INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2017

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INDEPENDENT SCHOOL DISTRICT NO. 625

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INDEPENDENT SCHOOL DISTRICT NO. 625

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INTRODUCTORY SECTION

Saint Paul Public Schools
Organization Chart
School Year 2016-17

Board of Education

Office of the Supt
John Thein

Board Administrator
Kaohly Her

Exec Asst to Supt
Mai Vang

Office of Legal Services
Nancy Cameron

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

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

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

Dept of Nutrition Services
Stacy Koppen
- Nutrition Services

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

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

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

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

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

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

Achievement Plus

PreK-5 Schools
- Battle Creek Elementary
- Bruce Vento Elementary
- Chelsea Heights Elementary
- Cherokee Heights Elementary
- Como Park Elementary
- Crossroads Science/Montessori
- Dayton's Bluff Elementary
- Eastern Heights Elementary
- Four Seasons Elementary
- Frost Lake Elementary
- Galtier Community School
- Highwood Hills Elementary
- J.J. Hill Montessori
- John A. Johnson Elementary
- Mississippi Creative Arts Elementary
- Nokomis Montessori North/South
- Saint Paul Music Academy
- St. Anthony Park Elementary

School Supervision
Lisa Sayles-Adams

Promise Neighborhood

PreK-5 Schools
- Obama Elementary
- Benjamin E. Mays IB World School
- Groveland Park Elementary
- Horace Mann Elementary
- Maxfield Elementary
- The Heights Community School

PreK-8 Schools
- American Indian Magnet
- Capitol Hill Gifted and Talented
- Farnsworth Aerospace Lower
- Farnsworth Aerospace Upper
- Hazel Park Preparatory
- Linwood Monroe Arts Plus Lower/Upper

Middle Schools
- Battle Creek Middle
- Highland Park Middle
- Murray Middle
- Parkway Middle
- Ramsey Middle

School Supervision
Theresa Battle
- Athletics
- JROTC
- Leadership Development

PreK-5 Schools
- EXPO Elementary

6-12 Schools
- Creative Arts Secondary
- Humboldt High School
- Open World Learning Community
- Washington Technology

High Schools
- AGAPE High School
- Central Senior High School
- Como Park Senior High School
- Evening High School
- Gordon Parks High School
- Harding Senior High School
- Highland Park Senior High School
- Johnson Senior High School
- LEAP High School

School Supervision
Efe Agbamu

PreK-5 Schools
- Adams Spanish Immersion
- Hamline Elementary
- Highland Park Elementary
- Jackson Preparatory
- Jie Ming Mandarin Immersion
- L'Etoile du Nord French Immersion
- Lower/Upper
- Phalen Lake Hmong Studies Randolph
- Heights Elementary
- Riverview West Side School of
- Excellence
- Wellstone Elementary

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

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

Office of Career and College Readiness
Jon Peterson
- 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 Multilingual Learning
Yeu Vang
- K-12 ELL Services
- Cultural Programs: Hmong, Spanish, Somali & Karen
- Dual Language Programs
- Title III

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

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

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

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

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

Date: February 27, 2017

INDEPENDENT SCHOOL DISTRICT NO. 625

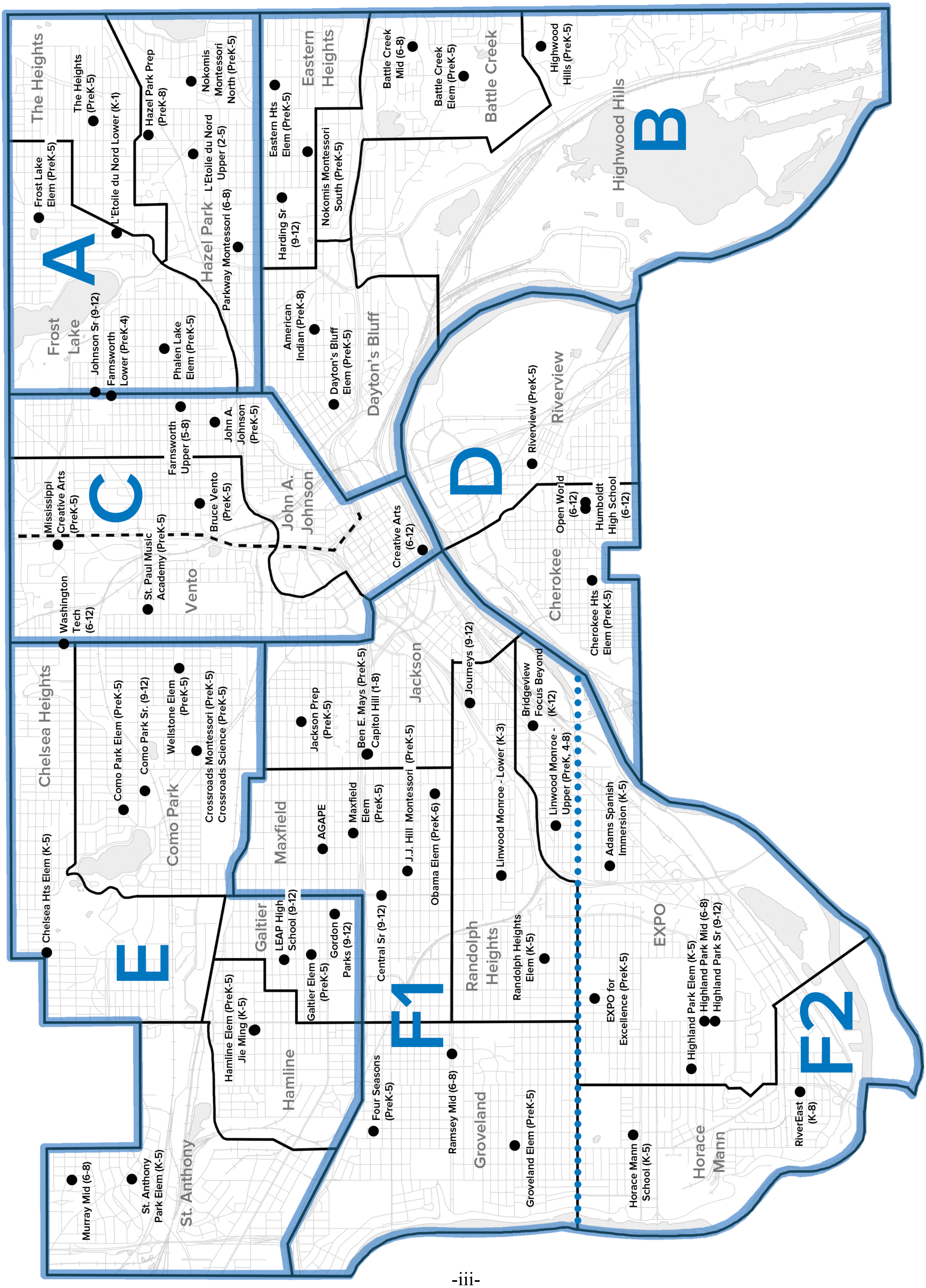
Board of Education and Administration
as of June 30, 2017

BOARD OF EDUCATION

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

ADMINISTRATION

John Thein	Interim Superintendent
Jackie Turner	Chief Engagement 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
Kaohly Her	Administrator
Nancy Cameron	General Counsel



