INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2018

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INDEPENDENT SCHOOL DISTRICT NO. 625

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INTRODUCTORY SECTION

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Saint Paul Public Schools
Organization Chart
School Year 2017-18

Saint Paul Public Schools — A World of Opportunities

- Board of Education
  - Board Administrator — Cedrick Baker
  - Office of Legal Services — Nancy Cameron
  - Office of the Supt — Joe Gothard
    - Exec Asst to Supt — Mai Vang

Operations/Engagement — Jackie Turner

Office of Planning, Policy & Funding Partnerships — Jackie Allen
- Interagency Coordination
- Legislative Affairs
- Strategic Plan Implementation
- Board Policies/Procedures
- Special Projects
- Grants Development

Office of Student Placement — Jayne Williams
- Student records
- Enrollment
- Intake
- School Choice
- Screening

Dept of Facilities — Tom Parent
- Building Maintenance
- Custodial Services
- Energy & Waste Management
- Environmental Health & Safety
- Facility Planning
- Furniture & Moves
- Grounds
- Real Estate & Property Management

Office of Family Engagement — Heather Kilgore
- Family Engagement
- Parent Academy
- Ombudsperson
- Volunteers
- Community/Faith-based Partnerships
- Latino Consent Decree
- Parent Advisory Committees
- Attendance/Truancy

Dept of Security & Emergency Management — Laurie Olson
- Contracted Safety
- School Resource Officers
- Emergency Command Center

Office of Communications, Marketing and Development — Toya Stewart Downey
- Media Relations
- Translations
- District Website & Social Media
- Internal/External Communications

Dept of Nutrition Services — Stacy Koppen
- Nutrition Services

Dept of Community Educ — Lynn Gallandat
- 21st CCLC Programs
- Adult Learning
- Adult Special Needs
- Community Programs/Activities
- Early Childhood Family Educ.
- Discovery Club
- Planetarium

Dept of Transportation — Tom Burr
- Transportation Contracts
- Bus Safety
- Route Operations
- School Patrol

Finance — Marie Schrul
- Accounting
- Budget
- Financial Forecast
- Grants Accounting
- MARSS
- HR/FIN Info Sys
- Accounts Payable/Receivable
- Purchasing & Contract Services

Human Resources — Laurin Cathey
- Benefits
- Compensation
- HR Information Systems
- Human Rights
- Performance Management
- Workforce Management
- Staff Diversity
- Staff Wellness
- Payroll
- Labor Negotiations
- Student Teachers & SUTR

Technology Services — Idrissa Davis
- Data Center Management
- Cybersecurity
- Application Development
- Project Management
- IT Vendor Management
- Desktop Engineering
- Service Desk
- Field Services
- Print/Copy/Mail Center

School Supervision — Andrew Collins

PreK-5 Schools
- Battle Creek Elementary (Anderson)
- Bruce Vento Elementary (Masini)
- Chelsea Heights Elementary (Gebeke)
- Cherokee Heights Elementary (Rivera)
- Como Park Elementary (Vang)
- Crossroads Science/Montessori (Carty)
- Dayton's Bluff Elementary (Christiansen)
- Eastern Heights Elementary (Wilson)
- Four Seasons Elementary (George)
- Frost Lake Elementary (Kadrmas)
- Galtier Elementary (Hendrix)
- JJ Hill Montessori (Brink)
- John A Johnson Elementary (Gruenewald)
- Mississippi Creative Arts Elementary (Vang)
- Nokomis Montessori North/South (McCollor)
- Saint Paul Music Academy (Evangelist)
- St. Anthony Park Elementary (Duke)

School Supervision — Lisa Sayles-Adams

PreK-5 Schools
- Obama Elementary (Pendelton)
- Benjamin E. Mays IB World School (Morris)
- Highwood Hills Elementary (Lawson)
- Farnsworth Elementary (K-4, Saatzer)
- Maxfield Elementary (Vernosh)
- The Heights Community School (Jones)

PreK-8 Schools
- American Indian Magnet (Goggleye)
- Capitol Hill (Bryan)
- Farnsworth Aerospace Lower/Upper (Bell)
- Hazel Park Preparatory (Henderson)
- Linwood Monroe Arts Plus Lower/Upper (Bass)

Middle Schools
- Battle Creek Middle School (Paddock)
- Highland Park Middle School (Hoff)
- Murray Middle School (Theien-Collins)
- Parkway Middle School (Sims)
- Ramsey Middle School (Vibar)

School Supervision — Theresa Battle

6-12 Schools
- Creative Arts Secondary (Hines)
- Humboldt High School (Sodomka)
- Open World Learning Community (Gundale)
- Washington Technology (McCollor)

High Schools
- Central High School (Mackbee)
- Como Park High School (Neal)
- Gordon Parks (Gauer)
- AGAPE (Gauer / AP Vosika-Weir)
- Evening High School (Gauer / AP Clemmons)
- Harding High School (Revsbeck)
- Highland Park High School (Tucker)
- Johnson High School (Thompson)
- LEAP High School (Santos)

School Supervision — Efe Agbamu

PreK-5 Schools
- Adams Spanish Immersion (Bernal)
- Expo Elementary (Yerama)
- Groveland Park Elementary (Pedersen)
- Hamline Elementary (Johnson)
- Highland Park Elementary (Flynn)
- Horace Mann Elementary (Litwin)
- Jackson Preparatory (Lee)
- Jie Ming Mandarin Immersion (B. Johnson)
- L'Etoile du Nord French Immersion Lower/Upper (Flores-Hanson)
- Phalen Lake Hmong Studies (Rich)
- Randolph Heights Elementary (Ropella)
- Riverview West side School of Excellence (Paez)
- Wellstone Elementary (Vanlperen)

Academics — Kate Wilcox-Harris

Office of Teaching and Learning — Hans Ott
- Academic Content Areas
- Districtwide Professional Development
- PreK-12 Curriculum & Instruction
- Valley Branch/Belwin
- Peer Assistance and Review
- Talent Development & Acceleration Services
- Indigenous & World Languages
- Personalized Learning

Office of Early Learning — Lori Erickson
- PreK Program
- Project Early K
- TACSEI
- MDE Scholarships
- PreK-3 Child Parent Centers
- Voluntary PreK Funding

Myla Pope — Racial Equity
- Racial Equity PD
- Multicultural Resource Center
- Out for Equity

Office of Specialized Services — Gail Ghere
- Birth to Age 21 Special Education
- Section 504
- Student Wellness – Nurses
- Third Party Billing
- Treatment/corrections Programs

Office of Career and College Readiness — Kate Wilcox-Harris
- School Climate and Support
- Guidance & Counseling Services
- Postsecondary Programs
- Career and Technical Education
- Extended Day
- Summer School
- Alternative Learning Programs
- On-line Learning
- Career Academies & Pathways
- Crisis Response Team
- Gateway to College ALC

Office of Title I Federal Programs — Cheryl Carlstrom
- ESEA, NCLB, Title I
- Homeless Program
- Non-public Schools
- Foster Care Program
- MDE Liaison
- School Improvement

Office of Multilingual Learning — Yeu Vang
- K-12 ELL Services
- Cultural Programs: Hmong, Spanish, Somali & Karen
- Dual Language Programs
- Title III

Dept of Research, Evaluation & Assessment — Stacey Gray-Akyea
- District-wide testing calendar administration
- Partnership data agreements
- Research Proposals
- SPPS Data Center
- Enrollment projections and monitoring
- District-wide quarterly and yearly reporting
- Office of Civil Rights reporting
- Program Evaluation
- Data reporting and analytics
- Class size reporting

American Indian Education Program — John Bobolink
- American Indian Studies
- Indian Education

Date: January 2018

INDEPENDENT SCHOOL DISTRICT NO. 625

Board of Education and Administration
as of June 30, 2018

BOARD OF EDUCATION

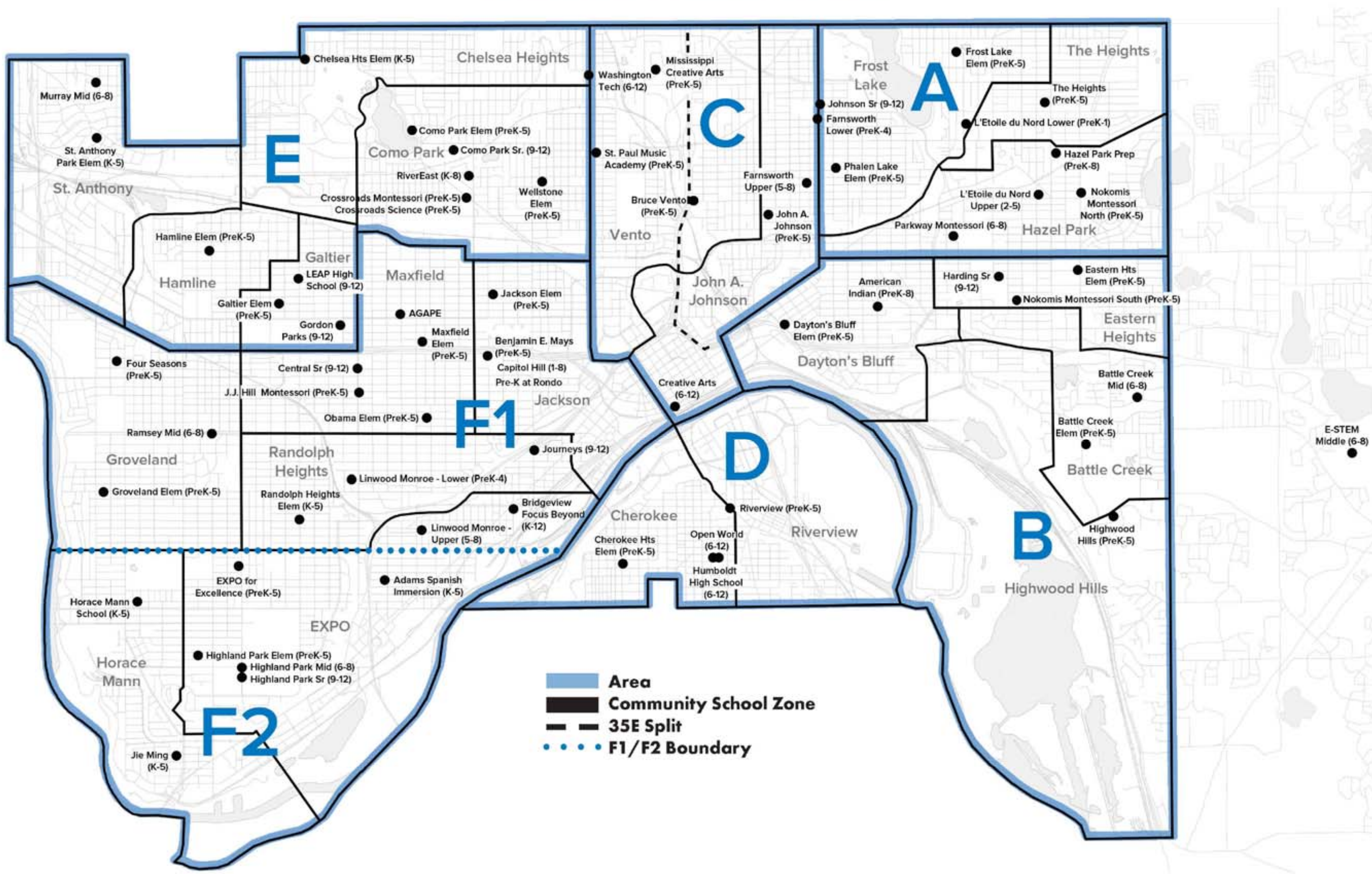
	Board Position
Zuki Ellis	Chairperson
Steve Marchese	Vice Chairperson
Jon Schumacher	Treasurer
Jeanelle Foster	Clerk
John Brodrick	Director
Mary Vanderwert	Director
Marny Xiong	Director

ADMINISTRATION

Joseph Gothard	Superintendent
Jackie Turner	Chief Operations Officer
Dr. Kate Wilcox-Harris	Chief Academic Officer
Marie Schrul	Chief Financial Officer
Dr. Efe Agbamu	Assistant Superintendent
Theresa Battle	Assistant Superintendent
Andrew Collins	Assistant Superintendent
Lisa Sayles-Adams	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
Nancy Cameron	General Counsel

Saint Paul Public Schools Map

School Choice Map and Community School Zone



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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

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

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 20, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 31, 2018

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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, 2018. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018 by $585,994,286 (deficit net position). The District's total net position increased by $23,412,397 during the fiscal year ended June 30, 2018, excluding the change in accounting principle and prior period adjustment reported in the current year as discussed below.

- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The change reflects standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to other post-employment benefit (OPEB) obligations. The implementation of this standard reduced beginning net position in the government-wide financial statements by $220,376,268.

- The District reported a prior period adjustment in the current year for a change in capital assets reported as of the beginning of the year. This change increased beginning net position in the government-wide financial statements by $15,420,825.

- Government-wide revenues totaled $713,523,727 and were $23,412,397 more than expenses of $690,111,330.

- The General Fund's total fund balance (under the governmental fund presentation) increased $1,332,643 from the prior year, compared to a $5,991,030 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:

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

	2018	2017
Assets		
Current and other assets	$ 447,305,755	$ 405,126,264
Capital assets, net of depreciation	562,732,058	419,521,864
Total assets	$ 1,010,037,813	$ 824,648,128
Deferred outflows of resources		
Pension plan deferments	$ 78,902,253	$ 136,969,579
OPEB plan deferments	20,041,157	–
Bond refunding deferments	4,497,498	5,158,721
Total deferred outflows of resources	$ 103,440,908	$ 142,128,300
Liabilities		
Current and other liabilities	$ 111,121,569	$ 93,033,673
Long-term liabilities, including due within one year	1,380,387,979	1,103,647,301
Total liabilities	$ 1,491,509,548	$ 1,196,680,974
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 128,420,612	$ 121,062,906
Pension plan deferments	62,579,132	53,483,788
OPEB plan deferments	16,963,715	–
Total deferred inflows of resources	$ 207,963,459	$ 174,546,694
Net position		
Net investment in capital assets	$ 184,959,613	$ 129,234,015
Restricted	29,144,770	28,706,188
Unrestricted	(800,098,669)	(562,391,443)
Total net position	$ (585,994,286)	$ (404,451,240)

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 OPEB, which impacts the unrestricted portion of net position.

Total net position decreased by $181,543,046, which reflects an increase of $23,412,397 from current year operating results, while the change in accounting principle mentioned earlier reduced net position by $220,376,268 and the prior period adjustment mentioned earlier increased net position by $15,420,825.

The District's net investment in capital assets increased 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. This category was also impacted by the prior period adjustment discussed earlier in this report. The decrease in unrestricted net position was primarily due to the implementation of the GASB statements for OPEB discussed earlier in this report. An increase in the District's share of the Public Employees Retirement Association (PERA) and the Saint Paul Teachers Retirement Fund Association (SPTRFA) pension plans contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position.

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

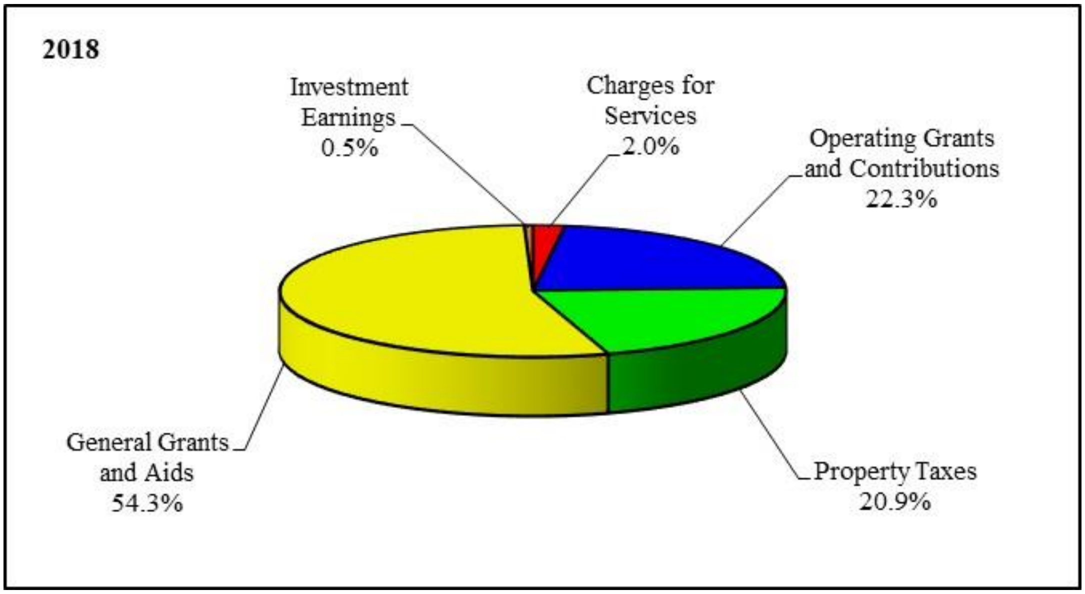
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2018 and 2017

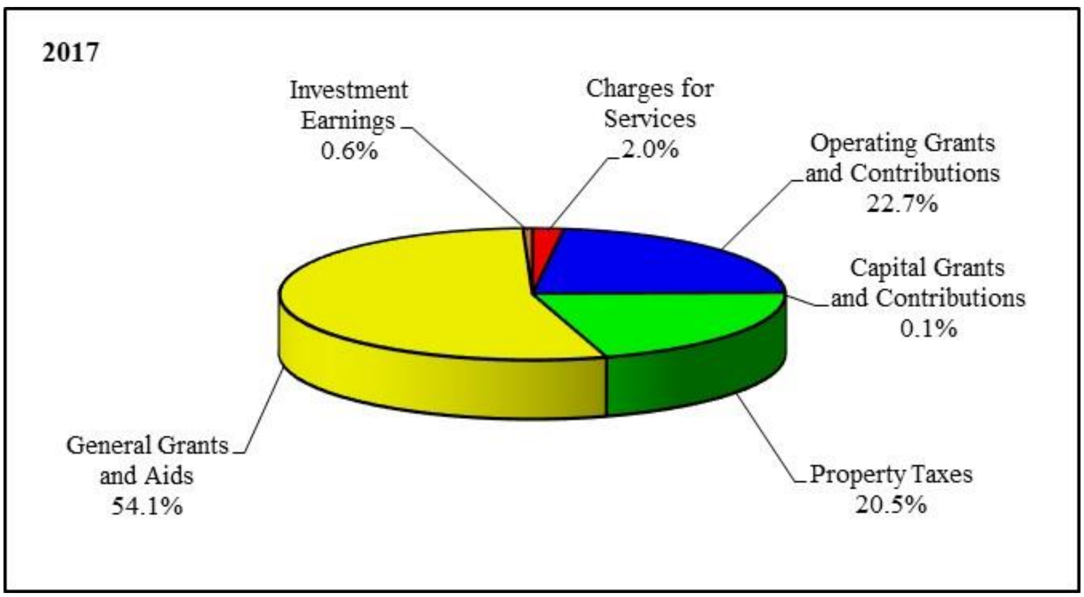
	2018	2017
Revenues		
Program revenues		
Charges for services	$ 14,510,411	$ 14,192,342
Operating grants and contributions	158,887,256	160,571,270
Capital grants and contributions	–	551,721
General revenues		
Property taxes	149,058,654	144,899,429
General grants and aids	387,212,733	382,715,656
Investment earnings	3,854,673	4,216,015
Total revenues	713,523,727	707,146,433
Expenses		
Administration	23,951,078	25,425,541
District support services	17,574,859	19,359,788
Elementary and secondary regular instruction	289,310,608	304,720,674
Vocational education instruction	2,861,332	5,443,964
Special education instruction	115,593,775	118,428,604
Instructional support services	40,776,605	68,230,545
Pupil support services	60,664,820	61,222,728
Sites and buildings	60,729,439	73,093,536
Fiscal and other fixed cost programs	1,690,791	1,468,655
Food service	26,980,230	26,189,378
Community service	36,461,947	37,231,945
Interest and fiscal charges on debt	13,515,846	12,222,871
Total expenses	690,111,330	753,038,229
Change in net position	23,412,397	(45,891,796)
Net position – beginning of year, as previously reported	(404,451,240)	(358,559,444)
Change in accounting principle	(220,376,268)	–
Prior period adjustment	15,420,825	–
Net position – beginning of year, as restated	(609,406,683)	(358,559,444)
Net position – end of year	$ (585,994,286)	$ (404,451,240)

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 general and special education funding formulas and with the approved property tax levy. The significant decrease in expenses reflects a decrease in current year activity for pensions and OPEB, and due to a change in the amount of capital leases financing technology equipment since the assets purchased were individually below the capitalization threshold. 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 2018 and 2017



