

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 625

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 625

Board of Education and Administration
as of June 30, 2019

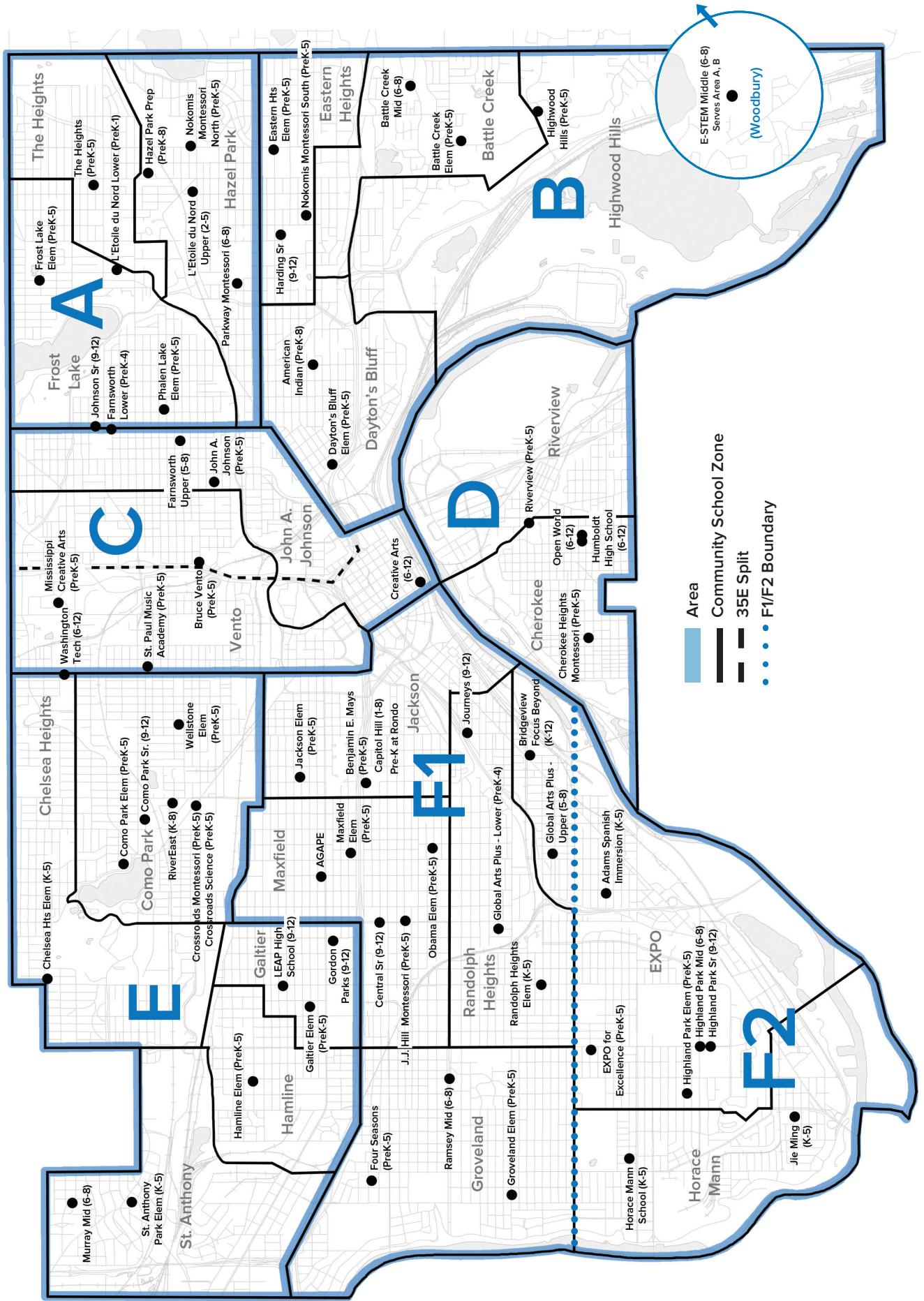
BOARD OF EDUCATION

| | <u>Board Position</u> |
|-----------------|-----------------------|
| Zuki Ellis | Chairperson |
| Steve Marchese | Vice Chairperson |
| Marny Xiong | Treasurer |
| Jeanelle Foster | Clerk |
| John Brodrick | Director |
| Jon Schumacher | Director |
| Mary Vanderwert | Director |

ADMINISTRATION

| | |
|------------------------|-------------------------------------------|
| Dr. Joseph Gothard | Superintendent |
| Jackie Turner | Chief Operations Officer |
| David Watkins | Chief of Schools |
| Dr. Kate Wilcox-Harris | Chief Academic Officer |
| Marie Schrul | Chief Financial Officer |
| Dr. Efe Agbamu | Assistant Superintendent |
| Andrew Collins | Assistant Superintendent |
| Vacant | Assistant Superintendent |
| Vacant | Assistant Superintendent |
| Idrissa Davis | Deputy Chief, Technology Services |
| Laurin Cathey | Executive Director Human Resources |
| Mai Vang | Executive Assistant to the Superintendent |
| Cedrick Baker | Chief of Staff |
| Charles Long | General Counsel |

Saint Paul Public Schools Map



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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education and Management of
Independent School District No. 625
Saint Paul, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 625 (the District) as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, 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 and supplemental information, 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 section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Comparative Information

We have previously audited the District's 2018 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 31, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 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 30, 2019 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 30, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Management's Discussion and Analysis
June 30, 2019

This section of Independent School District No. 625's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2019 by \$520,969,134 (deficit net position). The District's total net position increased by \$65,025,152 during the fiscal year ended June 30, 2019.
- Government-wide revenues totaled \$735,840,900 and were \$65,025,152 more than expenses of \$670,815,748.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$4,530,747 from the prior year, compared to a \$8,511,783 decrease planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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. The District reports all governmental funds as major funds.

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

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The internal service 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' workers' compensation 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

| | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Current and other assets | \$ 383,217,695 | \$ 447,305,755 |
| Capital assets, net of depreciation | <u>615,575,002</u> | <u>562,732,058</u> |
| Total assets | <u>\$ 998,792,697</u> | <u>\$ 1,010,037,813</u> |
| Deferred outflows of resources | | |
| Pension plan deferments | \$ 123,909,277 | \$ 78,902,253 |
| OPEB plan deferments | 22,534,370 | 20,041,157 |
| Bond refunding deferments | <u>3,859,881</u> | <u>4,497,498</u> |
| Total deferred outflows of resources | <u>\$ 150,303,528</u> | <u>\$ 103,440,908</u> |
| Liabilities | | |
| Current and other liabilities | \$ 108,785,861 | \$ 111,121,569 |
| Long-term liabilities, including due within one year | <u>1,333,296,267</u> | <u>1,380,387,979</u> |
| Total liabilities | <u>\$ 1,442,082,128</u> | <u>\$ 1,491,509,548</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | \$ 150,142,102 | \$ 128,420,612 |
| Pension plan deferments | 53,941,812 | 62,579,132 |
| OPEB plan deferments | <u>23,899,317</u> | <u>16,963,715</u> |
| Total deferred inflows of resources | <u>\$ 227,983,231</u> | <u>\$ 207,963,459</u> |
| Net position | | |
| Net investment in capital assets | \$ 179,772,064 | \$ 184,959,613 |
| Restricted | 30,240,471 | 29,144,770 |
| Unrestricted | <u>(730,981,669)</u> | <u>(800,098,669)</u> |
| Total net position | <u>\$ (520,969,134)</u> | <u>\$ (585,994,286)</u> |

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

The District's net investment in capital assets decreased from the prior year. The change in this category of net position typically depends on the relationship between the rate at which the District's capital assets are being depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The change in the District's share of the Public Employees Retirement Association (PERA) and the Saint Paul Teachers Retirement Fund Association (SPTRFA) pension plans and the District's single-employer other post-employment benefit plan contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

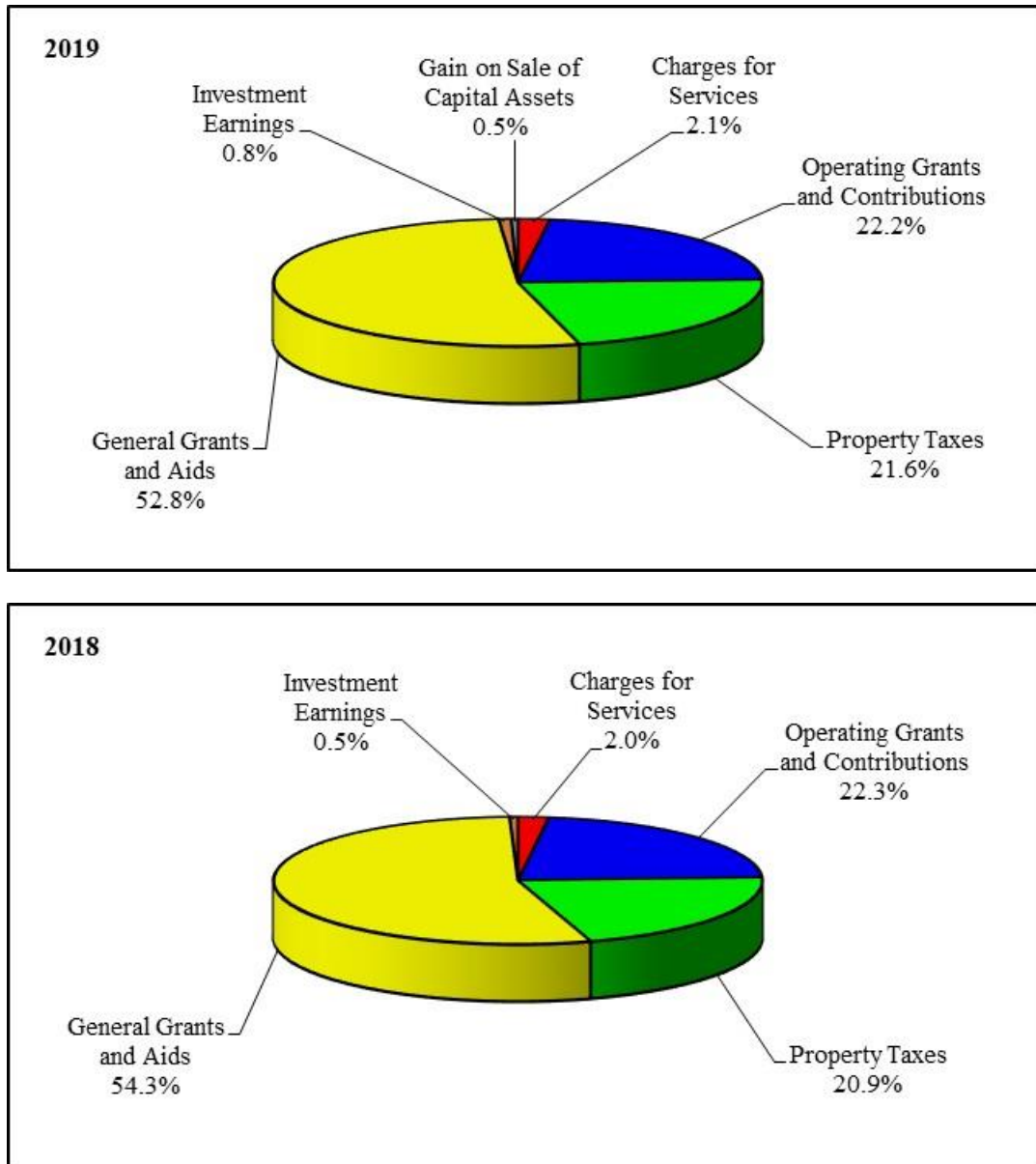
Table 2 presents a summarized version of the District's Statement of Activities:

| | <u>2019</u> | <u>2018</u> |
|----------------------------------------------|-------------------------|-------------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 15,483,578 | \$ 14,510,411 |
| Operating grants and contributions | 163,673,167 | 158,887,256 |
| General revenues | | |
| Property taxes | 159,014,459 | 149,058,654 |
| General grants and aids | 388,396,475 | 387,212,733 |
| Investment earnings | 6,031,661 | 3,854,673 |
| Gain on sale of capital assets | 3,241,560 | - |
| Total revenues | <u>735,840,900</u> | <u>713,523,727</u> |
| Expenses | | |
| Administration | 22,370,677 | 23,951,078 |
| District support services | 15,445,545 | 17,574,859 |
| Elementary and secondary regular instruction | 274,072,156 | 289,310,608 |
| Vocational education instruction | 5,740,047 | 2,861,332 |
| Special education instruction | 108,816,470 | 115,593,775 |
| Instructional support services | 32,663,532 | 40,776,605 |
| Pupil support services | 63,082,464 | 60,664,820 |
| Sites and buildings | 69,072,573 | 60,729,439 |
| Fiscal and other fixed cost programs | 1,848,299 | 1,690,791 |
| Food service | 26,603,854 | 26,980,230 |
| Community service | 35,404,084 | 36,461,947 |
| Interest and fiscal charges on debt | 15,696,047 | 13,515,846 |
| Total expenses | <u>670,815,748</u> | <u>690,111,330</u> |
| Change in net position | 65,025,152 | 23,412,397 |
| Net position – beginning of year | <u>(585,994,286)</u> | <u>(609,406,683)</u> |
| Net position – end of year | <u>\$ (520,969,134)</u> | <u>\$ (585,994,286)</u> |

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal. Revenues increased with funding improvements in the general education funding formula, increased spending in title grants, improved investment earnings, the gain on sale of capital assets in the current year, and with the approved property tax levy. The reduction in expenses includes a decrease in the current year for the District's pension and OPEB obligations. These decreases more than offset the natural inflationary increases in the current year.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2019 and 2018

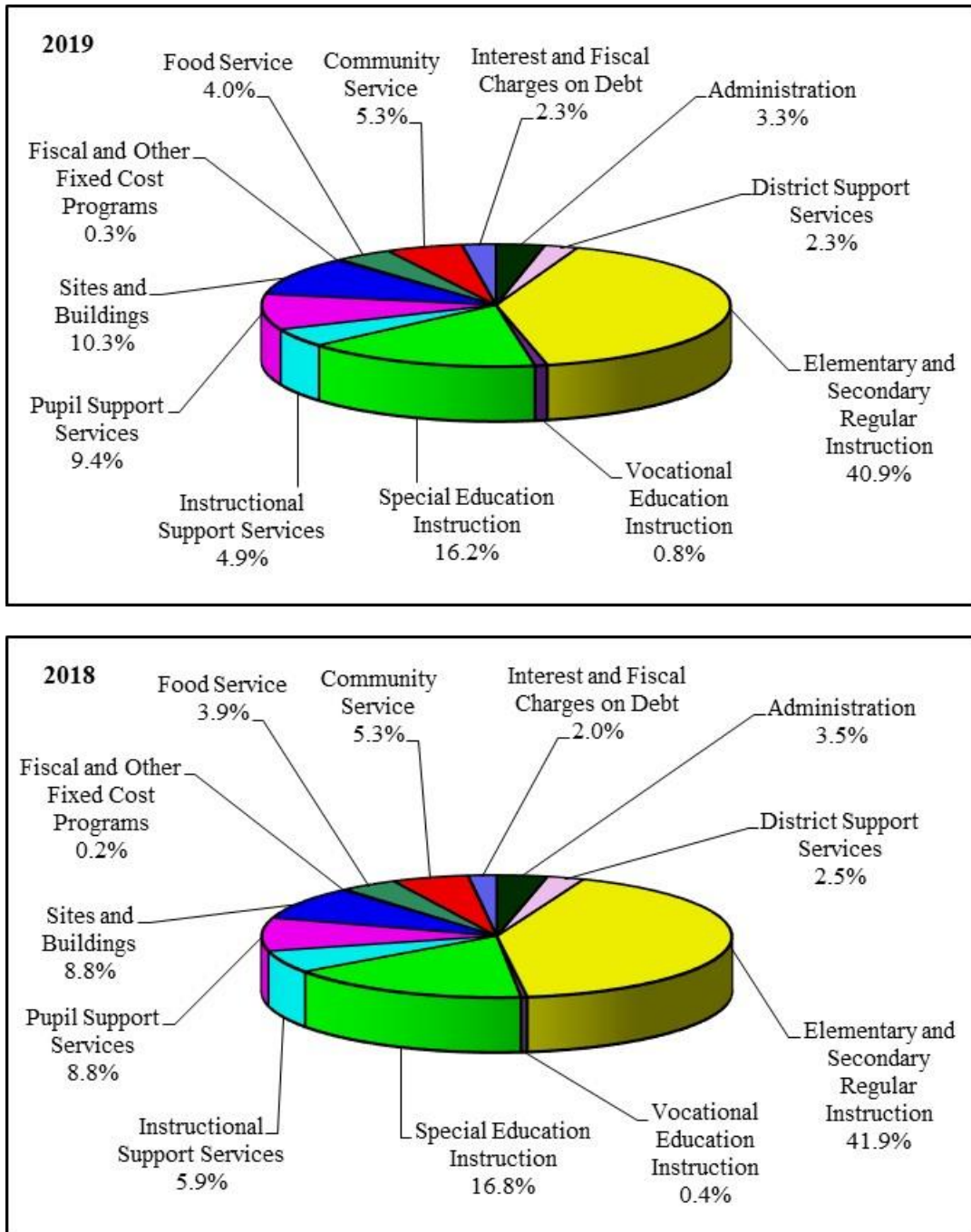


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of 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 2019 and 2018



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>2019</u> | <u>2018</u> | <u>Increase (Decrease)</u> |
|--------------------------|-----------------------|-----------------------|--------------------------------|
| Major funds | | | |
| General | \$ 98,513,254 | \$ 93,982,507 | \$ 4,530,747 |
| Food Service | 5,853,583 | 6,638,718 | (785,135) |
| Community Service | 3,546,185 | 3,673,851 | (127,666) |
| Capital Projects | (24,285,406) | 41,506,704 | (65,792,110) |
| Debt Service | <u>43,182,230</u> | <u>64,023,434</u> | <u>(20,841,204)</u> |
| Total governmental funds | <u>\$ 126,809,846</u> | <u>\$ 209,825,214</u> | <u>\$ (83,015,368)</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 which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board of Education.