A
B
C
D
E
F1
F2
The Heights
Frost Lake
Hazel Park
Eastern Heights
Battle Creek
Highwood Hills
Dayton's Bluff
Riverview
John A. Johnson
Vento
Cherokee
Chelsea Heights
Como Park
Maxfield
Jackson
Galtier
Hamline
St. Anthony
Randolph Heights
Groveland
EXPO
Horace Mann
The Heights (PreK-5)
Frost Lake Elem (PreK-5)
Hazel Park Prep (PreK-8)
Nokomis Montessori North (PreK-5)
L'Etoile du Nord Lower (K-1)
L'Etoile du Nord Upper (2-5)
Parkway Montessori (6-8)
Johnson Sr (9-12)
Farnsworth Lower (PreK-4)
Phalen Lake Elem (PreK-5)
Eastern Hts Elem (PreK-5)
Harding Sr (9-12)
Nokomis Montessori South (PreK-5)
Battle Creek Mid (6-8)
Battle Creek Elem (PreK-5)
Highwood Hills (PreK-5)
American Indian (PreK-8)
Dayton's Bluff Elem (PreK-5)
Farnsworth Upper (5-8)
John A. Johnson (PreK-5)
Mississippi Creative Arts (PreK-5)
Bruce Vento (PreK-5)
St. Paul Music Academy (PreK-5)
Washington Tech (6-12)
Creative Arts (6-12)
Riverview (PreK-5)
Open World (6-12)
Humboldt High School (6-12)
Cherokee Hts Elem (PreK-5)
Chelsea Hts Elem (K-5)
Como Park Elem (PreK-5)
Como Park Sr. (9-12)
Wellstone Elem (PreK-5)
Crossroads Montessori (PreK-5)
Crossroads Science (PreK-5)
Jackson Prep (PreK-5)
Ben E. Mays (PreK-5)
Capitol Hill (1-8)
AGAPE
Maxfield Elem (PreK-5)
J.J. Hill Montessori (PreK-5)
Obama Elem (PreK-6)
Journeys (9-12)
Linwood Monroe - Lower (K-3)
Bridgeview
Focus Beyond (K-12)
Linwood Monroe - Upper (PreK, 4-8)
Adams Spanish Immersion (K-5)
LEAP High School (9-12)
Gordon Parks (9-12)
Galtier Elem (PreK-5)
Central Sr (9-12)
Randolph Heights Elem (K-5)
EXPO for Excellence (PreK-5)
Highland Park Elem (K-5)
Highland Park Mid (6-8)
Highland Park Sr (9-12)
Hamline Elem (PreK-5)
Jie Ming (K-5)
Four Seasons (PreK-5)
Ramsey Mid (6-8)
Groveland Elem (PreK-5)
Horace Mann School (K-5)
RiverEast (K-8)
Murray Mid (6-8)
St. Anthony Park Elem (K-5)

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

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

Prior Year Comparative Information

We have previously audited the District's 2016 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 22, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 20, 2017

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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, 2017. 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, 2017 by $404,451,240 (deficit net position). The District's total net position decreased by $45,891,796 during the fiscal year ended June 30, 2017.

- Government-wide revenues totaled $707,146,433 and were $45,891,796 less than expenses of $753,038,229.

- The General Fund's total fund balance (under the governmental fund presentation) increased $2,577,675 from the prior year, compared to a $11,145,121 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, 2017 and 2016

	2017	2016
Assets		
Current and other assets	$ 405,126,264	$ 330,980,033
Capital assets, net of depreciation	419,521,864	412,288,191
Total assets	$ 824,648,128	$ 743,268,224
Deferred outflows of resources		
Pension plan deferments	$ 136,969,579	$ 60,821,159
Bond refunding deferments	5,158,721	5,795,366
Total deferred outflows of resources	$ 142,128,300	$ 66,616,525
Liabilities		
Current and other liabilities	$ 93,033,673	$ 73,767,222
Long-term liabilities, including due within one year	1,103,647,301	934,816,700
Total liabilities	$ 1,196,680,974	$ 1,008,583,922
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 121,062,906	$ 116,236,866
Pension plan deferments	53,483,788	43,623,405
Total deferred inflows of resources	$ 174,546,694	$ 159,860,271
Net position		
Net investment in capital assets	$ 129,234,015	$ 134,621,788
Restricted	28,706,188	28,737,311
Unrestricted	(562,391,443)	(521,918,543)
Total net position	$ (404,451,240)	$ (358,559,444)

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

Total net position decreased by $45,891,796, from current year operating results.

The District's net investment in capital assets decreased from the prior year. The change in this category of net position typically depends on the relationship between the rate at which the District's capital assets are being depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The decrease in unrestricted net position was primarily due to the change in long-term obligations for capital lease, pensions and OPEB. 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 also contributed to the changes in deferred outflows/inflows of resources and long-term liabilities.

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

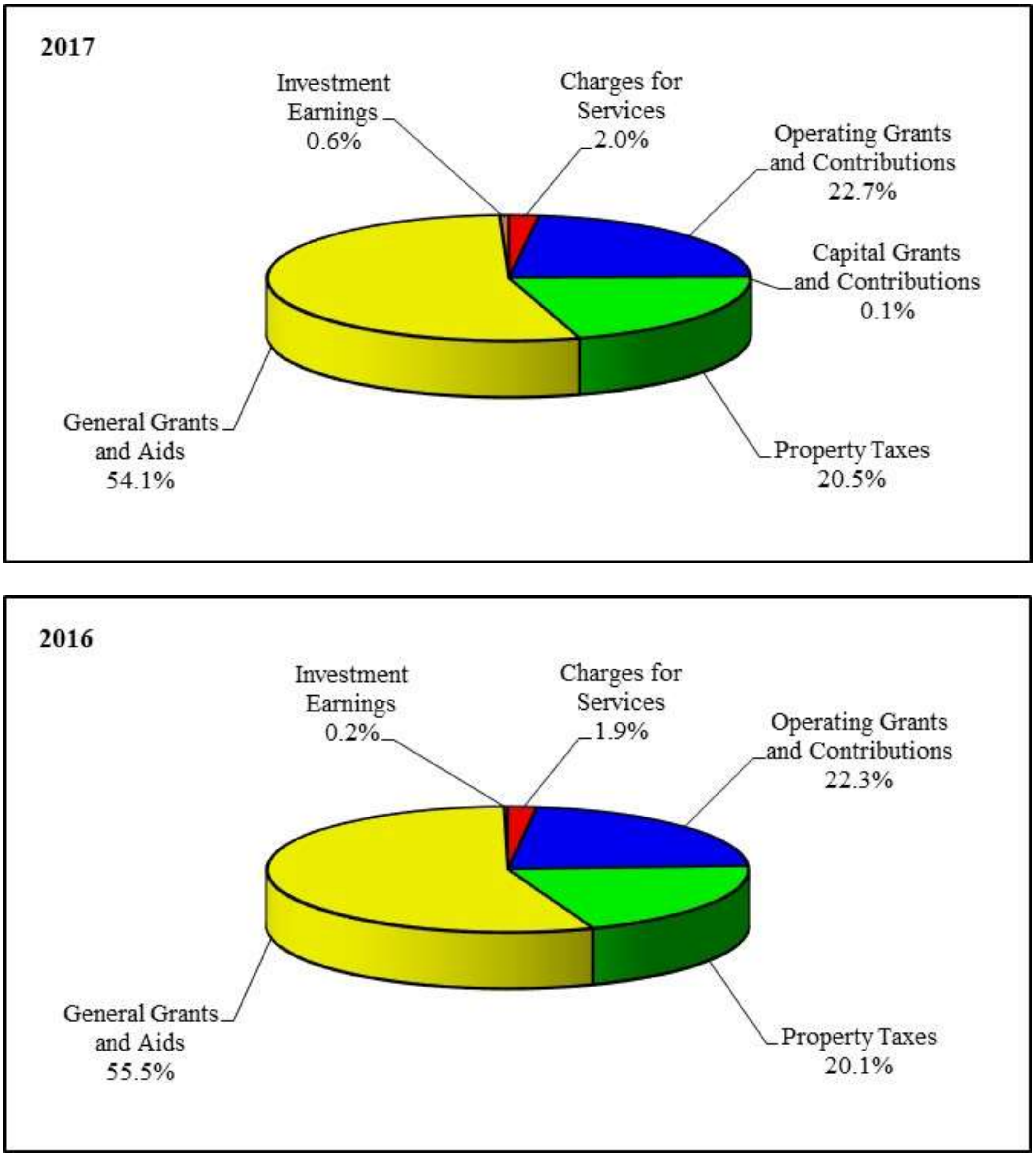
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Program revenues		
Charges for services	$ 14,192,342	$ 13,302,504
Operating grants and contributions	160,571,270	154,127,912
Capital grants and contributions	551,721	–
General revenues		
Property taxes	144,899,429	138,881,586
General grants and aids	382,715,656	384,037,277
Investment earnings	4,216,015	1,709,678
Total revenues	707,146,433	692,058,957
Expenses		
Administration	25,425,541	22,170,154
District support services	19,359,788	18,285,954
Elementary and secondary regular instruction	304,159,278	293,021,505
Vocational education instruction	5,443,964	5,384,851
Special education instruction	118,428,604	115,123,556
Instructional support services	68,230,545	44,206,522
Pupil support services	61,222,728	53,678,137
Sites and buildings	75,123,587	59,257,712
Food service	26,189,378	25,479,249
Community service	37,231,945	34,941,184
Interest and fiscal charges on debt	12,222,871	7,255,639
Total expenses	753,038,229	678,804,463
Change in net position	(45,891,796)	13,254,494
Net position, beginning of year	(358,559,444)	(371,813,938)
Net position, end of year	$ (404,451,240)	$ (358,559,444)