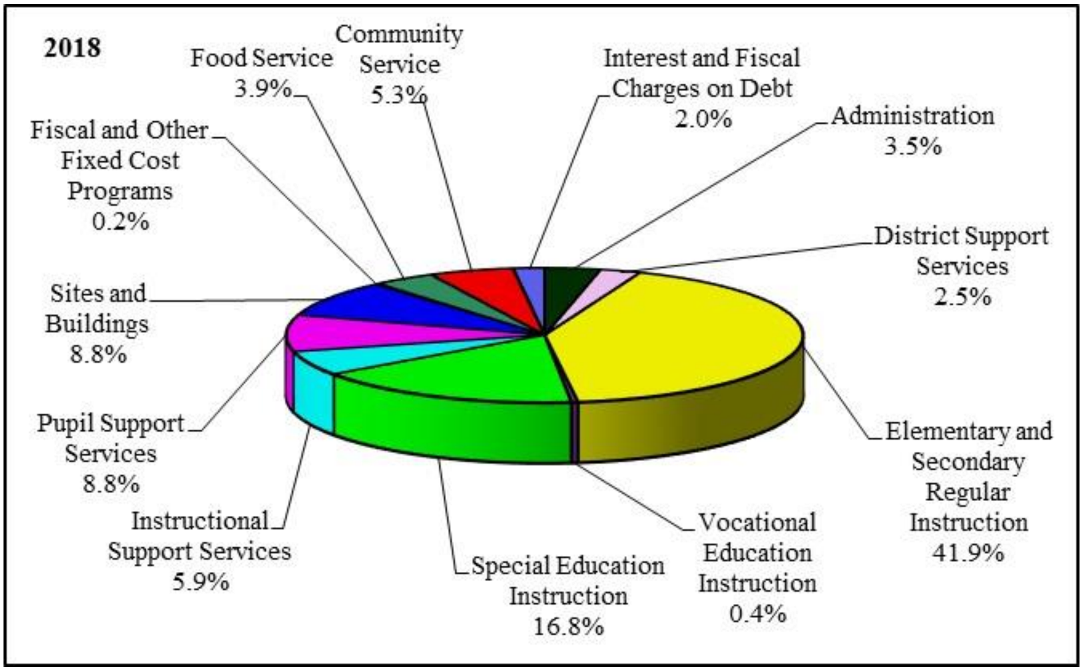


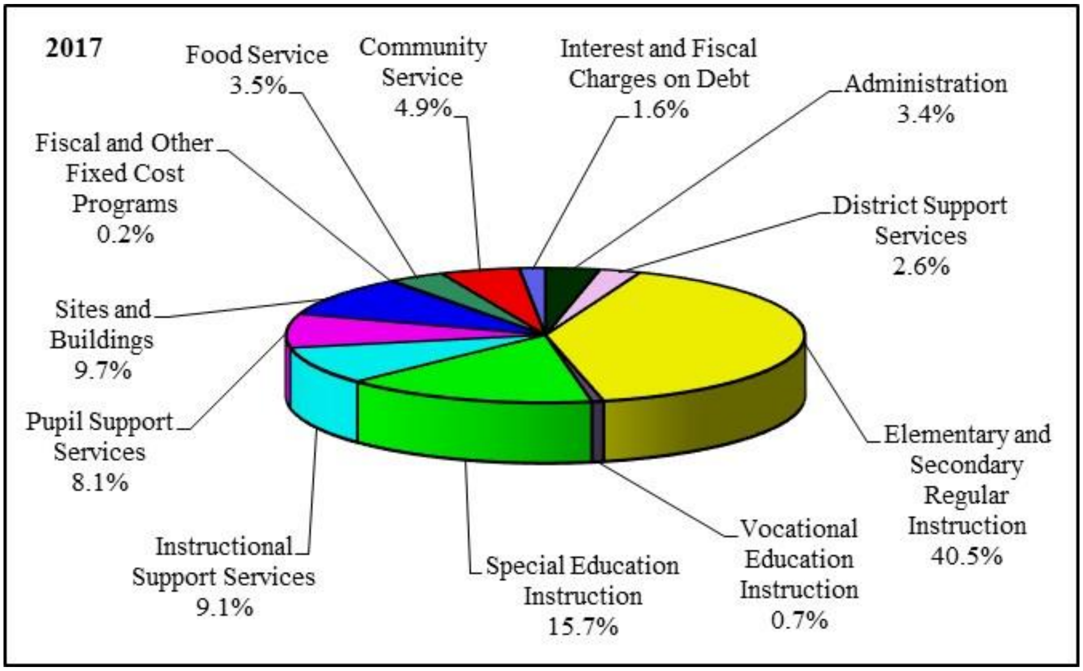
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2018 and 2017





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2018	2017	Increase (Decrease)
Major funds			
General	$ 93,982,507	$ 92,649,864	$ 1,332,643
Food Service	6,638,718	5,711,180	927,538
Community Service	3,673,851	3,855,217	(181,366)
Capital Projects	41,506,704	30,520,932	10,985,772
Debt Service	64,023,434	59,097,509	4,925,925
Total governmental funds	$ 209,825,214	$ 191,834,702	$ 17,990,512

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, 2018, the District's governmental funds reported combined fund balances of $209,825,214, an increase of $17,990,512 in comparison with the prior year. Approximately 0.8 percent of this amount, $1,654,842, 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, $4,927,284, 2) restricted for particular purposes, $179,624,154, 3) committed for particular purposes, $2,538,018, or 4) assigned for particular purposes, $21,080,916.

Analysis of the General Fund

At year-end, the fund balance of the General Fund was $93,982,507. The increase from the prior year was mainly due to increases in nonspendable (prepaid items) and assigned (contractual obligations and site-based operations) fund balances. The increases in restricted (OPEB revocable trust and health and safety) were offset by a decrease in operating capital. These increases were also offset by a decrease in unassigned fund balance, due to a long-term facilities maintenance (LTFM) fund balance deficit 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 revenues exceeding expenditures by $927,538, compared to a balanced budget. At year-end, the total equity balance in this fund was $6,638,718.

Analysis of the Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by $181,366, compared to a planned fund balance decrease of $315,460. At year-end, the total equity balance in this fund was $3,673,851.

Analysis of the Capital Projects Fund

The Capital Projects Fund ended the year with a fund balance of $41,506,704 to be used for district projects. The increase in the Capital Projects Fund was due to the issuance of $15,000,000 in school building bonds, and $126,575,000 in certificates of participation. These debt issuances were partially spent in the current year with the remaining proceeds to be spent in future fiscal years.

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 $4,925,925 increase in fund balance is due in part to the issuance of $15,520,000 in General Obligation School Building Refunding Bonds, Series 2017D, plus $2,387,537 in premium in the current year offset by $15,765,000 of payments on refunded bonds. At June 30, 2018, the District has $64,023,434 of restricted fund balance available for future debt service payments.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund Budget
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenues	$ 579,759,470	$ 596,555,982	$ 16,796,512	2.9%
Expenditures and other financing uses	$ 579,759,470	$ 602,547,012	$ 22,787,542	3.9%

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 2017 assigned fund balance for encumbrances and site and program carryover into fiscal 2018.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

	2018 Actual	Over (Under) Final Budget Amount	Over (Under) Final Budget Percent	Over (Under) Prior Year Amount	Over (Under) Prior Year Percent
Revenue and other financing sources	$ 620,344,202	$ 23,788,220	4.0%	$ (11,436,041)	(1.8%)
Expenditures and other financing uses	619,011,559	$ 16,464,547	2.7%	$ (10,191,009)	(1.6%)
Net change in fund balances	$ 1,332,643				

Revenue and other financing sources for fiscal year 2018 were 4.0 percent, or $23,788,220, more than budgeted. The largest revenue variance was primarily in state sources, which was $18,751,602 more than projected in the budget. Conservative budgeting for special education, LTFM state aid, along with the pass-through of state funding for pensions contributed to state sources exceeding budget. This variance was partially offset by federal revenues being $7,205,266 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 2019.

Current year revenue and other financing sources were 1.8 percent, or $11,436,041, less than fiscal year 2017. Other financing sources decreased by $18,133,656, mainly due to the amount of capital leases for technology equipment issued in the current year compared to prior year.

Expenditures and other financing uses for fiscal year 2018 were 2.7 percent, or $16,464,547, more than budgeted. The variance to budget was primarily in the areas of special education instruction (salary and program changes), sites and buildings (spending LTFM funding on capital projects), and principal payments on capital leases.

Current year expenditures and other financing uses for fiscal year 2018 were 1.6 percent, or $10,191,009, less than fiscal year 2017. This decrease is mainly due to the $23,510,709 capital lease issued for technology equipment in the prior year offset by an increase in other financing uses in the current year for a transfer to the Capital Projects Fund for LTFM capital project expenditures. Expenditures for LTFM in the General Fund were down in the current year, also contributing to the change from prior year.

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, 2018 and 2017:

Table 6
Capital Assets

	2018	2017	Change
Land	$ 30,968,817	$ 29,478,817	$ 1,490,000
Construction in progress	155,768,906	24,574,593	131,194,313
Land improvements	28,691,316	28,691,316	–
Buildings	355,293,623	341,405,511	13,888,112
Building improvements	376,612,161	357,895,273	18,716,888
Equipment	22,611,761	23,286,420	(674,659)
Less accumulated depreciation	(407,214,526)	(385,810,066)	(21,404,460)
Total	$ 562,732,058	$ 419,521,864	$ 143,210,194
Depreciation expense	$ 22,351,304	$ 22,011,316	$ 339,988

By the end of fiscal 2018, 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 2018, 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:

Table 7
Outstanding Long-Term Liabilities

	2018	2017	Change
Total OPEB liability	$ 330,876,703	$ 111,465,472	$ 219,411,231
Net pension liability	519,166,755	583,080,660	(63,913,905)
General obligation bonds payable	310,935,000	318,070,000	(7,135,000)
Certificates of participation payable	151,915,000	27,375,000	124,540,000
Unamortized premium/discount	28,542,059	19,989,551	8,552,508
Capital lease payable	22,344,554	26,940,659	(4,596,105)
Severance benefits payable	10,909,340	10,272,439	636,901
Vacation payable	5,698,568	6,453,520	(754,952)
Total	$ 1,380,387,979	$ 1,103,647,301	$ 276,740,678

The decrease in general obligation bonds payable is due to the issuance of $15,000,000 in school building bonds and $15,520,000 in school building refunding bonds, offset by principal payments and payments on refunded debt during fiscal year 2018.

The increase in certificates of participation payable is due to the issuance of $126,575,000 in certificates of participation.

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 implementation of the new GASB standards for OPEB, as previously discussed.

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

Table 8
Limitations on Debt

District's market value	$ 22,248,386,716
Limit rate	15%
Legal debt limit	$ 3,337,258,007

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

In November 2018, voters of the District passed a levy referendum to revoke the District's existing operating referendum revenue authorization of $704.52 per pupil and replacing it with $1,179.52 per pupil. These funds will be used in accordance with the District's new strategic plan.

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

	Governmental Activities	
	2018	2017
Assets		
Current assets		
Cash and investments	$ 71,983,708	$ 118,529,523
Restricted cash and investments for capital projects	119,820,839	52,968,577
Restricted cash and investments for debt service	22,525,826	15,765,009
Current taxes receivable	92,303,701	89,312,107
Delinquent taxes receivable	2,270,555	2,389,191
Due from other governmental units	64,263,263	52,603,471
Other receivables	1,463,611	2,119,735
Inventories	2,285,246	1,863,550
Prepaid items	2,642,038	958,959
Total current assets	379,558,787	336,510,122
Noncurrent assets		
Restricted cash and investments in revocable trust for OPEB obligations	37,797,046	34,476,447
Restricted cash and investments for debt service	29,949,922	34,139,695
Capital assets, not depreciated	186,737,723	54,053,410
Capital assets, depreciated, net of accumulated depreciation	375,994,335	365,468,454
Total noncurrent assets	630,479,026	488,138,006
Total assets	1,010,037,813	824,648,128
Deferred outflows of resources		
Pension plan deferments	78,902,253	136,969,579
OPEB plan deferments	20,041,157	–
Bond refunding deferments	4,497,498	5,158,721
Total deferred outflows of resources	103,440,908	142,128,300
Total assets and deferred outflows of resources	$ 1,113,478,721	$ 966,776,428
Liabilities		
Current liabilities		
Accounts payable	$ 38,298,683	$ 22,636,638
Accrued expenses	69,706,114	67,708,207
Due to other governmental units	454,946	657,915
Unearned revenue	2,661,826	2,030,913
Long-term obligations due within one year	62,261,254	54,932,556
Total current liabilities	173,382,823	147,966,229
Noncurrent liabilities		
Total OPEB liability	330,876,703	111,465,472
Net pension liabilities	519,166,755	583,080,660
Long-term obligations	468,083,267	354,168,613
Total noncurrent liabilities	1,318,126,725	1,048,714,745
Total liabilities	1,491,509,548	1,196,680,974
Deferred inflows of resources		
Property taxes levied for subsequent year	128,420,612	121,062,906
Pension plan deferments	62,579,132	53,483,788
OPEB plan deferments	16,963,715	–
Total deferred inflows of resources	207,963,459	174,546,694
Net position		
Net investment in capital assets	184,959,613	129,234,015
Restricted for		
Debt service	18,439,408	15,788,123
Capital projects	310,433	2,741,310
Community service	3,719,134	3,898,802
Food service	6,638,718	5,711,180
Other purposes (state and other funding restrictions)	37,077	566,773
Unrestricted	(800,098,669)	(562,391,443)
Total net position	(585,994,286)	(404,451,240)
Total liabilities, deferred inflows of resources, and net position	$ 1,113,478,721	$ 966,776,428