At June 30, 2019, the District's governmental funds reported combined fund balances of \$126,809,846, a decrease of \$83,015,368 in comparison with the prior year. Approximately 4.1 percent of this amount, \$5,257,536, constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form, \$3,155,058, 2) restricted for particular purposes, \$92,562,257, 3) committed for particular purposes, \$3,038,018, or 4) assigned for particular purposes, \$22,796,977.

Analysis of the General Fund

At year-end, the fund balance of the General Fund was \$98,513,254. The increase from the prior year was mainly due to increases in restricted (OPEB revocable trust and area learning center), committed (severance pay), assigned (site-based operations), and unassigned fund balances. These increases were offset by a decrease in nonspendable fund balance, due to a decrease in prepaid items in the current year.

Analysis of the Food Service Special Revenue Fund

The Food Service Special Revenue Fund is used to record the activity of the District’s child nutrition program. This fund ended the year with expenditures exceeding revenues by \$785,135, compared to a balanced budget. At year-end, the total equity balance in this fund was \$5,853,583.

Analysis of the Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by \$127,666, compared to a planned fund balance decrease of \$151,481. At year-end, the total equity balance in this fund was \$3,546,185.

Analysis of the Capital Projects Fund

The Capital Projects Fund ended the year with a deficit fund balance of \$24,285,406, a decrease from the prior year due to the spend down of debt proceeds issued in previous years. The year-end deficit fund balance will be eliminated in 2019–2020 with the sale of certificates of participation in July 2019 as disclosed in the subsequent event footnote.

Analysis of the Debt Service Fund

The Debt Service Fund is used to record the financial activity of the District’s outstanding bonded indebtedness, whether for building construction or for refunding bonds. The \$20,841,204 decrease in fund balance is due to \$22,085,000 of payments on refunded bonds. At June 30, 2019, the District has \$43,182,230 of restricted fund balance available for future debt service payments.

Analysis of the General Fund Budgetary Highlights

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> |
|--------------|----------------------------|-------------------------|--------------------------------|---------------------------|
| Revenues | <u>\$ 601,213,687</u> | <u>\$ 624,168,097</u> | <u>\$ 22,954,410</u> | <u>3.8%</u> |
| Expenditures | <u>\$ 601,213,687</u> | <u>\$ 632,679,880</u> | <u>\$ 31,466,193</u> | <u>5.2%</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 amended that budget for known changes in circumstances such as updated enrollment levels, legislative funding, additional funding received from grants or other local sources, staffing changes, insurance premium changes, special education tuition changes, employee contract settlements, and for fiscal 2018 assigned fund balance for encumbrances and site and program carryover into fiscal 2019.

Table 5 summarizes the operating results of the General Fund:

| | 2019 Actual | Over (Under) Final Budget | | Over (Under) Prior Year | |
|---------------------------------------|---------------------|------------------------------|---------|----------------------------|---------|
| | | Amount | Percent | Amount | Percent |
| Revenue and other financing sources | \$ 636,152,965 | \$ 11,984,868 | 1.9% | \$ 15,808,763 | 2.5% |
| Expenditures and other financing uses | <u>631,622,218</u> | \$ (1,057,662) | (0.2%) | \$ 12,610,659 | 2.0% |
| Net change in fund balances | <u>\$ 4,530,747</u> | | | | |

Revenue and other financing sources for fiscal year 2019 were 1.9 percent, or \$11,984,868, more than budgeted. The largest revenue variances were primarily in state sources and investment earnings, which were \$5,100,424 and \$3,166,489 more than projected in the budget, respectively. Conservative budgeting for special education state aid and investment earnings, along with the pass-through of state funding for pensions contributed to both state sources and investment earnings exceeding budget. These variances were partially offset by federal revenues being \$5,905,333 under budget, primarily in the Fully Financed General Fund Account. The District budgeted for full federal entitlements and only receives revenue on a reimbursement basis. Significant federal entitlement funding was carried over to fiscal year 2020.

Current year revenue and other financing sources were 2.5 percent, or \$15,808,763, more than fiscal year 2018. Revenues increased with funding improvements in the general education funding formula, increased spending in title grants, and with the approved property tax levy.

Expenditures were close to budget for fiscal year 2019. Expenditures were 0.2 percent, or \$1,057,662, less than budgeted, spread across several program categories.

Current year expenditures and other financing uses for fiscal year 2019 were 2.0 percent, or \$12,610,659, more than fiscal year 2018. This increase is mainly due to natural inflationary increases, planned special education program expenditures, furniture purchased for sites (utilizing proceeds from the sale of the Albion property), along with additional spending in fully financed grants.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with the changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2019 and 2018:

| Table 6 Capital Assets | | | |
|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> |
| Land | \$ 30,959,067 | \$ 30,968,817 | \$ (9,750) |
| Construction in progress | 73,428,176 | 155,768,906 | (82,340,730) |
| Land improvements | 29,487,238 | 28,691,316 | 795,922 |
| Buildings | 377,926,667 | 355,293,623 | 22,633,044 |
| Building improvements | 512,773,932 | 376,612,161 | 136,161,771 |
| Equipment | 22,954,070 | 22,611,761 | 342,309 |
| Less accumulated depreciation | <u>(431,954,148)</u> | <u>(407,214,526)</u> | <u>(24,739,622)</u> |
| Total | <u><u>\$ 615,575,002</u></u> | <u><u>\$ 562,732,058</u></u> | <u><u>\$ 52,842,944</u></u> |
| Depreciation expense | <u><u>\$ 26,120,982</u></u> | <u><u>\$ 22,351,304</u></u> | <u><u>\$ 3,769,678</u></u> |

By the end of fiscal 2019, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and technology and equipment.

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2019, consistent with the activity of the Capital Projects Fund discussed earlier.

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 with changes from the prior year:

| | 2019 | 2018 | Change |
|---------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Total OPEB liability | \$ 319,487,158 | \$ 330,876,703 | \$ (11,389,545) |
| Net pension liability | 525,480,087 | 519,166,755 | 6,313,332 |
| General obligation bonds payable | 281,720,000 | 310,935,000 | (29,215,000) |
| Certificates of participation payable | 148,655,000 | 151,915,000 | (3,260,000) |
| Unamortized premium/discount | 27,174,377 | 28,542,059 | (1,367,682) |
| Capital lease payable | 15,295,408 | 22,344,554 | (7,049,146) |
| Severance benefits payable | 9,998,285 | 10,909,340 | (911,055) |
| Vacation payable | 5,485,952 | 5,698,568 | (212,616) |
| Total | <u>\$ 1,333,296,267</u> | <u>\$ 1,380,387,979</u> | <u>\$ (47,091,712)</u> |

The decrease in general obligation bonds payable is due to the issuance of \$15,000,000 in school building bonds, offset by principal payments and payments on refunded debt during fiscal year 2019.

The decrease in certificates of participation payable and capital lease payable are due to scheduled principal payments on the certificates and capital lease in the current year.

The differences in the PERA and the SPTRFA net pension liabilities reflects the change in the District's proportionate share of these pension obligations.

The change in the total OPEB liability reflects the current year activity of the District's single-employer plan.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8):

| | |
|-------------------------|--------------------------------|
| District's market value | \$ 25,520,403,100 |
| Limit rate | <u>15%</u> |
| Legal debt limit | <u><u>\$ 3,828,060,465</u></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. The Legislature has added \$126, or 2.0 percent, per pupil to the basic general education funding formula for fiscal year 2020, and an additional \$129, or 2.0 percent, per pupil to the formula for fiscal year 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these financial statements or need additional financial information, contact the Business Office, Saint Paul Public Schools, 360 Colborne Street, Saint Paul, Minnesota 55102.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Net Position
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

| | Governmental Activities | |
|-------------------------------------------------------------------------|-------------------------|-------------------------|
| | 2019 | 2018 |
| Assets | | |
| Current assets | | |
| Cash and investments | \$ 84,005,252 | \$ 71,983,708 |
| Restricted cash and investments for capital projects | 45,296,316 | 119,820,839 |
| Restricted cash and investments for debt service | – | 22,525,826 |
| Current taxes receivable | 105,453,637 | 92,303,701 |
| Delinquent taxes receivable | 2,230,858 | 2,270,555 |
| Due from other governmental units | 69,952,485 | 64,263,263 |
| Other receivables | 985,976 | 1,463,611 |
| Inventories | 2,127,672 | 2,285,246 |
| Prepaid items | 1,027,386 | 2,642,038 |
| Total current assets | <u>311,079,582</u> | <u>379,558,787</u> |
| Noncurrent assets | | |
| Restricted cash and investments in revocable trust for OPEB obligations | 40,348,041 | 37,797,046 |
| Restricted cash and investments for debt service | 31,790,072 | 29,949,922 |
| Capital assets, not depreciated | 104,387,243 | 186,737,723 |
| Capital assets, depreciated, net of accumulated depreciation | 511,187,759 | 375,994,335 |
| Total noncurrent assets | <u>687,713,115</u> | <u>630,479,026</u> |
| Total assets | 998,792,697 | 1,010,037,813 |
| Deferred outflows of resources | | |
| Pension plan deferments | 123,909,277 | 78,902,253 |
| OPEB plan deferments | 22,534,370 | 20,041,157 |
| Bond refunding deferments | 3,859,881 | 4,497,498 |
| Total deferred outflows of resources | <u>150,303,528</u> | <u>103,440,908</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,149,096,225</u> | <u>\$ 1,113,478,721</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 28,026,097 | \$ 40,440,835 |
| Accrued expenses | 71,831,811 | 61,689,432 |
| Accrued interest payable | 6,179,611 | 5,874,530 |
| Due to other governmental units | 322,297 | 454,946 |
| Unearned revenue | 2,426,045 | 2,661,826 |
| Long-term obligations due within one year | 40,944,658 | 62,261,254 |
| Total current liabilities | <u>149,730,519</u> | <u>173,382,823</u> |
| Noncurrent liabilities | | |
| Total OPEB liability | 319,487,158 | 330,876,703 |
| Net pension liabilities | 525,480,087 | 519,166,755 |
| Long-term obligations | 447,384,364 | 468,083,267 |
| Total noncurrent liabilities | <u>1,292,351,609</u> | <u>1,318,126,725</u> |
| Total liabilities | 1,442,082,128 | 1,491,509,548 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 150,142,102 | 128,420,612 |
| Pension plan deferments | 53,941,812 | 62,579,132 |
| OPEB plan deferments | 23,899,317 | 16,963,715 |
| Total deferred inflows of resources | <u>227,983,231</u> | <u>207,963,459</u> |
| Net position | | |
| Net investment in capital assets | 179,772,064 | 184,959,613 |
| Restricted for | | |
| Debt service | 19,957,333 | 18,439,408 |
| Capital projects | – | 310,433 |
| Community service | 3,587,563 | 3,719,134 |
| Food service | 5,853,583 | 6,638,718 |
| Other purposes (state and other funding restrictions) | 841,992 | 37,077 |
| Unrestricted | (730,981,669) | (800,098,669) |
| Total net position | <u>(520,969,134)</u> | <u>(585,994,286)</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 1,149,096,225</u> | <u>\$ 1,113,478,721</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Activities
 Year Ended June 30, 2019
 (With Partial Comparative Information for the Year Ended June 30, 2018)

| Functions/Programs | 2019 | | | 2018 | |
|----------------------------------------------|-----------------------|-------------------------|------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| | Expenses | Program Revenues | | Net (Expenses) Revenue and Changes in Net Position | Net (Expenses) Revenue and Changes in Net Position |
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Governmental Activities |
| Governmental activities | | | | | |
| Administration | \$ 22,370,677 | \$ - | \$ - | \$ (22,370,677) | \$ (23,951,078) |
| District support services | 15,445,545 | - | - | (15,445,545) | (17,574,859) |
| Elementary and secondary regular instruction | 274,072,156 | 1,534,070 | 46,517,702 | (226,020,384) | (249,150,671) |
| Vocational education instruction | 5,740,047 | - | 677,334 | (5,062,713) | (2,075,535) |
| Special education instruction | 108,816,470 | 4,680,939 | 67,409,722 | (36,725,809) | (41,562,940) |
| Instructional support services | 32,663,532 | - | 1,335,203 | (31,328,329) | (39,354,591) |
| Pupil support services | 63,082,464 | - | 2,729,120 | (60,353,344) | (59,070,674) |
| Sites and buildings | 69,072,573 | 900,172 | 1,147,058 | (67,025,343) | (58,183,858) |
| Fiscal and other fixed cost programs | 1,848,299 | - | - | (1,848,299) | (1,690,791) |
| Food service | 26,603,854 | 1,822,072 | 25,058,155 | 276,373 | 855,047 |
| Community service | 35,404,084 | 6,546,325 | 18,798,873 | (10,058,886) | (11,437,867) |
| Interest and fiscal charges on debt | 15,696,047 | - | - | (15,696,047) | (13,515,846) |
| Total governmental activities | <u>\$ 670,815,748</u> | <u>\$ 15,483,578</u> | <u>\$ 163,673,167</u> | (491,659,003) | (516,713,663) |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes levied for general purposes | | | | 116,904,810 | 109,408,146 |
| Property taxes levied for community services | | | | 3,606,427 | 3,358,121 |
| Property taxes levied for debt services | | | | 38,503,222 | 36,292,387 |
| General grants and aids | | | | 388,396,475 | 387,212,733 |
| Investment earnings | | | | 6,031,661 | 3,854,673 |
| Gain on sale of capital assets | | | | 3,241,560 | - |
| Total general revenues | | | | <u>556,684,155</u> | <u>540,126,060</u> |
| Changes in net position | | | | 65,025,152 | 23,412,397 |
| Net position – beginning of year | | | | <u>(585,994,286)</u> | <u>(609,406,683)</u> |
| Net position – end of year | | | | <u>\$ (520,969,134)</u> | <u>\$ (585,994,286)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Balance Sheet
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