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. The significant increase in expenses reflects natural inflationary increases, along with the change in the PERA and SPTRFA multi-employer defined benefit pension plans mentioned earlier. The District's investment in technology, financed with a capital lease, also increased current year expenses since the assets purchased were individually below the capitalization threshold.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2017 and 2016

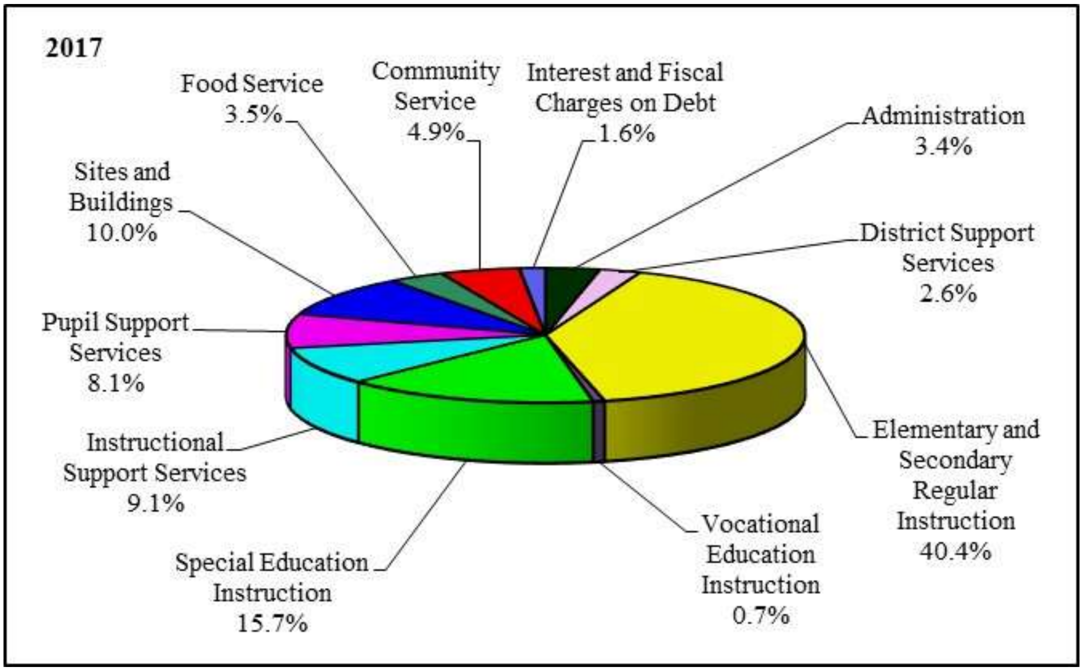


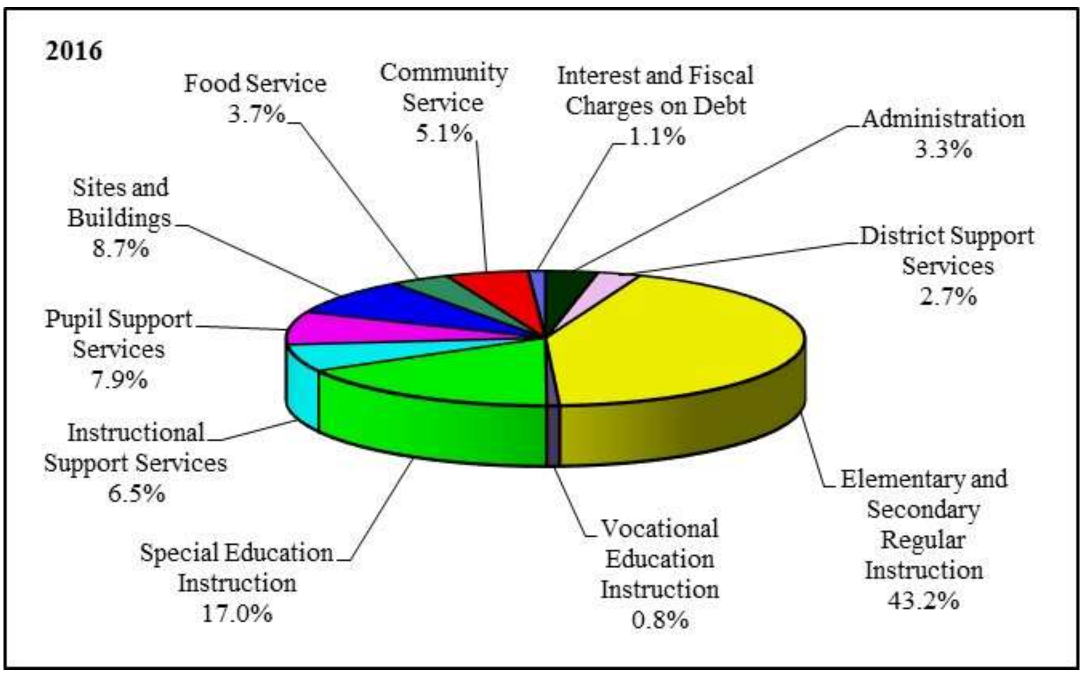
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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 2017 and 2016





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, 2017 and 2016

	2017	2016	Increase (Decrease)
Major funds			
General	$ 92,649,864	$ 90,072,189	$ 2,577,675
Food Service	5,711,180	3,887,079	1,824,101
Community Service	3,855,217	2,722,769	1,132,448
Capital Projects	30,520,932	14,164,358	16,356,574
Debt Service	59,097,509	31,245,593	27,851,916
Total governmental funds	$ 191,834,702	$ 142,091,988	$ 49,742,714

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, 2017, the District's governmental funds reported combined fund balances of $191,834,702, an increase of $49,742,714 in comparison with the prior year. Approximately 16.2 percent of this amount ($31,000,153) 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 ($2,822,509), 2) restricted for particular purposes ($135,597,052), 3) committed for particular purposes ($2,538,018), or 4) assigned for particular purposes ($19,876,970).