See accompanying notes to basic financial statements

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

	2018				2017
		Program Revenues		Net (Expenses) Revenue and Changes in Net Position	Net (Expenses) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 23,951,078	$ –	$ –	$ (23,951,078)	$ (25,425,541)
District support services	17,574,859	–	–	(17,574,859)	(19,359,788)
Elementary and secondary regular instruction	289,310,608	1,035,647	39,124,290	(249,150,671)	(260,279,236)
Vocational education instruction	2,861,332	–	785,797	(2,075,535)	(4,649,503)
Special education instruction	115,593,775	4,856,855	69,173,980	(41,562,940)	(47,015,698)
Instructional support services	40,776,605	–	1,422,014	(39,354,591)	(66,900,164)
Pupil support services	60,664,820	–	1,594,146	(59,070,674)	(58,600,423)
Sites and buildings	60,729,439	1,200,428	1,345,153	(58,183,858)	(71,161,833)
Fiscal and other fixed cost programs	1,690,791	–	–	(1,690,791)	(1,468,655)
Food service	26,980,230	1,774,838	26,060,439	855,047	1,377,129
Community service	36,461,947	5,642,643	19,381,437	(11,437,867)	(12,016,313)
Interest and fiscal charges on debt	13,515,846	–	–	(13,515,846)	(12,222,871)
Total governmental activities	$ 690,111,330	$ 14,510,411	$ 158,887,256	(516,713,663)	(577,722,896)
	General revenues				
	Taxes				
	Property taxes levied for general purposes			109,408,146	104,195,831
	Property taxes levied for community services			3,358,121	3,222,614
	Property taxes levied for debt services			36,292,387	37,480,984
	General grants and aids			387,212,733	382,715,656
	Investment earnings			3,854,673	4,216,015
	Total general revenues			540,126,060	531,831,100
	Changes in net position			23,412,397	(45,891,796)
	Net position – beginning of year, as previously reported			(404,451,240)	(358,559,444)
	Change in accounting principle			(220,376,268)	–
	Prior period adjustment			15,420,825	–
	Net position – beginning of year, as restated			(609,406,683)	(358,559,444)
	Net position – end of year			$ (585,994,286)	$ (404,451,240)

See accompanying notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	General	Food Service	Community Service	Capital Projects
Assets				
Cash and investments	$ 21,197,368	$ 4,586,488	$ 3,800,623	$ –
Restricted cash and investments in revocable trust for OPEB obligations	37,797,046	–	–	–
Restricted cash and investments for debt service	–	–	–	–
Restricted cash and investments for capital projects	–	–	–	119,820,839
Receivables				
Current taxes	67,223,175	–	2,150,647	–
Delinquent taxes	1,628,836	–	52,397	–
Due from other governmental units	59,712,066	1,045,957	3,086,828	–
Other	655,253	23,248	424,268	73,524
Due from other fund	48,467,962	–	–	–
Inventories	538,462	1,746,784	–	–
Prepaid items	2,634,566	7,472	–	–
Total assets	$ 239,854,734	$ 7,409,949	$ 9,514,763	$ 119,894,363
Liabilities				
Accounts payable	$ 7,709,390	$ 198,210	$ 508,976	$ 29,880,107
Accrued expenditures	47,939,730	573,021	1,176,006	39,590
Due to other governmental units	454,946	–	–	–
Due to other fund	–	–	–	48,467,962
Unearned revenue	2,178,003	–	483,823	–
Total liabilities	58,282,069	771,231	2,168,805	78,387,659
Deferred inflows of resources				
Property taxes levied for subsequent year	86,124,023	–	3,626,824	–
Unavailable revenue – delinquent taxes	1,466,135	–	45,283	–
Total deferred inflows of resources	87,590,158	–	3,672,107	–
Fund balances				
Nonspendable				
Inventories	538,462	1,746,784	–	–
Prepaid items	2,634,566	7,472	–	–
Restricted for				
Health and safety	310,433	–	–	–
Operating capital	–	–	–	–
Area learning center	37,077	–	–	–
Teacher development and evaluation	–	–	–	–
Achievement and integration	–	–	–	–
Adult basic education	–	–	406,085	–
Projects funded by COP	–	–	–	68,897,851
Capital projects	–	–	–	–
School readiness	–	–	1,373,228	–
Community education	–	–	560,362	–
ECFE	–	–	352,680	–
Community service	–	–	981,496	–
Bond refunding	–	–	–	–
QSCB payments	–	–	–	–
Debt service	–	–	–	–
Food service	–	4,884,462	–	–
OPEB revocable trust	37,797,046	–	–	–
Committed to				
Severance pay	2,538,018	–	–	–
Assigned to				
Contractual obligations	4,489,816	–	–	–
Strong Schools, Strong Communities initiative	6,068,461	–	–	–
Site-based operations	7,314,767	–	–	–
Intraschool activities	3,207,872	–	–	–
Unassigned				
Health and safety restricted account deficit	–	–	–	–
Long-term facilities maintenance restricted account deficit	(9,696,173)	–	–	–
Unassigned	38,742,162	–	–	(27,391,147)
Total fund balances	93,982,507	6,638,718	3,673,851	41,506,704
Total liabilities, deferred inflows of resources, and fund balances	$ 239,854,734	$ 7,409,949	$ 9,514,763	$ 119,894,363

See accompanying notes to basic financial statements

Debt Service	Total Governmental Funds 2018	Total Governmental Funds 2017
$ 26,509,289	$ 56,093,768	$ 102,595,229
–	37,797,046	34,476,447
52,475,748	52,475,748	49,904,704
–	119,820,839	52,968,577
22,929,879	92,303,701	89,312,107
589,322	2,270,555	2,389,191
418,412	64,263,263	52,603,471
287,318	1,463,611	2,119,735
–	48,467,962	9,270,316
–	2,285,246	1,863,550
–	2,642,038	958,959
$ 103,209,968	$ 479,883,777	$ 398,462,286
$ 2,000	$ 38,298,683	$ 22,636,638
–	49,728,347	49,099,244
–	454,946	657,915
–	48,467,962	9,270,316
–	2,661,826	2,030,913
2,000	139,611,764	83,695,026
38,669,765	128,420,612	121,062,906
514,769	2,026,187	1,869,652
39,184,534	130,446,799	122,932,558
–	2,285,246	1,863,550
–	2,642,038	958,959
–	310,433	–
–	–	2,741,310
–	37,077	–
–	–	83,626
–	–	483,147
–	406,085	410,164
–	68,897,851	9,715,008
–	–	20,805,924
–	1,373,228	1,200,226
–	560,362	961,118
–	352,680	267,755
–	981,496	1,008,463
40,224,265	40,224,265	39,467,049
12,534,425	12,534,425	10,634,544
11,264,744	11,264,744	8,995,916
–	4,884,462	4,346,355
–	37,797,046	34,476,447
–	2,538,018	2,538,018
–	4,489,816	3,482,217
–	6,068,461	7,100,000
–	7,314,767	6,078,918
–	3,207,872	3,215,835
–	–	(3,768,183)
–	(9,696,173)	(1,094,424)
–	11,351,015	35,862,760
64,023,434	209,825,214	191,834,702
$ 103,209,968	$ 479,883,777	$ 398,462,286

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

	2018	2017
Total fund balances – governmental funds	$ 209,825,214	$ 191,834,702
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	969,946,584	805,331,930
Accumulated depreciation	(407,214,526)	(385,810,066)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	78,902,253	136,969,579
Deferred outflows – OPEB plan deferments	20,041,157	–
Deferred outflows – bond refunding deferments	4,497,498	5,158,721
Deferred inflows – pension plan deferments	(62,579,132)	(53,483,788)
Deferred inflows – OPEB plan deferments	(16,963,715)	–
Deferred inflows – unavailable revenue – delinquent taxes	2,026,187	1,869,652
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.	(28,542,059)	(19,989,551)
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.	1,786,703	1,697,690
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(310,935,000)	(318,070,000)
Certificates of participation payable	(151,915,000)	(27,375,000)
Capital lease payable	(22,344,554)	(26,940,659)
Accrued interest on long-term debt	(5,874,530)	(4,372,359)
Severance benefits payable	(10,909,340)	(10,272,439)
Vacation payable	(5,698,568)	(6,453,520)
Net pension liability	(519,166,755)	(583,080,660)
Total OPEB liability	(330,876,703)	(111,465,472)
Net position – governmental activities	$ (585,994,286)	$ (404,451,240)

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	General	Food Service	Community Service	Capital Projects
Revenues				
Local sources				
Property taxes	$ 109,238,056	$ –	$ 3,356,423	$ –
County and other	14,001,527	37,461	6,787,887	200
State	446,238,457	1,057,453	17,273,120	–
Federal	42,442,009	25,002,985	2,414,158	–
Investment earnings	2,650,700	22,665	29,154	387,018
Sales and conversion of assets	378,155	1,774,838	7,465	–
Total revenues	614,948,904	27,895,402	29,868,207	387,218
Expenditures				
Current				
Administration	23,854,360	–	–	–
District support services	16,938,836	–	–	–
Elementary and secondary regular instruction	269,413,767	–	–	–
Vocational education instruction	2,847,300	–	–	–
Special education instruction	115,418,197	–	–	–
Instructional support services	40,780,667	–	–	–
Pupil support services	59,285,630	–	1,209,883	–
Sites and buildings	54,387,609	–	–	–
Fiscal and other fixed cost programs	1,690,791	–	–	–
Food service	–	26,967,864	–	–
Community service	7,349,794	–	28,839,690	–
Capital outlay	–	–	–	156,372,961
Debt service				
Principal payments	8,453,880	–	–	–
Interest	221,701	–	–	–
Other debt	–	–	–	1,412,673
Total expenditures	600,642,532	26,967,864	30,049,573	157,785,634
Excess (deficiency) of revenues over expenditures	14,306,372	927,538	(181,366)	(157,398,416)
Other financing sources (uses)				
Refunding debt issued	–	–	–	–
Building bonds issued	–	–	–	15,000,000
Certificates of participation issued	–	–	–	126,575,000
Premium on debt issued	–	–	–	8,440,161
Principal payments by refunded bond escrow agent	–	–	–	–
Capital lease issued	3,857,775	–	–	–
Sale of capital assets	1,537,523	–	–	–
Transfers in	–	–	–	18,369,027
Transfers (out)	(18,369,027)	–	–	–
Total other financing sources (uses)	(12,973,729)	–	–	168,384,188
Net change in fund balances	1,332,643	927,538	(181,366)	10,985,772
Fund balance at beginning of year	92,649,864	5,711,180	3,855,217	30,520,932
Fund balance at end of year	$ 93,982,507	$ 6,638,718	$ 3,673,851	$ 41,506,704

See accompanying notes to basic financial statements

	Total Governmental Funds	
Debt Service	2018	2017
$ 36,307,640	$ 148,902,119	$ 144,870,647
667,107	21,494,182	21,748,673
110,678	464,679,708	458,872,618
940,108	70,799,260	74,746,449
676,123	3,765,660	4,138,902
–	2,160,458	2,225,103
38,701,656	711,801,387	706,602,392
–	23,854,360	24,269,929
–	16,938,836	17,767,049
–	269,413,767	271,921,068
–	2,847,300	5,380,826
–	115,418,197	113,047,558
–	40,780,667	66,883,085
–	60,495,513	59,875,573
–	54,387,609	60,454,824
–	1,690,791	1,468,655
–	26,967,864	25,788,378
–	36,189,484	36,181,829
–	156,372,961	40,247,711
23,925,000	32,378,880	25,338,763
11,826,912	12,048,613	12,889,634
166,356	1,579,029	1,351,280
35,918,268	851,363,871	762,866,162
2,783,388	(139,562,484)	(56,263,770)
15,520,000	15,520,000	34,955,000
–	15,000,000	30,000,000
–	126,575,000	24,305,000
2,387,537	10,827,698	8,427,530
(15,765,000)	(15,765,000)	(15,210,000)
–	3,857,775	23,510,709
–	1,537,523	18,245
–	18,369,027	285,978
–	(18,369,027)	(285,978)
2,142,537	157,552,996	106,006,484
4,925,925	17,990,512	49,742,714
59,097,509	191,834,702	142,091,988
$ 64,023,434	$ 209,825,214	$ 191,834,702

