

# Comprehensive Annual Financial Report

Fiscal year ended June 30, 2018

*"We commit each day to develop and empower lifelong learners who thrive in diverse communities."*



**School District 622**

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

*Ready for tomorrow*

Serving all or portions of  
North St. Paul • Maplewood • Oakdale  
Lake Elmo • Landfall • Pine Springs • Woodbury  
Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2018

INDEPENDENT SCHOOL DISTRICT NO. 622  
NORTH ST. PAUL – MAPLEWOOD – OAKDALE,  
MINNESOTA

2520 East 12th Avenue  
North St. Paul, MN 55109

Prepared by  
Finance Department

Randy Anderson • Director of Business Services

Janet Doman • Finance Supervisor

Travis Byrne, CPA • Accounting Coordinator

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INDEPENDENT SCHOOL DISTRICT NO. 622

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# Section I

# INTRODUCTION



**School District 622**

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

*Ready for tomorrow*





December 11, 2018

To the School Board, Citizens, and Employees of Independent School District No. 622:

## **INTRODUCTION**

State law requires that every public school district publish, within six months of the close of each fiscal year, a complete set of audited financial statements. We are submitting the Comprehensive Annual Financial Report (CAFR) of Independent School District No. 622, North St. Paul – Maplewood – Oakdale (the District) for the fiscal year ended June 30, 2018. This report fairly presents the District’s financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. The District’s administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

The District’s financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the District’s financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

## **REPORT FORMAT**

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, a list of School Board members and administration personnel, and a map of the District. The financial section includes the Independent Auditor's Report, MD&A, basic financial statements, required supplementary information, and supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

## **PROFILE OF THE REPORTING ENTITY AND ITS SERVICES**

The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the District (primary government) is financially accountable. There are no organizations considered to be component units of the District. The District is an independent political subdivision of the state of Minnesota.

The District was incorporated in 1930 and serves a portion of seven suburban communities within Ramsey and Washington counties, located along the eastern edge of the Minneapolis/St. Paul metropolitan area. The District encompasses all or part of the communities of Lake Elmo, Landfall, Maplewood, North St. Paul, Oakdale, Pine Springs, and Woodbury.

### **Programs and Services**

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic programs, special education programs, and career/vocational education. Food service and transportation are provided as supporting programs. The community education program in the District includes early childhood and family education programs, an adult basic education program, and a variety of classes for lifelong learning experiences for children and adults.

### **Student Enrollment**

The District enrolled 10,611 students (average daily membership) in 2017–2018 from a population of 82,540 people residing in a 43 square mile area. In terms of the number of students, the District is Minnesota's 13th largest school district.

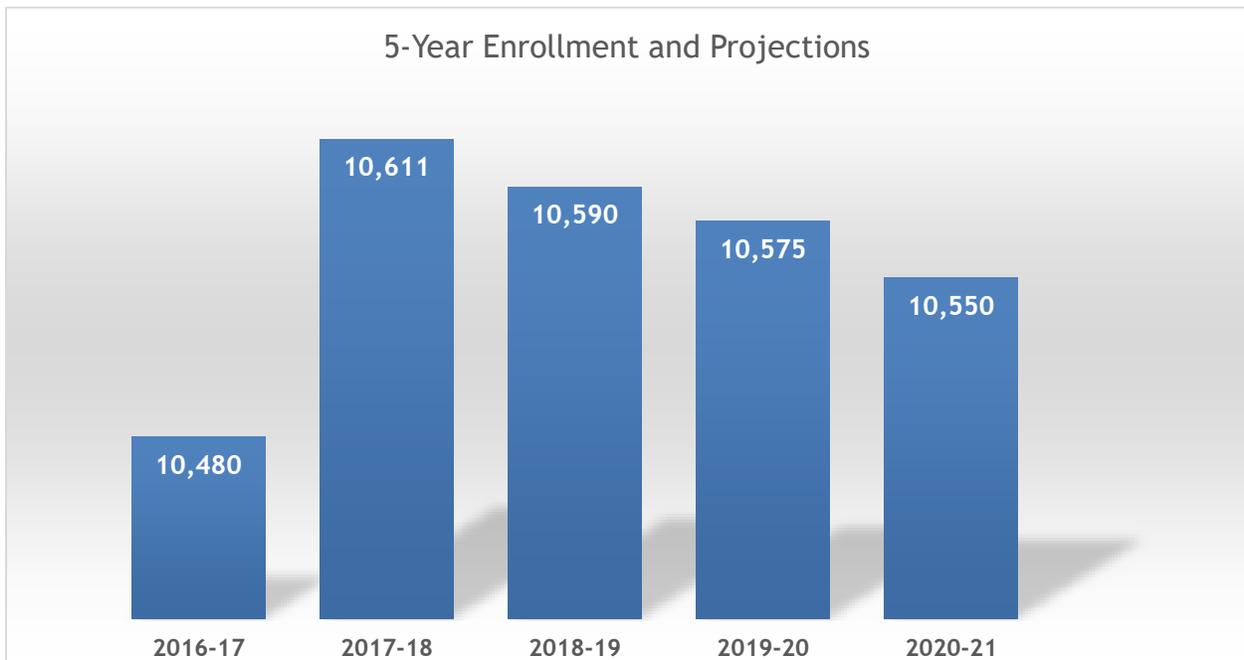
The District has an increasingly diverse population of students with a variety of needs. For the 2017–2018 school year, 39.5 percent of our students were white, 20.6 percent were of Asian descent, 17.7 percent of the District's student population were black, Hispanic students totaled 13.6 percent, 8.1 percent were multi-racial, and American Indian and Hawaiian/PI students totaled 0.4 percent and 0.1 percent.

In 2017–2018, 55.7 percent of our students qualified to receive free or reduced-price meals, this compared to a fall 2017 Minnesota average of 38.0 percent.

The District continues to support a learning environment that lets students and staff develop to their fullest potential. All students, staff and families, are welcomed no matter what their background or beliefs. Our staff empowers and enables all students to learn and achieve their best outcomes. The District proudly boasts a significant smaller racial achievement gap when compared to other districts state-wide.

## Five-Year Enrollment and Projections

After a 1.25 percent increase in enrollment from 2016–2017, the District’s enrollment is expected to remain fairly constant over the next several years. With the District implementing a new Facilities Plan, and a planned increase in new housing developments over the next few years, the District could actually see a future increase in student enrollment.



## District Schools and Facilities

During the 2017–2018 school year, the District operated 18 school buildings: an Early Childhood Learning Center, 2 comprehensive (Grades 9–12) high schools, 3 middle schools (Grades 6–8), 9 elementary schools (Pre-K through Grade 5), 1 school (Kindergarten through Grade 12) for students with special needs and adult basic education, 1 school (Post Grade 12) for a special needs transition program, and 1 learning center dedicated to senior learning and early childhood education students. In addition to learning spaces, the District also operates 2 ice arenas, a District Education Center, and a Transportation Center.

The average age of the District’s facilities is over 43 years, the District qualifies for long-term facilities maintenance (LTFM) funding and has been levying approximately \$8 million per year to maintain our existing buildings and extending the useful life of the assets. The District will also use other resources, such as operating capital, LTFM revenue, lease levy revenue, and abatement revenue to renovate or expand its buildings.

## LOCAL ECONOMIC CONDITION AND OUTLOOK

According to the Minnesota Department of Management and Budget, the economic data has been mostly positive. Minnesota’s overall economy has been somewhat affected by the overall fiscal policy, which fueled growth forecasted to begin in 2018, as well as the general positive feel from the U.S. market outlook. The GDP growth for 2018 was increased to 2.7 percent in February, with anticipated increase in real consumer spending and business capital purchases.

Job growth has remained widespread, with gains in education and health services, retail and financial services, and the construction industry. This broad-based job growth helped to push down the state's jobless rate in October 2018 to 2.8 percent.

The state's recent budget forecast indicates that fiscal years 2018–2019 budget surplus will be 0.7 percent, or \$329 million, mainly due to an anticipated increase in individual income tax and sales tax receipts. Stronger corporate profit growth translates to increases in corporate tax receipts. The state is anticipating that this trend will continue through fiscal years 2019–2020.

The District boundaries are served by two counties, Washington and Ramsey. According to census information from the Washington County website, the county continued to experience growth, increasing 6.3 percent since 2010. The Washington County's estimated population in 2017 was 253,128, making it the fifth largest county in the state of Minnesota. According to the Metropolitan Council, as reported on the county's website, Washington County's population is expected to continue to grow. By the year 2040, the county's population is projected to increase to 330,200.

According to census information from the Ramsey County website, it also has experienced growth, which increased 7.4 percent since 2010. Ramsey County's estimated population in 2017 was 546,317, making it the second largest county in Minnesota. By the year 2040, the county's population is projected to increase to 595,220.

The District's population has grown from 75,984 in 2010 to 82,540 in 2018. This represents more than an 8.6 percent increase.

Source data from the U.S. Census Bureau shows that the median household income in 2016 for Washington County was \$86,689 and Ramsey County was \$57,700, as compared to \$63,217 for the state of Minnesota. Source data from the U.S. Census Bureau shows that the per capita income in 2016 for Washington County was \$39,873 and for Ramsey County it's \$31,300.

Source data from the 2016 American Community Survey, as reported on the counties' websites, shows that 4.3 percent of Washington County's and 15.9 percent of Ramsey County's family population was below the federal poverty level.

The state of Minnesota assumes major responsibility for funding public education. In the District, approximately 21.5 percent of our General Fund revenues are generated locally from property taxes, 72.2 percent from state aids, 3.1 percent from federal aids, and miscellaneous income made up the remaining 3.2 percent.

Reliance on the state for the majority of its operating revenues places the District in the position of being dependent on state-wide economic conditions that drive state tax collections. The 2017 Legislature has provided some increase to the basic general education formula allowance and other categorical funding for the 2017–2018 school year. However, the 2 percent formula allowance increase does not keep pace with general inflation and the rising cost of providing quality education to all our students. The District will continue to respond to this challenge by curtailing expenditures when possible and is committed to engage staff and community members in future budget discussions and to consider other options for increasing revenues and containing growth.

## DISTRICT MISSION AND STRATEGIC PLAN

In spring 2016, the District convened a task force to develop a vision for education that will guide District goals for the next five years. The task force included parents, staff, School Board members, and a variety of leaders from the business, civic, and faith communities. Task force members had informational meetings to establish a shared base of knowledge about district enrollment and demographics, school finance, teaching and learning, community and partnerships, educational trends, and innovation. These informational meetings, led by a facilitator, were followed by planning meetings where the task force members developed mission outcomes for the District and four strategies for the future. The School Board approved the plan in December 2016. A brief summary of the plan is listed below.

**Mission Statement:** *We commit each day to develop and empower lifelong learners who thrive in diverse communities.*

**Core Values:** *We Believe that:*

- ❖ Strong communities are inclusive and value diversity.
- ❖ Trust and transparency are essential to healthy and enduring relationships.
- ❖ Continuous learning and service to others are imperative to individual and community progress.
- ❖ Individuals learn and thrive through connections in a safe, caring, and supportive environment.
- ❖ Every individual has incredible potential and equal intrinsic value.
- ❖ High expectations with appropriate support results in growth.
- ❖ School, family, and community partnerships enhance and support learning.

**Strategies:**

- ❖ **Strategy One** – We will engage our internal and external community to help us achieve our mission and mission outcomes.
- ❖ **Strategy Two** – We will develop and enhance community partnerships that support our mission and align with our core values.
- ❖ **Strategy Three** – We will develop and enhance programs and practices that ensure engagement of our diverse learners to achieve our mission outcomes.
- ❖ **Strategy Four** – We will build competitive 622 E-12 pathways that prepare all students for post-secondary.

## LONG-TERM FINANCIAL PLANNING

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from theft, misuse, or losses and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and Minnesota Uniform Financial Accounting and Reporting Standards.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

In addition, the District has also adopted the following policies to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board:

- ❖ **Fund Balance Policy** – Requires the District to maintain an unassigned fund balance of 5 to 7 percent of the expenditure budget.
- ❖ **Budget Policy** – Establishes a guideline for allocation of district resources.
- ❖ **Personnel Staffing Guidelines** – Personnel costs represent 76 percent of General Fund expenditures. These guidelines, which set the staffing allocation for every allocated position in the District, are updated each February by the administration and the School Board.

The District's budget process is based, first, on development of a budget projection model that attempts to project resources and expenses over a multiple year period. The budget projection is used by the School Board and the administration to determine budget parameters and staffing guidelines. Second, the budget adopted in June is based upon the personnel staffing guidelines approved by the School Board and preparation of the nonpersonnel budget by school and department administrators, in accordance with School Board-approved budget parameters. The School Board resolution adopting the budget in June also includes a provision directing the administration to update the budget in January. This final budget reflects the District's actual enrollment count on December 31, the actual staff hired, and other dynamics such as employee contract settlements.

The level of budgetary control is at the fund level. However, in the General Fund; operating, special education, pupil transportation, capital expenditure, and quality compensation are maintained as separate internal accounts for budgeting purposes. The District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

## **MAJOR INITIATIVES**

On November 8, 2016, District voters approved an operating referendum question for \$630 per adjusted pupil unit. The approved referendum provides the District with \$7.4 million in additional General Fund revenue.

The District began an initiative to improve and reduce its energy consumption with planned changes in behaviors, systems, and operations. Fiscal year 2017–2018 was the first year that the District saw a financial impact of \$200,000 in cost avoidance.

The District adopted a comprehensive Strategic Plan for 2017–2022, developed by the School Board, District staff, and various members in the community.

The District also has several district-wide projects, such as bituminous repairs; tennis courts; mechanical, electrical, and plumbing repairs; and interior repairs, at various sites. These projects were defined in its 10-year LTFM Plan estimated at \$7.4 million in projects beginning in June 2016 through fiscal year 2017–2018.

The District updated its 10-year LTFM Plan in June to incorporate \$60.1 million in projects beginning in June 2018 through fiscal year 2019–2020. These projects include the Castle Elementary renovation project for \$20.2 million, and the Richardson renovation project for \$20.8 million which will complete Phase 1 in the District Facilities Plan.

## **ACKNOWLEDGMENTS**

The preparation of this CAFR in a timely manner would not be possible without the assistance of the entire Business Department staff. I would like to particularly thank our Finance Supervisor, Janet Doman, Accounting Coordinator, Travis Byrne, Accounting Specialist, Jodi Schmidt, and Executive Administrative Assistant, Jo McCabe.

I would also like to thank the members of the School Board and the administrative cabinet for their interest and support in planning and conducting the financial operations of the District in a fiscally responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Randy Anderson", with a stylized flourish extending to the right.

Randy Anderson  
Director of Business Services

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<b>Superintendent Christine Osorio</b> Assistant Superintendent Troy Miller Secretary to School Board & Superintendent Kim Cavallaro 622 Receptionist - Donna Schaefer		Teaching & Learning	Communications & Technology Innovation	HR	Community Education	Operations and Finance	Student Services
Peter Mau	Josh Anderson	Julie Coffey	Terri Johnson	Randy Anderson	Tricia Hughes		
Professional Development	Communications	Hiring	Supervision of Principals	Business/Finance	Special Education		
Curriculum	Social Media	Recruitment	School Safety	Payroll	504		
Equity	Public Relations	Benefits	Crisis Response	Facilities	ELL		
Title Programs	Marketing	LOA	Student Enrollment	Transportation	Mental Health		
MTSS	Media Relations	Employee Wellness	Guidance Counselors	Nutrition Services	Speech		
College and Career		Well-at-Work Clinic	School Resource Officers	Procurement	Social Work		
High Potential		Union relations	Adult Basic Education	Operations and Maintenance	Psychologists		
Teacher Evaluation		Workers Compensation	Aquatics	Arenas	Next Step Transition		
Assessment			Senior Citizens		ECSE		
			Meals on Wheels		DAPE		
			Facility Use		Health Services		
			Partnerships		Care and Treatment		
			Homeschool		Targeted Services		
			Non-Public Schools		Harmony		
					Title IX		

INDEPENDENT SCHOOL DISTRICT NO. 622

School Board and Administration  
as of June 30, 2018

**SCHOOL BOARD**

	<u>Position</u>
Michelle Yener	Chairperson
Nancy Livingston	Vice Chairperson
Becky Neve	Treasurer
Theresa Augé	Clerk
Caleb Anderson	Director
Amy Coborn	Director
Steve Hunt	Director

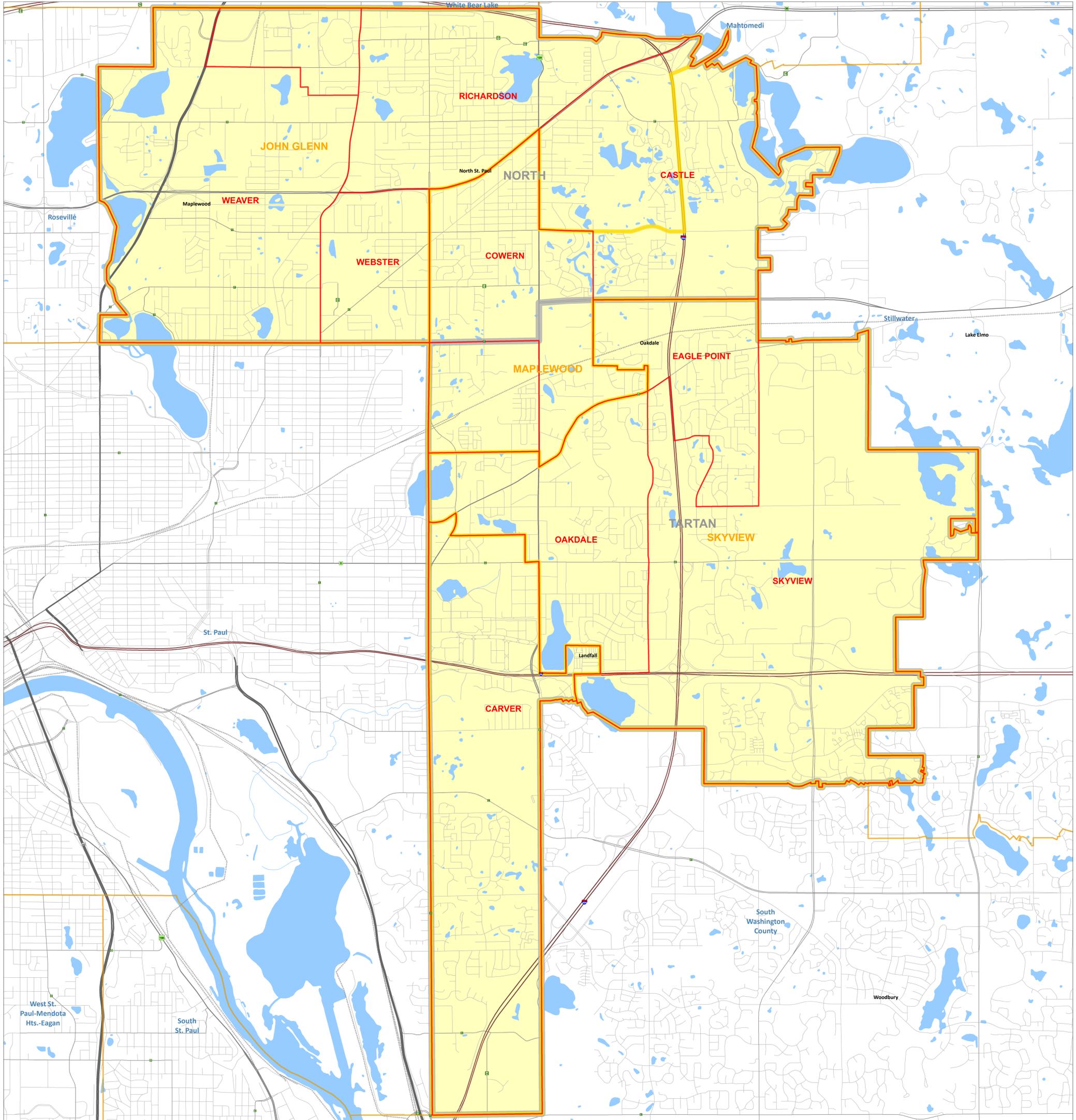
**ADMINISTRATION**

Christine Osorio	Superintendent of Schools
Kim Cavallaro	Assistant to Superintendent
Troy Miller	Assistant Superintendent
Peter Mau	Director of Teaching and Learning
Josh Anderson	Director of Communications and Technology Innovation
Julie Coffey	Director of Human Resources
Terri Johnson	Director of Community Education
Randy Anderson	Director of Business Services
Tricia Hughes	Director of Student Services