| | General | Food Service | Community Service | Capital Projects |
|----------------------------------------------------------------------------|-----------------------|---------------------|----------------------|----------------------|
| Assets | | | | |
| Cash and investments | \$ 31,547,407 | \$ 4,525,578 | \$ 4,585,597 | \$ - |
| Restricted cash and investments in revocable trust for OPEB obligations | 40,348,041 | - | - | - |
| Restricted cash and investments for debt service | - | - | - | - |
| Restricted cash and investments for capital projects | - | - | - | 45,296,316 |
| Receivables | | | | |
| Current taxes | 78,975,244 | - | 2,228,035 | - |
| Delinquent taxes | 1,601,117 | - | 52,738 | - |
| Due from other governmental units | 65,773,476 | 932,663 | 3,235,024 | - |
| Other | 614,199 | 1,800 | 81,352 | 73,465 |
| Due from other fund | 54,388,914 | - | - | - |
| Inventories | 540,368 | 1,587,304 | - | - |
| Prepaid items | 1,017,014 | 8,157 | 2,215 | - |
| Total assets | \$ 274,805,780 | \$ 7,055,502 | \$ 10,184,961 | \$ 45,369,781 |
| Liabilities | | | | |
| Accounts payable | \$ 11,770,135 | \$ 305,378 | \$ 735,092 | \$ 15,208,492 |
| Accrued expenditures | 55,602,468 | 896,541 | 1,653,610 | 57,781 |
| Due to other governmental units | 322,297 | - | - | - |
| Due to other fund | - | - | - | 54,388,914 |
| Unearned revenue | 1,984,295 | - | 440,254 | - |
| Total liabilities | 69,679,195 | 1,201,919 | 2,828,956 | 69,655,187 |
| Deferred inflows of resources | | | | |
| Property taxes levied for subsequent year | 105,357,212 | - | 3,768,442 | - |
| Unavailable revenue – delinquent taxes | 1,256,119 | - | 41,378 | - |
| Total deferred inflows of resources | 106,613,331 | - | 3,809,820 | - |
| Fund balances (deficit) | | | | |
| Nonspendable | | | | |
| Inventories | 540,368 | 1,587,304 | - | - |
| Prepaid items | 1,017,014 | 8,157 | 2,215 | - |
| Restricted for | | | | |
| Health and safety | - | - | - | - |
| Area learning center | 841,992 | - | - | - |
| Adult basic education | - | - | 560,605 | - |
| Projects funded by COP | - | - | - | 387,902 |
| School readiness | - | - | 1,774,569 | - |
| Community education | - | - | 633,867 | - |
| ECFE | - | - | 295,667 | - |
| Community service | - | - | 279,262 | - |
| Bond refunding | - | - | - | - |
| QSCB payments | - | - | - | - |
| Debt service | - | - | - | - |
| Food service | - | 4,258,122 | - | - |
| OPEB revocable trust | 40,348,041 | - | - | - |
| Committed to | | | | |
| Severance pay | 3,038,018 | - | - | - |
| Assigned to | | | | |
| Contractual obligations | 2,390,428 | - | - | - |
| Strategic plan initiative | 5,260,999 | - | - | - |
| Site-based operations | 12,103,395 | - | - | - |
| Intraschool activities | 3,042,155 | - | - | - |
| Unassigned | | | | |
| Long-term facilities maintenance restricted account deficit | (7,412,279) | - | - | - |
| Unassigned | 37,343,123 | - | - | (24,673,308) |
| Total fund balances (deficit) | 98,513,254 | 5,853,583 | 3,546,185 | (24,285,406) |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 274,805,780 | \$ 7,055,502 | \$ 10,184,961 | \$ 45,369,781 |

| Debt Service | Total Governmental Funds | |
|----------------------|--------------------------|-----------------------|
| | 2019 | 2018 |
| \$ 27,816,629 | \$ 68,475,211 | \$ 56,093,768 |
| – | 40,348,041 | 37,797,046 |
| 31,790,072 | 31,790,072 | 52,475,748 |
| – | 45,296,316 | 119,820,839 |
| 24,250,358 | 105,453,637 | 92,303,701 |
| 577,003 | 2,230,858 | 2,270,555 |
| 11,322 | 69,952,485 | 64,263,263 |
| 215,160 | 985,976 | 1,463,611 |
| – | 54,388,914 | 48,467,962 |
| – | 2,127,672 | 2,285,246 |
| – | 1,027,386 | 2,642,038 |
| <u>\$ 84,660,544</u> | <u>\$ 422,076,568</u> | <u>\$ 479,883,777</u> |
| \$ 7,000 | \$ 28,026,097 | \$ 40,440,835 |
| – | 58,210,400 | 47,586,195 |
| – | 322,297 | 454,946 |
| – | 54,388,914 | 48,467,962 |
| 1,496 | 2,426,045 | 2,661,826 |
| <u>8,496</u> | <u>143,373,753</u> | <u>139,611,764</u> |
| 41,016,448 | 150,142,102 | 128,420,612 |
| 453,370 | 1,750,867 | 2,026,187 |
| <u>41,469,818</u> | <u>151,892,969</u> | <u>130,446,799</u> |
| – | 2,127,672 | 2,285,246 |
| – | 1,027,386 | 2,642,038 |
| – | – | 310,433 |
| – | 841,992 | 37,077 |
| – | 560,605 | 406,085 |
| – | 387,902 | 68,897,851 |
| – | 1,774,569 | 1,373,228 |
| – | 633,867 | 560,362 |
| – | 295,667 | 352,680 |
| – | 279,262 | 981,496 |
| 17,498,656 | 17,498,656 | 40,224,265 |
| 14,505,751 | 14,505,751 | 12,534,425 |
| 11,177,823 | 11,177,823 | 11,264,744 |
| – | 4,258,122 | 4,884,462 |
| – | 40,348,041 | 37,797,046 |
| – | 3,038,018 | 2,538,018 |
| – | 2,390,428 | 4,489,816 |
| – | 5,260,999 | 6,068,461 |
| – | 12,103,395 | 7,314,767 |
| – | 3,042,155 | 3,207,872 |
| – | (7,412,279) | (9,696,173) |
| – | 12,669,815 | 11,351,015 |
| <u>43,182,230</u> | <u>126,809,846</u> | <u>209,825,214</u> |
| <u>\$ 84,660,544</u> | <u>\$ 422,076,568</u> | <u>\$ 479,883,777</u> |

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INDEPENDENT SCHOOL DISTRICT NO. 625

Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
as of June 30, 2019

(With Partial Comparative Information as of June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Total fund balances – governmental funds | \$ 126,809,846 | \$ 209,825,214 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds: | | |
| Capital assets | 1,047,529,150 | 969,946,584 |
| Accumulated depreciation | (431,954,148) | (407,214,526) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | 123,909,277 | 78,902,253 |
| Deferred outflows of resources – OPEB plan deferments | 22,534,370 | 20,041,157 |
| Deferred outflows of resources – bond refunding deferments | 3,859,881 | 4,497,498 |
| Deferred inflows of resources – pension plan deferments | (53,941,812) | (62,579,132) |
| Deferred inflows of resources – OPEB plan deferments | (23,899,317) | (16,963,715) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | 1,750,867 | 2,026,187 |
| Debt issuance premiums and discounts are reported as other financing sources and uses in the governmental funds, but as assets or adjustments to the carrying value of long-term obligations in the Statement of Net Position. | (27,174,377) | (28,542,059) |
| An Internal Service Fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. | 1,908,630 | 1,786,703 |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. | | |
| General obligation bonds payable | (281,720,000) | (310,935,000) |
| Certificates of participation payable | (148,655,000) | (151,915,000) |
| Capital lease payable | (15,295,408) | (22,344,554) |
| Accrued interest on long-term debt | (6,179,611) | (5,874,530) |
| Severance benefits payable | (9,998,285) | (10,909,340) |
| Vacation payable | (5,485,952) | (5,698,568) |
| Net pension liability | (525,480,087) | (519,166,755) |
| Total OPEB liability | <u>(319,487,158)</u> | <u>(330,876,703)</u> |
| Net position – governmental activities | <u>\$ (520,969,134)</u> | <u>\$ (585,994,286)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2019
 (With Partial Comparative Information for the Year Ended June 30, 2018)

| | General | Food Service | Community Service | Capital Projects |
|------------------------------------------------------|----------------------|---------------------|----------------------|------------------------|
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 117,114,826 | \$ - | \$ 3,610,332 | \$ - |
| County and other | 12,170,085 | 194,857 | 6,317,160 | 206,476 |
| State | 450,852,968 | 996,438 | 16,845,904 | - |
| Federal | 49,039,002 | 24,061,718 | 2,679,352 | - |
| Investment earnings | 3,266,489 | 58,149 | 58,149 | 1,001,043 |
| Sales and conversion of assets | 391,370 | 1,822,072 | 3,081 | - |
| Total revenues | <u>632,834,740</u> | <u>27,133,234</u> | <u>29,513,978</u> | <u>1,207,519</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 24,537,667 | - | - | - |
| District support services | 16,285,155 | - | - | - |
| Elementary and secondary regular instruction | 279,467,164 | - | - | - |
| Vocational education instruction | 5,972,344 | - | - | - |
| Special education instruction | 119,596,282 | - | - | - |
| Instructional support services | 35,213,420 | - | - | - |
| Pupil support services | 64,980,833 | - | 1,123,730 | - |
| Sites and buildings | 66,252,806 | - | - | - |
| Fiscal and other fixed cost programs | 1,848,299 | - | - | - |
| Food service | - | 27,918,369 | - | - |
| Community service | 8,390,698 | - | 28,517,914 | - |
| Capital outlay | - | - | - | 82,930,502 |
| Debt service | | | | |
| Principal payments | 7,894,146 | - | - | - |
| Interest | 1,183,404 | - | - | - |
| Other debt | - | - | - | 225,175 |
| Total expenditures | <u>631,622,218</u> | <u>27,918,369</u> | <u>29,641,644</u> | <u>83,155,677</u> |
| Excess (deficiency) of revenues over expenditures | 1,212,522 | (785,135) | (127,666) | (81,948,158) |
| Other financing sources (uses) | | | | |
| Refunding debt issued | - | - | - | - |
| Building bonds issued | - | - | - | 15,000,000 |
| Certificates of participation issued | - | - | - | - |
| Premium on debt issued | - | - | - | 1,156,048 |
| Principal payments by refunded bond escrow agent | - | - | - | - |
| Capital lease issued | - | - | - | - |
| Sale of capital assets | 3,318,225 | - | - | - |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| Total other financing sources (uses) | <u>3,318,225</u> | <u>-</u> | <u>-</u> | <u>16,156,048</u> |
| Net change in fund balances | 4,530,747 | (785,135) | (127,666) | (65,792,110) |
| Fund balances at beginning of year | <u>93,982,507</u> | <u>6,638,718</u> | <u>3,673,851</u> | <u>41,506,704</u> |
| Fund balances (deficit) at end of year | <u>\$ 98,513,254</u> | <u>\$ 5,853,583</u> | <u>\$ 3,546,185</u> | <u>\$ (24,285,406)</u> |

| Debt Service | Total Governmental Funds | |
|----------------------|--------------------------|-----------------------|
| | 2019 | 2018 |
| \$ 38,564,621 | \$ 159,289,779 | \$ 148,902,119 |
| 513,066 | 19,401,644 | 21,494,182 |
| 113,221 | 468,808,531 | 464,679,708 |
| 940,484 | 76,720,556 | 70,799,260 |
| 1,525,904 | 5,909,734 | 3,765,660 |
| – | 2,216,523 | 2,160,458 |
| <u>41,657,296</u> | <u>732,346,767</u> | <u>711,801,387</u> |
| – | 24,537,667 | 23,854,360 |
| – | 16,285,155 | 16,938,836 |
| – | 279,467,164 | 269,413,767 |
| – | 5,972,344 | 2,847,300 |
| – | 119,596,282 | 115,418,197 |
| – | 35,213,420 | 40,780,667 |
| – | 66,104,563 | 60,495,513 |
| – | 66,252,806 | 54,387,609 |
| – | 1,848,299 | 1,690,791 |
| – | 27,918,369 | 26,967,864 |
| – | 36,908,612 | 36,189,484 |
| – | 82,930,502 | 156,372,961 |
| 24,545,000 | 32,439,146 | 32,378,880 |
| 15,842,999 | 17,026,403 | 12,048,613 |
| 25,501 | 250,676 | 1,579,029 |
| <u>40,413,500</u> | <u>812,751,408</u> | <u>851,363,871</u> |
| 1,243,796 | (80,404,641) | (139,562,484) |
| – | – | 15,520,000 |
| – | 15,000,000 | 15,000,000 |
| – | – | 126,575,000 |
| – | 1,156,048 | 10,827,698 |
| (22,085,000) | (22,085,000) | (15,765,000) |
| – | – | 3,857,775 |
| – | 3,318,225 | 1,537,523 |
| – | – | 18,369,027 |
| – | – | (18,369,027) |
| <u>(22,085,000)</u> | <u>(2,610,727)</u> | <u>157,552,996</u> |
| (20,841,204) | (83,015,368) | 17,990,512 |
| <u>64,023,434</u> | <u>209,825,214</u> | <u>191,834,702</u> |
| <u>\$ 43,182,230</u> | <u>\$ 126,809,846</u> | <u>\$ 209,825,214</u> |

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INDEPENDENT SCHOOL DISTRICT NO. 625

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2019

(With Partial Comparative Information for the Year Ended June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total net change in fund balances – governmental funds | \$ (83,015,368) | \$ 17,990,512 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, those costs are allocated over their estimated useful lives as annual depreciation expense. Capital outlays exceeded depreciation expense as follows in the current period: | | |
| Capital outlays | 79,040,591 | 151,004,706 |
| Depreciation expense | (26,120,982) | (22,351,304) |
| 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. | | |
| | (76,665) | (864,033) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | 45,007,024 | (58,067,326) |
| Deferred outflows of resources – OPEB plan deferments | 2,493,213 | (264,218) |
| Deferred inflows of resources – pension plan deferments | 8,637,320 | (9,095,344) |
| Deferred inflows of resources – OPEB plan deferments | (6,935,602) | (16,963,715) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | (275,320) | 156,535 |
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position: | | |
| General obligation bonds payable | 22,130,000 | 21,890,000 |
| Certificates of participation payable | 3,260,000 | 2,035,000 |
| Capital lease payable | 7,049,146 | 8,453,880 |
| Payments by refunded bond escrow agent | 22,085,000 | 15,765,000 |
| Debt issued provides current financial resources to the governmental funds but increases long-term liabilities in the Statement of Net Position: | | |
| Refunding bonds issued | – | (15,520,000) |
| Certificates of participation issued | – | (126,575,000) |
| Building bonds issued | (15,000,000) | (15,000,000) |
| Capital lease issued | – | (3,857,775) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | |
| Change in accrued interest payable and bond refunding deferments | (942,698) | (2,163,394) |
| Change in severance benefits payable | 911,055 | (636,901) |
| Change in vacation payable | 212,616 | 754,952 |
| Change in net pension liability | (6,313,332) | 63,913,905 |
| Change in OPEB liability | 11,389,545 | 21,270,412 |
| 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. | | |
| | 1,367,682 | (8,552,508) |
| An Internal Service Fund is used by the District’s management to charge the costs of the workers’ compensation insurance program to the individual funds. The change in net position of the Internal Service Fund is reported within governmental activities. | | |
| | <u>121,927</u> | <u>89,013</u> |
| Change in net position – governmental activities | <u>\$ 65,025,152</u> | <u>\$ 23,412,397</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Net Position
 Proprietary Fund
 as of June 30, 2019
 (With Partial Comparative Information as of June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and investments | \$ 15,530,041 | \$ 15,889,940 |
| Liabilities | | |
| Current liabilities | | |
| Accrued expenses | | |
| Workers' compensation payable | <u>13,621,411</u> | <u>14,103,237</u> |
| Net position | | |
| Unrestricted | <u>\$ 1,908,630</u> | <u>\$ 1,786,703</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended June 30, 2019
 (With Partial Comparative Information for the Year Ended June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|----------------------------|----------------------------|
| Operating revenues | | |
| Insurance service fees | \$ 2,892,139 | \$ 3,282,120 |
| Operating expenses | | |
| Claims expense | <u>2,892,139</u> | <u>3,282,120</u> |
| Operating income | - | - |
| Nonoperating revenues | | |
| Investment earnings | <u>121,927</u> | <u>89,013</u> |
| Change in net position | 121,927 | 89,013 |
| Net position at beginning of year | <u>1,786,703</u> | <u>1,697,690</u> |
| Net position at end of year | <u><u>\$ 1,908,630</u></u> | <u><u>\$ 1,786,703</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2019
 (With Partial Comparative Information for the Year Ended June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | |
| Assessments from other funds | \$ 2,892,139 | \$ 3,282,120 |
| Workers' compensation payments | <u>(3,373,965)</u> | <u>(3,415,487)</u> |
| Net cash flows from operating activities | (481,826) | (133,367) |
| Cash flows from investing activities | | |
| Investment income received | <u>121,927</u> | <u>89,013</u> |
| Net change in cash and investments | (359,899) | (44,354) |
| Cash at beginning of year | <u>15,889,940</u> | <u>15,934,294</u> |
| Cash at end of year | <u><u>\$ 15,530,041</u></u> | <u><u>\$ 15,889,940</u></u> |
| Reconciliation of operating income to net cash flows from operating activities | | |
| Operating income | \$ - | \$ - |
| Adjustment to reconcile operating income to net cash flows from operating activities | | |
| Changes in assets and liabilities | | |
| Workers' compensation payable | <u>(481,826)</u> | <u>(133,367)</u> |
| Net cash flows from operating activities | <u><u>\$ (481,826)</u></u> | <u><u>\$ (133,367)</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Notes to Basic Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 625 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. A Board of Education elected by the voters of the District governs 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 (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

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

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. 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.