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

	2018	2017
Total net change in fund balances – governmental funds	$ 17,990,512	$ 49,742,714
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	151,004,706	29,244,989
Depreciation expense	(22,351,304)	(22,011,316)
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.	(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 – pension plan deferments	(58,067,326)	76,148,420
Deferred outflows – OPEB plan deferments	(264,218)	–
Deferred inflows – pension plan deferments	(9,095,344)	(9,860,383)
Deferred inflows – OPEB plan deferments	(16,963,715)	–
Deferred inflows – unavailable revenue – delinquent taxes	156,535	28,782
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	21,890,000	21,555,000
Certificates of participation payable	2,035,000	2,123,632
Capital lease payable	8,453,880	1,660,131
Payments by refunded bond escrow agent	15,765,000	15,210,000
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)	(34,955,000)
Certificates of participation issued	(126,575,000)	(24,305,000)
Building bonds issued	(15,000,000)	(30,000,000)
Capital lease issued	(3,857,775)	(23,510,709)
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	(2,163,394)	(431,514)
Change in severance benefits payable	(636,901)	(68,864)
Change in vacation payable	754,952	496,422
Change in early retirement incentive payable	–	294,519
Change in net pension liability	63,913,905	(83,342,773)
Change in OPEB liability	21,270,412	(8,009,986)
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.	(8,552,508)	(5,977,973)
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.	89,013	77,113
Change in net position – governmental activities	$ 23,412,397	$ (45,891,796)

See accompanying notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Assets		
Current assets		
Cash and investments	$ 15,889,940	$ 15,934,294
Liabilities		
Current liabilities		
Accrued expenses		
Workers' compensation payable	14,103,237	14,236,604
Net position		
Unrestricted	$ 1,786,703	$ 1,697,690

See accompanying notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Operating revenues		
Insurance service fees	$ 3,282,120	$ 4,387,072
Operating expenses		
Claims expense	3,282,120	4,387,072
Operating income	–	–
Nonoperating revenues		
Investment earnings	89,013	77,113
Change in net position	89,013	77,113
Net position at beginning of year	1,697,690	1,620,577
Net position at end of year	$ 1,786,703	$ 1,697,690

See accompanying notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Cash flows from operating activities		
Assessments from other funds	$ 3,282,120	$ 4,387,072
Workers' compensation payments	(3,415,487)	(3,702,386)
Net cash flows from operating activities	(133,367)	684,686
Cash flows from investing activities		
Investment income received	89,013	77,113
Net change in cash and investments	(44,354)	761,799
Cash at beginning of year	15,934,294	15,172,495
Cash at end of year	$ 15,889,940	$ 15,934,294
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	(133,367)	684,686
Net cash flows from operating activities	$ (133,367)	$ 684,686

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 governmental funds. 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.

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 Elementary and Secondary General Operating Fund and the Fully Financed Programs Fund, excluding amounts relating to community service fully financed programs, which are included in the Community Service Special Revenue Fund.

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 authorized by debt issue or under the long-term facilities maintenance program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs.

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

Each June, the Board of Education adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Expenditures in the General Fund and the Debt Service Fund exceeded budgeted appropriations by $16,464,547 and $91,145, during the fiscal year ended June 30, 2018. These variances were financed by revenues and other financing sources, in excess of budget, or fund balance.

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 $27,044,357 of the property tax levy collectible in 2018 as revenue to the District in fiscal year 2017–2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

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 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 2018.

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
2017	$ 13,551,918	$ 4,387,072	$ 3,702,386	$ 14,236,604
2018	$ 14,236,604	$ 3,282,120	$ 3,415,487	$ 14,103,237

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.

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 percent of annual General Fund expenditures.

2. If the unassigned General Fund balance should fall below 5 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, 2017, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

V. Prior Period Adjustment and Change in Accounting Principle

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Period Adjustment – During the year ended June 30, 2018, the District recorded a prior period adjustment in the government-wide financial statements increasing net position. This change was made to capture prior year architect and engineering fees in the District's capital asset records.

The details of the change in accounting principle and prior period adjustment are as follows:

	Governmental Activities
Net position – beginning, as previously reported	$ (404,451,240)
Change in accounting principle	
Net OPEB obligation, under previous reporting standards	111,465,472
Total OPEB liability, under current reporting standards	(352,147,115)
Deferred outflows of resources, under current reporting standards	20,305,375
Total change in accounting principle	(220,376,268)
Prior period adjustment – change in capital asset reporting	15,420,825
Net position – beginning, restated	$ (609,406,683)

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 1,588,785
Investments	280,488,556
Total	$ 282,077,341

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

Statement of Net Position – current assets	
Cash and investments	$ 71,983,708
Restricted cash and investments for capital projects	119,820,839
Restricted cash and investments for debt service	22,525,826
Statement of Net Position – noncurrent assets	
Restricted cash and investments in revocable trust for OPEB obligations	37,797,046
Restricted cash and investments for debt service	29,949,922
Total	$ 282,077,341

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

At year-end, the carrying amount of the District's deposits was $1,588,785, while the balance on the bank records was $1,587,472. At June 30, 2018, all deposits for the District were insured or collateralized by securities held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

	Credit Risk		Fair Value Measurements	Concentration Risk Over 5% of	Interest Rate Risk – Maturity Duration in Years			Carrying
	Rating	Agency	Using	Portfolio	Less Than 1	1 to 5	Greater Than 5	Value
U.S. treasury note	Aaa	Moody's	Level 1	– %	$ 1,301,885	$ 1,410,606	$ –	$ 2,712,491
Federal National Mortgage Association	AA	S&P	Level 2	– %	$ –	$ 7,672,324	$ –	7,672,324
Federal Home Loan Banks	AA	S&P	Level 1	17.0 %	$ –	$ 251,195	$ –	251,195
Federal Home Loan Banks	AA	S&P	Level 2	17.0 %	$ 22,142,898	$ 25,293,022	$ –	47,435,920
Federal Farm Credit Banks	AA	S&P	Level 2	– %	$ –	$ 3,900,381	$ –	3,900,381
Federal Home Loan Mortgage Corporation	AA	S&P	Level 1	– %	$ –	$ 182,551	$ –	182,551
Federal Home Loan Mortgage Corporation	AA	S&P	Level 2	– %	$ 2,000,640	$ –	$ –	2,000,640
Mortgage-backed securities	AAA	S&P	Level 1	– %	$ –	$ 275,022	$ –	275,022
Mortgage-backed securities	Aaa	Moody's	Level 1	– %	$ –	$ 149,121	$ –	149,121
Guaranteed investment contract	N/A	N/A	N/A	– %	$ –	$ –	$ 5,755,049	5,755,049
Repurchase agreement (U.S. agency underlying securities)	AAA	S&P	N/A	– %	$ –	$ –	$ 6,707,164	6,707,164
U.S. Bank commercial paper	A1	S&P	Level 2	7.5 %	$ 21,053,084	$ –	$ –	21,053,084
Corporate obligations	AAA	S&P	Level 1	– %	$ 99,659	$ 75,493	$ –	175,152
Corporate obligations	AA	S&P	Level 1	– %	$ 174,330	$ 595,161	$ –	769,491
Corporate obligations	A	S&P	Level 1	– %	$ 1,466,220	$ 3,478,239	$ –	4,944,459
Corporate obligations	A	Moody's	Level 1	– %	$ 544,848	$ 567,043	$ –	1,111,891
Corporate obligations	BBB	S&P	Level 1	– %	$ 249,489	$ 839,988	$ –	1,089,477
Corporate obligations	BAA	Moody's	Level 1	– %	$ –	$ 361,190	$ –	361,190
Negotiable certificates of deposit	N/R	N/R	Level 2	– %	$ 1,070,928	$ 2,195,341	$ –	3,266,269
Equities	N/R	N/R	Level 1	– %	$ –	$ –	$ –	16,723,082
Investment pools/mutual funds								
MSDLAF	AAA	S&P	N/A					26,695,876
Mutual funds	AAA	S&P	Level 1					1,162,030
Mutual funds	N/R	N/R	Level 1					5,263,849
Mutual funds	AAA	S&P	Level 2					117,183,947
Mutual funds	N/R	N/R	Level 2					3,646,901
Total investments								$ 280,488,556

N/R – Not Rated
N/A – Not Applicable

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool which is not registered with the Securities and Exchange Commission. 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.

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

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

	General	Food Service	Community Service	Debt Service	Total
Due from MDE	$ 39,334,094	$ 39,033	$ 1,852,570	$ 114,545	$ 41,340,242
Due from MDE, principally pass-through federal assistance	16,160,468	1,006,774	1,096,168	–	18,263,410
Due from federal government, direct assistance	1,843,087	–	–	–	1,843,087
Due from other governmental units	1,855,377	150	138,090	303,867	2,297,484
Due from other Minnesota school districts	519,040	–	–	–	519,040
Total due from other governmental units	$ 59,712,066	$ 1,045,957	$ 3,086,828	$ 418,412	$ 64,263,263

NOTE 4 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Prior Period Adjustment*	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated						
Land	$ 29,478,817	$ –	$ 1,490,000	$ –	$ –	$ 30,968,817
Construction in progress	24,574,593	15,420,825	135,354,409	(864,033)	(18,716,888)	155,768,906
Total capital assets, not depreciated	54,053,410	15,420,825	136,844,409	(864,033)	(18,716,888)	186,737,723
Capital assets, depreciated						
Land improvements	28,691,316	–	–	–	–	28,691,316
Buildings	341,405,511	–	13,888,112	–	–	355,293,623
Building improvements	357,895,273	–	–	–	18,716,888	376,612,161
Equipment	23,286,420	–	272,185	(946,844)	–	22,611,761
Total capital assets, depreciated	751,278,520	–	14,160,297	(946,844)	18,716,888	783,208,861
Less accumulated depreciation for						
Land improvements	(14,919,815)	–	(1,119,006)	–	–	(16,038,821)
Buildings	(184,251,661)	–	(6,255,499)	–	–	(190,507,160)
Building improvements	(166,455,056)	–	(13,482,059)	–	–	(179,937,115)
Equipment	(20,183,534)	–	(1,494,740)	946,844	–	(20,731,430)
Total accumulated depreciation	(385,810,066)	–	(22,351,304)	946,844	–	(407,214,526)
Net capital assets, depreciated	365,468,454	–	(8,191,007)	–	18,716,888	375,994,335
Total capital assets, net	$ 419,521,864	$ 15,420,825	$ 128,653,402	$ (864,033)	$ –	$ 562,732,058

* The prior period adjustment reflects the District's recording of prior year architect and engineering fees, as described earlier in these notes.

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

Administration	$ 196,021
District support services	710,995
Elementary and secondary regular instruction	20,819,346
Special education instruction	280,956
Instructional support services	61,466
Pupil support services	75,100
Community service	207,420
Total depreciation expense	$ 22,351,304

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, 2018
12/01/2008	2008A School Building Bonds	02/01/2029	3.0–5.0%	$ 25,800,000	$ 17,110,000
12/15/2009	2009B School Building Bonds	02/01/2030	2.0–4.0%	9,790,000	6,640,000
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	3,730,000
11/17/2010	2010B Taxable School Building Bonds	02/01/2031	0.9–4.9%	7,750,000	5,425,000
11/17/2010	2010C Taxable School Building Bonds	02/01/2027	5.075%	18,250,000	18,250,000
06/11/2011	2011A School Building Bonds	02/01/2028	2.0–4.0%	26,000,000	20,055,000
08/15/2011	2011C School Building Refunding Bonds	02/01/2023	3.0–4.0%	16,010,000	8,470,000
06/15/2012	2012A School Building Bonds	02/01/2033	3.0–4.0%	24,980,000	20,080,000
06/15/2012	2012B School Building Refunding Bonds	02/01/2025	4.0–5.0%	28,355,000	19,785,000
06/25/2013	2013A School Building Bonds	02/01/2034	2.0–4.0%	24,485,000	20,405,000
06/25/2013	2013B School Building Refunding Bonds	02/01/2027	4.0–5.0%	28,635,000	25,045,000
06/12/2014	2014A School Building Bonds	02/01/2035	2.0–4.0%	14,845,000	13,130,000
06/11/2015	2015A School Building Bonds	02/01/2036	2.0–5.0%	15,000,000	13,855,000
06/11/2015	2015B Taxable Refunding Bonds	02/01/2021	1.0–2.5%	18,665,000	9,385,000
07/27/2016	2016A School Building Bonds	02/01/2036	2.0–4.0%	15,000,000	13,635,000
07/27/2016	2016B School Building Refunding Bonds	02/01/2030	2.0–5.0%	34,955,000	34,955,000
06/15/2017	2017A School Building Bonds	02/01/2037	3.0–4.0%	15,000,000	14,345,000
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	15,000,000
Total general obligation bonds payable				$ 380,510,000	$ 310,935,000

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 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.