# Public School District Attendance Areas and Educational Facility Locations

## North St. Paul-Maplewood 622

Map 1 of 1



- Public Educational Facilities or Programs<sup>1</sup>**
- Elementary school
  - Middle / Junior high school
  - High / Secondary school
  - School District Office
  - Non-Public school
  - Public Charter school
  - Other School Program (examples)
    - Area Learning Center (ALC)
    - Area Learning Program (ALP)
    - Targeted Services
    - College/University
    - Correctional
    - Secondary Education
- Public School Attendance Areas<sup>1</sup>**
- Elementary School Attendance Area **ELEM**
  - Middle School Attendance Area **MIDD**
  - High School Attendance Area **HIGH**

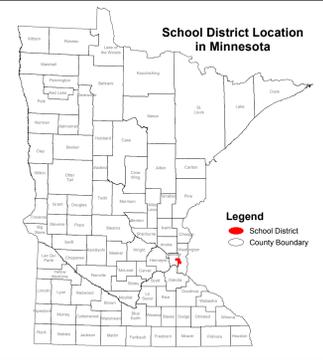
- Public School Districts<sup>1</sup>**
- School District
  - Adjacent School District
  - INSET - SEE MAP 2 OF 2 (if applicable)
- Other Features**
- Interstate Highway<sup>2</sup>
  - U.S. Highway<sup>2</sup>
  - State Highway<sup>2</sup>
  - County Highway<sup>2</sup>
  - Road/Street<sup>2</sup>
  - Railroad<sup>2</sup>
  - Stream<sup>2</sup>
  - Lake/Pond<sup>5</sup>
  - Minor Civil Division<sup>4</sup> (Cities, Townships and Unorganized areas)
  - Public Land Survey Township / Range<sup>3</sup>
  - Public Land Survey Section<sup>3</sup>

**Data Sources:**

1. Minnesota Department of Education, IT Division, 2010
2. Metropolitan Council, 2010, Minnesota Department of Transportation, 2004
3. Minnesota Geographic Information Office
4. U.S. Bureau of the Census, Minnesota Legislative GIS Office (modified to include annexations files with Municipal Board through May 2003)
5. Minnesota Department of Natural Resources

**Special Note:**  
The school district boundary appearing on this map do not necessarily represent the legal boundary of the district. It is a generalization of boundaries drawn on maps in the late 1980's by county officials and modified by the U.S. Bureau of the Census, most recently for Census 2000. Since 2005, district boundaries have been modified by the Dept. of Education based on completed County Parcel information. Please contact your county auditor or assessor to obtain an accurate legal description of the boundary.

**Liability Statement:**  
The Minnesota Department of Education does not warrant the results you may obtain by using this map. This map is provided without express or implied warranties, including warranties of merchantability and fitness. In no event will MDE be liable for any consequential, incidental or special damages, including any lost profits or lost savings, even if an MDE representative has been advised of the possibility of such damages or any other claim by any third party.



1 : 17,810

For further assistance with this map, contact:  
 Jake Stark jake.stark@state.mn.us  
 MN Department of Education  
 Division of Information Technology  
 1500 Highway 36 West  
 Roseville, MN 55113

**Minnesota Department of Education**

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# Section II

# FINANCIAL



**School District 622**

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

*Ready for tomorrow*





**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  
Independent School District No. 622  
North St. Paul – Maplewood – Oakdale, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (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)

## **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.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

### **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 December 5, 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.

(continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
December 11, 2018

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## INDEPENDENT SCHOOL DISTRICT NO. 622

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

This section of Independent School District No. 622's (the District) Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the other components of the District's CAFR.

#### **FINANCIAL HIGHLIGHTS**

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018 by \$120,661,183 (net position deficit). The District's total net position decreased by \$5,616,003 during the fiscal year ended June 30, 2018.
- Government-wide revenues totaled \$183,648,414 and were \$5,616,003 less than expenses of \$189,264,417.
- This was the first year that the voter approved levy of an additional \$630 per pupil unit (\$7.4 million) was received by the District.
- The District received one-time revenues of \$1.3 million in E-rate and a \$400,000 grant from the Department of Human Services.
- The General Fund's total fund balance (under governmental fund presentation) increased \$9,887,233 from the prior year, compared to a \$3,752,202 increase planned in the budget.
- General Fund unassigned fund balance (excluding restricted account deficits) increased from 6.4 percent to 10.3 percent of expenditures.

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

The financial section of the CAFR consists of the following parts:

- Independent Auditor's Report;
- MD&A;
- 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 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 explains 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 Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for the self-insurance activities of the District employees' medical claims. 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 others. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations. 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. 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.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2018	2017
<b>Assets</b>		
Current and other assets	\$ 91,459,656	\$ 80,956,536
Capital assets, net of depreciation	117,042,307	115,148,116
<b>Total assets</b>	<b>\$ 208,501,963</b>	<b>\$ 196,104,652</b>
<b>Deferred outflows of resources</b>		
Bond refunding deferments	\$ 203,242	\$ 223,566
OPEB plan deferments	126,600	164,411
Pension plan deferments	129,046,457	174,234,289
<b>Total deferred outflows of resources</b>	<b>\$ 129,376,299</b>	<b>\$ 174,622,266</b>
<b>Liabilities</b>		
Current and other liabilities	\$ 9,860,596	\$ 11,110,993
Long-term liabilities	355,497,485	418,954,617
<b>Total liabilities</b>	<b>\$ 365,358,081</b>	<b>\$ 430,065,610</b>
<b>Deferred inflows of resources</b>		
Bond refunding deferments	\$ 792,057	\$ 880,063
Property taxes levied for subsequent year	44,524,076	44,621,056
OPEB plan deferments	4,225,556	-
Pension plan deferments	43,639,675	10,205,369
<b>Total deferred inflows of resources</b>	<b>\$ 93,181,364</b>	<b>\$ 55,706,488</b>
<b>Net position</b>		
Net investment in capital assets	\$ 42,479,174	\$ 30,883,474
Restricted	17,937,368	11,882,766
Unrestricted	(181,077,725)	(157,811,420)
<b>Total net position</b>	<b>\$ (120,661,183)</b>	<b>\$ (115,045,180)</b>

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

The District's increase in net investment in capital assets is due to the District repaying debt at a faster rate than the assets being depreciated and capital assets financed with the "pay-as-you-go" long-term facilities maintenance levy. Increase in net position restricted for capital asset acquisition, debt service, food service, community service, and other state funding restrictions contributed to the growth in the restricted portion of net position. Changes in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

Table 2 presents a condensed version of the Statement of Activities of the District:

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 6,307,590	\$ 7,041,097
Operating grants and contributions	31,322,826	29,999,231
General revenues		
Property taxes	47,652,265	40,698,872
General grants and aids	94,724,709	94,256,869
Other	<u>3,641,024</u>	<u>1,690,627</u>
Total revenues	183,648,414	173,686,696
<b>Expenses</b>		
Administration	7,433,391	7,466,083
District support services	5,236,940	5,966,624
Elementary and secondary regular instruction	78,793,770	79,932,765
Vocational education instruction	3,610,472	3,397,939
Special education instruction	34,039,463	34,871,665
Instructional support services	9,479,409	8,670,260
Pupil support services	13,398,446	13,068,258
Sites and buildings	13,438,257	11,726,835
Fiscal and other fixed cost programs	489,040	474,151
Food service	6,459,417	6,544,722
Community service	9,925,090	9,551,438
Depreciation not included in other functions	4,442,365	4,390,145
Interest and fiscal charges	<u>2,518,357</u>	<u>5,376,641</u>
Total expenses	<u>189,264,417</u>	<u>191,437,526</u>
Change in net position	(5,616,003)	(17,750,830)
Net position – beginning	<u>(115,045,180)</u>	<u>(97,294,350)</u>
Net position – ending	<u><u>\$ (120,661,183)</u></u>	<u><u>\$ (115,045,180)</u></u>

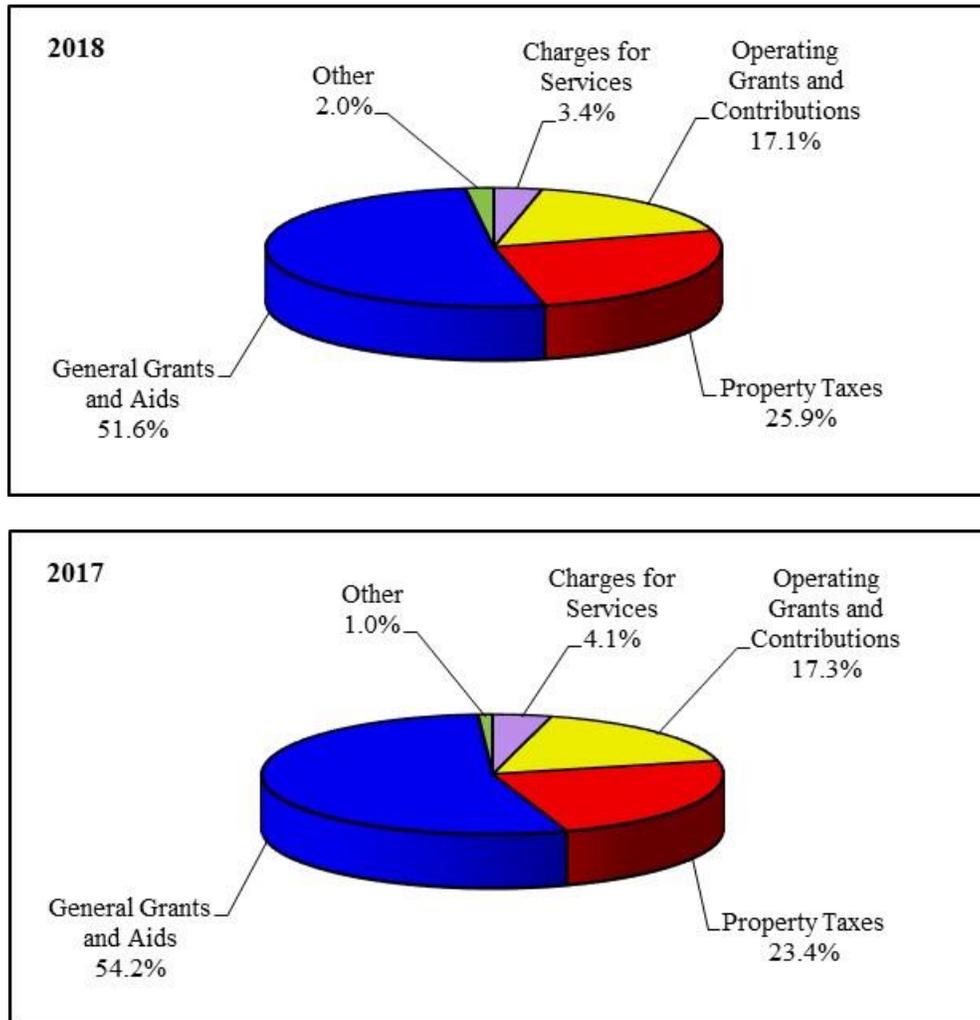
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenue increases during fiscal 2018 include an increase in the property tax levy (new operating levy referendum), a 2 percent increase in the basic general education formula, an increase in E-rate revenue, and additional grant revenue.

The decrease in expenses is mainly in interest and fiscal charges, due to bonds issued in the previous year, including refunding bonds, which reduced debt service costs. Expenses also decreased across several other functions, mainly due to the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

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

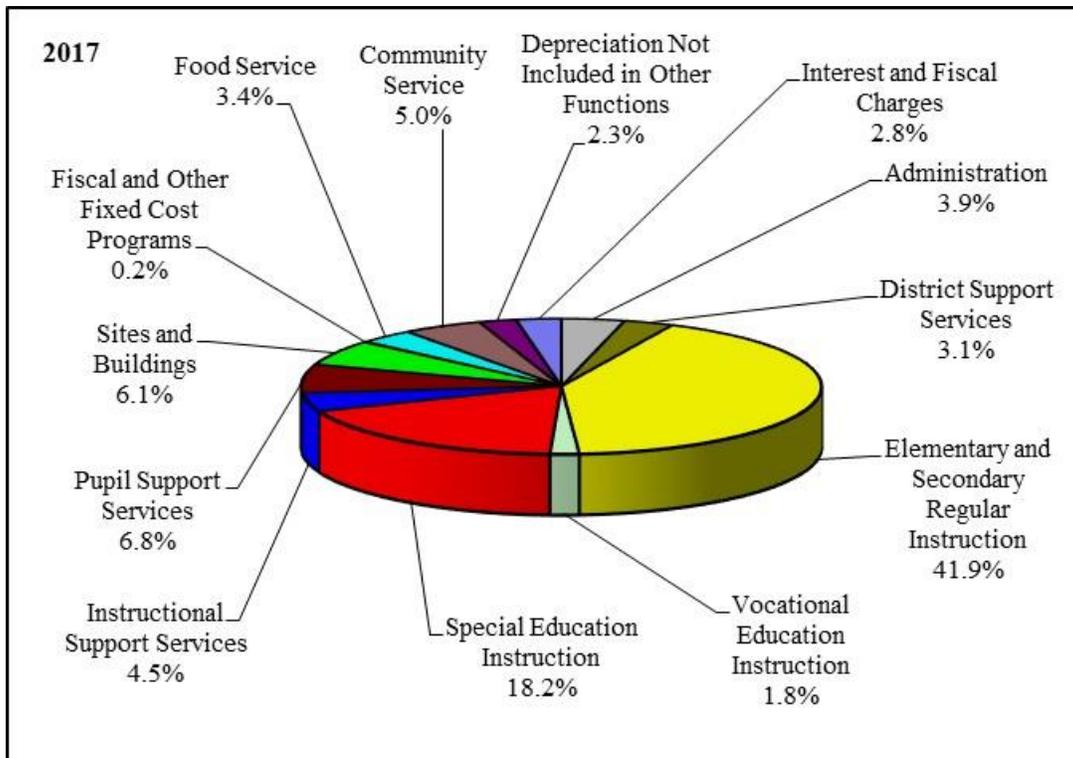
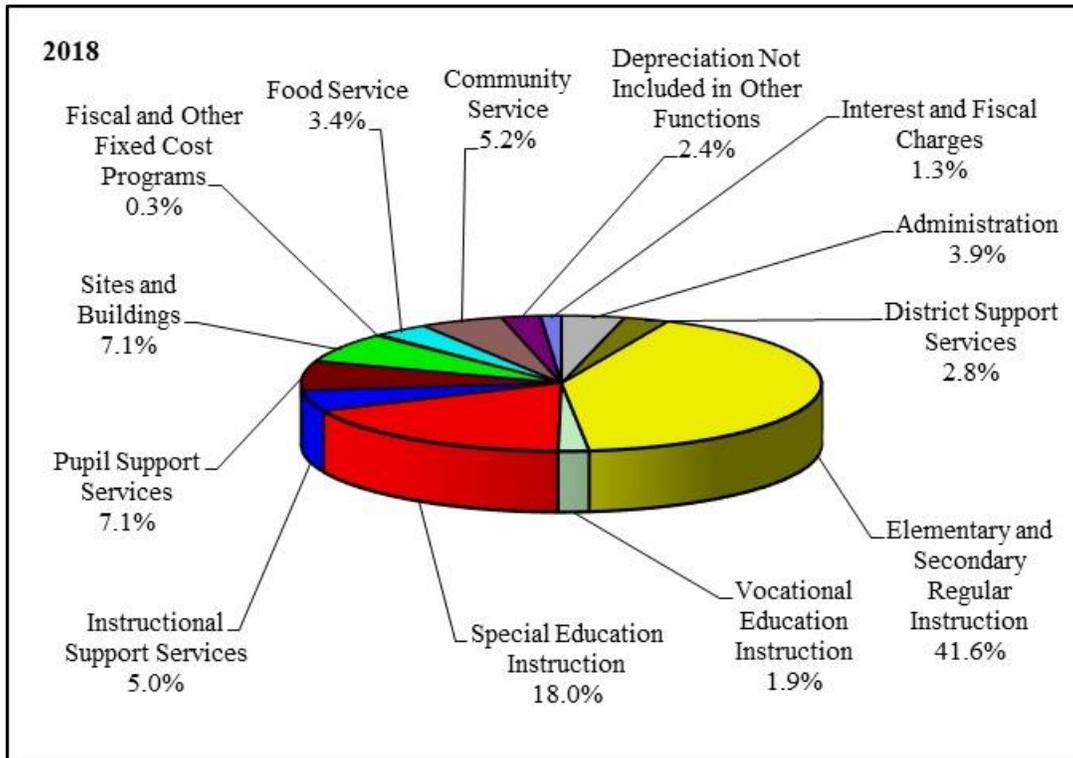


The largest share of the District’s revenue is received from the state, including the basic general education aid and most of the operating grants.

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

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:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Major funds			
General	\$ 25,440,270	\$ 15,553,037	\$ 9,887,233
Capital Projects – Building Construction	(762,614)	167,632	(930,246)
Debt Service			
Regular	2,536,461	2,437,461	99,000
OPEB	552,151	542,732	9,419
Nonmajor funds			
Food Service Special Revenue	1,476,401	1,333,419	142,982
Community Service Special Revenue	<u>3,575,241</u>	<u>2,918,281</u>	<u>656,960</u>
 Total governmental funds	 <u>\$ 32,817,910</u>	 <u>\$ 22,952,562</u>	 <u>\$ 9,865,348</u>

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 that 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 \$32,817,910, an increase of \$9,865,348 in comparison with the prior year. Of this amount, \$13,443,126 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either not in spendable form totaling \$445,669 or restricted for particular purposes totaling \$18,929,115.

**ANALYSIS OF THE GENERAL FUND**

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue and other financing sources	<u>\$ 149,060,822</u>	<u>\$ 149,999,921</u>	<u>\$ 939,099</u>	<u>0.6%</u>
Expenditures	<u>\$ 145,392,517</u>	<u>\$ 146,247,719</u>	<u>\$ 855,202</u>	<u>0.6%</u>

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 amends the budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

	<u>2018 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 153,065,920	\$ 3,065,999	2.0%	\$ 13,692,586	9.8%
Expenditures	<u>143,193,560</u>	<u>(3,054,159)</u>	<u>(2.1%)</u>	<u>4,597,481</u>	<u>3.3%</u>
Excess (deficiency) of revenue over expenditures	9,872,360	6,120,158		9,095,105	
Other financing sources	<u>14,873</u>	<u>14,873</u>		<u>(1,776,991)</u>	
Net change in fund balances	<u>\$ 9,887,233</u>	<u>\$ 6,135,031</u>		<u>\$ 7,318,114</u>	

The fund balance of the General Fund increased \$9,887,233 from the prior year, compared to a \$3,752,202 increase planned in the budget.

General Fund revenues were 2 percent over budget, primarily due to state special education aid, federal Title I aid, increased enrollment over budgeted, and the District not budgeting for the one-time \$1.3 million E-rate revenue received in the current year. The revenue growth over the prior year was due to an increase in the property tax levy (\$7.4 million operating levy increase), a 2 percent increase in the basic general education formula, a one-time grant received from the state for ice arena repairs, and a one-time increase in E-rate revenue.