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures. In the operating funds, capital outlay expenditures are included within the applicable functional areas.

The 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 Internal Service Fund is consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary 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 (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is the government’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. In the financial statements, the General Fund includes the General Fund Account and the Fully Financed General Fund Account.

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

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

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

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.

Proprietary Fund

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 District, or to other governments, on a cost-reimbursement basis. The District’s Internal Service Fund is used to account for the activities of the District’s workers’ compensation self-insurance program.

E. Budgetary Information

The Board of Education adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. However, for certain programs, unspent appropriations are assigned for carryover and may be reappropriated in the subsequent year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

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

Restricted cash and investments include balances held in segregated accounts that are established for specific purposes. In the General Fund, restricted cash and investments represent assets contributed to a revocable trust established to finance the District's liability for post-employment insurance benefits. In the Capital Projects Fund, this represents assets held for building construction. In the Debt Service Fund, the refunding bond escrow accounts held by trustee are used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the escrow accounts.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash 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 external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the balance sheet date.

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

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

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

G. Receivables

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

H. Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$28,219,535 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$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 are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Estimated useful lives are 20 years for land improvements, 50 years for buildings, 25 years for building improvements, and 5 years for equipment. Land and construction in progress are not depreciated.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Under the terms of union contracts, civil service employees are granted vacation and sick leave in varying amounts, portions of which can be carried over to future years. In the event of termination, civil service employees are reimbursed for any vacation earned and unused for the current and prior years. All vacation pay is accrued when incurred in the government-wide financial statements. Vacation pay is accrued in governmental fund financial statements only to the extent it has been used or otherwise matured prior to year-end.

Unused sick leave for eligible employees is recorded as severance pay to the extent it is probable that the District will compensate employees for unused sick leave through cash payments upon termination or retirement. Employees must be 55 years of age or older and must be eligible for a pension under provisions of the Saint Paul Teachers Retirement Fund Association (SPTRFA) or the Public Employees Retirement Association (PERA) of Minnesota. Severance pay is calculated at a rate ranging from \$65 to \$270, depending on the bargaining group, for each day of unused sick leave. The maximum amount of money that any employee may obtain through the severance program is \$33,000.

Funding for severance pay is partially funded through a special levy. All severance pay is accrued in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in governmental fund financial statements when the liability matures due to employee termination.

N. 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 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 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 other post-employment benefits (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.

O. 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 PERA and the SPTRFA and additions to/deductions from the PERA’s and the SPTRFA’s fiduciary net positions have been determined on the same basis as they are reported by the PERA and the SPTRFA. 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 SPTRFA has a special funding situation created by direct aid contributions made by the state of Minnesota pursuant to Minnesota Statutes § 354A.12 and § 423A.02.

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. 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; and natural disasters 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 year 2019.
2. **Self-Insurance** – The District has established an internal service fund to account for and finance its self-insured risk of loss for workers’ compensation. Workers’ compensation claim liabilities are based on open claims and estimates. They are also based on actuarial analysis to determine potential or unknown claims. Determining actual claim liabilities depends on complex factors, such as changes in Minnesota Statutes, legal determinations, injury assessments, and awards; therefore, the process used in computing a claim liability does not necessarily result in an exact amount.

Changes in workers’ compensation claim liabilities for the last two years were as follows:

| Fiscal Year Ended June 30, | Balance – Beginning of Year | Charges and Changes in Estimates | Claim Payments | Balance – End of Year |
|-------------------------------|-----------------------------------|----------------------------------------|-------------------|--------------------------|
| 2018 | \$ 14,236,604 | \$ 3,282,120 | \$ 3,415,487 | \$ 14,103,237 |
| 2019 | \$ 14,103,237 | \$ 2,892,139 | \$ 3,373,965 | \$ 13,621,411 |

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position

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

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

R. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education 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 the 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 Board of Education resolution, the District’s superintendent, chief executive officer, and chief financial officer are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Minimum Fund Balance Policy

The District's fund balance policy states:

1. The administration shall plan and manage annual revenue and expenditure budgets that provide an unassigned General Fund balance of at least 5.0 percent of annual General Fund expenditures.
2. If the unassigned General Fund balance should fall below 5.0 percent of annual General Fund expenditures within a given year or the following year, the superintendent shall alert the Board of Education to the circumstances and recommend appropriate short-term actions to maintain the desired balance.

T. Use of Estimates

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

U. 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, 2018, 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 | \$ 17,586,390 |
| Investments | <u>183,853,291</u> |
| Total | <u><u>\$ 201,439,681</u></u> |

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

| | |
|-------------------------------------------------------------------------|------------------------------|
| Statement of Net Position – current assets | |
| Cash and investments | \$ 84,005,252 |
| Restricted cash and investments for capital projects | 45,296,316 |
| Statement of Net Position – noncurrent assets | |
| Restricted cash and investments in revocable trust for OPEB obligations | 40,348,041 |
| Restricted cash and investments for debt service | <u>31,790,072</u> |
| Total | <u><u>\$ 201,439,681</u></u> |

B. Deposits

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

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

At year-end, the carrying amount of the District’s deposits was \$17,586,390, while the balance on the bank records was \$17,577,373. At June 30, 2019, all deposits for the District were insured or collateralized by securities 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:

| | Credit Risk | | Fair Value Measurements Using | Concentration Risk Over 5% of Portfolio | Interest Rate Risk – Maturity Duration in Years | | | Carrying Value |
|-------------------------------------------------------------|-------------|---------|-------------------------------------|--------------------------------------------------|-------------------------------------------------|---------------|-------------------|-----------------------|
| | Rating | Agency | | | Less Than 1 | 1 to 5 | Greater Than 5 | |
| U.S. treasury note | Aaa | Moody's | Level 1 | – % | \$ 589,678 | \$ 4,043,233 | \$ – | \$ 4,632,911 |
| Federal National Mortgage Association | AA | S&P | Level 2 | – % | \$ 346,659 | \$ – | \$ – | 346,659 |
| Federal Home Loan Banks | AA | S&P | Level 1 | 9.2 % | \$ – | \$ 252,760 | \$ – | 252,760 |
| Federal Home Loan Banks | AA | S&P | Level 2 | 9.2 % | \$ – | \$ 16,743,013 | \$ – | 16,743,013 |
| Federal Farm Credit Banks | AA | S&P | Level 2 | – % | \$ – | \$ 999,585 | \$ – | 999,585 |
| Mortgage-backed securities | AAA | S&P | Level 1 | – % | \$ – | \$ 279,641 | \$ – | 279,641 |
| Mortgage-backed securities | Aaa | Moody's | Level 1 | – % | \$ – | \$ 149,984 | \$ – | 149,984 |
| Guaranteed investment contract | N/A | N/A | N/A | – % | \$ – | \$ – | \$ 6,700,025 | 6,700,025 |
| Repurchase agreement (U.S. agency underlying securities) | AAA | S&P | N/A | – % | \$ – | \$ – | \$ 7,721,657 | 7,721,657 |
| U.S. Bank commercial paper | A1 | S&P | Level 2 | – % | \$ 2,443,467 | \$ – | \$ – | 2,443,467 |
| Corporate obligations | AAA | S&P | Level 1 | – % | \$ – | \$ 421,738 | \$ – | 421,738 |
| Corporate obligations | AA | S&P | Level 1 | – % | \$ 102,165 | \$ 540,312 | \$ – | 642,477 |
| Corporate obligations | A | S&P | Level 1 | – % | \$ 99,983 | \$ 3,835,425 | \$ – | 3,935,408 |
| Corporate obligations | A | Moody's | Level 1 | – % | \$ – | \$ 199,826 | \$ – | 199,826 |
| Corporate obligations | BAA | Moody's | Level 1 | – % | \$ – | \$ 523,893 | \$ – | 523,893 |
| Corporate obligations | BBB | S&P | Level 1 | – % | \$ – | \$ 1,074,848 | \$ 311,745 | 1,386,593 |
| International obligations | N/R | N/R | Level 1 | – % | \$ 13,476 | \$ – | \$ – | 13,476 |
| Equities | N/R | N/R | Level 1 | – % | \$ – | \$ – | \$ – | 20,555,935 |
| Investment pools/mutual funds | | | | | | | | |
| MSDLAF | AAA | S&P | N/A | | | | | 59,619,426 |
| Mutual funds | AAA | S&P | Level 1 | | | | | 1,535,687 |
| Mutual funds | N/R | N/R | Level 1 | | | | | 4,019,683 |
| Mutual funds | AAA | S&P | Level 2 | | | | | 48,716,695 |
| Mutual funds | N/R | N/R | Level 2 | | | | | 2,012,752 |
| Total investments | | | | | | | | <u>\$ 183,853,291</u> |

N/R – Not Rated

N/A – Not Applicable

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool which is not registered with the Securities and Exchange Commission. The District's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required except for the MSDLAF – MAX Class, which requires a redemption notice of 14 days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions.

Repurchase agreement investments and guaranteed investment contracts are valued on a cost-basis measure and, therefore, are not subject to the fair value disclosure.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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

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 – RECEIVABLES

At June 30, 2019, the District reported the following receivables due from other governmental units:

| | General | Food Service | Community Service | Debt Service | Total |
|-----------------------------------------------------------|----------------------|-------------------|---------------------|------------------|----------------------|
| Due from MDE | \$ 45,052,029 | \$ 26,671 | \$ 1,895,307 | \$ 11,322 | \$ 46,985,329 |
| Due from MDE, principally pass-through federal assistance | 16,260,235 | 889,592 | 1,302,400 | – | 18,452,227 |
| Due from federal government, direct assistance | 2,912,445 | – | – | – | 2,912,445 |
| Due from other governmental units | 1,145,526 | 16,400 | 37,317 | – | 1,199,243 |
| Due from other Minnesota school districts | 403,241 | – | – | – | 403,241 |
| Total due from other governmental units | <u>\$ 65,773,476</u> | <u>\$ 932,663</u> | <u>\$ 3,235,024</u> | <u>\$ 11,322</u> | <u>\$ 69,952,485</u> |

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is as follows:

| | Balance – Beginning of Year | Additions | Deletions | Completed Construction | Balance – End of Year |
|---------------------------------------|-----------------------------|----------------------|--------------------|------------------------|-----------------------|
| Capital assets, not depreciated | | | | | |
| Land | \$ 30,968,817 | \$ – | \$ (9,750) | \$ – | \$ 30,959,067 |
| Construction in progress | 155,768,906 | 77,339,022 | – | (159,679,752) | 73,428,176 |
| Total capital assets, not depreciated | <u>186,737,723</u> | <u>77,339,022</u> | <u>(9,750)</u> | <u>(159,679,752)</u> | <u>104,387,243</u> |
| Capital assets, depreciated | | | | | |
| Land improvements | 28,691,316 | – | – | 795,922 | 29,487,238 |
| Buildings | 355,293,623 | – | (89,015) | 22,722,059 | 377,926,667 |
| Building improvements | 376,612,161 | – | – | 136,161,771 | 512,773,932 |
| Equipment | 22,611,761 | 1,701,569 | (1,359,260) | – | 22,954,070 |
| Total capital assets, depreciated | <u>783,208,861</u> | <u>1,701,569</u> | <u>(1,448,275)</u> | <u>159,679,752</u> | <u>943,141,907</u> |
| Less accumulated depreciation for | | | | | |
| Land improvements | (16,038,821) | (1,122,398) | – | – | (17,161,219) |
| Buildings | (190,507,160) | (6,621,600) | 89,015 | – | (197,039,745) |
| Building improvements | (179,937,115) | (16,364,979) | – | – | (196,302,094) |
| Equipment | (20,731,430) | (2,012,005) | 1,292,345 | – | (21,451,090) |
| Total accumulated depreciation | <u>(407,214,526)</u> | <u>(26,120,982)</u> | <u>1,381,360</u> | <u>–</u> | <u>(431,954,148)</u> |
| Net capital assets, depreciated | <u>375,994,335</u> | <u>(24,419,413)</u> | <u>(66,915)</u> | <u>159,679,752</u> | <u>511,187,759</u> |
| Total capital assets, net | <u>\$ 562,732,058</u> | <u>\$ 52,919,609</u> | <u>\$ (76,665)</u> | <u>\$ –</u> | <u>\$ 615,575,002</u> |

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

| | |
|----------------------------------------------|----------------------|
| Administration | \$ 229,081 |
| District support services | 830,908 |
| Elementary and secondary regular instruction | 24,330,649 |
| Special education instruction | 328,341 |
| Instructional support services | 71,833 |
| Pupil support services | 87,767 |
| Community service | 242,403 |
| Total depreciation expense | <u>\$ 26,120,982</u> |

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

| Date of Issue | Issue | Date of Final Maturity | Coupon Rate Percentage | Amount of Original Issue | Outstanding at June 30, 2019 |
|----------------------------------------|---------------------------------------|------------------------|------------------------|--------------------------|------------------------------|
| 12/23/2009 | 2009D Taxable School Building Bonds | 12/15/2025 | 1.585% | \$ 16,115,000 | \$ 16,115,000 |
| 10/01/2010 | 2010A School Building Refunding Bonds | 02/01/2021 | 3.0–4.0% | 10,355,000 | 2,535,000 |
| 11/17/2010 | 2010B Taxable School Building Bonds | 02/01/2031 | 0.9–4.9% | 7,750,000 | 5,070,000 |
| 11/17/2010 | 2010C Taxable School Building Bonds | 02/01/2029 | 5.075% | 18,250,000 | 18,250,000 |
| 06/11/2011 | 2011A School Building Bonds | 02/01/2032 | 2.0–4.0% | 26,000,000 | 18,965,000 |
| 08/15/2011 | 2011C School Building Refunding Bonds | 02/01/2023 | 3.0–4.0% | 16,010,000 | 6,805,000 |
| 06/15/2012 | 2012A School Building Bonds | 02/01/2033 | 3.0–4.0% | 24,980,000 | 18,990,000 |
| 06/15/2012 | 2012B School Building Refunding Bonds | 02/01/2025 | 4.0–5.0% | 28,355,000 | 17,005,000 |
| 06/25/2013 | 2013A School Building Bonds | 02/01/2034 | 2.0–4.0% | 24,485,000 | 19,445,000 |
| 06/25/2013 | 2013B School Building Refunding Bonds | 02/01/2027 | 4.0–5.0% | 28,635,000 | 22,575,000 |
| 06/12/2014 | 2014A School Building Bonds | 02/01/2035 | 2.0–4.0% | 14,845,000 | 12,530,000 |
| 06/11/2015 | 2015A School Building Bonds | 02/01/2036 | 2.0–5.0% | 15,000,000 | 13,265,000 |
| 06/11/2015 | 2015B Taxable Refunding Bonds | 02/01/2021 | 1.0–2.5% | 18,665,000 | 4,640,000 |
| 07/27/2016 | 2016A School Building Bonds | 02/01/2036 | 2.0–4.0% | 15,000,000 | 13,025,000 |
| 07/27/2016 | 2016B School Building Refunding Bonds | 02/01/2030 | 2.0–5.0% | 34,955,000 | 33,790,000 |
| 06/15/2017 | 2017A School Building Bonds | 02/01/2037 | 3.0–4.0% | 15,000,000 | 13,810,000 |
| 12/21/2017 | 2017D School Building Refunding Bonds | 02/01/2032 | 3.0–5.0% | 15,520,000 | 15,520,000 |
| 06/21/2018 | 2018A School Building Bonds | 02/01/2038 | 3.0–5.0% | 15,000,000 | 14,385,000 |
| 06/20/2019 | 2019A School Building Bonds | 02/01/2039 | 3.0–5.0% | 15,000,000 | 15,000,000 |
| Total general obligation bonds payable | | | | <u>\$ 359,920,000</u> | <u>\$ 281,720,000</u> |

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, or to finance the retirement (refunding) of prior bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized equal 105.0 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 Taxable School Building Bonds, Series 2009D were issued as Qualified School Construction Bonds – Tax Credit Bonds. The 1.585 percent interest rate on this bond represents the supplemental coupon interest rate for which the District is responsible. Investors who hold these bonds are also eligible for a tax credit from the federal government, allowing the bonds to be issued at a lower rate of interest and cost to the District.

