 37,504	$ 37,504	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 97,575	$ 97,575	$ –
447	Adult basic education	$ 53,593	$ 53,593	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

SPECIAL SCHOOL DISTRICT NO. 6

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2018

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 2,558,412	$ 2,558,412	$ –
Total expenditures		$ 2,404,138	$ 2,404,138	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Max effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 503,690	$ 503,690	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ 211,615	$ 211,614	$ 1
Total expenditures		$ 253,207	$ 253,207	$ –
422	Net position	$ 40,140	$ 40,140	$ –
Internal Service				
Total revenue		$ 3,542,828	$ 3,542,827	$ 1
Total expenditures		$ 3,019,220	$ 3,019,220	$ –
422	Net position	$ 559,585	$ 559,585	$ –
OPEB Revocable Trust Fund				
Total revenue		$ 870,669	$ 870,669	$ –
Total expenditures		$ 753,939	$ 753,939	$ –
422	Net position	$ (3,720,890)	$ (3,720,890)	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ 733,849	$ 733,848	$ 1
Total expenditures		$ 758,059	$ 758,059	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ 174,984	$ 174,984	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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