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 will occur 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 will make all debt service payments on the 2007A, 2008A, and 2009B issues, and all debt service on the 2016B issue will be 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. Certificates of participation outstanding at June 30, 2018 include:

Date of Issue	Date of Final Maturity	Coupon Rate Percentage	Amount of Original Issue	Certificates of Participation Outstanding
01/29/2009	02/01/2019	3.50–4.25%	$ 8,715,000	$ 1,035,000
06/15/2017	02/01/2037	3.00–5.00%	24,305,000	24,305,000
12/21/2017	02/01/2038	3.00–5.00%	56,015,000	56,015,000
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%	18,060,000	18,060,000
			$ 159,595,000	$ 151,915,000

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 and 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.

D. Legal Debt Limit

The District's legal debt limit is 15 percent of the fair market value of the property within the District, totaling $3,337,258,007 at June 30, 2018. The District's legal debt margin at June 30, 2018 is $3,090,346,441.

E. 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, 2018:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 103,196,293	$ 28,716,549	$ 27,923,968	$ 9,636,458
SPTRFA	415,970,462	50,185,704	34,655,164	41,019,068
Total	$ 519,166,755	$ 78,902,253	$ 62,579,132	$ 50,655,526

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

F. 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	General Obligation Bonds Payable		Certificates of Participation Payable		Capital Lease Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 44,215,000	$ 11,554,225	$ 3,260,000	$ 5,216,221	$ 7,049,147	$ 255,953
2020	20,530,000	9,921,942	4,985,000	5,910,063	7,116,466	188,635
2021	36,770,000	9,123,676	5,235,000	5,660,813	7,205,405	99,696
2022	17,535,000	7,643,089	5,495,000	5,399,063	973,536	9,638
2023	18,225,000	7,002,749	5,770,000	5,124,313	–	–
2024–2028	90,575,000	23,965,636	33,465,000	20,996,063	–	–
2029–2033	65,270,000	8,241,187	41,660,000	12,822,100	–	–
2034–2038	17,815,000	1,332,807	47,145,000	5,558,006	–	–
2039	–	–	4,900,000	171,500	–	–
	$ 310,935,000	$ 78,785,311	$ 151,915,000	$ 66,858,142	$ 22,344,554	$ 553,922

G. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 318,070,000	$ 30,520,000	$ (37,655,000)	$ 310,935,000	$ 44,215,000
Certificates of participation payable	27,375,000	126,575,000	(2,035,000)	151,915,000	3,260,000
Unamortized premium/discount	19,989,551	10,827,698	(2,275,190)	28,542,059	–
Total bonds and certificates payable	365,434,551	167,922,698	(41,965,190)	491,392,059	47,475,000
Capital lease payable	26,940,659	3,857,775	(8,453,880)	22,344,554	7,049,147
Compensated absences					
Severance benefits payable	10,272,439	2,524,461	(1,887,560)	10,909,340	2,099,693
Vacation payable	6,453,520	5,426,161	(6,181,113)	5,698,568	5,637,414
	$ 409,101,169	$ 179,731,095	$ (58,487,743)	$ 530,344,521	$ 62,261,254

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.

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.

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

- **SPTRFA –** Post-retirement adjustments are determined annually, under Minnesota Statutes, which may be amended from time to time. The SPTRFA increase is 1.0 percent. If the SPTRFA funded ratio exceeds 80.0 percent, the annual post-retirement adjustment will increase to 2.0 percent. If the SPTRFA funded ratio exceeds 90.0 percent, the annual post-retirement adjustment will increase to 2.5 percent.

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

2. 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

	Coordinated Plan Member	Basic Plan Member
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

	Coordinated Plan Member	Basic Plan Member
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 actuarially 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 2018; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2018, were $7,891,239. 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 each fiscal year are:

	Percentage of Covered Payroll			
Year Ended	Basic Plan		Coordinated Plan	
June 30,	Employee	Employer	Employee	Employer
2015	9.00 %	12.64 %	6.50 %	9.34 %
2016	9.50 %	13.14 %	7.00 %	9.84 %
2017	10.00 %	13.39 %	7.50 %	10.09 %
2018	10.00 %	13.64 %	7.50 %	10.34 %

The District's contributions to the SPTRFA for the plan's fiscal year ended June 30, 2018, were $27,305,466. 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, 2018, the District reported a liability of $103,196,293 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 1.6165 percent at the end of the measurement period and 1.6440 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 $6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 103,196,293
State's proportionate share of the net pension liability associated with the District	$ 1,297,601

For the year ended June 30, 2018, the District recognized pension expense of $9,598,982 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $37,476 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $6 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,401,036	$ 6,850,933
Changes in actuarial assumptions	17,424,274	10,345,438
Differences between projected and actual investment earnings	–	4,322,675
Changes in proportion	–	6,404,922
District's contributions to the GERF subsequent to the measurement date	7,891,239	–
Total	$ 28,716,549	$ 27,923,968

A total of $7,891,239 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	$ (4,588,261)
2020	$ 4,301,891
2021	$ (2,431,802)
2022	$ (4,380,486)

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. SPTRFA Pension Costs

At June 30, 2018, the District reported a liability of $415,970,462 for its proportionate share of the SPTRFA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the SPTRFA in relation to total system contributions, including direct aid from the state of Minnesota. The District's proportionate share was 71.848 percent at the end of the measurement period and 71.037 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 415,970,462
State's proportionate share of the net pension liability associated with the District	$ 161,573,776

For the year ended June 30, 2018, the District recognized pension expense of $30,380,520. It also recognized $10,638,548 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District reported its proportionate share of the 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	$ 3,828,780	$ 22,453,936
Changes in actuarial assumptions	5,697,546	12,201,228
Differences between projected and actual investment earnings	4,467,508	–
Changes in proportion	8,086,404	–
District's contributions to the SPTRFA subsequent to the measurement date	28,105,466	–
Total	$ 50,185,704	$ 34,655,164

A total of $28,105,466 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, 2019. 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
2019	$ (8,484,717)
2020	$ 1,723,995
2021	$ 1,709,200
2022	$ (7,523,404)

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

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

Assumptions	GERF	SPTRFA
Inflation	2.50% per year	3.00%
Active member payroll growth	3.25% per year	4.00%–8.90%
Investment rate of return	7.50%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 (GERF) and RP-2000 (SPTRFA) tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter, and 1.0 percent per year through 2041, 2.0 percent beginning 2042, and 2.5 percent beginning 2052 for the SPTRFA.

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

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

- 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.

The actuarial assumptions used in the June 30, 2017, 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 for the SPTRFA occurred in 2017:

- CSA loads on liabilities were changed as follows:

	Active Pre-89	Active Post-89	Vested Terminated	Non-Vested Terminated
Prior	7.0%	2.0%	30.0%	30.0%
Current	–%	–%	20.0%	9.0%

- The assumed cost of living adjustments were changed from 1.0 percent per year through 2054, 2.0 percent beginning 2055, 2.5 percent beginning 2066 to 1.0 percent per year through 2041, 2.0 percent beginning 2042, and 2.5 percent beginning 2052.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 8.0 percent for the SPTRFA. 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 GERF are summarized in the following table:

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. SPTRFA

The discount rate used to measure the total pension liability was 8.0 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.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 160,065,119	$ 103,196,293	$ 56,638,830
SPTRFA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the SPTRFA net pension liability	$ 547,830,222	$ 415,970,462	$ 305,558,767

H. Pension Plan Fiduciary Net Position

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

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

Detailed information about the 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 $20,041,157 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	3,339
Active plan members	5,703
Total members	9,042

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

E. Total OPEB Liability of the District

The District's total OPEB liability of $330,876,703 as of year-end was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

F. Actuarial Methods and Assumptions

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

Discount rate	3.56%
20-year municipal bond yield	3.56%
Inflation rate	2.75%
Healthcare trend rate	6.80% 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	$ 352,147,115
Changes for the year	
Service cost	8,294,600
Interest	10,228,440
Change of assumptions	(19,488,077)
Benefit payments	(20,305,375)
Total net changes	(21,270,412)
Ending balance	$ 330,876,703

Assumption changes since the prior measurement date include the following:

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

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

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.56%	3.56%	4.56%
Total OPEB liability	$ 362,106,658	$ 330,876,703	$ 303,563,700

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 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB healthcare trend rate	5.80% decreasing to 3.40% after 57 years	6.80% decreasing to 4.40% after 57 years	7.80% decreasing to 5.40% after 57 years
Total OPEB liability	$ 317,618,833	$ 330,876,703	$ 346,242,330

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 $15,998,678. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ –	$ 16,963,715
District's contributions subsequent to the measurement date	20,041,157	–
Total	$ 20,041,157	$ 16,963,715

A total of $20,041,157 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, 2019.

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

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

Year Ending June 30,	Pension Expense Amount
2019	$ (2,524,362)
2020	$ (2,524,362)
2021	$ (2,524,362)
2022	$ (2,524,362)
2023	$ (2,524,362)
Thereafter	$ (4,341,905)

NOTE 8 – INTERFUND BALANCES AND TRANSACTIONS

A. Interfund Receivables and Payables

The District had the following interfund receivables and payables at June 30, 2018:

	Due From Other Fund	Due to Other Fund
General Fund	$ 48,467,962	$ –
Capital Projects Fund	–	48,467,962
Total	$ 48,467,962	$ 48,467,962

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.

B. Interfund Transfers

During fiscal year 2018, the General Fund transferred $18,369,027 to the Capital Projects Fund. This transfer was made to allocate revenues levied by the General Fund that are required to be expended by the Capital Projects Fund. Such interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

NOTE 9 – 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 9 – 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, 2018, the District had commitments totaling $77,874,160 under various construction contracts for which the work was not yet completed.

NOTE 10 – SUBSEQUENT EVENTS

In November 2018, voters of the District passed a levy referendum to revoke the District's existing operating referendum revenue authorization of $704.52 per pupil and replacing it with $1,179.52 per pupil. These funds will be used in accordance with the District's new strategic plan.

REQUIRED SUPPLEMENTARY INFORMATION

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	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%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 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%

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.