Analysis of the General Fund

At year-end, the fund balance of the General Fund was $92,649,864. The increase from the prior year was mainly due to increases in nonspendable (prepaid items), restricted (additional OPEB trust investment and unspent achievement and integration funding), and unassigned (related to overall savings from staff vacancies) fund balances.

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 $1,824,101, compared to a balanced budget. At year-end, the total equity balance in this fund was $5,711,180.

Analysis of the Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $1,132,448, compared to a planned fund balance decrease of $396,394. At year-end, the total equity balance in this fund was $3,855,217.

Analysis of the Capital Projects Fund

The Capital Projects Fund ended the year with a fund balance of $30,520,932 to be used for district projects. The increase in the Capital Projects Fund was due to the issuance of $30,000,000 in school building bonds, and $24,305,000 in certificates of participation. These debt issuances were partially spent in the current year with the remaining proceeds to be spent in fiscal 2018.

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 $27,851,916 increase in fund balance is primarily due to the issuance of $34,955,000 in General Obligation School Building Refunding Bonds, Series 2016B in the current year offset by $15,210,000 of payments on refunded bonds. At June 30, 2017, the District has $59,097,509 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, 2017

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenues	$ 561,062,192	$ 576,711,763	$ 15,649,571	2.8%
Expenditures	$ 561,062,192	$ 587,856,884	$ 26,794,692	4.8%

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, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2017 Actual	Amount	Percent	Amount	Percent
Revenue and other financing sources	$ 631,780,243	$ 55,068,480	9.5%	$ 36,953,729	6.2%
Expenditures and other financing uses	629,202,568	$ 41,345,684	7.0%	$ 38,304,402	6.5%
Net change in fund balances	$ 2,577,675				

Revenue and other financing sources for fiscal year 2017 were 9.5 percent, or $55,068,480, more than budgeted. The largest revenue variances were primarily in property taxes, state sources, and other financing sources for a capital lease issued, which were $19,970,509, $12,128,024, and $23,510,709, respectively, more than projected in the budget. The property tax variance was due to a change in the reporting of the new long-term facilities maintenance levy. Conservative budgeting for special education, along with the pass-through of state funding for pensions contributed to state sources exceeding budget. The variance in other financing sources was for a capital lease issued that was not included in the budget. These variances were partially offset by federal revenues being $5,048,213 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 2018.

Current year revenue and other financing sources were 6.2 percent, or $36,953,729, more than fiscal year 2016. Other financing sources increased by $23,507,167, as the District issued a capital lease for technology equipment in the current year. Federal revenues increased $5,595,776, mainly due to the increased level of activity in the Title I Program. Investment earnings increased $2,559,108, due to improved market conditions in the current year.

Expenditures and other financing uses for fiscal year 2017 were 7.0 percent, or $41,345,684, more than budgeted. The variance to budget was primarily in the areas of instructional support services, capital outlay, and sites and buildings. Factors contributing to variances in these areas include the issuance of a capital lease for technology equipment for personalized learning and the spending of long-term facilities maintenance funds on various capital projects.

Current year expenditures and other financing uses for fiscal year 2017 were 6.5 percent, or $38,304,402, more than fiscal year 2016. This increase is mainly due to the $23,510,709 capital lease issued for technology equipment and due to more construction projects occurring for long-term facilities maintenance projects paid out of the General Fund during fiscal 2017.

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, 2017 and 2016:

Table 6
Capital Assets

	2017	2016	Change
Land	$ 29,478,817	$ 27,490,077	$ 1,988,740
Construction in progress	24,574,593	5,933,371	18,641,222
Land improvements	28,691,316	26,114,979	2,576,337
Buildings	341,405,511	341,405,511	–
Building improvements	357,895,273	353,052,156	4,843,117
Equipment	23,286,420	22,112,413	1,174,007
Less accumulated depreciation	(385,810,066)	(363,820,316)	(21,989,750)
Total	$ 419,521,864	$ 412,288,191	$ 7,233,673
Depreciation expense	$ 22,011,316	$ 21,882,318	$ 128,998

By the end of fiscal 2017, 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 2017, 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

	2017	2016	Change
Net OPEB obligation	$ 111,465,472	$ 103,455,486	$ 8,009,986
Net pension liability	583,080,660	499,737,887	83,342,773
General obligation bonds payable	318,070,000	289,880,000	28,190,000
Certificates of participation payable	27,375,000	5,193,632	22,181,368
Unamortized premium/discount	19,989,551	14,011,578	5,977,973
Capital lease payable	26,940,659	5,090,081	21,850,578
Severance benefits payable	10,272,439	10,203,575	68,864
Vacation payable	6,453,520	6,949,942	(496,422)
Early retirement incentive payable	–	294,519	(294,519)
Total	$ 1,103,647,301	$ 934,816,700	$ 168,830,601

Bonds payable, certificates of participation payable, and capital lease payable increased, due to the issuance of $30,000,000 in school building bonds, $34,955,000 in school building refunding bonds, $24,305,000 in certificates of participation, and $23,510,709 in the capital lease. This increase was offset by the planned repayment schedule reflecting principal payments and payments on refunded bonds during fiscal year 2017.

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

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	$ 20,109,391,183
Limit rate	15%
Legal debt limit	$ 3,016,408,677

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $121, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2018, and an additional $124, or 2 percent, per pupil to the formula for fiscal year 2019.

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, 2017
(With Partial Comparative Information as of June 30, 2016)

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current assets		
Cash and investments	$ 118,529,523	$ 108,818,610
Restricted cash and investments for capital projects	52,968,577	18,751,001
Restricted cash and investments for debt service	15,765,009	15,767,117
Current taxes receivable	89,312,107	85,577,980
Delinquent taxes receivable	2,389,191	2,598,437
Due from other governmental units	52,603,471	55,719,274
Other receivables	2,119,735	490,935
Inventories	1,863,550	1,927,804
Prepaid items	958,959	1,169,371
Total current assets	336,510,122	290,820,529
Noncurrent assets		
Restricted cash and investments in revocable trust for OPEB obligations	34,476,447	31,390,345
Restricted cash and investments for debt service	34,139,695	8,769,159
Capital assets, not depreciated	54,053,410	33,423,448
Capital assets, depreciated, net of accumulated depreciation	365,468,454	378,864,743
Total noncurrent assets	488,138,006	452,447,695
Total assets	824,648,128	743,268,224
Deferred outflows of resources		
Pension plan deferments	136,969,579	60,821,159
Bond refunding deferments	5,158,721	5,795,366
Total deferred outflows of resources	142,128,300	66,616,525
Total assets and deferred outflows of resources	$ 966,776,428	$ 809,884,749
Liabilities		
Current liabilities		
Accounts payable	$ 22,636,638	$ 9,907,605
Accrued expenses	67,708,207	59,073,967
Due to other governmental units	657,915	1,206,610
Unearned revenue	2,030,913	3,579,040
Long-term obligations due within one year	54,932,556	46,772,339
Total current liabilities	147,966,229	120,539,561
Noncurrent liabilities		
Net OPEB obligation	111,465,472	103,455,486
Net pension liabilities	583,080,660	499,737,887
Long-term obligations	354,168,613	284,850,988
Total noncurrent liabilities	1,048,714,745	888,044,361
Total liabilities	1,196,680,974	1,008,583,922
Deferred inflows of resources		
Property taxes levied for subsequent year	121,062,906	116,236,866
Pension plan deferments	53,483,788	43,623,405
Total deferred inflows of resources	174,546,694	159,860,271
Net position		
Net investment in capital assets	129,234,015	134,621,788
Restricted for		
Debt service	15,788,123	11,315,483
Capital projects	2,741,310	9,947,132
Community service	3,898,802	2,768,151
Food service	5,711,180	3,887,079
Other purposes (state and other funding restrictions)	566,773	819,466
Unrestricted	(562,391,443)	(521,918,543)
Total net position	(404,451,240)	(358,559,444)
Total liabilities, deferred inflows of resources, and net position	$ 966,776,428	$ 809,884,749