The District's Taxable School Building Bonds, Series 2010B were issued as Build America Bonds – Direct Pay, for which the District will receive a federal reimbursement for a portion of the interest payments on this debt issue.

The District's Taxable School Building Bonds, Series 2010C were issued as Qualified School Construction Bonds – Direct Pay, for which the District will receive a federal reimbursement for a portion of the interest payments on this debt issue.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

During fiscal year 2017, the District issued \$34,955,000 of General Obligation School Building Refunding Bonds, Series 2016B. The proceeds were used to finance a crossover refunding of the General Obligation Bonds, Series 2007A, Series 2008A, and Series 2009B. The crossover of the 2007A issue occurred on February 1, 2018, and the crossover of the 2008A and 2009B issues occurred on February 1, 2019. The proceeds of the 2016B issue were placed in an escrow account pending the call dates of the refunded issues. Until the call dates, the District made all debt service payments on the 2007A, 2008A, and 2009B issues, and all debt service on the 2016B issue were paid from the escrow account. The 2016B issue was undertaken to reduce the total future debt service payments by \$5,384,819 and resulted in present value savings of \$4,772,433.

During fiscal year 2018, the District issued \$15,520,000 of General Obligation School Building Refunding Bonds, Series 2017D. The proceeds were used to finance a crossover refunding of the General Obligation Bonds, Series 2011A. The crossover of the 2011A issue will occur on February 1, 2021. The proceeds of the 2017D issue were placed in an escrow account pending the call date of the refunded issue. Until the call date, the District will make all debt service payments on the 2011A issue, and all debt service on the 2017D issue will be paid from the escrow account. The 2017D issue was undertaken to reduce the total future debt service payments by \$1,109,900 and resulted in present value savings of \$974,980.

B. Certificates of Participation Payable

The District has entered into installment purchase contracts to acquire and renovate facilities for instructional purposes through certificates of participation issued by independent vendors in the District's name. These certificates are full faith and credit obligations of the District and have been recorded as long-term obligations issued for capital projects in the financial statements. The certificates of participation are paid by the Debt Service Fund, except for 2017B Certificates of Participation, which are paid by the General Fund. Certificates of participation outstanding at June 30, 2019 include:

| <u>Date of Issue</u> | <u>Date of Final Maturity</u> | <u>Coupon Rate Percentage</u> | <u>Amount of Original Issue</u> | <u>Certificates of Participation Outstanding</u> |
|----------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------------------------------|
| 06/15/2017 | 02/01/2037 | 3.00–5.00% | \$ 24,305,000 | \$ 23,460,000 |
| 12/21/2017 | 02/01/2038 | 3.00–5.00% | 56,015,000 | 54,635,000 |
| 06/21/2018 | 02/01/2039 | 3.00–5.00% | 52,500,000 | 52,500,000 |
| 06/21/2018 | 02/01/2039 | 3.00–5.00% | <u>18,060,000</u> | <u>18,060,000</u> |
| | | | <u>\$ 150,880,000</u> | <u>\$ 148,655,000</u> |

C. Capital Lease Payable

On May 20, 2015, the District entered into a master lease purchase agreement with Apple, Inc. for technology equipment. The District acquires equipment from time to time under this master agreement as needed. Each lease "schedule" added under this master lease agreement adds equipment to the lease and carries its own lease term and payment schedule. Upon payment in full of all scheduled lease payments, the lessor's (Apple, Inc.) interest in the equipment is transferred to the District, free and clear of any right or interest of Apple, Inc. The General Fund will be used to liquidate this liability.

During fiscal year 2017, the District amended this master lease purchase agreement and entered into an additional lease schedule with total future minimum lease payments of \$23,510,709, interest rate of 2.015 percent, and a final maturity of August 1, 2020. The assets acquired through this capital lease have not been capitalized as individual asset amounts do not meet the capitalization threshold requirements.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

During fiscal year 2018, the District entered into an additional lease schedule with total future minimum lease payments of \$3,857,775, interest rate of 2.160 percent, and a final maturity of August 15, 2021. The assets acquired through this capital lease have not been capitalized as individual asset amounts do not meet the capitalization threshold requirements.

If the District does not pay the lease payments on the date which payments are due, the District shall pay lessor a charge at the rate of 12.0 percent per annum or the highest lawful rate, whichever is less, from such due date until paid. If the District breaches any term of this agreement, the lessor may require that the District return the equipment and pay any and all amounts which may then be due and payable under the lease, plus all lease payments remaining through the end of the then current fiscal period.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, pensions, vacation benefits, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are primarily liquidated by the fund incurring the liability (General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund).

District employees participate in two cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the SPTRFA. 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, 2019:

| Pension Plans | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---------------|-------------------------|--------------------------------|-------------------------------|---------------------|
| PERA | \$ 86,919,640 | \$ 18,986,356 | \$ 26,207,592 | \$ 324,201 |
| SPTRFA | 438,560,447 | 104,922,921 | 27,734,220 | 2,517,588 |
| Total | <u>\$ 525,480,087</u> | <u>\$ 123,909,277</u> | <u>\$ 53,941,812</u> | <u>\$ 2,841,789</u> |

E. Minimum Debt Payments

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

| Year Ending June 30, | General Obligation Bonds Payable | | Certificates of Participation Payable | | Capital Lease Payable | |
|-------------------------|----------------------------------|----------------------|---------------------------------------|----------------------|-----------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 21,220,000 | \$ 10,273,946 | \$ 4,985,000 | \$ 5,910,063 | \$ 7,116,466 | \$ 188,635 |
| 2021 | 37,265,000 | 9,662,576 | 5,235,000 | 5,660,813 | 7,205,404 | 99,696 |
| 2022 | 18,055,000 | 8,157,239 | 5,495,000 | 5,399,063 | 973,538 | 9,638 |
| 2023 | 18,775,000 | 7,490,899 | 5,770,000 | 5,124,313 | - | - |
| 2024 | 17,715,000 | 6,703,633 | 6,055,000 | 4,835,813 | - | - |
| 2025–2029 | 106,160,000 | 22,611,071 | 35,120,000 | 19,349,013 | - | - |
| 2030–2034 | 46,190,000 | 6,862,793 | 43,120,000 | 11,360,181 | - | - |
| 2035–2039 | 16,340,000 | 1,186,283 | 42,875,000 | 4,002,663 | - | - |
| | <u>\$ 281,720,000</u> | <u>\$ 72,948,440</u> | <u>\$ 148,655,000</u> | <u>\$ 61,641,922</u> | <u>\$ 15,295,408</u> | <u>\$ 297,968</u> |

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

F. Changes in Long-Term Liabilities

| | Balance – Beginning of Year | Additions | Retirements | Balance – End of Year | Due Within One Year |
|---------------------------------------|-----------------------------------|----------------------|------------------------|--------------------------|------------------------|
| General obligation bonds payable | \$ 310,935,000 | \$ 15,000,000 | \$ (44,215,000) | \$ 281,720,000 | \$ 21,220,000 |
| Certificates of participation payable | 151,915,000 | – | (3,260,000) | 148,655,000 | 4,985,000 |
| Unamortized premium/discount | 28,542,059 | 1,156,048 | (2,523,730) | 27,174,377 | – |
| Total bonds and certificates payable | 491,392,059 | 16,156,048 | (49,998,730) | 457,549,377 | 26,205,000 |
| Capital lease payable | 22,344,554 | – | (7,049,146) | 15,295,408 | 7,116,466 |
| Compensated absences | | | | | |
| Severance benefits payable | 10,909,340 | 1,520,426 | (2,431,481) | 9,998,285 | 2,137,240 |
| Vacation payable | 5,698,568 | 5,224,582 | (5,437,198) | 5,485,952 | 5,485,952 |
| | <u>\$ 530,344,521</u> | <u>\$ 22,901,056</u> | <u>\$ (64,916,555)</u> | <u>\$ 488,329,022</u> | <u>\$ 40,944,658</u> |

NOTE 6 – DEFINED BENEFIT PENSION PLANS

A. Plan Descriptions

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

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. Saint Paul Teachers Retirement Fund Association (SPTRFA)

District teachers are covered by the SPTRFA. The SPTRFA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354A, 356, and 356A as well as the SPTRFA's bylaws. The SPTRFA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of nine trustees elected by the SPTRFA's membership and the District appoints one trustee who serves as an ex-officio member of the Board of Trustees.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

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

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

1. GERF Benefits

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

Benefit increases are provided to benefit recipients each January. GERF benefit recipients receive a future annual increase equal to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. SPTRFA Benefits

The SPTRFA 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 for Coordinated Plan members and five years of service credit for Basic Plan members. The defined retirement benefits for the Basic Plan members are based on the highest five years of salary in the last 10 years.

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Tier I Benefits

| | <u>Coordinated Plan Member</u> | <u>Basic Plan Member</u> |
|---------------------------------------------------------------|------------------------------------|------------------------------|
| For services rendered prior to July 1, 2015 | | |
| Each year of service during the first 10 years | 1.2 percent per year | 2.0 percent per year |
| Each year of service thereafter (up to a maximum of 40 years) | 1.7 percent per year | 2.0 percent per year |
| For services rendered after July 1, 2015 | | |
| Each year of service during the first 10 years | 1.4 percent per year | 2.0 percent per year |
| Each year of service thereafter (up to a maximum of 40 years) | 1.9 percent per year | 2.0 percent per year |

With these provisions:

- (a) Normal retirement age is 65.
- (b) One quarter of a percent per month early retirement reduction factor for all months under normal retirement age.
- (c) If a Basic Plan member has 25 years of service, the reduction is applied only if the member is less than 60 years old. If a Coordinated Plan member has 30 years of service, the reduction is applied only if the member is less than 62 years old.
- (d) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

| | <u>Coordinated Plan Member</u> | <u>Basic Plan Member</u> |
|----------------------------------------------------|------------------------------------|------------------------------|
| For services rendered prior to July 1, 2015 | | |
| All years of service (up to a maximum of 40 years) | 1.7 percent per year | 2.5 percent per year |
| For services rendered after July 1, 2015 | | |
| All years of service (up to a maximum of 40 years) | 1.9 percent per year | 2.5 percent per year |

With these provisions:

- (a) Normal retirement age is 65.
- (b) Early retirement reduction factor for all months under normal retirement age using the statutorily determined early retirement reduction tables.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 2019 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2019, were \$7,903,892. The District's contributions were equal to the required contributions as set by state statutes.

2. SPTRFA Contributions

Per Minnesota Statutes, Chapter 354A.12 sets the rates for employer and employee contributions. Rates approved for the current fiscal year are:

| Year Ended June 30, | Percentage of Covered Payroll | | | |
|------------------------|-------------------------------|----------|------------------|----------|
| | Basic Plan | | Coordinated Plan | |
| | Employee | Employer | Employee | Employer |
| 2019 | 10.00 % | 14.48 % | 7.50 % | 11.18 % |

The District's contributions to the SPTRFA for the plan's fiscal year ended June 30, 2019, were \$30,011,767. The District's contributions were equal to the required contributions for each year as set by state statutes.

Additionally, pursuant to Minnesota Statutes 423A.02, the District contributed \$800,000 to the Saint Paul Teachers Retirement Fund in the current year.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2019, the District reported a liability of \$86,919,640 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 1.5668 percent at the end of the measurement period and 1.6165 percent for the beginning of the period.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

| | |
|---------------------------------------------------------------------------------------|---------------|
| District’s proportionate share of the net pension liability | \$ 86,919,640 |
| State’s proportionate share of the net pension liability associated with the District | \$ 2,851,130 |

For the year ended June 30, 2019, the District recognized negative pension expense of \$340,677 for its proportionate share of the GERP’s pension expense. In addition, the District recognized an additional \$664,878 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERP.

At June 30, 2019, the District reported its proportionate share of the GERP’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 | \$ 2,370,327 | \$ 2,659,981 |
| Changes in actuarial assumptions | 8,712,137 | 9,978,400 |
| Differences between projected and actual investment earnings | – | 8,598,741 |
| Changes in proportion | – | 4,970,470 |
| District’s contributions to the GERP subsequent to the measurement date | <u>7,903,892</u> | <u>–</u> |
| Total | <u>\$ 18,986,356</u> | <u>\$ 26,207,592</u> |

A total of \$7,903,892 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERP pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|-------------------------|------------------------------|
| 2020 | \$ 701,701 |
| 2021 | \$ (6,031,992) |
| 2022 | \$ (7,980,675) |
| 2023 | \$ (1,814,162) |

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. SPTRFA Pension Costs

At June 30, 2019, the District reported a liability of \$438,560,447 for its proportionate share of the SPTRFA’s net pension liability. The net pension liability was measured as of June 30, 2018, 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 SPTRFA in relation to total system contributions, including direct aid from the state of Minnesota. The District’s proportionate share was 72.415 percent at the end of the measurement period and 71.848 percent for the beginning of the period.

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

| | |
|---------------------------------------------------------------------------------------|----------------|
| District’s proportionate share of the net pension liability | \$ 438,560,447 |
| State’s proportionate share of the net pension liability associated with the District | \$ 166,192,028 |

For the year ended June 30, 2019, the District recognized negative pension expense of \$8,131,728. It also recognized \$10,649,316 as an increase to pension expense for the support provided by direct aid.

At June 30, 2019, the District reported its proportionate share of the SPTRFA’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 | \$ 2,572,181 | \$ 17,438,980 |
| Changes in actuarial assumptions | 64,392,142 | 8,198,102 |
| Differences between projected and actual investment earnings | – | 2,097,138 |
| Changes in proportion | 7,146,831 | – |
| District’s contributions to the SPTRFA subsequent to the measurement date | <u>30,811,767</u> | <u>–</u> |
| Total | <u>\$ 104,922,921</u> | <u>\$ 27,734,220</u> |

A total of \$30,811,767 reported as deferred outflows of resources related to pensions resulting from district contributions to the SPTRFA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the SPTRFA will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|-------------------------|------------------------------|
| 2020 | \$ 19,313,956 |
| 2021 | \$ 19,299,161 |
| 2022 | \$ 9,802,931 |
| 2023 | \$ (2,039,114) |

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

| Assumptions | GERF | SPTRFA |
|------------------------------|-------|------------|
| Inflation | 2.50% | 2.50% |
| Active member payroll growth | 3.25% | 3.00–9.00% |
| Investment rate of return | 7.50% | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and 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 1.25 percent per year for the GERF and 1.00 percent per year through 2041, 2.00 percent beginning 2042, and 2.50 percent beginning 2052 for the SPTRFA.

Actuarial assumptions used in the June 30, 2018 valuation for the GERF were based on the results of actuarial experience studies. The most recent experience study in the GERF was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions for the GERF occurred in 2018:

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

The actuarial assumptions used in the June 30, 2018 valuation for the SPTRFA were based on the results of an actuarial experience study for the period July 1, 2006 to June 30, 2011.

The following changes in actuarial assumptions and plan provisions for the SPTRFA occurred in 2018:

CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed investment return was lowered from 8.00 percent to 7.50 percent.
- The assumed wage inflation decreased from 4.00 percent to 3.00 percent.
- Salary increase rates were updated from an age-based table with a service-based component during the first 15 years, to a service-based table of rates.
- Retirement, withdrawal, and disability rates were adjusted to better fit observed experience.
- The mortality table was updated from the RP-2000 Mortality Table (with adjustments) projected with Scale AA to 2020, to the RP-2014 Mortality Table, with white collar adjustment, set back two years for females, projected with Scale MP-2017 from 2006.