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, 2018

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 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	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%

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

District Fiscal Year-End Date	Statutorily Required Contributions *	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 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%

* 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, 2018

	2018
Total OPEB liability	
Service cost	$ 8,294,600
Interest	10,228,440
Changes of assumptions	(19,488,077)
Benefit payments	(20,305,375)
Net change in total OPEB liability	(21,270,412)
Total OPEB liability – beginning of year	352,147,115
Total OPEB liability – end of year	$ 330,876,703
Covered-employee payroll	$ 325,787,955
Total OPEB liability as a percentage of covered-employee payroll	101.56%

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, 2018

	General			
	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Local sources				
Property taxes	$107,939,172	$107,939,172	$109,238,056	$ 1,298,884
County and other	8,100,000	11,382,680	14,001,527	2,618,847
State	422,675,930	427,486,855	446,238,457	18,751,602
Federal	40,944,368	49,647,275	42,442,009	(7,205,266)
Investment earnings	100,000	100,000	2,650,700	2,550,700
Sales and conversion of assets	–	–	378,155	378,155
Total revenues	579,759,470	596,555,982	614,948,904	18,392,922
Expenditures				
Current				
Administration	21,008,036	21,810,864	23,854,360	2,043,496
District support services	20,003,261	22,363,901	16,938,836	(5,425,065)
Elementary and secondary regular instruction	246,431,334	268,860,488	269,413,767	553,279
Vocational education instruction	2,455,422	3,087,281	2,847,300	(239,981)
Special education instruction	102,166,023	111,290,146	115,418,197	4,128,051
Instructional support services	39,841,719	42,749,036	40,780,667	(1,968,369)
Pupil support services	56,878,461	60,621,920	59,285,630	(1,336,290)
Sites and buildings	40,668,396	44,678,137	54,387,609	9,709,472
Fiscal and other fixed cost programs	24,969,579	1,548,000	1,690,791	142,791
Food service	–	–	–	–
Community service	6,968,212	7,168,212	7,349,794	181,582
Debt service				
Principal payments	–	–	8,453,880	8,453,880
Interest	–	–	221,701	221,701
Total expenditures	561,390,443	584,177,985	600,642,532	16,464,547
Excess (deficiency) of revenues over expenditures	18,369,027	12,377,997	14,306,372	1,928,375
Other financing sources (uses)				
Capital lease issued	–	–	3,857,775	3,857,775
Sale of capital assets	–	–	1,537,523	1,537,523
Transfers (out)	(18,369,027)	(18,369,027)	(18,369,027)	–
Total other financing sources (uses)	(18,369,027)	(18,369,027)	(12,973,729)	5,395,298
Net change in fund balances	$ –	$ (5,991,030)	1,332,643	$ 7,323,673
Fund balances at beginning of year			92,649,864	
Fund balances at end of year			$ 93,982,507	

Food Service				Community Service			
Budgeted Amounts				Budgeted Amounts			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
$ –	$ –	$ –	$ –	$ 3,419,271	$ 3,377,736	$ 3,356,423	$ (21,313)
–	54,050	37,461	(16,589)	7,834,686	7,914,994	6,787,887	(1,127,107)
1,395,569	1,395,569	1,057,453	(338,116)	17,191,210	17,249,872	17,273,120	23,248
26,042,171	26,042,171	25,002,985	(1,039,186)	2,524,597	3,597,455	2,414,158	(1,183,297)
–	–	22,665	22,665	2,300	2,300	29,154	26,854
1,928,760	1,928,760	1,774,838	(153,922)	–	–	7,465	7,465
29,366,500	29,420,550	27,895,402	(1,525,148)	30,972,064	32,142,357	29,868,207	(2,274,150)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	1,148,127	1,168,450	1,209,883	41,433
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
29,366,500	29,420,550	26,967,864	(2,452,686)	–	–	–	–
–	–	–	–	30,139,394	31,289,367	28,839,690	(2,449,677)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
29,366,500	29,420,550	26,967,864	(2,452,686)	31,287,521	32,457,817	30,049,573	(2,408,244)
–	–	927,538	927,538	(315,457)	(315,460)	(181,366)	134,094
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
$ –	$ –	927,538	$ 927,538	$ (315,457)	$ (315,460)	(181,366)	$ 134,094
		5,711,180				3,855,217	
		$ 6,638,718				$ 3,673,851	

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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

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

2015 CHANGES IN PLAN PROVISIONS:

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

	Active Pre-89	Active Post-89	Vested Terminated	Non-Vested Terminated
Prior	7.0%	2.0%	30.0%	30.0%
Current	–%	–%	20.0%	9.0%

- The assumed cost of living adjustments were changed from 1.0 percent per year through 2054, 2.0 percent beginning 2055, 2.5 percent beginning 2066 to 1.0 percent per year through 2041, 2.0 percent beginning 2042, and 2.5 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.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	General Fund Accounts	Fully Financed General Fund Accounts	Totals 2018	Totals 2017
Assets				
Cash and investments (deficit)	$ 34,326,248	$ (13,128,880)	$ 21,197,368	$ 70,207,730
Restricted cash and investments in revocable trust for OPEB obligations	37,797,046	–	37,797,046	34,476,447
Receivables				
Current taxes	67,223,175	–	67,223,175	65,067,755
Delinquent taxes	1,628,836	–	1,628,836	1,662,134
Due from other governmental units	41,952,193	17,759,873	59,712,066	48,768,500
Other	385,644	269,609	655,253	1,898,972
Due from other fund	48,467,962	–	48,467,962	9,270,316
Inventories	538,462	–	538,462	538,959
Prepaid items	2,616,604	17,962	2,634,566	911,234
Total assets	$ 234,936,170	$ 4,918,564	$ 239,854,734	$ 232,802,047
Liabilities				
Accounts payable	$ 7,280,303	$ 429,087	$ 7,709,390	$ 8,590,775
Accrued expenditures	45,768,624	2,171,106	47,939,730	47,138,121
Due to other governmental units	416,281	38,665	454,946	657,915
Unearned revenue	33,380	2,144,623	2,178,003	1,638,762
Total liabilities	53,498,588	4,783,481	58,282,069	58,025,573
Deferred inflows of resources				
Property taxes levied for subsequent year	86,124,023	–	86,124,023	80,830,565
Unavailable revenue – delinquent taxes	1,466,135	–	1,466,135	1,296,045
Total deferred inflows of resources	87,590,158	–	87,590,158	82,126,610
Fund balance				
Nonspendable for				
Inventories	538,462	–	538,462	538,959
Prepaid items	2,616,604	17,962	2,634,566	911,234
Restricted for				
Health and safety	310,433	–	310,433	–
Operating capital	–	–	–	2,741,310
Area learning center	37,077	–	37,077	–
Teacher development and evaluation	–	–	–	83,626
Achievement and integration	–	–	–	483,147
OPEB revocable trust	37,797,046	–	37,797,046	34,476,447
Committed to				
Severance pay	2,538,018	–	2,538,018	2,538,018
Assigned to				
Contractual obligations	4,489,816	–	4,489,816	3,482,217
Strong Schools, Strong Communities initiative	6,068,461	–	6,068,461	7,100,000
Site-based operations	7,314,767	–	7,314,767	6,078,918
Intraschool activities	3,207,872	–	3,207,872	3,215,835
Unassigned				
Health and safety restricted account deficit	–	–	–	(3,768,183)
Long-term facilities maintenance restricted account deficit	(9,696,173)	–	(9,696,173)	(1,094,424)
Unassigned	38,625,041	117,121	38,742,162	35,862,760
Total fund balance	93,847,424	135,083	93,982,507	92,649,864
Total liabilities, deferred inflows of resources, and fund balance	$ 234,936,170	$ 4,918,564	$ 239,854,734	$ 232,802,047

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Assets		
Cash and investments	$ 34,326,248	$ 72,741,463
Restricted cash and investments in revocable trust for OPEB obligations	37,797,046	34,476,447
Receivables		
Current taxes	67,223,175	65,067,755
Delinquent taxes	1,628,836	1,662,134
Due from other governmental units	41,952,193	42,588,599
Other	385,644	1,191,226
Due from other fund	48,467,962	9,270,316
Inventories	538,462	538,959
Prepaid items	2,616,604	902,947
Total assets	$ 234,936,170	$ 228,439,846
Liabilities		
Accounts payable	$ 7,280,303	$ 8,410,898
Accrued expenditures	45,768,624	44,850,157
Due to other governmental units	416,281	537,400
Unearned revenue	33,380	–
Total liabilities	53,498,588	53,798,455
Deferred inflows of resources		
Property taxes levied for subsequent year	86,124,023	80,830,565
Unavailable revenue – delinquent taxes	1,466,135	1,296,045
Total deferred inflows of resources	87,590,158	82,126,610
Fund balance		
Nonspendable for		
Inventories	538,462	538,959
Prepaid items	2,616,604	902,947
Restricted for		
Health and safety	310,433	–
Operating capital	–	2,741,310
Area learning center	37,077	–
Teacher development and evaluation	–	83,626
Achievement and integration	–	483,147
OPEB revocable trust	37,797,046	34,476,447
Committed to		
Severance pay	2,538,018	2,538,018
Assigned to		
Contractual obligations	4,489,816	3,482,217
Strong Schools, Strong Communities initiative	6,068,461	7,100,000
Site-based operations	7,314,767	6,078,918
Intraschool activities	3,207,872	3,215,835
Unassigned		
Health and safety restricted account deficit	–	(3,768,183)
Long-term facilities maintenance restricted account deficit	(9,696,173)	(1,094,424)
Unassigned	38,625,041	35,735,964
Total fund balance	93,847,424	92,514,781
Total liabilities, deferred inflows of resources, and fund balances	$ 234,936,170	$ 228,439,846

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Assets		
Cash and investments (deficit)	$ (13,128,880)	$ (2,533,733)
Receivables		
Due from other governmental units	17,759,873	6,179,901
Other	269,609	707,746
Prepaid items	17,962	8,287
Total assets	$ 4,918,564	$ 4,362,201
Liabilities		
Accounts payable	$ 429,087	$ 179,877
Accrued expenditures	2,171,106	2,287,964
Due to other governmental units	38,665	120,515
Unearned revenue	2,144,623	1,638,762
Total liabilities	4,783,481	4,227,118
Fund balance		
Nonspendable for prepaid items	17,962	8,287
Unassigned	117,121	126,796
Total fund balance	135,083	135,083
Total liabilities and fund balance	$ 4,918,564	$ 4,362,201

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	General Fund Accounts	Fully Financed General Fund Accounts	Totals 2018	Totals 2017
Revenues				
Local sources				
Property taxes	$ 109,238,056	$ –	$ 109,238,056	$ 104,153,522
County and other	11,726,966	2,274,561	14,001,527	13,287,231
State	445,167,701	1,070,756	446,238,457	440,192,069
Federal	951,395	41,490,614	42,442,009	46,615,814
Investment earnings	2,650,700	–	2,650,700	3,505,883
Sales and conversions of assets	378,155	–	378,155	496,770
Total revenues	570,112,973	44,835,931	614,948,904	608,251,289
Expenditures				
Current				
Administration	23,817,600	36,760	23,854,360	24,269,929
District support services	16,783,015	155,821	16,938,836	17,767,049
Elementary and secondary regular instruction	239,870,367	29,543,400	269,413,767	271,921,068
Vocational education instruction	2,025,819	821,481	2,847,300	5,380,826
Special education instruction	106,305,134	9,113,063	115,418,197	113,047,558
Community service	7,193,893	155,901	7,349,794	7,162,945
Instructional support services	38,997,828	1,782,839	40,780,667	66,883,085
Pupil support services	56,058,964	3,226,666	59,285,630	58,789,228
Sites and buildings	54,387,609	–	54,387,609	60,454,824
Fiscal and other fixed cost programs	1,690,791	–	1,690,791	1,468,655
Debt service				
Principal payments	8,453,880	–	8,453,880	1,660,131
Interest	221,701	–	221,701	111,292
Total expenditures	555,806,601	44,835,931	600,642,532	628,916,590
Excess (deficiency) of revenues over expenditures	14,306,372	–	14,306,372	(20,665,301)
Other financing sources (uses)				
Capital lease issued	3,857,775	–	3,857,775	23,510,709
Sale of capital assets	1,537,523	–	1,537,523	18,245
Transfers (out)	(18,369,027)	–	(18,369,027)	(285,978)
Total other financing sources (uses)	(12,973,729)	–	(12,973,729)	23,242,976
Net change in fund balances	1,332,643	–	1,332,643	2,577,675
Fund balance at beginning of year	92,514,781	135,083	92,649,864	90,072,189
Fund balance at end of year	$ 93,847,424	$ 135,083	$ 93,982,507	$ 92,649,864