See accompanying notes to basic financial statements

Statement of Activities
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017					2016
		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	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities						
Administration	$ 25,425,541	$ –	$ –	$ –	$ (25,425,541)	$ (22,170,154)
District support services	19,359,788	–	–	–	(19,359,788)	(18,285,954)
Elementary and secondary regular instruction	304,159,278	932,208	42,957,509	551,721	(259,717,840)	(254,101,424)
Vocational education instruction	5,443,964	–	794,461	–	(4,649,503)	(4,508,093)
Special education instruction	118,428,604	5,270,130	66,142,776	–	(47,015,698)	(47,008,571)
Instructional support services	68,230,545	–	1,330,381	–	(66,900,164)	(43,567,282)
Pupil support services	61,222,728	–	2,622,305	–	(58,600,423)	(52,244,406)
Sites and buildings	75,123,587	623,627	1,308,076	–	(73,191,884)	(52,670,152)
Food service	26,189,378	1,728,333	25,838,174	–	1,377,129	1,826,835
Community service	37,231,945	5,638,044	19,577,588	–	(12,016,313)	(11,389,207)
Interest and fiscal charges on debt	12,222,871	–	–	–	(12,222,871)	(7,255,639)
Total governmental activities	$ 753,038,229	$ 14,192,342	$ 160,571,270	$ 551,721	$ (577,722,896)	(511,374,047)
	General revenues					
	Taxes					
	Property taxes levied for general purposes				104,195,831	100,314,646
	Property taxes levied for community services				3,222,614	3,336,719
	Property taxes levied for debt services				37,480,984	35,230,221
	General grants and aids				382,715,656	384,037,277
	Investment earnings				4,216,015	1,709,678
	Total general revenues				531,831,100	524,628,541
	Changes in net position				(45,891,796)	13,254,494
	Net position – beginning of year				(358,559,444)	(371,813,938)
	Net position – end of year				$ (404,451,240)	$ (358,559,444)

See accompanying notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 625

Balance Sheet
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	General	Food Service	Community Service	Capital Projects
Assets				
Cash and investments	$ 70,207,730	$ 4,054,637	$ 5,158,444	$ –
Restricted cash and investments in revocable trust for OPEB obligations	34,476,447	–	–	–
Restricted cash and investments for debt service	–	–	–	–
Restricted cash and investments for capital projects	–	–	–	52,968,577
Receivables				
Current taxes	65,067,755	–	2,038,758	–
Delinquent taxes	1,662,134	–	55,753	–
Due from other governmental units	48,768,500	1,178,493	2,227,562	–
Other	1,898,972	869	20,722	–
Due from other fund	9,270,316	–	–	–
Inventories	538,959	1,324,591	–	–
Prepaid items	911,234	40,234	7,491	–
Total assets	$ 232,802,047	$ 6,598,824	$ 9,508,730	$ 52,968,577
Liabilities				
Accounts payable	$ 8,590,775	$ 307,994	$ 602,602	$ 13,135,267
Accrued expenditures	47,138,121	579,650	1,339,411	42,062
Due to other governmental units	657,915	–	–	–
Due to other fund	–	–	–	9,270,316
Unearned revenue	1,638,762	–	261,651	–
Total liabilities	58,025,573	887,644	2,203,664	22,447,645
Deferred inflows of resources				
Property taxes levied for subsequent year	80,830,565	–	3,406,264	–
Unavailable revenue – delinquent taxes	1,296,045	–	43,585	–
Total deferred inflows of resources	82,126,610	–	3,449,849	–
Fund balances				
Nonspendable				
Inventories	538,959	1,324,591	–	–
Prepaid items	911,234	40,234	7,491	–
Restricted for				
Operating capital	2,741,310	–	–	–
Area learning center	–	–	–	–
Teacher development and evaluation	83,626	–	–	–
Achievement and integration	483,147	–	–	–
Adult basic education	–	–	410,164	–
Alternative facilities program	–	–	–	–
Projects funded by COP	–	–	–	9,715,008
Capital projects	–	–	–	20,805,924
School readiness	–	–	1,200,226	–
Community education	–	–	961,118	–
ECFE	–	–	267,755	–
Community service	–	–	1,008,463	–
Bond refunding	–	–	–	–
QSCB payments	–	–	–	–
Debt service	–	–	–	–
Food service	–	4,346,355	–	–
OPEB revocable trust	34,476,447	–	–	–
Committed to				
Severance pay	2,538,018	–	–	–
Assigned to				
Contractual obligations	3,482,217	–	–	–
Strong Schools, Strong Communities initiative	7,100,000	–	–	–
Site-based operations	6,078,918	–	–	–
Intraschool activities	3,215,835	–	–	–
Unassigned				
Health and safety restricted account deficit	(3,768,183)	–	–	–
Long-term facilities maintenance restricted account deficit	(1,094,424)	–	–	–
Unassigned	35,862,760	–	–	–
Total fund balances	92,649,864	5,711,180	3,855,217	30,520,932
Total liabilities, deferred inflows of resources, and fund balances	$ 232,802,047	$ 6,598,824	$ 9,508,730	$ 52,968,577

See accompanying notes to basic financial statements

	Total Governmental Funds	
Debt Service	2017	2016
$ 23,174,418	$ 102,595,229	$ 93,646,115
–	34,476,447	31,390,345
49,904,704	49,904,704	24,536,276
–	52,968,577	18,751,001
22,205,594	89,312,107	85,577,980
671,304	2,389,191	2,598,437
428,916	52,603,471	55,719,274
199,172	2,119,735	490,935
–	9,270,316	1,090,996
–	1,863,550	1,927,804
–	958,959	1,169,371
$ 96,584,108	$ 398,462,286	$ 316,898,534
$ –	$ 22,636,638	$ 9,907,605
–	49,099,244	40,944,559
–	657,915	1,206,610
–	9,270,316	1,090,996
130,500	2,030,913	3,579,040
130,500	83,695,026	56,728,810
36,826,077	121,062,906	116,236,866
530,022	1,869,652	1,840,870
37,356,099	122,932,558	118,077,736
–	1,863,550	1,927,804
–	958,959	1,169,371
–	2,741,310	5,511,843
–	–	367,837
–	83,626	451,629
–	483,147	–
–	410,164	319,615
–	–	4,435,289
–	9,715,008	–
–	20,805,924	9,729,069
–	1,200,226	654,813
–	961,118	1,326,515
–	267,755	350,293
–	1,008,463	62,211
39,467,049	39,467,049	15,894,372
10,634,544	10,634,544	8,769,159
8,995,916	8,995,916	6,172,062
–	4,346,355	2,491,111
–	34,476,447	31,390,345
–	2,538,018	2,538,018
–	3,482,217	3,440,596
–	7,100,000	7,200,000
–	6,078,918	6,340,760
–	3,215,835	2,897,273
–	(3,768,183)	(5,722,006)
–	(1,094,424)	–
–	35,862,760	34,374,009
59,097,509	191,834,702	142,091,988
$ 96,584,108	$ 398,462,286	$ 316,898,534

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INDEPENDENT SCHOOL DISTRICT NO. 625

Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	2017	2016
Total fund balances – governmental funds	$ 191,834,702	$ 142,091,988
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	805,331,930	776,108,507
Accumulated depreciation	(385,810,066)	(363,820,316)
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	136,969,579	60,821,159
Deferred inflows – pension plan deferments	(53,483,788)	(43,623,405)
Deferred inflows – unavailable revenue – delinquent taxes	1,869,652	1,840,870
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.	(19,989,551)	(14,011,578)
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.	1,697,690	1,620,577
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(318,070,000)	(289,880,000)
Certificates of participation payable	(27,375,000)	(5,193,632)
Capital lease payable	(26,940,659)	(5,090,081)
Bond refunding deferments	5,158,721	5,795,366
Accrued interest on long-term debt	(4,372,359)	(4,577,490)
Severance benefits payable	(10,272,439)	(10,203,575)
Vacation payable	(6,453,520)	(6,949,942)
Early retirement incentive payable	–	(294,519)
Net pension liability	(583,080,660)	(499,737,887)
Net OPEB obligation	(111,465,472)	(103,455,486)
Net position – governmental activities	$ (404,451,240)	$ (358,559,444)

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	General	Food Service	Community Service	Capital Projects
Revenues				
Local sources				
Property taxes	$ 104,153,522	$ –	$ 3,224,411	$ –
County and other	13,287,231	33,928	8,112,538	–
State	440,192,069	1,101,463	17,457,338	–
Federal	46,615,814	24,736,711	2,419,409	32,603
Investment earnings	3,505,883	12,044	23,981	27,546
Sales and conversion of assets	496,770	1,728,333	–	–
Total revenues	608,251,289	27,612,479	31,237,677	60,149
Expenditures				
Current				
Administration	24,269,929	–	–	–
District support services	17,767,049	–	–	–
Elementary and secondary regular instruction	271,359,672	–	–	–
Vocational education instruction	5,380,826	–	–	–
Special education instruction	113,047,558	–	–	–
Instructional support services	66,883,085	–	–	–
Pupil support services	58,789,228	–	1,086,345	–
Sites and buildings	56,573,418	–	–	17,165,654
Food service	–	25,544,098	–	–
Community service	7,162,945	–	29,011,689	–
Capital outlay	5,911,457	244,280	7,195	23,082,057
Debt service				
Principal payments	1,660,131	–	–	–
Interest	111,292	–	–	–
Other debt	–	–	–	830,780
Total expenditures	628,916,590	25,788,378	30,105,229	41,078,491
Excess (deficiency) of revenues over expenditures	(20,665,301)	1,824,101	1,132,448	(41,018,342)
Other financing sources (uses)				
Refunding debt issued	–	–	–	–
Building bonds issued	–	–	–	30,000,000
Certificates of participation issued	–	–	–	24,305,000
Premium on debt issued	–	–	–	2,783,938
Principal payments by refunded bond escrow agent	–	–	–	–
Capital lease issued	23,510,709	–	–	–
Sale of capital assets	18,245	–	–	–
Transfers in	–	–	–	285,978
Transfers (out)	(285,978)	–	–	–
Total other financing sources (uses)	23,242,976	–	–	57,374,916
Net change in fund balances	2,577,675	1,824,101	1,132,448	16,356,574
Fund balance at beginning of year	90,072,189	3,887,079	2,722,769	14,164,358
Fund balance at end of year	$ 92,649,864	$ 5,711,180	$ 3,855,217	$ 30,520,932

	Total Governmental Funds	
Debt Service	2017	2016
$ 37,492,714	$ 144,870,647	$ 140,464,881
314,976	21,748,673	18,674,399
121,748	458,872,618	460,781,313
941,912	74,746,449	69,776,006
569,448	4,138,902	1,609,374
–	2,225,103	2,214,188
39,440,798	706,602,392	693,520,161
–	24,269,929	21,752,040
–	17,767,049	17,334,028
–	271,359,672	267,349,209
–	5,380,826	5,376,845
–	113,047,558	112,922,089
–	66,883,085	43,525,335
–	59,875,573	53,321,163
–	73,739,072	58,807,618
–	25,544,098	25,301,931
–	36,174,634	34,524,337
–	29,244,989	13,068,546
23,678,632	25,338,763	26,922,025
12,778,342	12,889,634	14,336,888
520,500	1,351,280	25,450
36,977,474	762,866,162	694,567,504
2,463,324	(56,263,770)	(1,047,343)
34,955,000	34,955,000	–
–	30,000,000	–
–	24,305,000	–
5,643,592	8,427,530	–
(15,210,000)	(15,210,000)	(36,850,000)
–	23,510,709	–
–	18,245	21,787
–	285,978	12,000,000
–	(285,978)	(12,000,000)
25,388,592	106,006,484	(36,828,213)
27,851,916	49,742,714	(37,875,556)
31,245,593	142,091,988	179,967,544
$ 59,097,509	$ 191,834,702	$ 142,091,988

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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, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Total net change in fund balances – governmental funds	$ 49,742,714	$ (37,875,556)
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	29,244,989	13,068,546
Depreciation expense	(22,011,316)	(21,882,318)
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	76,148,420	(5,093,121)
Deferred inflows – pension plan deferments	(9,860,383)	42,504,374
Deferred inflows – unavailable revenue – delinquent taxes	28,782	(1,583,295)
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	21,555,000	21,155,000
Certificates of participation payable	2,123,632	4,025,476
Capital lease payable	1,660,131	1,741,549
Payments by refunded bond escrow agent	15,210,000	36,850,000
Debt issued provides current financial resources to the governmental funds but increases long-term liabilities in the Statement of Net Position:		
Refunding bonds issued	(34,955,000)	–
Certificates of participation issued	(24,305,000)	–
Building bonds issued	(30,000,000)	–
Capital lease issued	(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	(431,514)	4,106,433
Change in severance benefits payable	(68,864)	112,084
Change in vacation payable	496,422	(130,688)
Change in early retirement incentive payable	294,519	1,153,819
Change in net pension liability	(83,342,773)	(39,428,323)
Change in net OPEB obligation	(8,009,986)	(8,570,056)
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.	(5,977,973)	3,000,266
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.	77,113	100,304
Change in net position – governmental activities	$ (45,891,796)	$ 13,254,494

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Net Position
Proprietary Fund
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	2017	2016
Assets		
Current assets		
Cash and investments	$ 15,934,294	$ 15,172,495
Liabilities		
Current liabilities		
Accrued expenses		
Workers' compensation payable	14,236,604	13,551,918
Net position		
Unrestricted	$ 1,697,690	$ 1,620,577

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Operating revenues		
Insurance service fees	$ 4,387,072	$ 4,065,983
Operating expenses		
Claims expense	4,387,072	4,065,983
Operating income	–	–
Nonoperating revenues		
Investment earnings	77,113	100,304
Change in net position	77,113	100,304
Net position at beginning of year	1,620,577	1,520,273
Net position at end of year	$ 1,697,690	$ 1,620,577

INDEPENDENT SCHOOL DISTRICT NO. 625

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Assessments from other funds	$ 4,387,072	$ 4,065,983
Workers' compensation payments	(3,702,386)	(3,780,748)
Net cash flows from operating activities	684,686	285,235
Cash flows from investing activities		
Investment income received	77,113	100,304
Net change in cash and investments	761,799	385,539
Cash at beginning of year	15,172,495	14,786,956
Cash at end of year	$ 15,934,294	$ 15,172,495
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	684,686	285,235
Net cash flows from operating activities	$ 684,686	$ 285,235

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.

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 includes the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. In the financial statements, the General Fund includes the 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 bond issue or under the long-term facilities maintenance program.