CHANGES IN PLAN PROVISIONS

- The annuity benefit increases changed zero percent for January 1, 2019 and 2020, with 1.00 percent payable thereafter. In addition, for retirements on or after July 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, Rule of 62/30 retirees, disability benefit recipients, or survivors).
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent prospectively, beginning July 1, 2018.
- Lower early retirement factors will be phased in over a 60-month period starting July 1, 2019.
- Deferred augmentation was changed to zero percent prospectively, effective July 1, 2019.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

- Statutory contribution rates for members and their employers are shown as a percent of pay below:

| Contributions After June 30 | Plan Contribution Rates: Basic/Coordinated | | |
|--------------------------------|--------------------------------------------|----------------------------|-------------------------------|
| | Member (%) | Employer Regular (%) | Employer Additional (%) |
| 2018 | 10.000/7.500 | 10.835/7.335 | 3.640/3.840 |
| 2019 | 10.000/7.500 | 11.670/8.170 | 3.640/3.840 |
| 2020 | 10.000/7.500 | 11.880/8.380 | 3.640/3.840 |
| 2021 | 10.000/7.500 | 12.090/8.590 | 3.640/3.840 |
| 2022 | 10.250/7.750 | 12.300/8.800 | 3.640/3.840 |
| 2023 | 10.250/7.750 | 12.500/9.000 | 3.640/3.840 |

- Additional supplemental contributions of \$5,000,000 will be made by the state of Minnesota annually beginning October 1, 2018.
- The plan’s statutory amortization period was changed from June 30, 2042, to June 30, 2048.

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

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

| Asset Class | Target Allocation | Long-Term Rate of Return |
|--------------------------------------|----------------------|-----------------------------|
| Domestic stocks | 36 % | 5.10 % |
| International stocks | 17 | 5.30 % |
| Bonds (fixed income) | 20 | 0.75 % |
| Alternative assets (private markets) | 25 | 5.90 % |
| Cash | 2 | – % |
| Total | 100 % | |

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

| Asset Class | Target Allocation | Long-Term Rate of Return |
|---------------------------------|-------------------|--------------------------|
| Domestic stocks | 35 % | 6.55 % |
| International stocks | 20 | 6.98 % |
| Fixed income | 20 | 3.45 % |
| Real assets | 11 | 3.90 % |
| Private equity and alternatives | 9 | 7.47 % |
| Opportunistic | 5 | 6.08 % |
| Total | 100 % | |

F. Discount Rate

1. GERF

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

2. SPTRFA

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan members, employer, and state of Minnesota contributions will be made in accordance with rates set by Minnesota Statutes. Based on these assumptions, SPTRFA's fiduciary net position was projected to be available to make all projected future benefits 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (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 on the preceding page, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 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 | \$ 141,255,543 | \$ 86,919,640 | \$ 42,066,904 |
| SPTRFA discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the SPTRFA net pension liability | \$ 583,021,855 | \$ 438,560,447 | \$ 318,901,177 |

H. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; 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 SPTRFA's fiduciary net position is available in a separately issued SPTRFA financial report. That report can be obtained at the SPTRFA website at www.sptrfa.org; by writing to the SPTRFA at 1619 Dayton Avenue, Room 309, St. Paul, Minnesota 55104; or by calling (651) 642-2550.

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the Independent School District No. 625 OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the Board of Education of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

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

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree’s premiums for medical and/or life insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit 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 until the retiree reaches Medicare eligibility, 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 annually by the District. The District’s contributions in the current year totaled \$22,534,370 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section. The District has established an OPEB Revocable Trust to fund these obligations.

D. Membership

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

| | |
|-----------------------------------------------|---------------------|
| Retirees and beneficiaries receiving benefits | 3,175 |
| Active plan members | <u>5,703</u> |
| Total members | <u><u>8,878</u></u> |

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

E. Total OPEB Liability of the District

The District's total OPEB liability of \$319,487,158 as of year-end was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date and 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 | 3.62% |
| 20-year municipal bond yield | 3.62% |
| Inflation rate | 2.75% |
| Healthcare trend rate | 6.90% initially, gradually decreasing over several decades to an ultimate rate of 4.40% in fiscal year 2075 and later years |

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

Mortality rates were based on the RP-2014 Mortality Tables with projected mortality improvements based on Scale MP-2015, and other adjustments. The rates used are recent tables developed and recommended by the Society of Actuaries.

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

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

G. Changes in the Total OPEB Liability

| | Total OPEB Liability |
|-----------------------|-------------------------|
| Beginning balance | \$ 330,876,703 |
| Changes for the year | |
| Service cost | 7,818,493 |
| Interest | 11,700,816 |
| Change of assumptions | (10,867,697) |
| Benefit payments | (20,041,157) |
| Total net changes | <u>(11,389,545)</u> |
| Ending balance | <u>\$ 319,487,158</u> |

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.56 percent to 3.62 percent.

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

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

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 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 | 2.62% | 3.62% | 4.62% |
| Total OPEB liability | \$ 348,950,628 | \$ 319,487,158 | \$ 293,642,338 |

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0 percentage point lower or 1.0 percentage point higher than the current healthcare cost trend rates:

| | <u>1% Decrease in Healthcare Cost Trend Rate</u> | <u>Healthcare Cost Trend Rate</u> | <u>1% Increase in Healthcare Cost Trend Rate</u> |
|----------------------------|----------------------------------------------------------|---------------------------------------------|----------------------------------------------------------|
| OPEB healthcare trend rate | 5.90% decreasing to 3.40% after 56 years | 6.90% decreasing to 4.40% after 56 years | 7.90% decreasing to 5.40% after 56 years |
| Total OPEB liability | \$ 305,468,542 | \$ 319,487,158 | \$ 335,591,184 |

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

For the current year ended, the District recognized OPEB expense of \$15,587,214. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Changes in actuarial assumptions | \$ – | \$ 23,899,317 |
| District’s contributions subsequent to the measurement date | <u>22,534,370</u> | <u>–</u> |
| Total | <u>\$ 22,534,370</u> | <u>\$ 23,899,317</u> |

A total of \$22,534,370 reported as deferred outflows of resources related to OPEB contributions, subsequent to the measure date, will be recognized as a reduction of total OPEB liability in the year ending June 30, 2020.

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

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|-------------------------|------------------------------|
| 2020 | \$ (3,932,095) |
| 2021 | \$ (3,932,095) |
| 2022 | \$ (3,932,095) |
| 2023 | \$ (3,932,095) |
| 2024 | \$ (3,932,095) |
| Thereafter | \$ (4,238,842) |

NOTE 8 – INTERFUND BALANCES AND TRANSACTIONS

Interfund Receivables and Payables

The District had the following interfund receivables and payables at June 30, 2019:

| | Due From Other Fund | Due to Other Fund |
|-----------------------|------------------------|----------------------|
| General Fund | \$ 54,388,914 | \$ – |
| Capital Projects Fund | – | 54,388,914 |
| Total | <u>\$ 54,388,914</u> | <u>\$ 54,388,914</u> |

The District’s General Fund has an interfund receivable from the Capital Projects Fund for expenditures made prior to the reimbursement of debt proceeds. Such interfund balances are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY

At June 30, 2019, the District had a deficit net position total in the Capital Projects Fund of \$24,285,406.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Legal Contingencies

The District has the usual and customary legal claims pending at year-end, mostly of minor nature and/or covered by insurance. 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.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Federal and State Revenues

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

C. Construction Contracts

At June 30, 2019, the District had commitments totaling \$24,300,902 under various construction contracts for which the work was not yet completed.

NOTE 11 – SUBSEQUENT EVENTS

In July 2019, the District issued \$22,145,000 of Certificates of Participation, Series 2019B. The certificates bear interest rates ranging from 3.0–5.0 percent and mature in 2039.

In July 2019, the District issued \$40,260,000 of Taxable Certificates of Participation, Series 2019C. The certificates bear interest rates ranging from 2.025–3.383 percent and mature in 2039.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 625

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2019

| 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 | 1.8895% | \$ 88,759,244 | \$ - | \$ 88,759,244 | \$ 99,090,499 | 89.57% | 78.70% |
| 06/30/2016 | 06/30/2015 | 1.7578% | \$ 91,098,319 | \$ - | \$ 91,098,319 | \$ 99,908,024 | 91.18% | 78.20% |
| 06/30/2017 | 06/30/2016 | 1.6440% | \$ 133,484,646 | \$ 1,743,390 | \$ 135,228,036 | \$ 101,243,640 | 131.84% | 68.90% |
| 06/30/2018 | 06/30/2017 | 1.6165% | \$ 103,196,293 | \$ 1,297,601 | \$ 104,493,894 | \$ 104,043,297 | 99.19% | 75.90% |
| 06/30/2019 | 06/30/2018 | 1.5668% | \$ 86,919,640 | \$ 2,851,130 | \$ 89,770,770 | \$ 105,660,491 | 82.26% | 79.50% |

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2019

| 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 | \$ 7,618,169 | \$ 7,618,169 | \$ - | \$ 99,908,024 | 7.63% |
| 06/30/2016 | \$ 7,593,273 | \$ 7,593,273 | \$ - | \$ 101,243,640 | 7.50% |
| 06/30/2017 | \$ 7,803,247 | \$ 7,803,247 | \$ - | \$ 104,043,297 | 7.50% |
| 06/30/2018 | \$ 7,891,239 | \$ 7,891,239 | \$ - | \$ 105,660,491 | 7.47% |
| 06/30/2019 | \$ 7,903,892 | \$ 7,903,892 | \$ - | \$ 105,371,739 | 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. 625

Saint Paul Teachers Retirement Fund Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2019

| District Fiscal Year-End Date | SPTRFA 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 | 69.3460% | \$ 371,550,320 | \$ 161,849,511 | \$ 533,399,831 | \$ 259,740,000 | 143.05% | 66.12% |
| 06/30/2016 | 06/30/2015 | 70.2370% | \$ 408,639,568 | \$ 171,196,640 | \$ 579,836,208 | \$ 262,952,558 | 155.40% | 63.56% |
| 06/30/2017 | 06/30/2016 | 71.0370% | \$ 449,596,014 | \$ 181,788,120 | \$ 631,384,134 | \$ 257,470,816 | 174.62% | 60.26% |
| 06/30/2018 | 06/30/2017 | 71.8480% | \$ 415,970,462 | \$ 161,573,776 | \$ 577,544,238 | \$ 260,269,125 | 159.82% | 64.07% |
| 06/30/2019 | 06/30/2018 | 72.4150% | \$ 438,560,447 | \$ 166,192,028 | \$ 604,752,475 | \$ 258,918,482 | 169.38% | 63.87% |

Saint Paul Teachers Retirement Fund Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2019

| 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 | \$ 24,994,020 | \$ 24,994,020 | \$ - | \$ 262,952,558 | 9.51% |
| 06/30/2016 | \$ 25,384,079 | \$ 25,384,079 | \$ - | \$ 257,470,816 | 9.86% |
| 06/30/2017 | \$ 26,236,260 | \$ 26,236,260 | \$ - | \$ 260,269,125 | 10.08% |
| 06/30/2018 | \$ 27,305,466 | \$ 27,305,466 | \$ - | \$ 258,918,482 | 10.55% |
| 06/30/2019 | \$ 30,011,767 | \$ 30,011,767 | \$ - | \$ 264,319,067 | 11.35% |

* In addition to the above contributions based on covered payroll, for each period presented above, the District also contributed \$800,000 annually as required by state statutes.

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.

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INDEPENDENT SCHOOL DISTRICT NO. 625

Other Post-Employment Benefits Plan
 Schedule of Changes in the District's Total
 OPEB Liability and Related Ratios
 Year Ended June 30, 2019

| | District Fiscal Year-End Date | |
|---------------------------------------------------------------------|-------------------------------|-----------------------|
| | 2018 | 2019 |
| Total OPEB liability | | |
| Service cost | \$ 8,294,600 | \$ 7,818,493 |
| Interest | 10,228,440 | 11,700,816 |
| Change of assumptions | (19,488,077) | (10,867,697) |
| Benefit payments | <u>(20,305,375)</u> | <u>(20,041,157)</u> |
| Net change in total OPEB liability | (21,270,412) | (11,389,545) |
| Total OPEB liability – beginning of year | <u>352,147,115</u> | <u>330,876,703</u> |
| Total OPEB liability – end of year | <u>\$ 330,876,703</u> | <u>\$ 319,487,158</u> |
| Covered-employee payroll | <u>\$ 325,787,955</u> | <u>\$ 308,543,117</u> |
| Total OPEB liability as a percentage of covered-employee payroll | <u>101.56%</u> | <u>103.55%</u> |

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

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

INDEPENDENT SCHOOL DISTRICT NO. 625

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
 General Fund and Major Special Revenue Funds
 Year Ended June 30, 2019

| | General | | | |
|------------------------------------------------------|--------------------|-----------------------|----------------------|----------------------|
| | Budgeted Amounts | | Actual | Variance |
| | Original | Final | | |
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 114,276,858 | \$ 114,276,858 | \$ 117,114,826 | \$ 2,837,968 |
| County and other | 8,100,000 | 9,094,360 | 12,170,085 | 3,075,725 |
| State | 433,836,839 | 445,752,544 | 450,852,968 | 5,100,424 |
| Federal | 44,899,990 | 54,944,335 | 49,039,002 | (5,905,333) |
| Investment earnings | 100,000 | 100,000 | 3,266,489 | 3,166,489 |
| Sales and conversion of assets | – | – | 391,370 | 391,370 |
| Total revenues | <u>601,213,687</u> | <u>624,168,097</u> | <u>632,834,740</u> | <u>8,666,643</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 23,377,777 | 24,372,433 | 24,537,667 | 165,234 |
| District support services | 27,084,711 | 21,310,927 | 16,285,155 | (5,025,772) |
| Elementary and secondary regular instruction | 254,903,973 | 283,037,826 | 279,467,164 | (3,570,662) |
| Vocational education instruction | 3,335,928 | 3,036,296 | 5,972,344 | 2,936,048 |
| Special education instruction | 107,815,220 | 117,573,705 | 119,596,282 | 2,022,577 |
| Instructional support services | 31,339,193 | 35,156,315 | 35,213,420 | 57,105 |
| Pupil support services | 54,951,893 | 63,196,452 | 64,980,833 | 1,784,381 |
| Sites and buildings | 56,524,251 | 63,597,512 | 66,252,806 | 2,655,294 |
| Fiscal and other fixed cost programs | 25,449,431 | 3,892,934 | 1,848,299 | (2,044,635) |
| Food service | – | – | – | – |
| Community service | 7,353,760 | 8,427,930 | 8,390,698 | (37,232) |
| Debt service | | | | |
| Principal payments | 7,894,146 | 7,894,146 | 7,894,146 | – |
| Interest | 1,183,404 | 1,183,404 | 1,183,404 | – |
| Total expenditures | <u>601,213,687</u> | <u>632,679,880</u> | <u>631,622,218</u> | <u>(1,057,662)</u> |
| Excess (deficiency) of revenues over expenditures | – | (8,511,783) | 1,212,522 | 9,724,305 |
| Other financing sources | | | | |
| Sale of capital assets | – | – | 3,318,225 | 3,318,225 |
| Net change in fund balances | <u>\$ –</u> | <u>\$ (8,511,783)</u> | <u>4,530,747</u> | <u>\$ 13,042,530</u> |
| Fund balances at beginning of year | | | <u>93,982,507</u> | |
| Fund balances at end of year | | | <u>\$ 98,513,254</u> | |

| Food Service | | | | Community Service | | | |
|------------------|------------|--------------|--------------|-------------------|--------------|--------------|-------------|
| Budgeted Amounts | | Actual | Variance | Budgeted Amounts | | Actual | Variance |
| Original | Final | | | Original | Final | | |
| \$ - | \$ - | \$ - | \$ - | \$ 3,300,382 | \$ 3,294,382 | \$ 3,610,332 | \$ 315,950 |
| - | 20,575 | 194,857 | 174,282 | 7,843,768 | 7,413,366 | 6,317,160 | (1,096,206) |
| 1,279,308 | 1,283,808 | 996,438 | (287,370) | 16,280,686 | 16,832,124 | 16,845,904 | 13,780 |
| 25,794,316 | 25,794,316 | 24,061,718 | (1,732,598) | 4,423,828 | 2,905,447 | 2,679,352 | (226,095) |
| - | - | 58,149 | 58,149 | 10,000 | 10,000 | 58,149 | 48,149 |
| 1,865,265 | 1,865,265 | 1,822,072 | (43,193) | 575 | 75 | 3,081 | 3,006 |
| 28,938,889 | 28,963,964 | 27,133,234 | (1,830,730) | 31,859,239 | 30,455,394 | 29,513,978 | (941,416) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 739,547 | 1,161,828 | 1,123,730 | (38,098) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 28,938,889 | 28,963,964 | 27,918,369 | (1,045,595) | - | - | - | - |
| - | - | - | - | 31,265,172 | 29,445,047 | 28,517,914 | (927,133) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 28,938,889 | 28,963,964 | 27,918,369 | (1,045,595) | 32,004,719 | 30,606,875 | 29,641,644 | (965,231) |
| - | - | (785,135) | (785,135) | (145,480) | (151,481) | (127,666) | 23,815 |
| - | - | - | - | - | - | - | - |
| \$ - | \$ - | (785,135) | \$ (785,135) | \$ (145,480) | \$ (151,481) | (127,666) | \$ 23,815 |
| | | 6,638,718 | | | | 3,673,851 | |
| | | \$ 5,853,583 | | | | \$ 3,546,185 | |

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INDEPENDENT SCHOOL DISTRICT NO. 625

Notes to Required Supplementary Information
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

- The state's special funding contribution increased from \$6 million to \$16 million.