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
Property taxes	$ 107,939,172	$ 109,238,056	$ 1,298,884	$ 104,153,522
County and other	7,900,000	11,726,966	3,826,966	9,242,672
State	425,724,498	445,167,701	19,443,203	438,731,993
Federal	1,000,000	951,395	(48,605)	1,167,447
Investment earnings	100,000	2,650,700	2,550,700	3,505,883
Sales and conversions of assets	–	378,155	378,155	496,770
Total revenues	542,663,670	570,112,973	27,449,303	557,298,287
Expenditures				
Current				
Administration	21,796,932	23,817,600	2,020,668	24,197,560
District support services	22,146,838	16,783,015	(5,363,823)	17,338,528
Elementary and secondary regular instruction	232,961,273	239,870,367	6,909,094	237,507,818
Vocational education instruction	1,911,136	2,025,819	114,683	4,614,046
Special education instruction	101,055,986	106,305,134	5,249,148	103,878,464
Community service	6,968,212	7,193,893	225,681	7,162,945
Instructional support services	40,485,304	38,997,828	(1,487,476)	64,786,014
Pupil support services	56,793,855	56,058,964	(734,891)	54,735,935
Sites and buildings	44,618,137	54,387,609	9,769,472	60,454,824
Fiscal and other fixed cost programs	1,548,000	1,690,791	142,791	1,468,655
Debt service				
Principal payments	–	8,453,880	8,453,880	1,660,131
Interest	–	221,701	221,701	111,292
Total expenditures	530,285,673	555,806,601	25,520,928	577,916,212
Excess (deficiency) of revenues over expenditures	12,377,997	14,306,372	1,928,375	(20,617,925)
Other financing sources (uses)				
Capital lease issued	–	3,857,775	3,857,775	23,510,709
Sale of capital assets	–	1,537,523	1,537,523	18,245
Transfers (out)	(18,369,027)	(18,369,027)	–	(285,978)
Total other financing sources (uses)	(18,369,027)	(12,973,729)	5,395,298	23,242,976
Net change in fund balances	$ (5,991,030)	1,332,643	$ 7,323,673	2,625,051
Fund balance at beginning of year		92,514,781		89,889,730
Fund balance at end of year		$ 93,847,424		$ 92,514,781

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
County and other	$ 3,482,680	$ 2,274,561	$ (1,208,119)	$ 4,044,559
State	1,762,357	1,070,756	(691,601)	1,460,076
Federal	48,647,275	41,490,614	(7,156,661)	45,448,367
Total revenues	53,892,312	44,835,931	(9,056,381)	50,953,002
Expenditures				
Current				
Administration	13,932	36,760	22,828	72,369
District support services	217,063	155,821	(61,242)	428,521
Elementary and secondary regular instruction	35,899,215	29,543,400	(6,355,815)	34,413,250
Vocational education instruction	1,176,145	821,481	(354,664)	766,780
Special education instruction	10,234,160	9,113,063	(1,121,097)	9,169,094
Community service	200,000	155,901	(44,099)	–
Instructional support services	2,263,732	1,782,839	(480,893)	2,097,071
Pupil support services	3,828,065	3,226,666	(601,399)	4,053,293
Sites and buildings	60,000	–	(60,000)	–
Total expenditures	53,892,312	44,835,931	(9,056,381)	51,000,378
Net change in fund balances	$ –	–	$ –	(47,376)
Fund balance at beginning of year		135,083		182,459
Fund balance at end of year		$ 135,083		$ 135,083

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Assets		
Cash and investments	$ 4,586,488	$ 4,054,637
Receivables		
Due from other governmental units	1,045,957	1,178,493
Other	23,248	869
Inventories	1,746,784	1,324,591
Prepaid items	7,472	40,234
Total assets	$ 7,409,949	$ 6,598,824
Liabilities		
Accounts payable	$ 198,210	$ 307,994
Accrued expenditures	573,021	579,650
Total liabilities	771,231	887,644
Fund balance		
Nonspendable for inventories	1,746,784	1,324,591
Nonspendable for prepaid items	7,472	40,234
Restricted for food service	4,884,462	4,346,355
Total fund balance	6,638,718	5,711,180
Total liabilities and fund balance	$ 7,409,949	$ 6,598,824

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
County and other	$ 54,050	$ 37,461	$ (16,589)	$ 33,928
State	1,395,569	1,057,453	(338,116)	1,101,463
Federal	26,042,171	25,002,985	(1,039,186)	24,736,711
Investment earnings	–	22,665	22,665	12,044
Sales and conversion of assets	1,928,760	1,774,838	(153,922)	1,728,333
Total revenues	29,420,550	27,895,402	(1,525,148)	27,612,479
Expenditures				
Current				
Food service	29,420,550	26,967,864	(2,452,686)	25,788,378
Net change in fund balances	$ –	927,538	$ 927,538	1,824,101
Fund balance at beginning of year		5,711,180		3,887,079
Fund balance at end of year		$ 6,638,718		$ 5,711,180

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Assets		
Cash and investments	$ 3,800,623	$ 5,158,444
Receivables		
Current taxes	2,150,647	2,038,758
Delinquent taxes	52,397	55,753
Due from other governmental units	3,086,828	2,227,562
Other	424,268	20,722
Prepaid items	–	7,491
Total assets	$ 9,514,763	$ 9,508,730
Liabilities		
Accounts payable	$ 508,976	$ 602,602
Accrued expenditures	1,176,006	1,339,411
Unearned revenue	483,823	261,651
Total liabilities	2,168,805	2,203,664
Deferred inflows of resources		
Property taxes levied for subsequent year	3,626,824	3,406,264
Unavailable revenue – delinquent taxes	45,283	43,585
Total deferred inflows of resources	3,672,107	3,449,849
Fund balance		
Nonspendable for prepaid items	–	7,491
Restricted for		
Adult basic education	406,085	410,164
School readiness	1,373,228	1,200,226
Community education	560,362	961,118
ECFE	352,680	267,755
Community service	981,496	1,008,463
Total fund balance	3,673,851	3,855,217
Total liabilities, deferred inflows of resources, and fund balance	$ 9,514,763	$ 9,508,730

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, 2018
(With Comparative Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
Property taxes	$ 3,377,736	$ 3,356,423	$ (21,313)	$ 3,224,411
County and other	7,914,994	6,787,887	(1,127,107)	8,112,538
State	17,249,872	17,273,120	23,248	17,457,338
Federal	3,597,455	2,414,158	(1,183,297)	2,419,409
Investment earnings	2,300	29,154	26,854	23,981
Sales and conversion of assets	–	7,465	7,465	–
Total revenues	32,142,357	29,868,207	(2,274,150)	31,237,677
Expenditures				
Current				
Pupil support services	1,168,450	1,209,883	41,433	1,086,345
Community service	31,289,367	28,839,690	(2,449,677)	29,018,884
Total expenditures	32,457,817	30,049,573	(2,408,244)	30,105,229
Net change in fund balances	$ (315,460)	(181,366)	$ 134,094	1,132,448
Fund balance at beginning of year		3,855,217		2,722,769
Fund balance at end of year		$ 3,673,851		$ 3,855,217

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Assets		
Restricted cash and investments for capital projects	$ 119,820,839	$ 52,968,577
Receivables		
Other	73,524	–
Total assets	$ 119,894,363	$ 52,968,577
Liabilities		
Accounts payable	$ 29,880,107	$ 13,135,267
Accrued expenditures	39,590	42,062
Due to other fund	48,467,962	9,270,316
Total liabilities	78,387,659	22,447,645
Fund balance		
Restricted for		
Projects funded by certificates of participation	68,897,851	9,715,008
Capital projects	–	20,805,924
Unassigned	(27,391,147)	–
Total fund balance	41,506,704	30,520,932
Total liabilities and fund balance	$ 119,894,363	$ 52,968,577

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
County and other	$ –	$ 200	$ 200	$ –
Federal	–	–	–	32,603
Investment earnings	–	387,018	387,018	27,546
Total revenues	–	387,218	387,218	60,149
Expenditures				
Capital outlay	197,739,643	156,372,961	(41,366,682)	40,247,711
Debt service				
Other debt	–	1,412,673	1,412,673	830,780
Total expenditures	197,739,643	157,785,634	(39,954,009)	41,078,491
Excess (deficiency) of revenue over expenditures	(197,739,643)	(157,398,416)	40,341,227	(41,018,342)
Other financing sources				
Building bonds issued	15,652,985	15,000,000	(652,985)	30,000,000
Certificates of participation issued	133,196,699	126,575,000	(6,621,699)	24,305,000
Premium on debt issued	–	8,440,161	8,440,161	2,783,938
Transfer in	18,369,027	18,369,027	–	285,978
Total other financing sources	167,218,711	168,384,188	1,165,477	57,374,916
Net change in fund balances	$ (30,520,932)	10,985,772	$ 41,506,704	16,356,574
Fund balance at beginning of year		30,520,932		14,164,358
Fund balance at end of year		$ 41,506,704		$ 30,520,932

INDEPENDENT SCHOOL DISTRICT NO. 625

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

	2018	2017
Assets		
Cash and investments	$ 26,509,289	$ 23,174,418
Restricted cash and investments for debt service	52,475,748	49,904,704
Receivables		
Current taxes	22,929,879	22,205,594
Delinquent taxes	589,322	671,304
Due from other governmental units	418,412	428,916
Other	287,318	199,172
Total assets	$ 103,209,968	$ 96,584,108
Liabilities		
Accounts payable	$ 2,000	$ –
Unearned revenue	–	130,500
Total liabilities	2,000	130,500
Deferred inflows of resources		
Property taxes levied for subsequent year	38,669,765	36,826,077
Unavailable revenue – delinquent taxes	514,769	530,022
Total deferred inflows of resources	39,184,534	37,356,099
Fund balance		
Restricted for		
Bond refunding	40,224,265	39,467,049
QSCB payments	12,534,425	10,634,544
Debt service	11,264,744	8,995,916
Total fund balance	64,023,434	59,097,509
Total liabilities, deferred inflows of resources, and fund balance	$ 103,209,968	$ 96,584,108

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
Property taxes	$ 36,825,000	$ 36,307,640	$ (517,360)	$ 37,492,714
County and other	–	667,107	667,107	314,976
State	–	110,678	110,678	121,748
Federal	935,000	940,108	5,108	941,912
Investment earnings	100,000	676,123	576,123	569,448
Total revenues	37,860,000	38,701,656	841,656	39,440,798
Expenditures				
Debt service				
Principal payments	24,035,000	23,925,000	(110,000)	23,678,632
Interest	11,692,123	11,826,912	134,789	12,778,342
Other debt	100,000	166,356	66,356	520,500
Total expenditures	35,827,123	35,918,268	91,145	36,977,474
Excess of revenues over expenditures	2,032,877	2,783,388	750,511	2,463,324
Other financing sources (uses)				
Refunding debt issued	–	15,520,000	15,520,000	34,955,000
Premium on refunding debt issued	–	2,387,537	2,387,537	5,643,592
Principal payments by refunded bond escrow agent	(15,765,000)	(15,765,000)	–	(15,210,000)
Total other financing sources (uses)	(15,765,000)	2,142,537	17,907,537	25,388,592
Net change in fund balances	$ (13,732,123)	4,925,925	$ 18,658,048	27,851,916
Fund balance at beginning of year		59,097,509		31,245,593
Fund balance at end of year		$ 64,023,434		$ 59,097,509

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