General Fund expenditures were 2.1 percent under budget, primarily due to the District budgeting conservatively for salaries in the current year. Expenditures increased from the prior year, due to contractual salary and benefit increases, additional pre-kindergarten program offerings, and an increase in federal Title I spending.

## **COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS**

### **Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities as authorized by the District's long-term facilities maintenance levy as approved by the Minnesota Department of Education. At June 30, 2018, this fund had a deficit fund balance of \$762,614, due to preliminary design work on Phase 1 of the District's Facilities Plan. This deficit will be eliminated in 2018–2019 with the sale and receipt of \$61 million in District general obligation bonds and certificates of participation.

### **Debt Service Fund**

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$108,419 in the current year. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$3,088,612 at June 30, 2018 is available for meeting future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$142,982, compared to a planned fund balance increase of \$9,634. Revenues were \$280,571 more than anticipated in the budget, mainly in federal reimbursements, due to the addition of a supper program at various schools. Expenditures were \$147,223 more than expected, mainly in supplies and materials. As of June 30, 2018, the fund balance increased to 22.6 percent of expenditures.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$656,960, compared to a planned fund balance increase of \$137,582. Revenues exceeded budget by \$438,529, due to expanded programs and offerings, while expenditures ended the year \$80,849 under budget. As of June 30, 2018, the fund balance increased to 38.7 percent of expenditures.

### **Internal Service Fund**

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 one Internal Service Fund, which is used to account for the District's self-insured health insurance activities.

Operating revenues for the Internal Service Fund for fiscal 2018 totaled \$17,187,918, while operating expenses totaled \$16,529,406.

The net position for the Internal Service Fund as of June 30, 2018 was \$5,426,114, which represents a \$731,131 increase from the prior 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:

	2018	2017	Change
Land	\$ 19,577,877	\$ 19,577,877	\$ -
Construction in progress	1,422,242	3,670,899	(2,248,657)
Land improvements	10,382,466	9,333,619	1,048,847
Buildings and improvements	158,577,668	150,837,487	7,740,181
Furniture and equipment	20,176,146	20,784,835	(608,689)
Less accumulated depreciation	(93,094,092)	(89,056,601)	(4,037,491)
Total	<u>\$ 117,042,307</u>	<u>\$ 115,148,116</u>	<u>\$ 1,894,191</u>
Depreciation expense	<u>\$ 5,612,537</u>	<u>\$ 5,488,159</u>	<u>\$ 124,378</u>

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.

The District defines capital assets as those with an initial, individual cost of \$5,000 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, together with the change from the prior year:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
General obligation bonds payable	\$ 81,155,000	\$ 90,730,000	\$ (9,575,000)
Certificates of participation payable	2,290,000	3,185,000	(895,000)
Premium (discount) on bonds payable and certificates of participation payable	4,874,531	5,456,546	(582,015)
Capital lease payable	1,204,215	1,429,649	(225,434)
Net pension liability	237,060,618	284,276,263	(47,215,645)
Net OPEB liability	24,563,884	29,356,362	(4,792,478)
Severance benefits payable	2,885,754	3,135,796	(250,042)
Compensated absences payable	<u>1,463,483</u>	<u>1,385,001</u>	<u>78,482</u>
Total	<u>\$ 355,497,485</u>	<u>\$ 418,954,617</u>	<u>\$ (63,457,132)</u>

The decrease in general obligation bonds payable, certificates of participation payable, premium/discount, and capital lease payable is due to the planned repayment schedules during fiscal year 2018.

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 decrease in the net OPEB liability is due to differences between expected and actual experience in the actuarial calculations for this liability.

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

District's market value	\$ 7,972,970,100
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,195,945,515</u>

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**

This CAFR is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. If you have questions about these statements, or need additional information, please contact Randy Anderson, Director of Business Services, Independent School District No. 622, 2520 – East 12th Avenue, North St. Paul, Minnesota 55109. Randy Anderson may also be reached by telephone at (651) 748-7511.

BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Governmental Activities	
	2018	2017
<b>Assets</b>		
Cash and temporary investments	\$ 46,350,092	\$ 35,157,959
Receivables		
Current taxes	26,696,228	26,426,471
Delinquent taxes	416,472	529,636
Accounts and interest	318,277	191,995
Due from other governmental units	17,232,918	16,348,330
Due from fiduciary fund	–	1,479,268
Inventory	397,342	381,413
Prepaid items	48,327	113,774
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	–	327,690
Capital assets		
Not depreciated	21,000,119	23,248,776
Depreciated, net of accumulated depreciation	96,042,188	91,899,340
Total capital assets, net of accumulated depreciation	<u>117,042,307</u>	<u>115,148,116</u>
Total assets	208,501,963	196,104,652
Deferred outflows of resources		
Bond refunding deferments	203,242	223,566
OPEB plan deferments	126,600	164,411
Pension plan deferments	129,046,457	174,234,289
Total deferred outflows of resources	<u>129,376,299</u>	<u>174,622,266</u>
Total assets and deferred outflows of resources	<u>\$ 337,878,262</u>	<u>\$ 370,726,918</u>
<b>Liabilities</b>		
Salaries payable	\$ 692,334	\$ 710,980
Accounts and contracts payable	5,020,122	5,293,447
Accrued interest payable	1,518,034	2,767,087
Due to other governmental units	2,120,184	1,431,985
Unearned revenue	509,922	907,494
Long-term liabilities		
Due within one year	13,006,881	12,308,592
Due in more than one year	342,490,604	406,646,025
Total long-term liabilities	<u>355,497,485</u>	<u>418,954,617</u>
Total liabilities	365,358,081	430,065,610
Deferred inflows of resources		
Bond refunding deferments	792,057	880,063
Property taxes levied for subsequent year	44,524,076	44,621,056
OPEB plan deferments	4,225,556	–
Pension plan deferments	43,639,675	10,205,369
Total deferred inflows of resources	<u>93,181,364</u>	<u>55,706,488</u>
Net position		
Net investment in capital assets	42,479,174	30,883,474
Restricted for		
Capital asset acquisition	8,419,874	5,539,780
Debt service	1,704,159	362,410
Food service	1,476,401	1,333,419
Community service	3,589,486	2,935,366
Other purposes (state funding restrictions)	2,747,448	1,711,791
Unrestricted	(181,077,725)	(157,811,420)
Total net position	<u>(120,661,183)</u>	<u>(115,045,180)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 337,878,262</u>	<u>\$ 370,726,918</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

Functions/Programs	2018		
	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Administration	\$ 7,433,391	\$ -	\$ -
District support services	5,236,940	-	-
Elementary and secondary regular instruction	78,793,770	476,094	2,722,919
Vocational education instruction	3,610,472	-	32,970
Special education instruction	34,039,463	828,527	18,121,127
Instructional support services	9,479,409	-	43,524
Pupil support services	13,398,446	372	359,580
Sites and buildings	13,438,257	28,391	-
Fiscal and other fixed cost programs	489,040	-	-
Food service	6,459,417	1,989,753	4,671,351
Community service	9,925,090	2,984,453	5,371,355
Depreciation not included in other functions	4,442,365	-	-
Interest and fiscal charges	2,518,357	-	-
<b>Total governmental activities</b>	<b>\$ 189,264,417</b>	<b>\$ 6,307,590</b>	<b>\$ 31,322,826</b>
General revenues			
Taxes			
Property taxes levied for general purposes			
Property taxes levied for community service			
Property taxes levied for debt service			
General grants and aids			
Other general revenues			
Investment earnings			
Total general revenues			
Change in net position			
Net position – beginning			
Net position – ending			

	2017
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Governmental Activities
\$ (7,433,391)	\$ (7,466,083)
(5,236,940)	(5,966,372)
(75,594,757)	(77,285,377)
(3,577,502)	(3,335,184)
(15,089,809)	(15,651,609)
(9,435,885)	(8,627,772)
(13,038,494)	(12,725,240)
(13,409,866)	(11,698,444)
(489,040)	(474,151)
201,687	(30,917)
(1,569,282)	(1,369,263)
(4,442,365)	(4,390,145)
(2,518,357)	(5,376,641)
(151,634,001)	(154,397,198)
32,998,727	25,272,032
1,465,393	1,749,722
13,188,145	13,677,118
94,724,709	94,256,869
3,069,617	1,512,578
571,407	178,049
146,017,998	136,646,368
(5,616,003)	(17,750,830)
(115,045,180)	(97,294,350)
\$ (120,661,183)	\$ (115,045,180)

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
<b>Assets</b>			
Cash and temporary investments	\$ 24,669,008	\$ 163,692	\$ 8,714,620
Cash and investments held by trustee	–	–	–
Receivables			
Current taxes	18,831,749	–	7,175,217
Delinquent taxes	269,981	–	132,495
Accounts and interest	258,605	–	–
Due from other governmental units	16,431,093	–	59,296
Due from other funds	–	–	–
Inventory	21,765	–	–
Prepaid items	45,443	–	–
	<u>60,527,644</u>	<u>163,692</u>	<u>16,081,628</u>
<b>Total assets</b>	<b>\$ 60,527,644</b>	<b>\$ 163,692</b>	<b>\$ 16,081,628</b>
<b>Liabilities</b>			
Salaries payable	\$ 545,716	\$ –	\$ –
Accounts and contracts payable	2,684,757	926,306	4,315
Due to other governmental units	1,221,659	–	–
Unearned revenue	–	–	–
	<u>4,452,132</u>	<u>926,306</u>	<u>4,315</u>
<b>Total liabilities</b>	<b>4,452,132</b>	<b>926,306</b>	<b>4,315</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	201,168	–	133,581
Property taxes levied for subsequent year	30,434,074	–	12,855,120
	<u>30,635,242</u>	<u>–</u>	<u>12,988,701</u>
<b>Total deferred inflows of resources</b>	<b>30,635,242</b>	<b>–</b>	<b>12,988,701</b>
<b>Fund balances</b>			
Nonspendable	67,208	–	–
Restricted	11,167,322	–	3,088,612
Unassigned	14,205,740	(762,614)	–
	<u>25,440,270</u>	<u>(762,614)</u>	<u>3,088,612</u>
<b>Total fund balances</b>	<b>25,440,270</b>	<b>(762,614)</b>	<b>3,088,612</b>
	<u>60,527,644</u>	<u>163,692</u>	<u>16,081,628</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 60,527,644</b>	<b>\$ 163,692</b>	<b>\$ 16,081,628</b>

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 6,145,822	\$ 39,693,142	\$ 29,348,633
–	–	327,690
689,262	26,696,228	26,426,471
13,996	416,472	529,636
59,672	318,277	191,995
742,529	17,232,918	16,348,330
–	–	1,479,268
375,577	397,342	381,413
2,884	48,327	113,774
<u>\$ 8,029,742</u>	<u>\$ 84,802,706</u>	<u>\$ 75,147,210</u>
\$ 146,618	\$ 692,334	\$ 710,980
173,908	3,789,286	4,179,104
898,525	2,120,184	1,431,985
509,922	509,922	907,494
<u>1,728,973</u>	<u>7,111,726</u>	<u>7,229,563</u>
14,245	348,994	344,029
1,234,882	44,524,076	44,621,056
<u>1,249,127</u>	<u>44,873,070</u>	<u>44,965,085</u>
378,461	445,669	495,187
4,673,181	18,929,115	14,123,718
–	13,443,126	8,333,657
<u>5,051,642</u>	<u>32,817,910</u>	<u>22,952,562</u>
<u>\$ 8,029,742</u>	<u>\$ 84,802,706</u>	<u>\$ 75,147,210</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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)

	<u>2018</u>	<u>2017</u>
Total fund balances – governmental funds	\$ 32,817,910	\$ 22,952,562
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	210,136,399	204,204,717
Accumulated depreciation	(93,094,092)	(89,056,601)
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	(81,155,000)	(90,730,000)
Certificates of participation payable	(2,290,000)	(3,185,000)
Premiums and discounts on debt	(4,874,531)	(5,456,546)
Capital leases payable	(1,204,215)	(1,429,649)
Net pension liability	(237,060,618)	(284,276,263)
Net OPEB liability	(24,563,884)	(29,356,362)
Severance benefits payable	(2,885,754)	(3,135,796)
Compensated absences payable	(1,463,483)	(1,385,001)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(1,518,034)	(2,767,087)
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 Fund is included in the governmental activities in the Statement of Net Position.	5,426,114	4,694,983
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 – bond refunding deferments	203,242	223,566
Deferred outflows – OPEB plan deferments	126,600	164,411
Deferred outflows – pension plan deferments	129,046,457	174,234,289
Deferred inflows – bond refunding deferments	(792,057)	(880,063)
Deferred inflows – OPEB plan deferments	(4,225,556)	–
Deferred inflows – pension plan deferments	(43,639,675)	(10,205,369)
Deferred inflows – delinquent taxes receivable	348,994	344,029
Total net position – governmental activities	<u>\$ (120,661,183)</u>	<u>\$ (115,045,180)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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)

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
<b>Revenue</b>			
Local sources			
Property taxes	\$ 32,975,199	\$ –	\$ 13,203,868
Investment earnings	326,718	10	80,780
Other	4,411,517	–	–
State sources	110,559,608	–	605,256
Federal sources	4,792,878	–	82,014
Total revenue	<u>153,065,920</u>	<u>10</u>	<u>13,971,918</u>
<b>Expenditures</b>			
Current			
Administration	6,021,308	–	–
District support services	5,408,214	–	–
Elementary and secondary regular instruction	60,768,822	–	–
Vocational education instruction	2,881,870	–	–
Special education instruction	27,340,010	–	–
Instructional support services	7,094,088	–	–
Pupil support services	12,438,955	–	–
Sites and buildings	19,502,211	–	–
Fiscal and other fixed cost programs	489,040	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	930,256	–
Debt service			
Principal	1,120,434	–	9,575,000
Interest and fiscal charges	128,608	–	4,288,499
Total expenditures	<u>143,193,560</u>	<u>930,256</u>	<u>13,863,499</u>
Excess (deficiency) of revenue over expenditures	9,872,360	(930,246)	108,419
<b>Other financing sources (uses)</b>			
Capital lease issued	–	–	–
Sale of assets	14,873	–	–
Refunding debt issued	–	–	–
Premium on debt issued	–	–	–
Payment on refunded debt	–	–	–
Total other financing sources (uses)	<u>14,873</u>	<u>–</u>	<u>–</u>
Net change in fund balances	9,887,233	(930,246)	108,419
<b>Fund balances</b>			
Beginning of year	<u>15,553,037</u>	<u>167,632</u>	<u>2,980,193</u>
End of year	<u>\$ 25,440,270</u>	<u>\$ (762,614)</u>	<u>\$ 3,088,612</u>

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 1,468,233	\$ 47,647,300	\$ 40,817,821
91,280	498,788	160,556
4,974,206	9,385,723	8,412,015
5,458,886	116,623,750	111,781,088
4,583,820	9,458,712	9,230,012
<u>16,576,425</u>	<u>183,614,273</u>	<u>170,401,492</u>
–	6,021,308	5,783,733
–	5,408,214	7,333,244
–	60,768,822	57,954,053
–	2,881,870	2,614,558
–	27,340,010	26,955,254
–	7,094,088	6,316,256
–	12,438,955	11,924,489
–	19,502,211	17,993,944
–	489,040	474,151
6,395,767	6,395,767	6,299,829
9,153,833	9,153,833	8,626,479
226,883	1,157,139	567,162
–	10,695,434	11,210,555
–	4,417,107	5,078,944
<u>15,776,483</u>	<u>173,763,798</u>	<u>169,132,651</u>
799,942	9,850,475	1,268,841
–	–	1,650,204
–	14,873	141,660
–	–	40,650,000
–	–	5,554,794
–	–	(45,878,674)
<u>–</u>	<u>14,873</u>	<u>2,117,984</u>
799,942	9,865,348	3,386,825
4,251,700	22,952,562	19,565,737
<u>\$ 5,051,642</u>	<u>\$ 32,817,910</u>	<u>\$ 22,952,562</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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.	\$ 9,865,348	\$ 3,386,825
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	7,567,919	9,604,269
Depreciation expense	(5,612,537)	(5,488,159)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(61,191)	(14,995)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	–	(40,650,000)
Capital lease payable	–	(1,650,204)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	9,575,000	55,780,000
Certificates of participation payable	895,000	870,000
Capital lease payable	225,434	220,555
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.		
	1,249,053	(797,954)
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.		
	582,015	(4,179,366)
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	47,215,645	(193,412,502)
Net OPEB liability	4,792,478	(1,779,646)
Severance benefits payable	250,042	(367,241)
Compensated absences payable	(78,482)	(61,136)
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.		
	731,131	599,661
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 – bond refunding deferments	(20,324)	223,566
Deferred outflows – OPEB plan deferments	(37,811)	164,411
Deferred outflows – pension plan deferments	(45,187,832)	157,114,839
Deferred inflows – bond refunding deferments	88,006	(880,063)
Deferred inflows – OPEB plan deferments	(4,225,556)	–
Deferred inflows – pension plan deferments	(33,434,306)	3,685,259
Deferred inflows – delinquent taxes receivable	4,965	(118,949)
Change in net position – governmental activities	\$ (5,616,003)	\$ (17,750,830)

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Property taxes	\$ 33,241,086	\$ 33,241,086	\$ 32,975,199	\$ (265,887)
Investment earnings	60,000	60,000	326,718	266,718
Other	2,114,450	3,434,613	4,411,517	976,904
State sources	109,825,286	109,385,018	110,559,608	1,174,590
Federal sources	3,820,000	3,879,204	4,792,878	913,674
Total revenue	<u>149,060,822</u>	<u>149,999,921</u>	<u>153,065,920</u>	<u>3,065,999</u>
<b>Expenditures</b>				
Current				
Administration	6,340,013	6,409,733	6,021,308	(388,425)
District support services	5,923,902	5,875,749	5,408,214	(467,535)
Elementary and secondary regular instruction	60,352,835	61,137,700	60,768,822	(368,878)
Vocational education instruction	2,683,268	2,729,093	2,881,870	152,777
Special education instruction	30,902,462	28,881,827	27,340,010	(1,541,817)
Instructional support services	6,999,668	6,945,980	7,094,088	148,108
Pupil support services	12,873,363	13,566,523	12,438,955	(1,127,568)
Sites and buildings	17,467,617	18,851,725	19,502,211	650,486
Fiscal and other fixed cost programs	600,000	600,000	489,040	(110,960)
Debt service				
Principal	1,120,500	1,120,500	1,120,434	(66)
Interest and fiscal charges	128,889	128,889	128,608	(281)
Total expenditures	<u>145,392,517</u>	<u>146,247,719</u>	<u>143,193,560</u>	<u>(3,054,159)</u>
Excess of revenue over expenditures	3,668,305	3,752,202	9,872,360	6,120,158
<b>Other financing sources</b>				
Sale of assets	<u>—</u>	<u>—</u>	<u>14,873</u>	<u>14,873</u>
Net change in fund balances	<u>\$ 3,668,305</u>	<u>\$ 3,752,202</u>	<u>9,887,233</u>	<u>\$ 6,135,031</u>
<b>Fund balances</b>				
Beginning of year			<u>15,553,037</u>	
End of year			<u>\$ 25,440,270</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and temporary investments	\$ 6,656,950	\$ 5,809,326
Liabilities		
Current liabilities		
Accounts and contracts payable	139,947	136,971
Claims incurred, but not reported	<u>1,090,889</u>	<u>977,372</u>
Total liabilities	<u>1,230,836</u>	<u>1,114,343</u>
Net position		
Unrestricted	<u>\$ 5,426,114</u>	<u>\$ 4,694,983</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2018</u>	<u>2017</u>
Operating revenue		
Charges for services	\$ 17,187,918	\$ 16,537,115
Operating expenses		
Claims and settlements	15,443,819	14,549,134
Fees and stop loss	<u>1,085,587</u>	<u>1,405,813</u>
Total operating expenses	<u>16,529,406</u>	<u>15,954,947</u>
Operating income	658,512	582,168
Nonoperating revenue		
Investment earnings	<u>72,619</u>	<u>17,493</u>
Change in net position	731,131	599,661
Net position		
Beginning of year	<u>4,694,983</u>	<u>4,095,322</u>
End of year	<u>\$ 5,426,114</u>	<u>\$ 4,694,983</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 17,187,918	\$ 16,537,115
Payments for health claims	(15,327,326)	(14,288,922)
Payments for fees and stop loss	(1,085,587)	(1,405,813)
Net cash flows from operating activities	<u>775,005</u>	<u>842,380</u>
Cash flows from investing activities		
Investment income received	<u>72,619</u>	<u>17,493</u>
Net change in cash and cash equivalents	847,624	859,873
Cash and cash equivalents		
Beginning of year	<u>5,809,326</u>	<u>4,949,453</u>
End of year	<u>\$ 6,656,950</u>	<u>\$ 5,809,326</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 658,512	\$ 582,168
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	2,976	(9,556)
Claims incurred, but not reported	<u>113,517</u>	<u>269,768</u>
Net cash flows from operating activities	<u>\$ 775,005</u>	<u>\$ 842,380</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Fiduciary Net Position  
as of June 30, 2018