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

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, Capital Projects, and Debt Service Funds exceeded budgeted appropriations by $41,059,706, $4,046,990 and $518,474, respectively, during the fiscal year ended June 30, 2017. 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 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 are also reported at amortized cost. Investment income is accrued at the balance sheet date.

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

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

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

G. Receivables

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

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of 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 $27,036,525 of the property tax levy collectible in 2017 as revenue to the District in fiscal year 2016–2017. The remaining portion of the taxes collectible in 2017 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 vary from 20 to 50 years for land improvements, buildings, and 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 $225, 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 in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension plan investments, 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 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 2017.

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
2016	$ 13,266,683	$ 4,065,983	$ 3,780,748	$ 13,551,918
2017	$ 13,551,918	$ 4,387,072	$ 3,702,386	$ 14,236,604

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 governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to Board of Education resolution, the District's superintendent, chief executive officer, and chief financial officer are authorized to establish assignments of fund balance.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Minimum Fund Balance Policy

The District's fund balance policy states:

1. The administration shall plan and manage annual revenue and expenditure budgets that provide an unassigned General Fund balance of at least five percent of annual General Fund expenditures.

2. If the unassigned General Fund balance should fall below five 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, 2016, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 1,495,492
Investments	254,383,759
Total	$ 255,879,251

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

Statement of Net Position – current assets	
Cash and investments	$ 118,529,523
Restricted cash and investments for capital projects	52,968,577
Restricted cash and investments for debt service	15,765,009
Statement of Net Position – noncurrent assets	
Restricted cash and investments in revocable trust for OPEB obligations	34,476,447
Restricted cash and investments for debt service	34,139,695
Total	$ 255,879,251

B. Deposits

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

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

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

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 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 $1,495,492, while the balance on the bank records was $1,494,182. At June 30, 2017, all deposits for the District were insured or collateralized by securities held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

	Credit Risk		Fair Value Measurements	Concentration Risk	Interest Rate Risk – Maturity Duration in Years			Carrying
	Rating	Agency	Using	Over 5% of Portfolio	Less Than 1	1 to 5	Greater Than 5	Value
U.S. treasury note	Aaa	Moody's	Level 1	– %	$ 665,867	$ 931,329	$ –	$ 1,597,196
Federal National Mortgage Association	AA	S&P	Level 1	– %	$ –	$ 6,460,519	$ –	6,460,519
Federal Home Loan Banks	AA	S&P	Level 1	16.5 %	$ –	$ 41,951,340	$ –	41,951,340
Federal Farm Credit Banks	AA	S&P	Level 1	– %	$ –	$ 1,977,498	$ –	1,977,498
Federal Home Loan Mortgage Corporation	AA	S&P	Level 1	– %	$ –	$ 5,206,356	$ –	5,206,356
Mortgage-backed securities	AAA	S&P	Level 1	– %	$ –	$ 124,985	$ –	124,985
Mortgage-backed securities	Aaa	Moody's	Level 1	– %	$ –	$ 151,220	$ 155,888	307,108
Guaranteed investment contract	N/A	N/A	N/A	– %	$ –	$ –	$ 4,842,716	4,842,716
Repurchase agreement (U.S. agency underlying securities)	AAA	S&P	N/A	– %	$ –	$ –	$ 5,735,811	5,735,811
U.S. bank commercial paper	A1	S&P	Level 2	19.7 %	$ 50,149,592	$ –	$ –	50,149,592
Corporate obligations	AAA	S&P	Level 1	– %	$ –	$ 100,244	$ –	100,244
Corporate obligations	AA	S&P	Level 1	– %	$ 425,756	$ 634,062	$ –	1,059,818
Corporate obligations	A	S&P	Level 1	– %	$ 1,696,779	$ 3,212,257	$ –	4,909,036
Corporate obligations	A	Moody's	Level 1	– %	$ 657,010	$ 642,209	$ –	1,299,219
Corporate obligations	BBB	S&P	Level 1	– %	$ 508,872	$ 480,166	$ –	989,038
Negotiable certificates of deposit	N/R	N/R	Level 2	– %	$ 3,928,885	$ 4,683,975	$ –	8,612,860
Equities	N/R	N/R	Level 1	– %	$ –	$ –	$ –	15,940,039
Investment pools/mutual funds								
MSDLAF	AAA	S&P	N/A					68,777,314
Mutual funds	AAA	S&P	Level 1					854,341
Mutual funds	N/R	N/R	Level 1					4,739,441
Mutual funds	AAA	S&P	Level 2					25,592,793
Mutual funds	N/R	N/R	Level 2					3,156,495
Total investments								$ 254,383,759

N/R – Not Rated
N/A – Not Applicable

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the 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, 2017, the District reported the following receivables due from other governmental units:

	General	Food Service	Community Service	Debt Service	Total
Due from MDE	$ 40,224,865	$ 40,015	$ 1,629,947	$ 132,578	$ 42,027,405
Due from MDE, principally pass-through federal assistance	4,900,468	1,138,478	474,594	–	6,513,540
Due from federal government, direct assistance	1,649,680	–	–	–	1,649,680
Due from other governmental units	1,551,040	–	117,181	296,338	1,964,559
Due from other Minnesota school districts	442,447	–	5,840	–	448,287
Total due from other governmental units	$ 48,768,500	$ 1,178,493	$ 2,227,562	$ 428,916	$ 52,603,471

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 27,490,077	$ 1,988,740	$ –	$ –	$ 29,478,817
Construction in progress	5,933,371	26,003,131	–	(7,361,909)	24,574,593
Total capital assets, not depreciated	33,423,448	27,991,871	–	(7,361,909)	54,053,410
Capital assets, depreciated					
Land improvements	26,114,979	–	–	2,576,337	28,691,316
Buildings	341,405,511	–	–	–	341,405,511
Building improvements	353,052,156	57,545	–	4,785,572	357,895,273
Equipment	22,112,413	1,195,573	(21,566)	–	23,286,420
Total capital assets, depreciated	742,685,059	1,253,118	(21,566)	7,361,909	751,278,520
Less accumulated depreciation for					
Land improvements	(13,847,843)	(1,071,972)	–	–	(14,919,815)
Buildings	(178,115,568)	(6,136,093)	–	–	(184,251,661)
Building improvements	(153,311,974)	(13,143,082)	–	–	(166,455,056)
Equipment	(18,544,931)	(1,660,169)	21,566	–	(20,183,534)
Total accumulated depreciation	(363,820,316)	(22,011,316)	21,566	–	(385,810,066)
Net capital assets, depreciated	378,864,743	(20,758,198)	–	7,361,909	365,468,454
Total capital assets, net	$ 412,288,191	$ 7,233,673	$ –	$ –	$ 419,521,864

Depreciation expense for the year ended June 30, 2017 was charged to the following governmental functions:

Administration	$ 193,039
District support services	700,180
Elementary and secondary regular instruction	20,502,661
Special education instruction	276,682
Instructional support services	60,531
Pupil support services	73,958
Community service	204,265
Total depreciation expense	$ 22,011,316