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.

INDEPENDENT SCHOOL DISTRICT NO. 625

Notes to Required Supplementary Information (continued)
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

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. 625

Notes to Required Supplementary Information (continued)
June 30, 2019

SPTREA

2018 CHANGES IN PLAN PROVISIONS

- The annuity benefit increases changed to zero percent for January 1, 2019 and 2020, with 1.00 percent payable thereafter. In addition, for retirements on or after July 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, Rule of 62/30 retirees, disability benefit recipients, or survivors).
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent prospectively, beginning July 1, 2018.
- Lower early retirement factors will be phased in over a 60-month period starting July 1, 2019.
- Deferred augmentation was changed to zero percent prospectively, effective July 1, 2019.
- Statutory contribution rates for members and their employers are shown as a percent of pay below:

| Contributions After June 30 | Plan Contribution Rates: Basic/Coordinated | | |
|--------------------------------|--------------------------------------------|----------------------------|-------------------------------|
| | Member (%) | Employer Regular (%) | Employer Additional (%) |
| 2018 | 10.000/7.500 | 10.835/7.335 | 3.640/3.840 |
| 2019 | 10.000/7.500 | 11.670/8.170 | 3.640/3.840 |
| 2020 | 10.000/7.500 | 11.880/8.380 | 3.640/3.840 |
| 2021 | 10.000/7.500 | 12.090/8.590 | 3.640/3.840 |
| 2022 | 10.250/7.750 | 12.300/8.800 | 3.640/3.840 |
| 2023 | 10.250/7.750 | 12.500/9.000 | 3.640/3.840 |

- Additional supplemental contributions of \$5,000,000 will be made by the State of Minnesota annually beginning October 1, 2018.
- The plan's statutory amortization period was changed from June 30, 2042, to June 30, 2048.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed investment return was lowered from 8.00 percent to 7.50 percent.
- The assumed wage inflation decreased from 4.00 percent to 3.00 percent.
- Salary increase rates were updated from an age-based table with a service-based component during the first 15 years, to a service-based table of rates.
- Retirement, withdrawal, and disability rates were adjusted to better fit observed experience.

INDEPENDENT SCHOOL DISTRICT NO. 625

Notes to Required Supplementary Information (continued)
June 30, 2019

SPTREA (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The mortality table was updated from the RP-2000 Mortality Table (with adjustments) projected with Scale AA to 2020, to the RP-2014 Mortality Table, with white collar adjustment, set back two years for females, projected with Scale MP-2017 from 2006.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity loads on liabilities were changed as follows:

| | Active Pre-89 | Active Post-89 | Vested Terminated | Nonvested Terminated |
|---------|------------------|-------------------|----------------------|-------------------------|
| Prior | 7.00 % | 2.00 % | 30.00 % | 30.00 % |
| Current | – % | – % | 20.00 % | 9.00 % |

- The assumed cost of living adjustments were changed from 1.00 percent per year through 2054, 2.00 percent beginning 2055, 2.50 percent beginning 2066 to 1.00 percent per year through 2041, 2.00 percent beginning 2042, and 2.50 percent beginning 2052.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The plan is assumed to pay a 2.0 percent post-retirement benefit increase beginning January 1, 2055 and a 2.5 percent post-retirement benefit increase beginning January 1, 2066.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The plan is assumed to pay a 2.0 percent post-retirement benefit increase beginning January 1, 2041 and a 2.5 percent post-retirement benefit increase beginning January 1, 2051.

INDEPENDENT SCHOOL DISTRICT NO. 625

Notes to Required Supplementary Information (continued)
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS PLAN

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.56 percent to 3.62 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.92 percent to 3.56 percent.

INDEPENDENT SCHOOL DISTRICT NO. 625

Notes to Required Supplementary Information (continued)
June 30, 2019

BUDGETARY INFORMATION

The budgets for the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund are prepared on the same basis of accounting as the financial statements and lapse at year-end.

The Saint Paul Public Schools Budget & Finance Advisory Committee meets to provide input to administration and to the Board of Education on budget planning recommendations that support the strategic goals and policies of the District. The committee is co-chaired by the Board treasurer and the chief financial officer and members include staff, parents, residents, local business representatives and the community.

These procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- The Board of Education adopts the guidelines and the budget calendar.
- From February through April, the administration and schools prepare the budget.
- The Board of Education's Committee of the Board reviews budget recommendations from administration.
- The Board of Education's Committee of the Board reports at a June regular board meeting regarding the budget recommendations and adopts the budget, which is detailed in a separate budgetary report.
- The superintendent and the chief financial officer are authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Final budgeted amounts include two budget amendments. Unencumbered expenditure appropriations lapse at year-end. Encumbrances outstanding at year-end are reported in the applicable component of fund balance (restricted, committed, or assigned) since they do not represent expenditures or liabilities. Encumbrances outstanding at year-end are reappropriated in the ensuing year's budget, and the related expenditures are recorded in the ensuing year.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund
Balance Sheet by Account
as of June 30, 2019
(With Comparative Totals as of June 30, 2018)

| | General Fund Accounts | Fully Financed General Fund Accounts | Totals | |
|--------------------------------------------------------------------------------|--------------------------|--------------------------------------------|-----------------------|-----------------------|
| | | | 2019 | 2018 |
| Assets | | | | |
| Cash and investments (deficit) | \$ 44,509,650 | \$ (12,962,243) | \$ 31,547,407 | \$ 21,197,368 |
| Restricted cash and investments in revocable trust for OPEB obligations | 40,348,041 | – | 40,348,041 | 37,797,046 |
| Receivables | | | | |
| Current taxes | 78,975,244 | – | 78,975,244 | 67,223,175 |
| Delinquent taxes | 1,601,117 | – | 1,601,117 | 1,628,836 |
| Due from other governmental units | 46,518,062 | 19,255,414 | 65,773,476 | 59,712,066 |
| Other | 240,640 | 373,559 | 614,199 | 655,253 |
| Due from other fund | 54,388,914 | – | 54,388,914 | 48,467,962 |
| Inventories | 540,368 | – | 540,368 | 538,462 |
| Prepaid items | 1,002,097 | 14,917 | 1,017,014 | 2,634,566 |
| Total assets | \$ 268,124,133 | \$ 6,681,647 | \$ 274,805,780 | \$ 239,854,734 |
| Liabilities | | | | |
| Accounts payable | \$ 10,455,857 | \$ 1,314,278 | \$ 11,770,135 | \$ 9,819,932 |
| Accrued expenditures | 52,448,627 | 3,153,841 | 55,602,468 | 45,829,188 |
| Due to other governmental units | 200,435 | 121,862 | 322,297 | 454,946 |
| Unearned revenue | 46,636 | 1,937,659 | 1,984,295 | 2,178,003 |
| Total liabilities | 63,151,555 | 6,527,640 | 69,679,195 | 58,282,069 |
| Deferred inflows of resources | | | | |
| Property taxes levied for subsequent year | 105,357,212 | – | 105,357,212 | 86,124,023 |
| Unavailable revenue – delinquent taxes | 1,256,119 | – | 1,256,119 | 1,466,135 |
| Total deferred inflows of resources | 106,613,331 | – | 106,613,331 | 87,590,158 |
| Fund balances (deficit) | | | | |
| Nonspendable for | | | | |
| Inventories | 540,368 | – | 540,368 | 538,462 |
| Prepaid items | 1,002,097 | 14,917 | 1,017,014 | 2,634,566 |
| Restricted for | | | | |
| Health and safety | – | – | – | 310,433 |
| Area learning center | 841,992 | – | 841,992 | 37,077 |
| OPEB revocable trust | 40,348,041 | – | 40,348,041 | 37,797,046 |
| Committed to | | | | |
| Severance pay | 3,038,018 | – | 3,038,018 | 2,538,018 |
| Assigned to | | | | |
| Contractual obligations | 2,390,428 | – | 2,390,428 | 4,489,816 |
| Strategic plan initiative | 5,260,999 | – | 5,260,999 | 6,068,461 |
| Site-based operations | 12,103,395 | – | 12,103,395 | 7,314,767 |
| Intraschool activities | 3,042,155 | – | 3,042,155 | 3,207,872 |
| Unassigned | | | | |
| Long-term facilities maintenance restricted account deficit | (7,412,279) | – | (7,412,279) | (9,696,173) |
| Unassigned | 37,204,033 | 139,090 | 37,343,123 | 38,742,162 |
| Total fund balances | 98,359,247 | 154,007 | 98,513,254 | 93,982,507 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 268,124,133 | \$ 6,681,647 | \$ 274,805,780 | \$ 239,854,734 |

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund Accounts
Comparative Balance Sheet
as of June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------------|----------------------|----------------------|
| Assets | | |
| Cash and investments | \$ 44,509,650 | \$ 34,326,248 |
| Restricted cash and investments in revocable trust for OPEB obligations | 40,348,041 | 37,797,046 |
| Receivables | | |
| Current taxes | 78,975,244 | 67,223,175 |
| Delinquent taxes | 1,601,117 | 1,628,836 |
| Due from other governmental units | 46,518,062 | 41,952,193 |
| Other | 240,640 | 385,644 |
| Due from other fund | 54,388,914 | 48,467,962 |
| Inventories | 540,368 | 538,462 |
| Prepaid items | 1,002,097 | 2,616,604 |
| | <u>\$268,124,133</u> | <u>\$234,936,170</u> |
| Liabilities | | |
| Accounts payable | \$ 10,455,857 | \$ 9,276,987 |
| Accrued expenditures | 52,448,627 | 43,771,940 |
| Due to other governmental units | 200,435 | 416,281 |
| Unearned revenue | 46,636 | 33,380 |
| Total liabilities | <u>63,151,555</u> | <u>53,498,588</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 105,357,212 | 86,124,023 |
| Unavailable revenue – delinquent taxes | 1,256,119 | 1,466,135 |
| Total deferred inflows of resources | <u>106,613,331</u> | <u>87,590,158</u> |
| Fund balances (deficit) | | |
| Nonspendable for | | |
| Inventories | 540,368 | 538,462 |
| Prepaid items | 1,002,097 | 2,616,604 |
| Restricted for | | |
| Health and safety | – | 310,433 |
| Area learning center | 841,992 | 37,077 |
| OPEB revocable trust | 40,348,041 | 37,797,046 |
| Committed to | | |
| Severance pay | 3,038,018 | 2,538,018 |
| Assigned to | | |
| Contractual obligations | 2,390,428 | 4,489,816 |
| Strategic plan initiative | 5,260,999 | 6,068,461 |
| Site-based operations | 12,103,395 | 7,314,767 |
| Intraschool activities | 3,042,155 | 3,207,872 |
| Unassigned | | |
| Long-term facilities maintenance restricted account deficit | (7,412,279) | (9,696,173) |
| Unassigned | 37,204,033 | 38,625,041 |
| Total fund balances | <u>98,359,247</u> | <u>93,847,424</u> |
| | <u>\$268,124,133</u> | <u>\$234,936,170</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$268,124,133</u> | <u>\$234,936,170</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Fully Financed General Fund Accounts
 Comparative Balance Sheet
 as of June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and investments (deficit) | \$ (12,962,243) | \$ (13,128,880) |
| Receivables | | |
| Due from other governmental units | 19,255,414 | 17,759,873 |
| Other | 373,559 | 269,609 |
| Prepaid items | <u>14,917</u> | <u>17,962</u> |
| Total assets | <u>\$ 6,681,647</u> | <u>\$ 4,918,564</u> |
| Liabilities | | |
| Accounts payable | \$ 1,314,278 | \$ 542,945 |
| Accrued expenditures | 3,153,841 | 2,057,248 |
| Due to other governmental units | 121,862 | 38,665 |
| Unearned revenue | <u>1,937,659</u> | <u>2,144,623</u> |
| Total liabilities | 6,527,640 | 4,783,481 |
| Fund balances | | |
| Nonspendable for prepaid items | 14,917 | 17,962 |
| Unassigned | <u>139,090</u> | <u>117,121</u> |
| Total fund balances | <u>154,007</u> | <u>135,083</u> |
| Total liabilities and fund balances | <u>\$ 6,681,647</u> | <u>\$ 4,918,564</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances by Account
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

| | General Fund Accounts | Fully Financed General Fund Accounts | Totals | |
|----------------------------------------------|--------------------------|--------------------------------------------|----------------------|----------------------|
| | | | 2019 | 2018 |
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 117,114,826 | \$ - | \$ 117,114,826 | \$ 109,238,056 |
| County and other | 9,357,667 | 2,812,418 | 12,170,085 | 14,001,527 |
| State | 449,593,022 | 1,259,946 | 450,852,968 | 446,238,457 |
| Federal | 1,050,490 | 47,988,512 | 49,039,002 | 42,442,009 |
| Investment earnings | 3,266,489 | - | 3,266,489 | 2,650,700 |
| Sales and conversions of assets | 391,370 | - | 391,370 | 378,155 |
| Total revenues | <u>580,773,864</u> | <u>52,060,876</u> | <u>632,834,740</u> | <u>614,948,904</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 24,475,132 | 62,535 | 24,537,667 | 23,854,360 |
| District support services | 16,114,293 | 170,862 | 16,285,155 | 16,938,836 |
| Elementary and secondary regular instruction | 243,307,041 | 36,160,123 | 279,467,164 | 269,413,767 |
| Vocational education instruction | 5,146,834 | 825,510 | 5,972,344 | 2,847,300 |
| Special education instruction | 110,201,947 | 9,394,335 | 119,596,282 | 115,418,197 |
| Community service | 7,940,368 | 450,330 | 8,390,698 | 7,349,794 |
| Instructional support services | 33,461,818 | 1,751,602 | 35,213,420 | 40,780,667 |
| Pupil support services | 61,827,138 | 3,153,695 | 64,980,833 | 59,285,630 |
| Sites and buildings | 66,179,846 | 72,960 | 66,252,806 | 54,387,609 |
| Fiscal and other fixed cost programs | 1,848,299 | - | 1,848,299 | 1,690,791 |
| Debt service | | | | |
| Principal payments | 7,894,146 | - | 7,894,146 | 8,453,880 |
| Interest | 1,183,404 | - | 1,183,404 | 221,701 |
| Total expenditures | <u>579,580,266</u> | <u>52,041,952</u> | <u>631,622,218</u> | <u>600,642,532</u> |
| Excess of revenues over expenditures | 1,193,598 | 18,924 | 1,212,522 | 14,306,372 |
| Other financing sources (uses) | | | | |
| Capital lease issued | - | - | - | 3,857,775 |
| Sale of capital assets | 3,318,225 | - | 3,318,225 | 1,537,523 |
| Transfers (out) | - | - | - | (18,369,027) |
| Total other financing sources (uses) | <u>3,318,225</u> | <u>-</u> | <u>3,318,225</u> | <u>(12,973,729)</u> |
| Net change in fund balances | 4,511,823 | 18,924 | 4,530,747 | 1,332,643 |
| Fund balances at beginning of year | <u>93,847,424</u> | <u>135,083</u> | <u>93,982,507</u> | <u>92,649,864</u> |
| Fund balances at end of year | <u>\$ 98,359,247</u> | <u>\$ 154,007</u> | <u>\$ 98,513,254</u> | <u>\$ 93,982,507</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund Accounts
 Schedule of Revenues, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