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u>                    </u>	<u>                    </u>
Assets		
Cash and temporary investments	\$ 1,175,634	\$ 5,462,732
Investments, at fair value		
Local government obligations	–	3,377,384
Negotiable certificates of deposit	–	386,546
MNTrust Investment Shares Portfolio	–	1,838,070
Investment pools/mutual funds	99,867	1,333,965
Receivables		
Accounts and interest	18,478	235,462
Prepaid items	4,495	–
Total assets	<u>1,298,474</u>	<u>12,634,159</u>
Liabilities		
Accounts and contracts payable	37,983	–
Due to other governments	294	–
Total liabilities	<u>38,277</u>	<u>–</u>
Net position		
Held in trust for scholarships and OPEB	<u>\$ 1,260,197</u>	<u>\$ 12,634,159</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
	<u>                    </u>	<u>                    </u>
Additions		
Contributions		
Private donations	\$ 1,448,167	\$ -
Employee	-	886,342
Total contributions	<u>1,448,167</u>	<u>886,342</u>
Investment earnings		
Total investment earnings	1,255	330,662
Less investment expense	-	14,509
Net investment earnings	<u>1,255</u>	<u>316,153</u>
Total additions	<u>1,449,422</u>	<u>1,202,495</u>
Deductions		
Benefits paid to plan members	-	886,342
Scholarships and other deductions	<u>1,342,448</u>	<u>-</u>
Total deductions	<u>1,342,448</u>	<u>886,342</u>
Change in net position	106,974	316,153
Net position		
Beginning of year	<u>1,153,223</u>	<u>12,318,006</u>
End of year	<u>\$ 1,260,197</u>	<u>\$ 12,634,159</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Basic Financial Statements  
June 30, 2018

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

**A. Organization**

Independent School District No. 622 (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.

**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 (the 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, the District's School Board can elect to either control or not control extracurricular student activities. The District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

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

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

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

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 included in 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. The Proprietary Fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial statement of the Proprietary Fund (Internal Service Fund) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust and private-purpose trust. 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 funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds are charges to customers for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are generally considered as available if 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. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. 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 liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

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

### Description of Funds

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

#### Major Governmental Funds

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

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or under the long-term facilities maintenance program.

**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 to pay principal, interest, and related costs on the 2009A taxable OPEB bond issue.

#### Nonmajor Governmental Funds

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is used primarily to record financial activities of 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 Fund** – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District’s Internal Service Fund is used to account for health insurance offered by the District to its employees as a self-insured plan.

#### Fiduciary Funds

**Private-Purpose Trust Fund** – The Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students and for other purposes for which the resources are being held.

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

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

### **E. Budgetary Information**

Each June, the School Board adopts an annual budget for the following fiscal year 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 expenditure appropriations lapse at year-end. Expenditures in the Food Service Special Revenue Fund and Capital Projects – Building Construction Fund exceeded budgeted appropriations by \$147,223 and \$329,290, respectively. The excess expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with revenues in excess of budget, other financing sources, or available fund balances.

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

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

Earnings from the investments of the Capital Projects – Building Construction Fund are allocated specifically to that fund.

In the Post-Employment Benefits Trust Fund, cash and cash equivalents and investments at fair value are deposited by the District in an irrevocable trust account, the use of which is restricted to paying post-employment insurance benefits as specified in the trust agreement. Interest earned in these trust accounts is allocated directly to these funds.

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

Investments are generally stated at fair value, except for 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 may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date. Guaranteed investment contracts are valued on a cost-basis measure and, therefore, are not subject to the fair value disclosure.

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.

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

### 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.

At June 30, 2018, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 16,421,982
Due from other Minnesota school districts	797,425
Due from other governmental units	<u>13,511</u>
Total due from other governmental units	<u>\$ 17,232,918</u>

### H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Purchased food and supplies are 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 expenses/expenditures at the time of consumption.

### J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the 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 \$3,250,290 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 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 in the current year. No allowance for uncollectible taxes is considered necessary.

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

### **K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

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

### **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. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

### **M. Compensated Absences Payable**

- 1. Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.
- 2. Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

### **N. Severance Benefits**

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. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

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

Members of certain employee groups may also 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 contributions made to such a plan over the course of that individual's employment. Severance or retirement benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

The amount of severance is 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 or retirement pay is accrued in the governmental fund financial statements only when it becomes due and payable.

### **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. Other Post-Employment Benefits (OPEB) Plan**

The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

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

### **Q. 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 insurance coverage in fiscal 2018.

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

2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under these plans, the Internal Service Fund provides coverage to participating employees and their dependents for various healthcare costs as described in the plans.

The District makes premium payments to the Internal Service Fund on behalf of program participants based on provisional 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 health insurance claim liabilities for the last two years are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2017	\$ 707,604	\$ 14,558,690	\$ 14,288,922	\$ 977,372
2018	\$ 977,372	\$ 15,440,843	\$ 15,327,326	\$ 1,090,889

**R. Net Position**

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its 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.

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

### S. Fund Balance Classifications

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

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

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

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

### T. 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 bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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.

### **U. Restricted Assets**

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

### **V. 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 in the financial statements during the reporting period. Actual results could differ from those estimates.

### **W. 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.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 10,760,332
Investments	49,260,328
Cash on hand	3,630
	<hr/>
Total	\$ 60,024,290
	<hr/> <hr/>

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

Statement of Net Position	
Cash and temporary investments	\$ 46,350,092
Statement of Fiduciary Net Position	
Cash and temporary investments	
Private-Purpose Trust Fund	1,175,634
Post-Employment Benefits Trust Fund	5,462,732
Investments	
Private-Purpose Trust Fund	99,867
Post-Employment Benefits Trust Fund	6,935,965
	<hr/>
Total	\$ 60,024,290
	<hr/> <hr/>

### B. Deposits

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

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 policy does not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$10,760,332, while the balance on the bank records was \$12,898,433. 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.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	5 to 10	
Local government obligations	AA	S&P	Level 2	\$ 101,130	\$ 2,236,922	\$ –	\$ 2,338,052
Local government obligations	Aa	Moody's	Level 2	\$ –	\$ 1,039,332	\$ –	1,039,332
Guaranteed investment contract	N/R	N/A	N/A	\$ 142,482	\$ –	\$ –	142,482
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 2,217,574	\$ –	\$ –	2,217,574
Investment pools/mutual funds							
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	N/A	275,081
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	N/A	17,114,801
MNTrust Term Series	N/R	N/A	N/A	\$ 19,750,000	\$ –	\$ –	19,750,000
MNTrust Limited Term Duration	AAA	S&P	N/A	N/A	N/A	N/A	5,049,000
Other investment pools/mutual funds	N/R	N/A	Level 1	N/A	N/A	N/A	1,323,875
First American Government Obligations Fund	AAA	S&P	Level 2	N/A	N/A	N/A	41
Goldman Sachs Government Institutional Fund	AAA	S&P	Level 1	N/A	N/A	N/A	10,090
Total							<u>\$ 49,260,328</u>

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Term Series, and MNTrust Limited Term Duration are regulated by Minnesota Statutes and are external investment pools not registered with the Securities and Exchange Commission. The District's investment in these investment pools 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 the MSDLAF and MNTrust, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the MSDLAF Liquid Class; the redemption notice period is 14 days for the MSDLAF MAX Class and 7 days for the MNTrust Term Series.

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

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

At year-end, \$1,333,965 of the District's investments were uninsured and not registered in the District's name, with the securities held by the purchasing agent, or by its trust department or agent, but not in the District's name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

**Post-Employment Benefits Trust Fund** – This fund represents investments administered by the District’s OPEB Trust Fund investment managers. The District’s investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse repurchase agreements, and commercial paper if issued by a United States corporation or its Canadian subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency; and in the State Board of Investments. Investments are stated at fair value.

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

**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 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 19,577,877	\$ –	\$ –	\$ –	\$ 19,577,877
Construction in progress	3,670,899	6,724,884	–	(8,973,541)	1,422,242
Total capital assets, not depreciated	23,248,776	6,724,884	–	(8,973,541)	21,000,119
Capital assets, depreciated					
Land improvements	9,333,619	–	–	1,048,847	10,382,466
Buildings and improvements	150,837,487	–	–	7,740,181	158,577,668
Furniture and equipment	20,784,835	843,035	(1,636,237)	184,513	20,176,146
Total capital assets, depreciated	180,955,941	843,035	(1,636,237)	8,973,541	189,136,280
Less accumulated depreciation for					
Land improvements	(3,612,132)	(391,331)	–	–	(4,003,463)
Buildings and improvements	(72,271,844)	(3,969,681)	–	–	(76,241,525)
Furniture and equipment	(13,172,625)	(1,251,525)	1,575,046	–	(12,849,104)
Total accumulated depreciation	(89,056,601)	(5,612,537)	1,575,046	–	(93,094,092)
Net capital assets, depreciated	91,899,340	(4,769,502)	(61,191)	8,973,541	96,042,188
Total capital assets, net	<u>\$ 115,148,116</u>	<u>\$ 1,955,382</u>	<u>\$ (61,191)</u>	<u>\$ –</u>	<u>\$ 117,042,307</u>

Depreciation expense for the year ended June 30, 2018 was charged to the following governmental functions:

Elementary and secondary regular instruction	\$ 82,310
Special education instruction	27,366
Pupil support services	951,033
Food service	109,463
Depreciation not included in other functions	4,442,365
Total depreciation expense	<u>\$ 5,612,537</u>

## 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	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds payable					
2009A Taxable OPEB Bonds	02/01/2009	3.50–6.20%	\$ 30,000,000	02/01/2027	\$ 15,690,000
2009B Alternative Facility Bonds	02/12/2009	2.00–4.50%	\$ 6,390,000	02/01/2029	4,160,000
2010A Alternative Facility Bonds	02/11/2010	0.65–5.75%	\$ 6,795,000	02/01/2030	4,665,000
2010C Crossover Refunding Bonds	10/28/2010	3.00–3.20%	\$ 4,750,000	02/01/2024	2,615,000
2011A Alternative Facility Bonds	04/14/2011	3.00–4.10%	\$ 6,720,000	02/01/2031	4,700,000
2012A Refunding Bonds	04/25/2012	2.00–2.38%	\$ 8,955,000	02/01/2025	5,915,000
2012B Alternative Facility Refunding Bonds	10/25/2012	2.13–3.00%	\$ 9,505,000	02/01/2027	7,380,000
2016A Refunding Bonds	11/17/2016	5.00%	\$ 34,050,000	02/01/2027	29,565,000
2017A Alternative Facility Refunding Bonds	05/18/2017	3.00%	\$ 6,600,000	02/01/2028	6,465,000
Total general obligation bonds payable					<u>\$ 81,155,000</u>

These bonds were issued to finance acquisition and/or construction of capital facilities, to finance (refund) 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 are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

The District's 2010A Alternative Facility Bonds were issued as Build America Bonds – Direct Pay, for which the District will receive a federal tax credit equal to 35 percent of the interest payment on this debt issue. Although the District has complied with all eligibility requirements for this credit, the District has received notice from the Internal Revenue Service that future interest payment credits will be reduced.

### B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
2006D Refunding Certificates of Participation	11/01/2006	4.00–4.25%	\$ 1,830,000	02/01/2020	\$ 350,000
2010B Certificates of Participation	09/30/2010	2.00–3.50%	\$ 2,500,000	02/01/2025	1,375,000
2011B Refunding Certificates of Participation	12/15/2011	2.00–3.00%	\$ 3,675,000	02/01/2019	565,000
Total certificates of participation payable					<u>\$ 2,290,000</u>

The District sold certificates of participation under Minnesota Statutes § 123B.51 to finance additions and improvements to existing school facilities or to refund prior certificates of participation issued. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

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

### C. Capital Lease Payable

During fiscal year 2017, the District entered into a capital lease purchase to provide funds to finance the purchase of fiber optic equipment. The total amount of this capital lease was \$1,650,204, at a 2.20 percent interest rate, and a final payment date of June 30, 2023. This lease will be repaid through the General Fund. The leased asset was recorded at \$1,650,204 (the present value of future minimum lease payments as of the inception date of the lease) as furniture and equipment. Total accumulated depreciation on this asset at June 30, 2018 was \$89,386.

### D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, OPEB, pension benefits, and compensated absences. 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 a Post-Employment Benefits Trust Fund to finance OPEB obligations.

The District has three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District.

The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2018:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 22,605,512	\$ 6,260,260	\$ 6,924,752	\$ 1,490,767
State-wide, multiple-employer – TRA	213,830,952	122,762,097	36,714,589	36,493,915
Single-employer – District	624,154	24,100	334	48,951
Total	<u>\$ 237,060,618</u>	<u>\$ 129,046,457</u>	<u>\$ 43,639,675</u>	<u>\$ 38,033,633</u>

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

### E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 90,730,000	\$ –	\$ 9,575,000	\$ 81,155,000	\$ 10,180,000
Certificates of participation payable	3,185,000	–	895,000	2,290,000	915,000
Plus premium (discount)	5,456,546	–	582,015	4,874,531	–
Total bonds and certificates of participation payable	99,371,546	–	11,052,015	88,319,531	11,095,000
Capital lease payable	1,429,649	–	225,434	1,204,215	230,421
Net pension liability	284,276,263	4,008,612	51,224,257	237,060,618	–
Net OPEB liability	29,356,362	2,059,258	6,851,736	24,563,884	–
Severance benefits payable	3,135,796	–	250,042	2,885,754	217,977
Compensated absences payable	1,385,001	1,283,074	1,204,592	1,463,483	1,463,483
	<u>\$418,954,617</u>	<u>\$ 7,350,944</u>	<u>\$ 70,808,076</u>	<u>\$355,497,485</u>	<u>\$ 13,006,881</u>

### F. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 10,180,000	\$ 3,569,638	\$ 915,000	\$ 73,645	\$ 230,421	\$ 25,232
2020	10,145,000	3,128,768	365,000	46,690	235,518	20,135
2021	9,835,000	2,688,063	190,000	33,490	240,728	14,925
2022	9,475,000	2,259,745	195,000	27,505	246,053	9,600
2023	9,225,000	1,845,130	200,000	21,265	251,495	4,157
2024–2028	29,545,000	3,880,503	425,000	22,190	–	–
2029–2031	2,750,000	212,993	–	–	–	–
	<u>\$ 81,155,000</u>	<u>\$ 17,584,840</u>	<u>\$ 2,290,000</u>	<u>\$ 224,785</u>	<u>\$ 1,204,215</u>	<u>\$ 74,049</u>

## NOTE 5 – FUND BALANCES

### A. Classifications

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.

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ 21,765	\$ –	\$ –	\$ 375,577	\$ 397,342
Prepaid items	45,443	–	–	2,884	48,327
Total nonspendable	67,208	–	–	378,461	445,669
<b>Restricted</b>					
Staff development	172,920	–	–	–	172,920
Health and safety	80,871	–	–	–	80,871
Operating capital	8,339,003	–	–	–	8,339,003
Basic skills	80,538	–	–	–	80,538
Achievement and integration	106,139	–	–	–	106,139
Safe schools	1,120,432	–	–	–	1,120,432
Medical Assistance	1,267,419	–	–	–	1,267,419
Debt service	–	–	2,536,461	–	2,536,461
OPEB debt service	–	–	552,151	–	552,151
Food service	–	–	–	1,100,824	1,100,824
Community education programs	–	–	–	2,019,337	2,019,337
Early childhood family education programs	–	–	–	631,340	631,340
School readiness	–	–	–	486,248	486,248
Adult basic education	–	–	–	434,428	434,428
Community service	–	–	–	1,004	1,004
Total restricted	11,167,322	–	3,088,612	4,673,181	18,929,115
<b>Unassigned</b>					
Long-term facilities maintenance restricted account deficit	(517,539)	(396,455)	–	–	(913,994)
Unassigned	14,723,279	(366,159)	–	–	14,357,120
Total unassigned	14,205,740	(762,614)	–	–	13,443,126
Total	\$ 25,440,270	\$ (762,614)	\$ 3,088,612	\$ 5,051,642	\$ 32,817,910

### B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 5.0 percent to 7.0 percent of the annual budget. At June 30, 2018, the unassigned fund balance of the General Fund (excluding restricted account deficits) was 10.3 percent of current year expenditures.

## **NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

### **A. Plan Descriptions**

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

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

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

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

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

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

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 thereafter.

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. GERS Benefits**

Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA’s Coordinated Plan members. 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
<b>Basic Plan</b>	
First 10 years of service	2.2 %
All years after	2.7 %
<b>Coordinated Plan</b>	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

With these provisions:

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

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

**Tier II Benefits**

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

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

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

**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 \$1,762,249. 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
<b>Basic Plan</b>	11.0 %	11.5 %	11.0 %	11.5 %
<b>Coordinated Plan</b>	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 \$4,426,203. 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:

	<i>in thousands</i>
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	<u>(456)</u>
Total employer contributions	368,145
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 403,733</u>

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

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2018, the District reported a liability of \$22,605,512 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 0.3541 percent at both the beginning and the end of the measurement 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	\$ 22,605,512
State’s proportionate share of the net pension liability associated with the District	\$ 284,216

For the year ended June 30, 2018, the District recognized pension expense of \$1,482,557 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$8,210 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 745,009	\$ 1,504,349
Changes in actuarial assumptions	3,753,002	2,266,204
Difference between projected and actual investment earnings	–	1,019,018
Changes in proportion	–	2,135,181
District’s contributions to the GERF subsequent to the measurement date	<u>1,762,249</u>	<u>–</u>
Total	<u>\$ 6,260,260</u>	<u>\$ 6,924,752</u>

A total of \$1,762,249 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:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2019	\$ (1,674,430)
2020	\$ 635,331
2021	\$ (428,084)
2022	\$ (959,558)

**2. TRA Pension Costs**

At June 30, 2018, the District reported a liability of \$213,830,952 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 1.0712 percent at the end of the measurement period and 1.0688 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	\$ 213,830,952
State’s proportionate share of the net pension liability associated with the District	\$ 20,669,481

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

For the year ended June 30, 2018, the District recognized pension expense of \$36,097,490. It also recognized \$396,425 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	\$ 1,831,434	\$ 1,501,542
Changes in actuarial assumptions	115,741,879	29,954,341
Difference between projected and actual investment earnings	–	2,120,536
Changes in proportion	762,581	3,138,170
District’s contributions to the TRA subsequent to the measurement date	4,426,203	–
Total	<u>\$ 122,762,097</u>	<u>\$ 36,714,589</u>

A total of \$4,426,203 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	\$ 21,348,526
2020	\$ 25,537,709
2021	\$ 22,196,528
2022	\$ 18,733,172
2023	\$ (6,194,630)

**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.

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

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 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 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.