| | 2019 | | Over (Under) Budget | 2018 |
|------------------------------------------------------|-----------------------|----------------------|------------------------|----------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 114,276,858 | \$ 117,114,826 | \$ 2,837,968 | \$ 109,238,056 |
| County and other | 4,900,000 | 9,357,667 | 4,457,667 | 11,726,966 |
| State | 442,326,636 | 449,593,022 | 7,266,386 | 445,167,701 |
| Federal | 800,000 | 1,050,490 | 250,490 | 951,395 |
| Investment earnings | 100,000 | 3,266,489 | 3,166,489 | 2,650,700 |
| Sales and conversions of assets | – | 391,370 | 391,370 | 378,155 |
| Total revenues | <u>562,403,494</u> | <u>580,773,864</u> | <u>18,370,370</u> | <u>570,112,973</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 24,280,929 | 24,475,132 | 194,203 | 23,817,600 |
| District support services | 21,035,127 | 16,114,293 | (4,920,834) | 16,783,015 |
| Elementary and secondary regular instruction | 240,644,640 | 243,307,041 | 2,662,401 | 239,870,367 |
| Vocational education instruction | 2,001,442 | 5,146,834 | 3,145,392 | 2,025,819 |
| Special education instruction | 106,867,873 | 110,201,947 | 3,334,074 | 106,305,134 |
| Community service | 7,885,252 | 7,940,368 | 55,116 | 7,193,893 |
| Instructional support services | 32,286,870 | 33,461,818 | 1,174,948 | 38,997,828 |
| Pupil support services | 59,418,148 | 61,827,138 | 2,408,990 | 56,058,964 |
| Sites and buildings | 63,524,512 | 66,179,846 | 2,655,334 | 54,387,609 |
| Fiscal and other fixed cost programs | 3,892,934 | 1,848,299 | (2,044,635) | 1,690,791 |
| Debt service | | | | |
| Principal payments | 7,894,146 | 7,894,146 | – | 8,453,880 |
| Interest | 1,183,404 | 1,183,404 | – | 221,701 |
| Total expenditures | <u>570,915,277</u> | <u>579,580,266</u> | <u>8,664,989</u> | <u>555,806,601</u> |
| Excess (deficiency) of revenues over expenditures | (8,511,783) | 1,193,598 | 9,705,381 | 14,306,372 |
| Other financing sources (uses) | | | | |
| Capital lease issued | – | – | – | 3,857,775 |
| Sale of capital assets | – | 3,318,225 | 3,318,225 | 1,537,523 |
| Transfers (out) | – | – | – | (18,369,027) |
| Total other financing sources (uses) | <u>–</u> | <u>3,318,225</u> | <u>3,318,225</u> | <u>(12,973,729)</u> |
| Net change in fund balances | <u>\$ (8,511,783)</u> | <u>4,511,823</u> | <u>\$ 13,023,606</u> | <u>1,332,643</u> |
| Fund balances at beginning of year | | <u>93,847,424</u> | | <u>92,514,781</u> |
| Fund balances at end of year | | <u>\$ 98,359,247</u> | | <u>\$ 93,847,424</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Fully Financed General Fund Accounts
 Schedule of Revenues, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

| | 2019 | | Over (Under) Budget | 2018 |
|-------------------------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Local sources | | | | |
| County and other | \$ 4,194,360 | \$ 2,812,418 | \$ (1,381,942) | \$ 2,274,561 |
| State | 3,425,908 | 1,259,946 | (2,165,962) | 1,070,756 |
| Federal | 54,144,335 | 47,988,512 | (6,155,823) | 41,490,614 |
| Total revenues | <u>61,764,603</u> | <u>52,060,876</u> | <u>(9,703,727)</u> | <u>44,835,931</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 91,504 | 62,535 | (28,969) | 36,760 |
| District support services | 275,800 | 170,862 | (104,938) | 155,821 |
| Elementary and secondary regular instruction | 42,393,186 | 36,160,123 | (6,233,063) | 29,543,400 |
| Vocational education instruction | 1,034,854 | 825,510 | (209,344) | 821,481 |
| Special education instruction | 10,705,832 | 9,394,335 | (1,311,497) | 9,113,063 |
| Community service | 542,678 | 450,330 | (92,348) | 155,901 |
| Instructional support services | 2,869,445 | 1,751,602 | (1,117,843) | 1,782,839 |
| Pupil support services | 3,778,304 | 3,153,695 | (624,609) | 3,226,666 |
| Sites and buildings | 73,000 | 72,960 | (40) | – |
| Total expenditures | <u>61,764,603</u> | <u>52,041,952</u> | <u>(9,722,651)</u> | <u>44,835,931</u> |
| Net change in fund balances | <u>\$ –</u> | 18,924 | <u>\$ 18,924</u> | – |
| Fund balances at beginning of year | | <u>135,083</u> | | <u>135,083</u> |
| Fund balances at end of year | | <u>\$ 154,007</u> | | <u>\$ 135,083</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and investments | \$ 4,525,578 | \$ 4,586,488 |
| Receivables | | |
| Due from other governmental units | 932,663 | 1,045,957 |
| Other | 1,800 | 23,248 |
| Inventories | 1,587,304 | 1,746,784 |
| Prepaid items | <u>8,157</u> | <u>7,472</u> |
| Total assets | <u>\$ 7,055,502</u> | <u>\$ 7,409,949</u> |
| Liabilities | | |
| Accounts payable | \$ 305,378 | \$ 209,293 |
| Accrued expenditures | <u>896,541</u> | <u>561,938</u> |
| Total liabilities | 1,201,919 | 771,231 |
| Fund balances | | |
| Nonspendable for inventories | 1,587,304 | 1,746,784 |
| Nonspendable for prepaid items | 8,157 | 7,472 |
| Restricted for food service | <u>4,258,122</u> | <u>4,884,462</u> |
| Total fund balances | <u>5,853,583</u> | <u>6,638,718</u> |
| Total liabilities and fund balances | <u>\$ 7,055,502</u> | <u>\$ 7,409,949</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Food Service Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

| | 2019 | | Over (Under) Budget | 2018 |
|------------------------------------|-------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Local sources | | | | |
| County and other | \$ 20,575 | \$ 194,857 | \$ 174,282 | \$ 37,461 |
| State | 1,283,808 | 996,438 | (287,370) | 1,057,453 |
| Federal | 25,794,316 | 24,061,718 | (1,732,598) | 25,002,985 |
| Investment earnings | – | 58,149 | 58,149 | 22,665 |
| Sales and conversion of assets | 1,865,265 | 1,822,072 | (43,193) | 1,774,838 |
| Total revenues | <u>28,963,964</u> | <u>27,133,234</u> | <u>(1,830,730)</u> | <u>27,895,402</u> |
| Expenditures | | | | |
| Current | | | | |
| Food service | <u>28,963,964</u> | <u>27,918,369</u> | <u>(1,045,595)</u> | <u>26,967,864</u> |
| Net change in fund balances | <u>\$ –</u> | <u>(785,135)</u> | <u>\$ (785,135)</u> | 927,538 |
| Fund balances at beginning of year | | <u>6,638,718</u> | | <u>5,711,180</u> |
| Fund balances at end of year | | <u>\$ 5,853,583</u> | | <u>\$ 6,638,718</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------------------------|-----------------------------|----------------------------|
| Assets | | |
| Cash and investments | \$ 4,585,597 | \$ 3,800,623 |
| Receivables | | |
| Current taxes | 2,228,035 | 2,150,647 |
| Delinquent taxes | 52,738 | 52,397 |
| Due from other governmental units | 3,235,024 | 3,086,828 |
| Other | 81,352 | 424,268 |
| Prepaid items | <u>2,215</u> | <u>—</u> |
| Total assets | <u><u>\$ 10,184,961</u></u> | <u><u>\$ 9,514,763</u></u> |
| Liabilities | | |
| Accounts payable | \$ 735,092 | \$ 529,503 |
| Accrued expenditures | 1,653,610 | 1,155,479 |
| Unearned revenue | <u>440,254</u> | <u>483,823</u> |
| Total liabilities | <u>2,828,956</u> | <u>2,168,805</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 3,768,442 | 3,626,824 |
| Unavailable revenue – delinquent taxes | <u>41,378</u> | <u>45,283</u> |
| Total deferred inflows of resources | <u>3,809,820</u> | <u>3,672,107</u> |
| Fund balances | | |
| Nonspendable for prepaid items | 2,215 | — |
| Restricted for | | |
| Adult basic education | 560,605 | 406,085 |
| School readiness | 1,774,569 | 1,373,228 |
| Community education | 633,867 | 560,362 |
| ECFE | 295,667 | 352,680 |
| Community service | <u>279,262</u> | <u>981,496</u> |
| Total fund balances | <u>3,546,185</u> | <u>3,673,851</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u><u>\$ 10,184,961</u></u> | <u><u>\$ 9,514,763</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Community Service Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Amounts for the Year Ended June 30, 2018)

| | 2019 | | Over (Under) | 2018 |
|------------------------------------|---------------------|---------------------|------------------|---------------------|
| | Budget | Actual | Budget | Actual |
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 3,294,382 | \$ 3,610,332 | \$ 315,950 | \$ 3,356,423 |
| County and other | 7,413,366 | 6,317,160 | (1,096,206) | 6,787,887 |
| State | 16,832,124 | 16,845,904 | 13,780 | 17,273,120 |
| Federal | 2,905,447 | 2,679,352 | (226,095) | 2,414,158 |
| Investment earnings | 10,000 | 58,149 | 48,149 | 29,154 |
| Sales and conversion of assets | 75 | 3,081 | 3,006 | 7,465 |
| Total revenues | <u>30,455,394</u> | <u>29,513,978</u> | <u>(941,416)</u> | <u>29,868,207</u> |
| Expenditures | | | | |
| Current | | | | |
| Pupil support services | 1,161,828 | 1,123,730 | (38,098) | 1,209,883 |
| Community service | 29,445,047 | 28,517,914 | (927,133) | 28,839,690 |
| Total expenditures | <u>30,606,875</u> | <u>29,641,644</u> | <u>(965,231)</u> | <u>30,049,573</u> |
| Net change in fund balances | <u>\$ (151,481)</u> | <u>(127,666)</u> | <u>\$ 23,815</u> | <u>(181,366)</u> |
| Fund balances at beginning of year | | <u>3,673,851</u> | | <u>3,855,217</u> |
| Fund balances at end of year | | <u>\$ 3,546,185</u> | | <u>\$ 3,673,851</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Capital Projects Fund
 Comparative Balance Sheet
 as of June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------|----------------------|-----------------------|
| Assets | | |
| Restricted cash and investments for capital projects | \$ 45,296,316 | \$ 119,820,839 |
| Receivables | | |
| Other | <u>73,465</u> | <u>73,524</u> |
| Total assets | <u>\$ 45,369,781</u> | <u>\$ 119,894,363</u> |
| Liabilities | | |
| Accounts payable | \$ 15,208,492 | \$ 29,880,107 |
| Accrued expenditures | 57,781 | 39,590 |
| Due to other fund | <u>54,388,914</u> | <u>48,467,962</u> |
| Total liabilities | <u>69,655,187</u> | <u>78,387,659</u> |
| Fund balances (deficit) | | |
| Restricted for | | |
| Projects funded by certificates of participation | 387,902 | 68,897,851 |
| Unassigned | <u>(24,673,308)</u> | <u>(27,391,147)</u> |
| Total fund balances (deficit) | <u>(24,285,406)</u> | <u>41,506,704</u> |
| Total liabilities and fund balances | <u>\$ 45,369,781</u> | <u>\$ 119,894,363</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

| | 2019 | | Over (Under) Budget | 2018 |
|-----------------------------------------------------|------------------------|------------------------|------------------------|----------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Local sources | | | | |
| County and other | \$ – | \$ 206,476 | \$ 206,476 | \$ 200 |
| Investment earnings | – | 1,001,043 | 1,001,043 | 387,018 |
| Total revenues | – | 1,207,519 | 1,207,519 | 387,218 |
| Expenditures | | | | |
| Capital outlay | 97,052,843 | 82,930,502 | (14,122,341) | 156,372,961 |
| Debt service | | | | |
| Other debt | – | 225,175 | 225,175 | 1,412,673 |
| Total expenditures | 97,052,843 | 83,155,677 | (13,897,166) | 157,785,634 |
| Excess (deficiency) of revenue over expenditures | (97,052,843) | (81,948,158) | 15,104,685 | (157,398,416) |
| Other financing sources | | | | |
| Building bonds issued | 15,000,000 | 15,000,000 | – | 15,000,000 |
| Certificates of participation issued | – | – | – | 126,575,000 |
| Premium on debt issued | – | 1,156,048 | 1,156,048 | 8,440,161 |
| Transfer in | – | – | – | 18,369,027 |
| Total other financing sources | 15,000,000 | 16,156,048 | 1,156,048 | 168,384,188 |
| Net change in fund balances | <u>\$ (82,052,843)</u> | (65,792,110) | <u>\$ 16,260,733</u> | 10,985,772 |
| Fund balances at beginning of year | | 41,506,704 | | 30,520,932 |
| Fund balances (deficit) at end of year | | <u>\$ (24,285,406)</u> | | <u>\$ 41,506,704</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Assets | | |
| Cash and investments | \$ 27,816,629 | \$ 26,509,289 |
| Restricted cash and investments for debt service | 31,790,072 | 52,475,748 |
| Receivables | | |
| Current taxes | 24,250,358 | 22,929,879 |
| Delinquent taxes | 577,003 | 589,322 |
| Due from other governmental units | 11,322 | 418,412 |
| Other | 215,160 | 287,318 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 84,660,544</u> | <u>\$ 103,209,968</u> |
| Liabilities | | |
| Accounts payable | \$ 7,000 | \$ 2,000 |
| Unearned revenue | 1,496 | - |
| Total liabilities | <u>8,496</u> | <u>2,000</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 41,016,448 | 38,669,765 |
| Unavailable revenue – delinquent taxes | 453,370 | 514,769 |
| Total deferred inflows of resources | <u>41,469,818</u> | <u>39,184,534</u> |
| Fund balances | | |
| Restricted for | | |
| Bond refunding | 17,498,656 | 40,224,265 |
| QSCB payments | 14,505,751 | 12,534,425 |
| Debt service | 11,177,823 | 11,264,744 |
| Total fund balances | <u>43,182,230</u> | <u>64,023,434</u> |
| | | |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 84,660,544</u> | <u>\$ 103,209,968</u> |

INDEPENDENT SCHOOL DISTRICT NO. 625

Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended June 30, 2019
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

| | 2019 | | Over (Under) Budget | 2018 |
|------------------------------------------------------|------------------------|----------------------|------------------------|----------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 38,671,100 | \$ 38,564,621 | \$ (106,479) | \$ 36,307,640 |
| County and other | – | 513,066 | 513,066 | 667,107 |
| State | – | 113,221 | 113,221 | 110,678 |
| Federal | 1,004,700 | 940,484 | (64,216) | 940,108 |
| Investment earnings | 780,000 | 1,525,904 | 745,904 | 676,123 |
| Total revenues | <u>40,455,800</u> | <u>41,657,296</u> | <u>1,201,496</u> | <u>38,701,656</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal payments | 25,425,000 | 24,545,000 | (880,000) | 23,925,000 |
| Interest | 16,598,096 | 15,842,999 | (755,097) | 11,826,912 |
| Other debt | 192,300 | 25,501 | (166,799) | 166,356 |
| Total expenditures | <u>42,215,396</u> | <u>40,413,500</u> | <u>(1,801,896)</u> | <u>35,918,268</u> |
| Excess (deficiency) of revenues over expenditures | (1,759,596) | 1,243,796 | 3,003,392 | 2,783,388 |
| Other financing sources (uses) | | | | |
| Refunding debt issued | – | – | – | 15,520,000 |
| Premium on refunding debt issued | – | – | – | 2,387,537 |
| Principal payments by refunded bond escrow agent | (16,975,000) | (22,085,000) | (5,110,000) | (15,765,000) |
| Total other financing sources (uses) | <u>(16,975,000)</u> | <u>(22,085,000)</u> | <u>(5,110,000)</u> | <u>2,142,537</u> |
| Net change in fund balances | <u>\$ (18,734,596)</u> | (20,841,204) | <u>\$ (2,106,608)</u> | 4,925,925 |
| Fund balances at beginning of year | | <u>64,023,434</u> | | <u>59,097,509</u> |
| Fund balances at end of year | | <u>\$ 43,182,230</u> | | <u>\$ 64,023,434</u> |

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