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.

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

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

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

### 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 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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the GERF net pension liability	\$ 35,062,826	\$ 22,605,512	\$ 12,406,935
TRA discount rate	4.12%	5.12%	6.12%
District’s proportionate share of the TRA net pension liability	\$ 282,215,653	\$ 213,830,952	\$ 156,174,329

### 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](http://www.mnpera.org); by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

Detailed information about the TRA’s fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at the TRA website at [www.MinnesotaTRA.org](http://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. The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and the District's contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement. 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 District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

### **B. Benefits Provided**

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage at their cost 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 the eligible retiree's premiums for medical and dental insurance for some period after retirement. Benefits paid by the District differ by bargaining unit and date of hire, 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 has established the Post-Employment Benefits Trust Fund to finance these obligations.

### **D. Membership**

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

Retirees and beneficiaries receiving benefits	598
Active plan members	<u>1,413</u>
Total members	<u><u>2,011</u></u>

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

**E. Net OPEB Liability of the District**

The District’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 37,198,043
Plan fiduciary net position	<u>(12,634,159)</u>
District’s net OPEB liability	<u>\$ 24,563,884</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>34.0%</u>

**F. Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, and a measurement date of June 30, 2018, using the entry age, level percentage of pay actuarial cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
Expected long-term investment return	2.60% (net of investment expenses)
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50%, grading to 5.00% over 6 years
Dental trend rate	3.00%
Vision trend rate	5.00%
Medicare supplemental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The retirement and withdrawal assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District’s policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB plan investments was set based on the plan’s target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	10.00 %	4.00 %
Fixed income	85.00	2.50 %
Cash	<u>5.00</u>	1.00 %
Total	<u>100.00 %</u>	2.60 %

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

### G. Concentrations

At year-end, the District's OPEB plan held investments in the state of California, Kane County Forest Preserve District, and Kettering Ohio School District that represented 5 percent or more of the OPEB plan's fiduciary net position.

### H. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### I. Discount Rate

The discount rate used to measure the total OPEB liability was 3.40 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been taken into account. The District discount rate used in the prior measurement date was also 3.40 percent.

### J. Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance – July 1, 2017	\$ 41,674,368	\$ 12,318,006	\$ 29,356,362
Changes for the year			
Service cost	1,386,666	–	1,386,666
Interest	1,420,441	–	1,420,441
Assumption changes	(616,650)	–	(616,650)
Contributions – employer	–	1,702,027	(1,702,027)
Contributions – employee	–	886,342	(886,342)
Projected investment return	–	320,268	(320,268)
Differences between expected and actual experience	(4,078,413)	(4,115)	(4,074,298)
Benefit payments – employer-financed	(1,702,027)	(1,702,027)	–
Benefit payments – employee-financed	(886,342)	(886,342)	–
Total net changes	<u>(4,476,325)</u>	<u>316,153</u>	<u>(4,792,478)</u>
Ending balance – June 30, 2018	<u>\$ 37,198,043</u>	<u>\$ 12,634,159</u>	<u>\$ 24,563,884</u>

Assumption changes since the prior measurement date include the following:

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

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

Plan changes since the prior measurement date include the following:

- Principals hired after July 1, 2018 need 10 years of service to be eligible for the subsidized retirement benefit.
- Custodians hired after July 1, 2018 are no longer eligible for subsidized medical and dental benefits. Custodians hired before July 1, 2018 may choose to have the current subsidized medical and dental benefits or make a one-time election to switch to a matching retirement plan.

**K. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

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 a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.40%	3.40%	4.40%
Net OPEB liability	\$ 28,095,730	\$ 24,563,884	\$ 21,502,357

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:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB 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
OPEB dental trend rate	2.00%	3.00%	4.00%
OPEB vision trend rate	4.00%	5.00%	6.00%
OPEB Medicare supplement trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 20,611,354	\$ 24,563,884	\$ 29,352,836

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

**L. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources**

For the current year ended, the District recognized OPEB expense of \$2,059,258. 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
Differences between expected and actual economic experience	\$ –	\$ 3,670,571
Changes in actuarial assumptions	–	554,985
Difference between projected and actual investment earnings	126,600	–
	<u>\$ 126,600</u>	<u>\$ 4,225,556</u>

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

Year Ending June 30,	OPEB Expense Amount
2019	\$ (427,581)
2020	\$ (427,581)
2021	\$ (427,582)
2022	\$ (468,684)
2023	\$ (469,507)
Thereafter	\$ (1,878,021)

**NOTE 8 – PENSION BENEFITS PLAN – DISTRICT**

**A. Plan Description**

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

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance or retirement benefits in excess of one year's salary.

**B. Contributions and Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District. There are no invested plan assets accumulated for payment of future benefits.

## NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

### C. Membership

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

Active plan members	<u>71</u>
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### D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2017, and a measurement date as of June 30, 2018, 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%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement sScale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

### E. Discount Rate

The discount rate used to measure the total pension liability was 3.40 percent. The District discount rate used in the prior measurement date was also 3.40 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

### F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2017	\$ 590,796
Changes for the year	
Service cost	22,811
Interest	20,199
Assumption changes	(418)
Differences between expected and actual experience	30,125
Benefit payments – employer financed	(39,359)
Total net changes	<u>33,358</u>
Ending balance – June 30, 2018	<u>\$ 624,154</u>

Assumption changes since the prior measurement date include the following:

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

## NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

### G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	2.40%	3.40%	4.40%
Total pension liability	\$ 634,029	\$ 624,154	\$ 613,831

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

For the current year ended, the District recognized pension expense of \$48,951. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 24,100	\$ –
Changes in actuarial assumptions	<u>–</u>	<u>334</u>
	<u>\$ 24,100</u>	<u>\$ 334</u>

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

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2019	\$ 5,941
2020	\$ 5,941
2021	\$ 5,941
2022	\$ 5,943

## NOTE 9 – 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.

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.

## NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund and special revenue funds.

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

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

### A. Federal and State Receivables

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

### B. Construction Contracts

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2018 was \$5,288,126.

### C. 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.

### D. Operating Leases

The District leases buildings and equipment under operating leases that expire through June 30, 2024. Total costs for such leases were \$307,450 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2019	\$ 227,608
2020	228,800
2021	228,800
2022	228,800
2023	228,800
2024	19,067
Total	<u>\$ 1,161,875</u>

## **NOTE 11 – SUBSEQUENT EVENTS**

In July 2018, the District entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. for \$853,607 for a 60 month period to purchase school buses. The lease bears an interest rate of 3.654 percent per annum and matures on February 15, 2023.

In September 2018, the District issued \$44,885,000 of General Obligation Facilities Maintenance Bonds, Series 2018A. The bonds bear interest rates ranging from 3.00–5.00 percent and mature in 2039.

In September 2018, the District issued \$6,040,000 of General Obligation Capital Facilities and Tax Abatement Bonds, Series 2018B. The bonds bear an interest rate of 3.00 percent and mature in 2029.

In September 2018, the District issued \$9,405,000 of Certificates of Participation, Series 2018C. The certificates bear interest rates ranging from 3.00–4.00 percent and mature in 2034.

In November 2018, the District issued \$13,985,000 of General Obligation Taxable OPEB Refunding Bonds, Series 2018D. The bonds bear interest rates ranging from 2.90–3.60 percent and mature in 2027.

In November 2018, the District issued \$3,530,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2018E. The bonds bear interest rates ranging from 4.00–5.00 percent and mature in 2029.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

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	0.4593%	\$ 21,575,613	\$ -	\$ 21,575,613	\$ 24,110,024	89.49%	78.70%
06/30/2016	06/30/2015	0.4116%	\$ 21,331,249	\$ -	\$ 21,331,249	\$ 24,164,168	88.28%	78.20%
06/30/2017	06/30/2016	0.3541%	\$ 28,751,165	\$ 375,475	\$ 29,126,640	\$ 21,939,530	131.05%	68.90%
06/30/2018	06/30/2017	0.3541%	\$ 22,605,512	\$ 284,216	\$ 22,889,728	\$ 22,809,532	99.11%	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	\$ 1,784,137	\$ 1,784,137	\$ -	\$ 24,164,168	7.38%
06/30/2016	\$ 1,645,472	\$ 1,645,472	\$ -	\$ 21,939,530	7.50%
06/30/2017	\$ 1,710,720	\$ 1,710,720	\$ -	\$ 22,809,532	7.50%
06/30/2018	\$ 1,762,249	\$ 1,762,249	\$ -	\$ 23,496,733	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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 Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's 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	1.2242%	\$ 56,410,255	\$ 3,968,323	\$ 60,378,578	\$ 55,880,148	100.95%	81.50%
06/30/2016	06/30/2015	1.1144%	\$ 68,936,661	\$ 8,455,794	\$ 77,392,455	\$ 56,560,535	121.88%	76.80%
06/30/2017	06/30/2016	1.0688%	\$ 254,934,302	\$ 25,589,195	\$ 280,523,497	\$ 55,599,679	458.52%	44.88%
06/30/2018	06/30/2017	1.0712%	\$ 213,830,952	\$ 20,669,481	\$ 234,500,433	\$ 57,658,824	370.86%	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	\$ 4,241,912	\$ 4,241,912	\$ -	\$ 56,560,535	7.50%
06/30/2016	\$ 4,169,871	\$ 4,169,871	\$ -	\$ 55,599,679	7.50%
06/30/2017	\$ 4,324,135	\$ 4,324,135	\$ -	\$ 57,658,824	7.50%
06/30/2018	\$ 4,426,203	\$ 4,426,203	\$ -	\$ 59,013,621	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Pension Benefits Plan  
 Schedule of Changes in the District's Net  
 Pension Liability and Related Ratios  
 Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 22,811	\$ 30,840
Interest	20,199	20,359
Assumption changes	(418)	-
Differences between expected and actual experience	30,125	-
Benefit payments	<u>(39,359)</u>	<u>(56,254)</u>
Net change in total pension liability	33,358	(5,055)
Total pension liability – beginning of year	<u>590,796</u>	<u>595,851</u>
Total pension liability – end of year	<u>\$ 624,154</u>	<u>\$ 590,796</u>
Covered-employee payroll	<u>\$ 3,252,385</u>	<u>\$ 4,245,066</u>
Total pension liability as a percentage of covered-employee payroll	<u>19.19%</u>	<u>13.92%</u>

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

Note 2: The District implemented GASB Statement No. 73 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 1,386,666	\$ 1,418,232
Interest	1,420,441	1,409,951
Assumption changes	(616,650)	-
Differences between expected and actual experience	(4,078,413)	-
Benefit payments – employer-financed	(1,702,027)	(2,389,507)
Benefit payments – employee-financed	(886,342)	-
Net change in total OPEB liability	<u>(4,476,325)</u>	<u>438,676</u>
Total OPEB liability – beginning of year	<u>41,674,368</u>	<u>41,235,692</u>
Total OPEB liability – end of year	<u>37,198,043</u>	<u>41,674,368</u>
Plan fiduciary net position		
Contributions – employer	1,702,027	898,918
Contributions – employee	886,342	-
Investment earnings	320,268	149,619
Differences between expected and actual experience	(4,115)	-
Benefit payments – employer-financed	(1,702,027)	(2,389,507)
Benefit payments – employee-financed	(886,342)	-
Net change in plan fiduciary net position	<u>316,153</u>	<u>(1,340,970)</u>
Plan fiduciary net position – beginning of year	<u>12,318,006</u>	<u>13,658,976</u>
Plan fiduciary net position – end of year	<u>12,634,159</u>	<u>12,318,006</u>
Net OPEB liability	<u>\$ 24,563,884</u>	<u>\$ 29,356,362</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>33.96%</u>	<u>29.56%</u>
Covered-employee payroll	<u>\$ 72,697,272</u>	<u>\$ 76,079,920</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>33.79%</u>	<u>38.59%</u>

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

Other Post-Employment Benefits Plan  
Schedule of Investment Returns  
Year Ended June 30, 2018

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	1.1%
2018	2.6%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information  
June 30, 2018

**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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)  
June 30, 2018

**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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)  
June 30, 2018

**PENSION BENEFITS PLAN**

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS:**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The discount rate was changed from 3.50 percent to 3.40 percent.
- Retirement rates now begin at age 55 even if eligibility requirements have not been met.

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2018 CHANGES IN PLAN PROVISIONS:**

- Principals hired after July 1, 2018 need 10 years of service to be eligible for the subsidized retirement benefit.
- Custodians hired after July 1, 2018 are no longer eligible for subsidized medical and dental benefits. Custodians hired before July 1, 2018 may choose to have the current subsidized medical and dental benefits or make a one-time election to switch to a matching retirement plan.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS:**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

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

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Special Revenue Funds		
	Food Service	Community Service	Total
<b>Assets</b>			
Cash and temporary investments	\$ 1,379,765	\$ 4,766,057	\$ 6,145,822
Receivables			
Current taxes	–	689,262	689,262
Delinquent taxes	–	13,996	13,996
Accounts and interest	7,479	52,193	59,672
Due from other governmental units	–	742,529	742,529
Inventory	375,577	–	375,577
Prepaid items	–	2,884	2,884
	<u>–</u>	<u>2,884</u>	<u>2,884</u>
Total assets	<u>\$ 1,762,821</u>	<u>\$ 6,266,921</u>	<u>\$ 8,029,742</u>
<b>Liabilities</b>			
Salaries payable	\$ 36,856	\$ 109,762	\$ 146,618
Accounts and contracts payable	106,263	67,645	173,908
Due to other governmental units	2,492	896,033	898,525
Unearned revenue	140,809	369,113	509,922
Total liabilities	<u>286,420</u>	<u>1,442,553</u>	<u>1,728,973</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	–	14,245	14,245
Property taxes levied for subsequent year	–	1,234,882	1,234,882
Total deferred inflows of resources	<u>–</u>	<u>1,249,127</u>	<u>1,249,127</u>
<b>Fund balances</b>			
Nonspendable for inventory	375,577	–	375,577
Nonspendable for prepaid items	–	2,884	2,884
Restricted	1,100,824	3,572,357	4,673,181
Total fund balances	<u>1,476,401</u>	<u>3,575,241</u>	<u>5,051,642</u>
	<u>1,476,401</u>	<u>3,575,241</u>	<u>5,051,642</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,762,821</u>	<u>\$ 6,266,921</u>	<u>\$ 8,029,742</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ -	\$ 1,468,233	\$ 1,468,233
Investment earnings	20,767	70,513	91,280
Other	1,989,753	2,984,453	4,974,206
State sources	345,744	5,113,142	5,458,886
Federal sources	4,325,607	258,213	4,583,820
Total revenue	<u>6,681,871</u>	<u>9,894,554</u>	<u>16,576,425</u>
Expenditures			
Current			
Food service	6,395,767	-	6,395,767
Community service	-	9,153,833	9,153,833
Capital outlay	143,122	83,761	226,883
Total expenditures	<u>6,538,889</u>	<u>9,237,594</u>	<u>15,776,483</u>
Net change in fund balances	142,982	656,960	799,942
Fund balances			
Beginning of year	<u>1,333,419</u>	<u>2,918,281</u>	<u>4,251,700</u>
End of year	<u>\$ 1,476,401</u>	<u>\$ 3,575,241</u>	<u>\$ 5,051,642</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and temporary investments	\$ 24,669,008	\$ 15,038,592
Cash and investments held by trustee	–	327,690
Receivables		
Current taxes	18,831,749	18,143,826
Delinquent taxes	269,981	302,137
Accounts and interest	258,605	57,155
Due from other governmental units	16,431,093	15,440,765
Due from other funds	–	1,479,268
Inventory	21,765	22,465
Prepaid items	45,443	112,976
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 60,527,644</u>	<u>\$ 50,924,874</u>
<b>Liabilities</b>		
Salaries payable	\$ 545,716	\$ 615,304
Accounts and contracts payable	2,684,757	3,656,003
Due to other governmental units	1,221,659	690,827
Unearned revenue	–	326,149
Total liabilities	<u>4,452,132</u>	<u>5,288,283</u>
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	201,168	177,640
Property taxes levied for subsequent year	30,434,074	29,905,914
Total deferred inflows of resources	<u>30,635,242</u>	<u>30,083,554</u>
<b>Fund balances</b>		
Nonspendable for inventory	21,765	22,465
Nonspendable for prepaid items	45,443	112,976
Restricted for staff development	172,920	140,121
Restricted for health and safety	80,871	186,567
Restricted for operating capital	8,339,003	5,185,581
Restricted for basic skills	80,538	–
Restricted for achievement and integration	106,139	357,034
Restricted for safe schools	1,120,432	615,334
Restricted for Medical Assistance	1,267,419	599,302
Unassigned – long-term facilities maintenance restricted account deficit	(517,539)	(511,954)
Unassigned	14,723,279	8,845,611
Total fund balances	<u>25,440,270</u>	<u>15,553,037</u>
	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 60,527,644</u>	<u>\$ 50,924,874</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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		Over (Under)	2017
	Budget	Actual	Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 33,241,086	\$ 32,975,199	\$ (265,887)	\$ 25,352,714
Investment earnings	60,000	326,718	266,718	61,190
Other	3,434,613	4,411,517	976,904	3,239,010
State sources	109,385,018	110,559,608	1,174,590	106,108,749
Federal sources	3,879,204	4,792,878	913,674	4,611,671
Total revenue	149,999,921	153,065,920	3,065,999	139,373,334
<b>Expenditures</b>				
Current				
Administration				
Salaries	4,359,506	4,237,613	(121,893)	4,109,481
Employee benefits	1,735,466	1,535,285	(200,181)	1,424,605
Purchased services	119,278	87,647	(31,631)	137,571
Supplies and materials	10,083	18,894	8,811	23,809
Capital expenditures	91,000	69,445	(21,555)	14,392
Other expenditures	94,400	72,424	(21,976)	73,875
Total administration	6,409,733	6,021,308	(388,425)	5,783,733
District support services				
Salaries	2,803,279	2,705,063	(98,216)	2,617,915
Employee benefits	956,318	1,057,608	101,290	1,043,034
Purchased services	1,137,536	938,176	(199,360)	963,049
Supplies and materials	278,660	508,075	229,415	420,009
Capital expenditures	643,256	184,475	(458,781)	2,277,484
Other expenditures	56,700	14,817	(41,883)	11,753
Total district support services	5,875,749	5,408,214	(467,535)	7,333,244
Elementary and secondary regular instruction				
Salaries	38,886,664	38,099,359	(787,305)	37,364,713
Employee benefits	14,361,817	15,333,768	971,951	14,172,076
Purchased services	5,570,523	4,733,285	(837,238)	4,427,559
Supplies and materials	1,724,382	1,984,516	260,134	1,360,679
Capital expenditures	205,914	302,348	96,434	289,505
Other expenditures	388,400	315,546	(72,854)	339,521
Total elementary and secondary regular instruction	61,137,700	60,768,822	(368,878)	57,954,053

INDEPENDENT SCHOOL DISTRICT NO. 622

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		Over (Under) Budget	2017
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,484,415	1,598,097	113,682	1,483,504
Employee benefits	586,133	662,288	76,155	600,761
Purchased services	432,495	423,587	(8,908)	330,174
Supplies and materials	74,100	56,809	(17,291)	62,843
Capital expenditures	10,000	8,083	(1,917)	5,585
Other expenditures	141,950	133,006	(8,944)	131,691
Total vocational education instruction	2,729,093	2,881,870	152,777	2,614,558
Special education instruction				
Salaries	18,357,433	17,331,153	(1,026,280)	17,162,269
Employee benefits	7,038,272	6,645,021	(393,251)	6,624,452
Purchased services	2,703,039	2,728,352	25,313	2,467,684
Supplies and materials	403,450	314,431	(89,019)	319,654
Capital expenditures	112,133	56,844	(55,289)	131,154
Other expenditures	267,500	264,209	(3,291)	250,041
Total special education instruction	28,881,827	27,340,010	(1,541,817)	26,955,254
Instructional support services				
Salaries	5,144,699	5,015,460	(129,239)	4,806,432
Employee benefits	1,276,438	1,305,646	29,208	1,194,117
Purchased services	287,200	397,970	110,770	118,913
Supplies and materials	144,180	311,801	167,621	117,665
Capital expenditures	17,000	387	(16,613)	25,914
Other expenditures	76,463	62,824	(13,639)	53,215
Total instructional support services	6,945,980	7,094,088	148,108	6,316,256
Pupil support services				
Salaries	5,707,557	5,326,080	(381,477)	4,788,297
Employee benefits	1,942,922	1,895,053	(47,869)	1,717,974
Purchased services	4,159,082	3,481,015	(678,067)	3,997,395
Supplies and materials	827,132	793,344	(33,788)	730,912
Capital expenditures	910,580	917,149	6,569	672,696
Other expenditures	19,250	26,314	7,064	17,215
Total pupil support services	13,566,523	12,438,955	(1,127,568)	11,924,489

INDEPENDENT SCHOOL DISTRICT NO. 622

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		Over (Under) Budget	2017
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	3,962,137	3,926,448	(35,689)	3,879,181
Employee benefits	1,965,760	2,111,439	145,679	1,950,321
Purchased services	4,255,958	4,938,679	682,721	3,539,993
Supplies and materials	482,780	613,792	131,012	559,948
Capital expenditures	7,795,564	7,519,399	(276,165)	7,683,569
Other expenditures	389,526	392,454	2,928	380,932
Total sites and buildings	<u>18,851,725</u>	<u>19,502,211</u>	<u>650,486</u>	<u>17,993,944</u>
Fiscal and other fixed cost programs				
Purchased services	600,000	489,040	(110,960)	474,151
Debt service				
Principal	1,120,500	1,120,434	(66)	1,090,555
Interest and fiscal charges	128,889	128,608	(281)	155,842
Total debt service	<u>1,249,389</u>	<u>1,249,042</u>	<u>(347)</u>	<u>1,246,397</u>
Total expenditures	<u>146,247,719</u>	<u>143,193,560</u>	<u>(3,054,159)</u>	<u>138,596,079</u>
Excess (deficiency) of revenue over expenditures	3,752,202	9,872,360	6,120,158	777,255
Other financing sources				
Capital lease issued	—	—	—	1,650,204
Sale of assets	—	14,873	14,873	141,660
Total other financing sources	<u>—</u>	<u>14,873</u>	<u>14,873</u>	<u>1,791,864</u>
Net change in fund balances	<u>\$ 3,752,202</u>	9,887,233	<u>\$ 6,135,031</u>	2,569,119
Fund balances				
Beginning of year		<u>15,553,037</u>		<u>12,983,918</u>
End of year		<u>\$ 25,440,270</u>		<u>\$ 15,553,037</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 1,379,765	\$ 1,452,302
Receivables		
Accounts and interest	7,479	5,294
Inventory	<u>375,577</u>	<u>358,948</u>
Total assets	<u>\$ 1,762,821</u>	<u>\$ 1,816,544</u>
Liabilities		
Salaries payable	\$ 36,856	\$ 9,153
Accounts and contracts payable	106,263	329,829
Due to other governmental units	2,492	3,419
Unearned revenue	<u>140,809</u>	<u>140,724</u>
Total liabilities	286,420	483,125
Fund balances		
Nonspendable for inventory	375,577	358,948
Restricted for food service	<u>1,100,824</u>	<u>974,471</u>
Total fund balances	<u>1,476,401</u>	<u>1,333,419</u>
Total liabilities and fund balances	<u>\$ 1,762,821</u>	<u>\$ 1,816,544</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 2,000	\$ 20,767	\$ 18,767	\$ 5,746
Other – primarily meal sales	2,079,300	1,989,753	(89,547)	1,997,179
State sources	353,000	345,744	(7,256)	328,543
Federal sources	3,967,000	4,325,607	358,607	4,188,083
Total revenue	<u>6,401,300</u>	<u>6,681,871</u>	<u>280,571</u>	<u>6,519,551</u>
Expenditures				
Current				
Salaries	1,843,682	1,780,723	(62,959)	1,759,412
Employee benefits	708,484	730,312	21,828	660,845
Purchased services	218,500	238,147	19,647	285,457
Supplies and materials	3,486,000	3,620,524	134,524	3,579,376
Other expenditures	25,000	26,061	1,061	14,739
Capital outlay	110,000	143,122	33,122	125,266
Total expenditures	<u>6,391,666</u>	<u>6,538,889</u>	<u>147,223</u>	<u>6,425,095</u>
Net change in fund balances	<u>\$ 9,634</u>	142,982	<u>\$ 133,348</u>	94,456
Fund balances				
Beginning of year		<u>1,333,419</u>		<u>1,238,963</u>
End of year		<u>\$ 1,476,401</u>		<u>\$ 1,333,419</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and temporary investments	\$ 4,766,057	\$ 3,983,553
Receivables		
Current taxes	689,262	792,522
Delinquent taxes	13,996	22,937
Accounts and interest	52,193	129,546
Due from other governmental units	742,529	868,629
Prepaid items	<u>2,884</u>	<u>798</u>
Total assets	<u>\$ 6,266,921</u>	<u>\$ 5,797,985</u>
<b>Liabilities</b>		
Salaries payable	\$ 109,762	\$ 86,523
Accounts and contracts payable	67,645	191,330
Due to other governmental units	896,033	737,739
Unearned revenue	<u>369,113</u>	<u>440,621</u>
Total liabilities	1,442,553	1,456,213
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	14,245	17,085
Property taxes levied for subsequent year	<u>1,234,882</u>	<u>1,406,406</u>
Total deferred inflows of resources	1,249,127	1,423,491
<b>Fund balances</b>		
Nonspendable for prepaid items	2,884	798
Restricted for community education programs	2,019,337	1,689,467
Restricted for early childhood family education programs	631,340	476,966
Restricted for school readiness	486,248	381,924
Restricted for adult basic education	434,428	367,903
Restricted for community service	<u>1,004</u>	<u>1,223</u>
Total fund balances	<u>3,575,241</u>	<u>2,918,281</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,266,921</u>	<u>\$ 5,797,985</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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		Over (Under) Budget	2017
	Budget	Actual		Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 1,406,318	\$ 1,468,233	\$ 61,915	\$ 1,751,874
Investment earnings	–	70,513	70,513	18,716
Other – primarily tuition and fees	2,743,226	2,984,453	241,227	3,020,126
State sources	5,048,268	5,113,142	64,874	4,817,201
Federal sources	258,213	258,213	–	344,848
Total revenue	<u>9,456,025</u>	<u>9,894,554</u>	<u>438,529</u>	<u>9,952,765</u>
<b>Expenditures</b>				
Current				
Salaries	3,769,554	3,855,598	86,044	3,643,343
Employee benefits	1,302,218	1,245,628	(56,590)	1,178,657
Purchased services	3,426,694	3,456,451	29,757	3,306,342
Supplies and materials	598,489	506,407	(92,082)	413,810
Other expenditures	109,077	89,749	(19,328)	84,327
Capital outlay	112,411	83,761	(28,650)	73,110
Total expenditures	<u>9,318,443</u>	<u>9,237,594</u>	<u>(80,849)</u>	<u>8,699,589</u>
Net change in fund balances	<u>\$ 137,582</u>	656,960	<u>\$ 519,378</u>	1,253,176
<b>Fund balances</b>				
Beginning of year		<u>2,918,281</u>		<u>1,665,105</u>
End of year		<u>\$ 3,575,241</u>		<u>\$ 2,918,281</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction Fund  
 Comparative Balance Sheet  
 as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	<u>\$ 163,692</u>	<u>\$ 169,574</u>
Liabilities		
Accounts and contracts payable	\$ 926,306	\$ 1,942
Fund balances (deficit)		
Restricted for long-term facilities maintenance	–	141,249
Restricted for capital projects	–	26,383
Unassigned – long-term facilities maintenance restricted account deficit	(396,455)	–
Unassigned	<u>(366,159)</u>	–
Total fund balances (deficit)	<u>(762,614)</u>	<u>167,632</u>
Total liabilities and fund balances	<u>\$ 163,692</u>	<u>\$ 169,574</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction 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		Over (Under) Budget	2017
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ -	\$ 10	\$ 10	\$ -
State sources	-	-	-	137,500
Total revenue	<u>-</u>	<u>10</u>	<u>10</u>	<u>137,500</u>
Expenditures				
Capital outlay				
Purchased services	600,966	929,306	328,340	-
Capital expenditures	<u>-</u>	<u>950</u>	<u>950</u>	<u>368,786</u>
Total expenditures	<u>600,966</u>	<u>930,256</u>	<u>329,290</u>	<u>368,786</u>
Net change in fund balances	<u>\$ (600,966)</u>	<u>(930,246)</u>	<u>\$ (329,280)</u>	<u>(231,286)</u>
Fund balances (deficit)				
Beginning of year		<u>167,632</u>		<u>398,918</u>
End of year		<u>\$ (762,614)</u>		<u>\$ 167,632</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2018	2017
<b>Assets</b>				
Cash and temporary investments	\$ 6,985,594	\$ 1,729,026	\$ 8,714,620	\$ 8,704,612
Receivables				
Current taxes	5,689,111	1,486,106	7,175,217	7,490,123
Delinquent taxes	106,262	26,233	132,495	204,562
Due from other governmental units	59,291	5	59,296	38,936
	<u>59,291</u>	<u>5</u>	<u>59,296</u>	<u>38,936</u>
Total assets	<u>\$ 12,840,258</u>	<u>\$ 3,241,370</u>	<u>\$ 16,081,628</u>	<u>\$ 16,438,233</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 4,315	\$ -	\$ 4,315	\$ -
<b>Deferred inflows of resources</b>				
Unavailable revenue – delinquent taxes	106,870	26,711	133,581	149,304
Property taxes levied for subsequent year	10,192,612	2,662,508	12,855,120	13,308,736
Total deferred inflows of resources	<u>10,299,482</u>	<u>2,689,219</u>	<u>12,988,701</u>	<u>13,458,040</u>
<b>Fund balances</b>				
Restricted for debt service	<u>2,536,461</u>	<u>552,151</u>	<u>3,088,612</u>	<u>2,980,193</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,840,258</u>	<u>\$ 3,241,370</u>	<u>\$ 16,081,628</u>	<u>\$ 16,438,233</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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			Total
	Budget	Regular Debt Service Account	OPEB Debt Service Account	
<b>Revenue</b>				
Local sources				
Property taxes	\$ 13,012,288	\$ 10,555,075	\$ 2,648,793	\$ 13,203,868
Investment earnings	17,000	63,978	16,802	80,780
Other	—	—	—	—
State sources	592,534	605,234	22	605,256
Federal sources	81,794	82,014	—	82,014
Total revenue	<u>13,703,616</u>	<u>11,306,301</u>	<u>2,665,617</u>	<u>13,971,918</u>
<b>Expenditures</b>				
Debt service				
Principal	9,575,000	7,915,000	1,660,000	9,575,000
Interest	4,539,183	3,273,481	995,703	4,269,184
Fiscal charges and other	40,000	18,820	495	19,315
Total expenditures	<u>14,154,183</u>	<u>11,207,301</u>	<u>2,656,198</u>	<u>13,863,499</u>
Excess (deficiency) of revenue over expenditures	(450,567)	99,000	9,419	108,419
<b>Other financing sources (uses)</b>				
Refunding debt issued	—	—	—	—
Premium on debt issued	—	—	—	—
Payment on refunded debt	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ (450,567)</u>	99,000	9,419	108,419
<b>Fund balances</b>				
Beginning of year		<u>2,437,461</u>	<u>542,732</u>	<u>2,980,193</u>
End of year		<u>\$ 2,536,461</u>	<u>\$ 552,151</u>	<u>\$ 3,088,612</u>

	<u>2017</u>	
	<u>Over (Under)</u>	<u>Actual</u>
	<u>Budget</u>	
\$	191,580	\$ 13,713,233
	63,780	74,904
	–	155,700
	12,722	389,095
	220	85,410
	<u>268,302</u>	<u>14,418,342</u>
	–	10,120,000
	(269,999)	4,571,097
	(20,685)	352,005
	<u>(290,684)</u>	<u>15,043,102</u>
	558,986	(624,760)
	–	40,650,000
	–	5,554,794
	–	(45,878,674)
	<u>–</u>	<u>326,120</u>
\$	<u>558,986</u>	(298,640)
		<u>3,278,833</u>
		<u>\$ 2,980,193</u>

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# Section III

# STATISTICAL



**School District 622**

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

*Ready for tomorrow*



## **STATISTICAL SECTION (UNAUDITED)**

This section of Independent School District No. 622's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Contents**

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

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

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

#### **Operating Indicators**

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

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Fiscal Year 2012</u>
Governmental activities				
Net investment in capital assets	\$ (22,955,573)	\$ (19,386,152)	\$ (13,752,261)	\$ (10,393,853)
Restricted	5,752,201	4,105,584	2,976,334	2,896,897
Unrestricted	<u>10,150,929</u>	<u>15,573,956</u>	<u>14,336,990</u>	<u>17,743,374</u>
Total governmental activities net position	<u>\$ (7,052,443)</u>	<u>\$ 293,388</u>	<u>\$ 3,561,063</u>	<u>\$ 10,246,418</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$88.6 million. Prior years were not restated.

Note 2: The District implemented GASB Statement Nos. 73, 74, and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$40.7 million. Prior years were not restated.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ (3,627,039)	\$ 2,818,638	\$ 10,969,313	\$ 18,616,494	\$ 30,883,474	\$ 42,479,174
2,169,170	2,153,681	3,437,107	9,894,250	11,882,766	17,937,368
<u>7,875,488</u>	<u>(1,847,732)</u>	<u>(91,684,692)</u>	<u>(85,069,651)</u>	<u>(157,811,420)</u>	<u>(181,077,725)</u>
<u>\$ 6,417,619</u>	<u>\$ 3,124,587</u>	<u>\$ (77,278,272)</u>	<u>\$ (56,558,907)</u>	<u>\$ (115,045,180)</u>	<u>\$ (120,661,183)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2009	2010	2011	2012
<b>Governmental activities</b>				
<b>Expenses</b>				
Administration	\$ 4,716,192	\$ 5,387,109	\$ 5,390,352	\$ 5,309,820
District support services	2,855,986	3,105,906	3,290,211	2,965,928
Elementary and secondary regular instruction	55,686,194	55,744,097	56,608,582	57,322,341
Vocational education instruction	894,972	1,645,492	1,529,476	1,907,747
Special education instruction	21,616,906	21,870,189	22,371,541	21,709,308
Instructional support services	9,372,172	8,670,281	9,097,765	8,335,422
Pupil support services	9,548,763	8,904,244	10,011,663	10,896,900
Sites and buildings	10,235,133	9,353,992	8,305,688	8,851,610
Fiscal and other fixed cost programs	255,788	264,879	287,433	313,049
Food service	5,502,331	5,633,849	5,978,174	5,943,051
Community service	7,968,297	7,825,395	8,309,716	8,191,135
Depreciation not included in other functions	6,594,941	2,971,502	3,390,729	3,368,647
Interest and fiscal charges	7,423,000	7,665,447	7,622,134	7,461,262
<b>Total governmental activities expenses</b>	<b>142,670,675</b>	<b>139,042,382</b>	<b>142,193,464</b>	<b>142,576,220</b>
<b>Program revenues</b>				
<b>Charges for services</b>				
Administration	724	10,893	16,716	33,680
District support services	-	-	-	-
Elementary and secondary regular instruction	895,167	753,002	719,163	681,808
Special education instruction	33,402	25,132	51,508	-
Instructional support services	-	-	15	-
Pupil support services	-	-	-	-
Sites and buildings	28,391	-	28,391	42,587
Food service	2,983,400	2,828,416	2,728,733	2,695,103
Community service	3,093,526	2,863,647	2,865,304	2,956,822
Operating grants and contributions	19,414,384	23,034,902	22,364,002	23,812,733
Capital grants and contributions	1,496,046	733,804	717,093	776,859
<b>Total governmental activities program revenues</b>	<b>27,945,040</b>	<b>30,249,796</b>	<b>29,490,925</b>	<b>30,999,592</b>
<b>Net (expense) revenue</b>	<b>(114,725,635)</b>	<b>(108,792,586)</b>	<b>(112,702,539)</b>	<b>(111,576,628)</b>
<b>General revenues and other changes in net position</b>				
<b>Taxes</b>				
Property taxes, levied for general purposes	21,500,679	20,541,413	26,085,727	18,702,539
Property taxes, levied for community service	1,042,261	1,159,641	2,109,875	1,477,016
Property taxes, levied for building construction	-	-	-	-
Property taxes, levied for debt service	9,280,032	14,309,726	14,270,241	15,144,895
General grants and aids	78,841,366	78,078,016	72,155,166	81,936,669
Other general revenues	739,637	1,423,656	1,094,118	969,237
Investment earnings	1,425,589	625,965	255,087	31,627
Special item – joint school proceeds	-	-	-	-
<b>Total general revenues and other changes in net position</b>	<b>112,829,564</b>	<b>116,138,417</b>	<b>115,970,214</b>	<b>118,261,983</b>
<b>Change in net position</b>	<b>\$ (1,896,071)</b>	<b>\$ 7,345,831</b>	<b>\$ 3,267,675</b>	<b>\$ 6,685,355</b>

2013	2014	2015	2016	2017	2018
\$ 5,696,613	\$ 5,870,601	\$ 6,245,577	\$ 5,771,511	\$ 7,466,083	\$ 7,433,391
3,746,860	5,323,307	5,774,518	5,488,991	5,966,624	5,236,940
60,757,308	61,107,836	60,183,399	59,768,865	79,932,765	78,793,770
2,720,883	2,363,819	2,515,435	2,516,188	3,397,939	3,610,472
22,326,972	24,410,545	24,607,274	26,599,484	34,871,665	34,039,463
7,489,802	7,283,020	6,131,212	5,660,427	8,670,260	9,479,409
11,547,693	11,787,561	11,916,602	10,920,870	13,068,258	13,398,446
9,870,233	11,215,056	10,812,813	11,170,601	11,726,835	13,438,257
383,858	463,639	555,882	470,182	474,151	489,040
5,796,121	6,079,470	6,141,087	6,370,475	6,544,722	6,459,417
7,960,612	8,004,445	7,985,251	7,805,422	9,551,438	9,925,090
3,704,183	3,880,837	3,910,796	4,163,925	4,390,145	4,442,365
6,965,589	6,632,460	5,758,210	5,036,685	5,376,641	2,518,357
148,966,727	154,422,596	152,538,056	151,743,626	191,437,526	189,264,417
20,702	—	—	—	—	—
—	755	650	584	252	—
700,148	622,423	628,944	607,666	512,913	476,094
113,680	120,144	497,901	472,197	1,415,409	828,527
1,775	—	—	—	—	—
—	14,810	6,058	21,400	66,827	372
28,391	28,391	91,272	32,432	28,391	28,391
2,584,370	2,400,712	2,289,582	2,092,912	1,997,179	1,989,753
2,449,255	2,587,985	2,517,772	2,589,207	3,020,126	2,984,453
22,034,721	25,576,890	26,964,610	31,942,343	29,999,231	31,322,826
952,882	—	—	—	—	—
28,885,924	31,352,110	32,996,789	37,758,741	37,040,328	37,630,416
(120,080,803)	(123,070,486)	(119,541,267)	(113,984,885)	(154,397,198)	(151,634,001)
18,502,147	12,076,889	19,282,605	19,224,086	25,272,032	32,998,727
1,535,454	801,183	1,724,194	1,752,007	1,749,722	1,465,393
—	595,000	3,274,500	5,067,600	—	—
14,786,406	14,708,372	14,744,302	15,225,727	13,677,118	13,188,145
80,141,530	89,699,343	87,618,485	88,736,879	94,256,869	94,724,709
1,199,488	1,804,768	1,078,630	1,446,262	1,512,578	3,069,617
86,979	91,899	64,637	65,189	178,049	571,407
—	—	—	3,186,500	—	—
116,252,004	119,777,454	127,787,353	134,704,250	136,646,368	146,017,998
\$ (3,828,799)	\$ (3,293,032)	\$ 8,246,086	\$ 20,719,365	\$ (17,750,830)	\$ (5,616,003)

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

Fiscal Year	Property Tax				Total
	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service	
2009	\$ 21,500,679	\$ 1,042,261	\$ –	\$ 9,280,032	\$ 31,822,972
2010	20,541,413	1,159,641	–	14,309,726	36,010,780
2011	26,085,727	2,109,875	–	14,270,241	42,465,843
2012	18,702,539	1,477,016	–	15,144,895	35,324,450
2013	18,502,147	1,535,454	–	14,786,406	34,824,007
2014	12,076,889	801,183	595,000	14,708,372	28,181,444
2015	19,282,605	1,724,194	3,274,500	14,744,302	39,025,601
2016	19,224,086	1,752,007	5,067,600	15,225,727	41,269,420
2017	25,272,032	1,749,722	–	13,677,118	40,698,872
2018	32,998,727	1,465,393	–	13,188,145	47,652,265

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 6,420,685	\$ 3,264,054	\$ -	\$ -
Unreserved	17,262,249	21,963,187	-	-
Nonspendable	-	-	140,074	353,634
Restricted	-	-	2,606,956	1,042,296
Committed	-	-	850,000	719,451
Assigned	-	-	4,717,358	6,945,944
Unassigned	-	-	14,929,483	16,356,881
Total General Fund	<u>\$ 23,682,934</u>	<u>\$ 25,227,241</u>	<u>\$ 23,243,871</u>	<u>\$ 25,418,206</u>
All other governmental funds				
Reserved	\$ 18,128,430	\$ 16,163,132	\$ -	\$ -
Unreserved, reported in				
Special revenue funds	495,021	453,975	-	-
Capital projects funds	382,893	-	-	-
Debt service funds	1,546,158	2,289,166	-	-
Nonspendable	-	-	312,933	322,420
Restricted	-	-	15,403,978	15,970,193
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 20,552,502</u>	<u>\$ 18,906,273</u>	<u>\$ 15,716,911</u>	<u>\$ 16,292,613</u>
Total all governmental funds	<u>\$ 44,235,436</u>	<u>\$ 44,133,514</u>	<u>\$ 38,960,782</u>	<u>\$ 41,710,819</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011. The new fund balance classifications under GASB Statement No. 54 are not available for previous fiscal years.

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
300,392	219,027	123,613	110,472	135,441	67,208
662,931	682,388	686,109	4,965,791	7,083,939	11,167,322
-	-	-	-	-	-
906,131	2,416,709	-	688,388	-	-
13,624,343	3,859,715	3,165,529	7,219,267	8,333,657	14,205,740
<u>\$ 15,493,797</u>	<u>\$ 7,177,839</u>	<u>\$ 3,975,251</u>	<u>\$ 12,983,918</u>	<u>\$ 15,553,037</u>	<u>\$ 25,440,270</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
410,243	384,206	348,973	387,054	359,746	378,461
23,966,355	13,089,039	4,352,026	6,305,882	7,039,779	7,761,793
-	(953,601)	(1,050,458)	(111,117)	-	(762,614)
<u>\$ 24,376,598</u>	<u>\$ 12,519,644</u>	<u>\$ 3,650,541</u>	<u>\$ 6,581,819</u>	<u>\$ 7,399,525</u>	<u>\$ 7,377,640</u>
<u>\$ 39,870,395</u>	<u>\$ 19,697,483</u>	<u>\$ 7,625,792</u>	<u>\$ 19,565,737</u>	<u>\$ 22,952,562</u>	<u>\$ 32,817,910</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2009	2010	2011	2012
<b>Revenues</b>				
Local sources				
Property taxes	\$ 31,428,551	\$ 36,001,224	\$ 42,800,096	\$ 35,282,395
Investment earnings	1,425,589	625,965	255,087	31,627
Other	7,774,247	7,904,746	7,503,948	7,379,237
State sources	92,979,598	84,828,148	85,657,465	96,565,761
Federal sources	6,772,198	17,018,574	9,578,796	9,960,500
Total revenues	<u>140,380,183</u>	<u>146,378,657</u>	<u>145,795,392</u>	<u>149,219,520</u>
<b>Expenditures</b>				
Current				
Administration	6,529,415	5,277,573	5,305,595	5,155,823
District support services	4,327,200	3,015,817	4,002,664	2,830,572
Elementary and secondary regular instruction	75,134,480	54,530,676	55,465,285	55,575,039
Vocational education instruction	894,972	1,645,492	1,529,476	1,907,747
Special education instruction	21,609,424	21,950,307	22,357,187	21,683,444
Instructional support services	9,330,700	8,645,005	9,072,127	8,343,843
Pupil support services	9,552,635	9,685,448	10,097,762	10,630,685
Sites and buildings	13,103,881	9,243,624	12,173,859	8,339,015
Fiscal and other fixed cost programs	255,788	264,879	287,433	313,049
Food service	6,088,975	5,394,517	5,570,270	5,745,350
Community service	7,871,339	7,760,605	8,208,257	8,139,559
Capital outlay	8,220,046	8,362,426	6,753,005	4,771,801
Debt service				
Principal	5,975,000	8,040,000	8,465,000	9,315,000
Interest and fiscal charges	7,066,311	7,781,260	7,781,161	7,677,399
Total expenditures	<u>175,960,166</u>	<u>151,597,629</u>	<u>157,069,081</u>	<u>150,428,326</u>
Excess of revenues over (under) expenditures	(35,579,983)	(5,218,972)	(11,273,689)	(1,208,806)
<b>Other financing sources (uses)</b>				
Debt issued (bonds, COPs, and leases)	36,390,000	6,795,000	13,970,000	12,630,000
Refunding debt issued	-	-	-	-
Premium (discount) on debt issued	(301,165)	(67,950)	240,957	233,843
Payment on refunded debt	(13,570,000)	(1,610,000)	(8,110,000)	(8,905,000)
Sale of capital assets	-	-	-	-
Transfers in	-	712,589	-	-
Transfers out	-	(712,589)	-	-
Total other financing sources (uses)	<u>22,518,835</u>	<u>5,117,050</u>	<u>6,100,957</u>	<u>3,958,843</u>
Net change in fund balances before special item	(13,061,148)	(101,922)	(5,172,732)	2,750,037
Special item – joint school proceeds	-	-	-	-
Net change in fund balances	<u>\$ (13,061,148)</u>	<u>\$ (101,922)</u>	<u>\$ (5,172,732)</u>	<u>\$ 2,750,037</u>
Debt service as a percentage of noncapital expenditures	<u>7.8%</u>	<u>11.2%</u>	<u>11.2%</u>	<u>11.7%</u>

2013	2014	2015	2016	2017	2018
\$ 34,707,494	\$ 28,200,652	\$ 39,301,527	\$ 41,241,560	\$ 40,817,821	\$ 47,647,300
86,979	91,899	64,637	60,511	160,556	498,788
7,097,809	7,579,988	7,110,809	7,262,660	8,412,015	9,385,723
94,808,633	106,725,356	105,986,111	111,966,489	111,781,088	116,623,750
8,320,500	8,550,877	8,423,874	8,712,733	9,230,012	9,458,712
<u>145,021,415</u>	<u>151,148,772</u>	<u>160,886,958</u>	<u>169,243,953</u>	<u>170,401,492</u>	<u>183,614,273</u>
5,611,039	5,641,309	6,204,965	5,654,357	5,783,733	6,021,308
3,675,221	5,106,056	5,735,305	5,388,840	7,333,244	5,408,214
59,133,667	59,860,270	59,933,326	58,694,319	57,954,053	60,768,822
2,720,883	2,363,819	2,588,707	2,548,516	2,614,558	2,881,870
22,317,638	24,385,026	25,137,862	27,069,630	26,955,254	27,340,010
8,796,278	7,559,074	6,292,004	5,912,360	6,316,256	7,094,088
11,242,143	11,512,561	11,819,255	10,501,822	11,924,489	12,438,955
11,375,982	11,928,628	11,578,003	10,510,561	17,993,944	19,502,211
383,858	463,639	555,882	470,182	474,151	489,040
5,625,832	5,846,417	6,029,586	6,220,243	6,299,829	6,395,767
7,950,933	7,984,285	8,030,226	7,826,285	8,626,479	9,153,833
1,232,397	2,993,148	3,575,719	3,781,807	567,162	1,157,139
9,525,000	9,890,000	10,075,000	10,555,000	11,210,555	10,695,434
7,233,800	7,042,452	6,185,195	5,360,627	5,078,944	4,417,107
<u>156,824,671</u>	<u>162,576,684</u>	<u>163,741,035</u>	<u>160,494,549</u>	<u>169,132,651</u>	<u>173,763,798</u>
(11,803,256)	(11,427,912)	(2,854,077)	8,749,404	1,268,841	9,850,475
9,505,000	—	—	—	1,650,204	—
—	—	—	—	40,650,000	—
457,832	—	—	—	5,554,794	—
—	(8,745,000)	(9,240,000)	—	(45,878,674)	—
—	—	22,386	4,041	141,660	14,873
—	—	—	—	—	—
—	—	—	—	—	—
<u>9,962,832</u>	<u>(8,745,000)</u>	<u>(9,217,614)</u>	<u>4,041</u>	<u>2,117,984</u>	<u>14,873</u>
(1,840,424)	(20,172,912)	(12,071,691)	8,753,445	3,386,825	9,865,348
—	—	—	3,186,500	—	—
<u>\$ (1,840,424)</u>	<u>\$ (20,172,912)</u>	<u>\$ (12,071,691)</u>	<u>\$ 11,939,945</u>	<u>\$ 3,386,825</u>	<u>\$ 9,865,348</u>
<u>11.0%</u>	<u>10.7%</u>	<u>10.3%</u>	<u>10.2%</u>	<u>10.2%</u>	<u>9.1%</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

Fiscal Year	Property Tax				Total
	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Community Service Special Revenue Fund	
2009	\$ 21,226,830	\$ –	\$ 9,169,452	\$ 1,032,269	\$ 31,428,551
2010	20,588,351	–	14,250,820	1,162,053	36,001,224
2011	26,288,166	–	14,392,118	2,119,812	42,800,096
2012	18,697,893	–	15,110,919	1,473,583	35,282,395
2013	18,454,543	–	14,724,362	1,528,589	34,707,494
2014	12,083,629	595,000	14,721,038	800,985	28,200,652
2015	19,420,261	3,274,500	14,870,547	1,736,219	39,301,527
2016	19,209,883	5,067,600	15,212,498	1,751,579	41,241,560
2017	25,352,714	–	13,713,233	1,751,874	40,817,821
2018	32,975,199	–	13,203,868	1,468,233	47,647,300

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Tax Capacities and Market Values  
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation			
	Agricultural	Nonagricultural	Fiscal Disparities	
			Contribution	Distribution
2009	\$ 178,015	\$ 101,526,122	\$ (14,020,569)	\$ 12,361,168
2010	198,067	96,899,141	(15,237,979)	12,741,373
2011	212,756	90,381,843	(14,370,959)	12,667,198
2012	201,037	82,534,347	(13,682,390)	12,035,579
2013	165,549	76,691,891	(13,335,710)	11,567,832
2014	223,970	78,001,023	(12,698,773)	11,458,013
2015	430,038	84,043,471	(12,968,373)	11,680,027
2016	483,265	85,701,033	(12,907,022)	12,212,058
2017	285,764	90,107,004	(13,134,465)	13,170,723
2018	318,512	96,865,289	(13,169,645)	14,066,923

Note: The District has presented taxable market value, which is the best information available to represent estimated actual value of property.

Source: State of Minnesota School Tax Report

<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ (1,383,776)	\$ 98,660,960	24.82 %	\$ 8,021,014,250	1.23 %
(1,317,352)	93,283,250	25.36	7,607,252,800	1.23
(1,172,302)	87,718,536	27.79	7,100,019,400	1.24
(1,171,893)	79,916,680	28.34	6,828,952,000	1.17
(1,088,314)	74,001,248	32.55	6,299,805,800	1.17
(1,457,211)	75,527,022	37.64	6,424,286,100	1.18
(1,334,853)	81,850,310	35.86	6,970,239,000	1.17
(1,978,412)	83,510,922	35.57	7,129,353,400	1.17
(2,421,303)	88,007,723	33.58	7,463,934,900	1.18
(2,780,741)	95,300,338	30.09	7,972,970,100	1.20

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Rates – Direct and Overlapping Governments  
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	ISD No. 622	Overlapping Rates Municipalities (1)				
			City of Lake Elmo	City of Landfall	City of Maplewood	City of North St. Paul	City of Oakdale
Tax capacity rate	2009	24.816%	19.878%	40.512%	32.572%	22.125%	30.593%
Market value rate	2009	0.15027%	–	–	0.01034%	0.05195%	–
Tax capacity rate	2010	25.359%	20.479%	38.701%	35.354%	27.603%	32.979%
Market value rate	2010	0.14531%	–	–	0.01931%	0.05562%	–
Tax capacity rate	2011	27.785%	21.832%	40.389%	39.050%	29.022%	35.868%
Market value rate	2011	0.15070%	–	–	0.02050%	0.06035%	–
Tax capacity rate	2012	28.337%	27.272%	39.046%	44.056%	33.380%	39.252%
Market value rate	2012	0.14834%	–	–	0.02045%	0.06254%	–
Tax capacity rate	2013	32.552%	27.818%	37.704%	48.659%	36.719%	44.065%
Market value rate	2013	0.16666%	–	–	0.02230%	0.05985%	–
Tax capacity rate	2014	37.643%	27.761%	47.797%	48.378%	36.185%	41.201%
Market value rate	2014	0.15062%	–	–	0.01965%	0.07060%	–
Tax capacity rate	2015	35.864%	23.798%	48.731%	46.353%	35.169%	39.131%
Market value rate	2015	0.14365%	–	–	0.00870%	0.06663%	–
Tax capacity rate	2016	35.569%	23.121%	55.903%	48.507%	38.707%	39.492%
Market value rate	2016	0.13668%	–	–	0.00913%	0.05610%	–
Tax capacity rate	2017	33.582%	20.018%	56.649%	47.248%	41.866%	39.721%
Market value rate	2017	0.21590%	–	–	0.00767%	0.05321%	–
Tax capacity rate	2018	30.089%	22.442%	80.742%	45.911%	42.465%	38.544%
Market value rate	2018	0.19486%	–	–	0.00725%	0.05024%	–

(1) Municipalities listed include those with district learning sites.

(2) Counties listed include those with district learning sites.

(3) The miscellaneous other levy includes Metro Watershed, Metropolitan Council, Metropolitan Mosquito Control, Ramsey-Washington Metro Watershed, Regional Railroad Authority, Regional Rail 519, South Washington Watershed, Transit District 509, Washington County HRA 187, Woodbury HRA 316, and Valley Branch Watershed 54.

Source: Ramsey and Washington County

City of Pine Springs	City of White Bear Lake	City of Woodbury	Counties (2)			Miscellaneous Other (3)	Total North St. Paul Resident
			Ramsey County	Washington County			
5.943%	15.302%	28.474%	46.546%	26.371%	7.181%	100.668%	
–	–	0.02249%	–	–	–	0.202%	
6.148%	16.520%	31.033%	50.248%	27.775%	15.991%	119.201%	
–	–	0.02360%	–	0.00314%	–	0.201%	
6.527%	17.705%	34.921%	54.678%	29.771%	17.213%	128.698%	
–	–	0.02572%	–	0.00229%	–	0.211%	
7.139%	19.942%	35.921%	56.944%	31.939%	19.301%	137.962%	
–	–	0.02566%	–	0.00180%	–	0.211%	
7.901%	21.496%	39.440%	65.240%	34.225%	22.712%	157.223%	
–	–	0.02700%	–	0.00191%	–	0.227%	
7.451%	21.102%	38.076%	59.105%	32.811%	77.117%	210.050%	
–	–	0.02594%	–	0.00449%	–	0.221%	
6.850%	20.368%	34.657%	54.462%	30.186%	71.754%	197.249%	
–	–	0.01308%	–	0.00406%	–	0.210%	
7.235%	19.690%	35.287%	54.012%	30.564%	68.596%	196.884%	
–	–	0.01216%	–	0.00390%	–	0.193%	
9.110%	18.969%	35.122%	51.173%	30.448%	65.525%	192.146%	
–	–	0.04119%	–	0.00378%	–	0.269%	
8.730%	19.058%	33.670%	49.473%	29.983%	63.923%	185.950%	
–	–	0.01116%	–	0.00353%	–	0.245%	

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INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
3M	\$ 3,837,467	1	4.03 %	\$ 5,387,139	1	5.46 %
Xcel Energy	1,814,452	2	1.90	854,856	5	0.87
Tamarack Village Shopping Center	1,735,486	3	1.82	1,426,326	4	1.45
Maplewood Mall, LLC	1,607,844	4	1.69	1,901,270	2	1.93
Ramco-Gershenson Properties, LP	1,327,068	5	1.39	-	-	-
AX Oakdale Village AP	615,726	6	0.65	-	-	-
Birch Run Station Shopping Center	497,532	7	0.52	524,450	8	0.53
Inland Bergen Plaza, LLC	393,962	8	0.41	447,662	10	0.45
Larson Family Real Estate, LLLP	387,740	9	0.41	-	-	-
Intrepid Holdings, LLP	348,490	10	0.37	-	-	-
Cedarview Commons	-	-	-	-	-	-
Target Stores	-	-	-	-	-	-
Woodbury Lakes Retail, LLC	-	-	-	1,763,084	3	1.79
Imation Corporation	-	-	-	828,919	6	0.84
Centro Oakdale, LLC	-	-	-	519,360	9	0.53
State Farm Mutual Insurance	-	-	-	796,236	7	0.81
Total	<u>\$ 12,565,767</u>		<u>13.19 %</u>	<u>\$ 14,449,302</u>		<u>14.65 %</u>

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Levies, Collections, and Receivables  
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized Amount	Percentage of Levy
2009	\$ 32,448,397	\$ 4,145,812	\$ 967,379	\$ 37,561,588	\$ 36,731,071	97.8 %
2010	30,548,650	4,920,463	1,007,272	36,476,385	35,886,419	98.4
2011	30,539,758	4,951,226	1,082,317	36,573,301	36,108,053	98.7
2012	29,383,091	5,055,103	–	34,438,194	34,107,661	99.0
2013	30,881,429	5,004,519	–	35,885,948	35,526,707	99.0
2014	33,892,337	5,656,755	–	39,549,092	39,299,428	99.4
2015	35,275,869	6,160,750	–	41,436,619	41,140,417	99.3
2016	35,150,119	6,122,239	–	41,272,358	40,994,167	99.3
2017	41,335,193	6,484,783	–	47,819,976	47,537,122	99.4
2018	40,021,342	7,753,031	–	47,774,373	21,078,145	44.1

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

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

Received in Subsequent Years	Total to Date		Uncollected Taxes Receivable as of June 30, 2018			
	Amount	Percentage of Levy	Delinquent		Current	
			Amount	Percent	Amount	Percent
\$ 830,517	\$ 37,561,588	100.0 %	\$ -	- %	\$ -	- %
589,966	36,476,385	100.0	-	-	-	-
465,248	36,573,301	100.0	-	-	-	-
298,634	34,406,295	99.9	31,899	0.1	-	-
321,206	35,847,913	99.9	38,035	0.1	-	-
214,464	39,513,892	99.9	35,200	0.1	-	-
279,809	41,420,226	100.0	16,393	-	-	-
266,100	41,260,267	100.0	12,091	-	-	-
-	47,537,122	99.4	282,854	0.6	-	-
-	21,078,145	44.1	-	-	26,696,228	55.9
			<u>\$ 416,472</u>		<u>\$ 26,696,228</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Capital Leases			
2009	\$160,420,000	\$ 1,168,143	\$ 9,070,000	\$ –	\$170,658,143	41.00 %	\$ 2,271
2010	159,885,000	1,027,538	6,750,000	–	167,662,538	39.36	2,207
2011	155,405,000	1,173,352	8,625,000	–	165,203,352	38.66	2,158
2012	151,150,000	1,294,193	7,290,000	–	159,734,193	36.79	2,066
2013	151,900,000	1,620,109	6,520,000	–	160,040,109	36.13	2,073
2014	134,065,000	1,530,035	5,720,000	–	141,315,035	30.32	1,806
2015	115,575,000	1,429,255	4,895,000	–	121,899,255	24.97	1,542
2016	105,860,000	1,277,180	4,055,000	–	111,192,180	32.94	1,331
2017	90,730,000	5,456,546	3,185,000	1,429,649	100,801,195	N/A	1,221
2018	81,155,000	4,874,531	2,290,000	1,204,215	89,523,746	N/A	1,085

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and total ISD No. 622 population data.

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds on Hand</u>	<u>Net Bonded Debt</u>	<u>Market Value</u>	<u>Percent of Net Debt to Market Value</u>	<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
2009	\$ 161,588,143	\$ 9,822,638	\$ 151,765,505	\$ 8,021,014,250	1.89 %	75,152	\$ 2,019
2010	160,912,538	10,549,989	150,362,549	7,607,252,800	1.98	75,984	1,979
2011	156,578,352	7,585,204	148,993,148	7,100,019,400	2.10	76,567	1,946
2012	152,444,193	12,430,393	140,013,800	6,828,952,000	2.05	77,297	1,811
2013	153,520,109	21,612,076	131,908,033	6,299,805,800	2.09	77,210	1,708
2014	135,595,035	12,032,786	123,562,249	6,424,286,100	1.92	78,239	1,579
2015	117,004,255	2,729,885	114,274,370	6,970,329,000	1.64	79,060	1,445
2016	107,137,180	3,278,833	103,858,347	7,129,353,400	1.46	83,540	1,243
2017	96,186,546	2,980,193	93,206,353	7,463,934,900	1.25	82,540	1,129
2018	86,029,531	3,088,612	82,940,919	7,972,970,100	1.04	82,540	1,005

N/A – Not Available

Source: Annual school district census and U.S. Census

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INDEPENDENT SCHOOL DISTRICT NO. 622

Direct and Overlapping Debt  
as of June 30, 2018

Governmental Unit	2017–2018 Taxable Net Tax Capacity	Bonded Debt	Percent Allocable to ISD No. 622	Portion Allocable to ISD No. 622
Independent School District No. 622	\$ 95,300,338	\$ 86,029,531	100.00 %	\$ 86,029,531
Overlapping debt				
Ramsey County	586,968,191	162,035,000	8.45	13,691,958
Washington County	300,202,173	116,345,000	13.81	16,067,245
City of Lake Elmo	16,106,770	35,778,522	26.47	9,470,575
City of Maplewood	45,957,726	58,291,485	85.17	49,646,858
City of North St. Paul	10,436,030	16,595,000	100.00	16,595,000
City of Oakdale	30,074,535	23,600,000	0.06	15,104
City of White Bear Lake	29,532,883	13,740,000	0.04	5,084
City of Woodbury	97,440,350	5,950,000	10.97	652,715
Metropolitan Council	3,971,779,581	147,660,000	2.40	3,543,840
Total overlapping debt				<u>109,688,377</u>
Total direct and overlapping debt				<u>\$ 195,717,908</u>

Note 1: The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Note 2: The Washington County HRA, Metropolitan Council, and Metropolitan Airports Commission are governmental units with overlapping debt applicable to the District. Overlapping debt information for these units of government applicable to the District was not readily available.

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Debt limit	\$ 1,203,152,138	\$ 1,141,087,920	\$ 1,065,002,910	\$ 1,024,342,800
Total net debt applicable to the limit	<u>150,597,362</u>	<u>149,335,011</u>	<u>147,819,796</u>	<u>138,719,607</u>
Legal debt margin	<u>\$ 1,052,554,776</u>	<u>\$ 991,752,909</u>	<u>\$ 917,183,114</u>	<u>\$ 885,623,193</u>
Total net debt applicable to the limit as a percentage of debt limit	12.52%	13.09%	13.88%	13.54%

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

Source: State of Minnesota School Tax Report

2013	2014	2015	2016	2017	2018
\$ 944,970,870	\$ 963,642,915	\$ 1,045,549,350	\$ 1,069,403,010	\$ 1,119,590,235	\$ 1,195,945,515
130,287,924	122,032,214	112,845,115	102,581,167	87,749,807	78,066,388
<u>\$ 814,682,946</u>	<u>\$ 841,610,701</u>	<u>\$ 932,704,235</u>	<u>\$ 966,821,843</u>	<u>\$ 1,031,840,428</u>	<u>\$ 1,117,879,127</u>
13.79%	12.66%	10.79%	9.59%	7.84%	6.53%

Legal Debt Margin Calculation for Fiscal Year 2018

Market value	\$ 7,972,970,100
Debt limit (15% of market value)	1,195,945,515
Debt applicable to limit	
General obligation bonds	81,155,000
Less amount set aside for repayment of general obligation debt	<u>(3,088,612)</u>
Total net debt applicable to limit	<u>78,066,388</u>
Legal debt margin	<u>\$ 1,117,879,127</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	City of North St. Paul			Total ISD No. 622 Population (3)	School Enrollment (4)	Ramsey County Unemployment Rate (5)
	Population (1)	Personal Income (1)	Per Capita Personal Income (2)			
2009	11,600	\$ 416,208,000	\$ 35,880	75,152	11,109	7.6 %
2010	11,569	425,924,304	36,816	75,984	10,981	7.5
2011	11,460	427,274,304	37,284	76,567	10,882	6.6
2012	11,485	434,178,940	37,804	77,297	10,885	5.7
2013	11,618	442,931,688	38,116	77,210	10,912	4.9
2014	11,951	466,089,000	39,000	78,239	10,727	4.0
2015	12,006	488,211,984	40,664	79,060	10,715	3.5
2016	12,104	337,520,040	27,885	83,540	10,669	3.6
2017	12,069	N/A	N/A	82,540	10,480	3.3
2018	N/A	N/A	N/A	82,540	10,340	2.6

N/A – Not Available

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

Note 2: Unemployment rate for 2018 is an average through June 2018.

Sources:

- (1) City of North St. Paul’s CAFR for the year ended December 31, 2017.
- (2) The per capita personal income used is for that of Ramsey County, in which the City of North St. Paul resides.
- (3) Annual school district census and U.S. Census.
- (4) The District.
- (5) Minnesota Department of Employment and Economic Development.

INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Employers  
Current Year and Seven Years Ago

Employer	Fiscal Year			
	2018		2011	
	Employees	Rank	Employees	Rank
3M Company	11,000	1	10,000	1
Independent School District No. 622	1,589	2	1,671	3
HealthEast Care/Systems/St. Johns Hospital	1,500	3	1,750	2
Target Stores	550	4	267	6
U.S. Bureau of Engraving and Printing	500	5	–	–
Bremer Service Center	400	6	–	–
Cub Foods	370	7	265	7
City of Maplewood	335	8	–	–
Canvas Health, Inc.	300	9	–	–
Twin City Hardware	250	10	–	–
Imation Corporation	–	–	1,450	4
Maplewood Care Center	–	–	270	5
Sears	–	–	155	8
Macy's	–	–	150	9
Minnesota Department of Transportation	–	–	139	10
Total	<u>16,794</u>		<u>16,117</u>	
Total ISD No. 622 population (see the Schedule of Demographic and Economic Statistics)	<u>82,540</u>		<u>76,567</u>	
Percent of principal employers to total ISD No. 622 population	<u>20.3%</u>		<u>21.0%</u>	

Note 1: Information prior to June 30, 2011 is not readily available.

Note 2: Total number of employees working for employers within the District's boundaries is not readily available. The District has provided total population to provide a comparison base to reference between current year and seven years ago.

Note 3: 2018 population not available, used 2017 as an estimate.

INDEPENDENT SCHOOL DISTRICT NO. 622

Employees by Classification  
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2009	2010	2011	2012
District directors/superintendent	7	7	7	7
Supervisors, coordinators, specialists, technical support	92	88	88	88
Principals and assistant principals	23	25	25	27
Teachers	704	707	697	693
Clerical staff	77	75	84	81
Educational support (paraprofessionals, education assistants, behavior staff, etc.)	301	330	378	387
Engineers, custodians, drivers, monitors	194	194	190	189
Nutrition services	72	70	74	70
Community education (adult basic education, building supervisors)	35	41	41	44
Total	<u>1,505</u>	<u>1,537</u>	<u>1,584</u>	<u>1,586</u>

(1) This schedule is a headcount based on contract group; if an employee has multiple contract groups, they are reflected multiple times. Full-time and part-time employees count the same.

Source: The District's Human Resources Department

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
7	7	7	7	7	8
87	83	92	90	107	107
26	28	23	23	24	22
727	751	726	715	739	732
85	81	80	74	68	67
407	416	402	388	440	469
207	204	205	201	195	202
70	74	74	75	73	74
<u>43</u>	<u>44</u>	<u>41</u>	<u>39</u>	<u>34</u>	<u>39</u>
<u>1,659</u>	<u>1,688</u>	<u>1,650</u>	<u>1,612</u>	<u>1,687</u>	<u>1,720</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Teacher Data  
Year Ended June 30, 2018

	Salary Schedule				
	BA	BA + 15	BA + 30	BA + 45	MA
Low range	\$ 37,902	\$ 39,140	\$ 40,378	\$ 41,617	\$ 42,856
High range	\$ 55,219	\$ 58,104	\$ 60,985	\$ 63,863	\$ 66,746
Number of teachers	91	21	21	71	202
Average salary	\$ 62,874				
Average education	MA				
Number of full-time equivalents	626				

N/A – Not Applicable

Source: The District's Human Resources Department

	MA + 15	MA + 30	MA + 45	MA + 60	PHD	Total
\$	44,163	\$ 45,469	\$ 46,778	\$ 48,082	\$ 49,387	N/A
\$	68,834	\$ 70,922	\$ 73,003	\$ 75,092	\$ 77,180	N/A
	51	56	57	156	6	732

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student to Staff Ratios  
Last Ten Fiscal Years

Fiscal Year	ISD No. 622 Student to Teacher Ratios (1)	Minnesota Department of Education Student to Staff Ratio (2)			
		ISD No. 622	Washington County Average	Ramsey County Average	State Average
2009	16.14	15.63	15.26	14.80	13.73
2010	15.66	15.13	14.66	14.80	12.98
2011	15.75	15.21	14.57	14.20	13.04
2012	15.71	15.12	14.48	14.20	13.04
2013	15.01	14.49	14.17	14.00	12.93
2014	14.28	13.77	13.85	13.60	12.82
2015	14.76	14.31	14.21	13.40	12.56
2016	14.92	14.46	14.42	13.40	12.69
2017	14.18	13.74	13.66	13.40	12.49
2018	14.50	14.07	13.92	N/A	12.45

N/A – Not Available

- (1) This data is computed using only full-time equivalent licensed classroom teaching staff.
- (2) This data is computed by dividing total students (Minnesota Department of Education enrollment numbers pre-kindergarten through Grade 12) by total certified staff. Certified staff includes classroom teachers, administrators, special education teachers, and all other licensed professionals measured in full-time equivalents.

Source: Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 622

Operating Indicators by Function  
Standardized Testing and Graduation Rates  
Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Standardized tests					
MCA Reading (1)					
Grade 3	76 %	73 %	76 %	78 %	54 %
Grade 5	71	76	77	77	62
Grade 7	61	64	68	62	39
Grade 10	76	70	72	71	57
MCA Math (1)					
Grade 3	78	81	73	79	78
Grade 5	65	69	59	66	68
Grade 7	56	60	46	52	46
Grade 11	41	48	44	39	52
ACT					
Average composite score	N/A	N/A	N/A	N/A	N/A
Graduation data (2)					
ISD No. 622's graduation rate	N/A	N/A	N/A	N/A	82
State graduation rate	92	92	93	78	80

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment
- (2) Starting in 2012, Minnesota began using the federally-required adjusted cohort graduation rate model. This model follows students in a cohort throughout high school and determines if they graduate within four, five, or six years. The four-year graduation rate shows the number of students graduating from high school within four years after entering Grade 9.

Source: Minnesota Department of Education, the District's Testing Department, and the District's Registrar and ACT Corporation

2014	2015	2016	2017	2018
53 %	58 %	55 %	53 %	52 %
64	64	64	64	66
44	46	50	47	46
57	56	53	59	62
71	75	70	67	65
64	65	61	64	59
51	52	52	53	45
49	49	50	48	49
N/A	N/A	19.7	20.1	19.5
81	83	82	82	N/A
81	82	82	83	N/A

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INDEPENDENT SCHOOL DISTRICT NO. 622

School Facilities  
as of June 30, 2018

Facility	Use	Constructed	Acres	Square Footage	Capacity	Enrollment (1)
Carver Elementary	School	1958–1960–1996–2000	10	61,691	560	537
Castle Elementary	School	1969–1988	10	57,710	375	444
Cowern Elementary	School	1953–1958–1962–2004	9	51,283	400	417
Oakdale Elementary	School	1967–1970–1990–2000	10	63,550	500	510
Richardson Elementary	School	1954–1966–2004	8	65,217	425	475
Skyview Elementary	School	1996	49	206,000	500	622
Eagle Point Elementary	School	1965–1966–2004	20	53,904	375	468
Weaver Elementary	School	1967–1969	12	44,850	425	556
Webster Elementary	School	1964–1966	9	43,775	350	406
District Education Center (DEC)	School/Office	1967–1999	1	91,900	N/A	N/A
Gladstone Community Education Center	Early Child/ Adult Ed	1951–1955–1957–1961	9	43,803	N/A	19
Beaver Lake Education Center	Early Child/ Pre-K	1940–1951–1962–2013	9	41,450	N/A	9
Harmony Learning Center	Special Ed/ Adult Ed/ Care and Treatment	1962–1992–2000	10	40,555	N/A	45
John Glenn Middle	School	1962–1967–1977–1988	21	137,084	1,050	766
Maplewood Middle	School	1961–1967	25	113,400	1,050	716
Skyview Middle	School	1996	49	206,000	1,050	816
North High	School	1997	23	265,000	1,695	1,704
Tartan High	School	1971–1976	46	259,700	1,575	1,607
Polar Arena	Ice Arena	1969–1970–1975	N/A	32,827	N/A	N/A
Tartan Arena	Ice Arena	1996	N/A	64,816	N/A	N/A

N/A – Not Available

(1) Enrollment data from October 2, 2018.

Source: The District’s Operations and Maintenance Department and Enrollment Department, and ADM served per Minnesota School District Profiles Report

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service  
 School Lunch Program Data  
 Last Ten Fiscal Years

Fiscal Year	Total Lunches Served	Days	Average Daily Participation	Free Lunch	
				Number Served	Percent of Total
2009	1,257,040	171	7,351	419,988	33.41 %
2010	1,292,505	173	7,471	493,705	38.20
2011	1,290,529	173	7,460	504,551	39.10
2012	1,297,771	173	7,502	547,379	42.18
2013	1,292,609	173	7,472	581,380	44.98
2014	1,258,602	169	7,447	591,275	46.98
2015	1,318,624	173	7,622	624,210	47.34
2016	1,320,613	172	7,678	624,498	47.29
2017	1,287,654	172	7,486	629,546	48.89
2018	1,267,024	170	7,453	602,634	47.56

Source: The District's Food Service Department

Reduced Lunch

<u>Number Served</u>	<u>Percent of Total</u>
149,073	11.86 %
143,103	11.07
156,239	12.11
148,958	11.48
146,577	11.34
137,725	10.94
154,099	11.69
173,808	13.16
168,921	13.12
202,397	15.97

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2009	166.50	658.09	4,507.94	6,031.70	11,364.23	13,329.62
2010	169.64	619.22	4,388.43	5,894.78	11,072.07	13,004.56
2011	166.67	595.86	4,388.31	5,827.65	10,978.49	12,899.49
2012	176.24	671.49	4,334.03	5,702.81	10,884.57	12,733.87
2013	170.78	688.57	4,451.89	5,601.03	10,912.27	12,738.68
2014	189.04	662.05	4,499.22	5,376.75	10,727.06	12,501.65
2015	201.93	641.06	4,497.53	5,374.84	10,715.36	11,790.31
2016	221.12	625.09	4,534.08	5,288.64	10,668.93	11,726.67
2017	273.72	569.58	4,430.34	5,206.78	10,480.42	11,521.79
2018	349.46	594.81	4,469.81	5,197.11	10,611.19	11,650.61

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

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

	<u>Pre-Kindergarten</u>	<u>Handicapped Kindergarten</u>	<u>Half-Day Kindergarten</u>	<u>Full-Day Kindergarten</u>	<u>Elementary 1-3</u>	<u>Elementary 4-6</u>	<u>Secondary</u>
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

INDEPENDENT SCHOOL DISTRICT NO. 622

Expenditures per Student  
Last Nine Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Expenditures per student (ADM) (1)				
General Fund				
District level administration	\$ 305	\$ 341	\$ 343	\$ 400
School level administration	413	441	453	476
Regular instruction	4,475	4,564	4,603	4,829
Career and technical instruction	141	132	165	232
Special education	1,877	1,909	1,872	1,905
Student activities/athletics	186	191	192	205
Instructional support services	603	640	551	515
Pupil support services	240	228	292	289
Operations, maintenance, and other	599	632	636	735
Student transportation	555	578	573	626
Capital expenditures	711	783	378	595
Total General Fund expenditures	<u>\$ 10,105</u>	<u>\$ 10,439</u>	<u>\$ 10,058</u>	<u>\$ 10,807</u>
ADM used per profile model format	<u>11,574</u>	<u>11,609</u>	<u>11,537</u>	<u>11,690</u>

N/A – Not Available

(1) Average daily membership (ADM) is a measure of student attendance.

Note: Information prior to fiscal 2010 was not readily available.

Source: Minnesota Department of Education School District Profiles Report

2014	2015	2016	2017	2018
\$ 522	\$ 574	\$ 541	\$ 601	N/A
505	491	472	491	N/A
5,058	5,082	5,009	5,004	N/A
209	231	228	238	N/A
2,161	2,235	2,408	2,445	N/A
218	226	242	247	N/A
519	462	443	468	N/A
302	296	254	277	N/A
849	865	826	850	N/A
667	706	664	751	N/A
533	508	379	1,114	N/A
<u>\$ 11,543</u>	<u>\$ 11,676</u>	<u>\$ 11,466</u>	<u>\$ 12,486</u>	<u>N/A</u>
<u>11,253</u>	<u>11,212</u>	<u>11,140</u>	<u>10,933</u>	<u>N/A</u>

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