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, 2017
11/01/2007	2007A School Building Bonds	02/01/2028	4.0–5.0%	$ 25,630,000	$ 16,975,000
12/01/2008	2008A School Building Bonds	02/01/2029	3.0–5.0%	25,800,000	18,270,000
12/18/2008	2008B School Building Refunding Bonds	02/01/2018	3.5–4.5%	11,345,000	770,000
12/15/2009	2009B School Building Bonds	02/01/2030	2.0–4.0%	9,790,000	7,085,000
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	4,870,000
11/17/2010	2010B Taxable School Building Bonds	02/01/2031	0.9–4.9%	7,750,000	5,775,000
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	21,110,000
08/15/2011	2011C School Building Refunding Bonds	02/01/2023	3.0–4.0%	16,010,000	10,105,000
06/15/2012	2012A School Building Bonds	02/01/2033	3.0–4.0%	24,980,000	21,135,000
06/15/2012	2012B School Building Refunding Bonds	02/01/2025	4.0–5.0%	28,355,000	22,435,000
06/25/2013	2013A School Building Bonds	02/01/2034	2.0–4.0%	24,485,000	21,325,000
06/25/2013	2013B School Building Refunding Bonds	02/01/2027	4.0–5.0%	28,635,000	27,455,000
06/12/2014	2014A School Building Bonds	02/01/2035	2.0–4.0%	14,845,000	13,715,000
06/11/2015	2015A School Building Bonds	02/01/2036	2.0–5.0%	15,000,000	14,435,000
06/11/2015	2015B Taxable Refunding Bonds	02/01/2021	1.0–2.5%	18,665,000	14,055,000
07/27/2016	2016A School Building Bonds	02/01/2036	2.0–4.0%	15,000,000	14,235,000
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	15,000,000
Total general obligation bonds payable				$ 386,965,000	$ 318,070,000

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.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

During fiscal year 2013, the District issued $28,635,000 of General Obligation Refunding Bonds, Series 2013B. The proceeds were used to finance a crossover refunding of the General Obligation Bonds, Series 2005A and Series 2006A. The crossover of the 2005A and 2006A issues occurred on February 1, 2016 and February 1, 2017, respectively. The proceeds of the 2013B issue were placed in an escrow account pending the call dates of the refunded issues. Until the call dates, the District made all debt service payments on the 2005A and 2006A issues, and all debt service on the 2013B issue were paid from the escrow account. The 2013B issue was undertaken to reduce the total future debt service payments by $2,670,450 and resulted in present value savings of $2,206,462.

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 will occur 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.

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, 2017 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	$ 2,035,000
06/11/2015	02/01/2018	3.00%	3,025,000	1,035,000
06/15/2017	02/01/2037	3.00–5.00%	24,305,000	24,305,000
			$ 36,045,000	$ 27,375,000

C. Capital Lease Payable

On May 20, 2015, the District entered 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)

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 $3,016,408,677 at June 30, 2017. The District's legal debt margin at June 30, 2017 is $2,757,436,186.

E. Early Retirement Incentive Payable

During fiscal year 2011, the District implemented an early retirement incentive (ERI) for 117 eligible employees (teachers, educational assistants, and principals), obligating the District to termination benefits over five years. Sixty equal monthly installments were paid to the Independent School District No. 625 403(b) Tax-Deferred Retirement Plan for Sheltering Severance Pay and Vacation Pay. Employer contributions began on October 21, 2011. This benefit was financed from the General Fund. As of June 30, 2017, the District had no remaining liability related to ERI.

F. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, pensions, vacation benefits, and other post-employment benefits (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, multi-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, 2017:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 133,484,646	$ 51,797,879	$ 19,028,002	$ 14,071,718
SPTRFA	449,596,014	85,171,700	34,455,786	49,209,307
Total	$ 583,080,660	$ 136,969,579	$ 53,483,788	$ 63,281,025

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

G. 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
2018	$ 37,655,000	$ 11,711,875	$ 2,035,000	$ 697,269	$ 8,117,108	$ 91,406
2019	43,600,000	10,440,640	1,880,000	971,436	6,194,267	242,824
2020	20,035,000	8,680,893	885,000	885,200	6,274,173	162,918
2021	19,580,000	7,907,377	930,000	840,950	6,355,111	81,981
2022	17,105,000	7,109,015	975,000	794,450	–	–
2023–2027	93,680,000	25,317,683	5,660,000	3,190,000	–	–
2028–2032	66,640,000	9,530,789	6,950,000	1,908,500	–	–
2033–2037	19,775,000	1,446,685	8,060,000	788,375	–	–
	$ 318,070,000	$ 82,144,957	$ 27,375,000	$ 10,076,180	$ 26,940,659	$ 579,129

H. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 289,880,000	$ 64,955,000	$ (36,765,000)	$ 318,070,000	$ 37,655,000
Certificates of participation payable	5,193,632	24,305,000	(2,123,632)	27,375,000	2,035,000
Unamortized premium/discount	14,011,578	8,427,530	(2,449,557)	19,989,551	–
Total bonds and certificates payable	309,085,210	97,687,530	(41,338,189)	365,434,551	39,690,000
Capital lease payable	5,090,081	23,510,709	(1,660,131)	26,940,659	8,117,108
Compensated absences					
Severance benefits payable	10,203,575	2,027,091	(1,958,227)	10,272,439	2,019,664
Vacation payable	6,949,942	5,790,592	(6,287,014)	6,453,520	5,105,784
Early retirement incentive payable	294,519	–	(294,519)	–	–
	$ 331,623,327	$ 129,015,922	$ (51,538,080)	$ 409,101,169	$ 54,932,556

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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 post-retirement adjustment will be determined by reference to the applicable Consumer Price Index with a maximum annual increase of 5.0 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 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	1.7 percent per year	2.5 percent per year
For services rendered after July 1, 2015		
All years of service	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 2017; 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, 2017 were $7,803,247. 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, 2017, were $27,036,260. 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 fiscal years 2016 and 2017.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2017, the District reported a liability of $133,484,646 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 1.6440 percent at the end of the measurement period and 1.7578 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 in 2017. 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 net pension liability	$ 133,484,646
State's proportionate share of the net pension liability associated with the District	$ 1,743,390

For the year ended June 30, 2017, the District recognized pension expense of $13,551,885 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $519,833 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, 2017, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 422,412	$ 11,041,879
Changes in actuarial assumptions	28,973,055	–
Differences between projected and actual investment earnings	14,599,165	–
Changes in proportion	–	7,986,123
District's contributions to the GERF subsequent to the measurement date	7,803,247	–
Total	$ 51,797,879	$ 19,028,002

A total of $7,803,247 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, 2018. 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
2018	$ 5,924,296
2019	$ 2,665,241
2020	$ 11,555,393
2021	$ 4,821,700

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. SPTRFA Pension Costs

At June 30, 2017, the District reported a liability of $449,596,014 for its proportionate share of the SPTRFA's net pension liability. The net pension liability was measured as of June 30, 2016, 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 71.037 percent at the end of the measurement period and 70.237 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 net pension liability	$ 449,596,014
State's proportionate share of the net pension liability associated with the District	$ 181,788,120

For the year ended June 30, 2017, the District recognized pension expense of $38,570,310. It also recognized $10,638,997 as an increase to pension expense for the support provided by direct aid.

At June 30, 2017, the District reported its proportionate share of the SPTRFA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 34,455,786
Changes in actuarial assumptions	11,265,048	–
Differences between projected and actual investment earnings	40,515,243	–
Changes in proportion	6,355,149	–
District's contributions to the SPTRFA subsequent to the measurement date	27,036,260	–
Total	$ 85,171,700	$ 34,455,786

A total of $27,036,260 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, 2018. 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
2018	$ 825,638
2019	$ 825,638
2020	$ 11,034,350
2021	$ 10,994,028

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	SPTRFA
Inflation	2.50% per year	4.00%
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 all future years for the GERF and 1.0 percent per year through 2054, 2.0 percent per year between 2055 and 2065, and 2.5 percent for all subsequent years for the SPTRFA.

Actuarial assumptions used in the June 30, 2016 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 2016:

- 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 future 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.

The actuarial assumptions used in the June 30, 2016, 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: 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.

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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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	45 %	5.50 %
International stocks	15	6.00 %
Bonds	18	1.45 %
Alternative assets	20	6.40 %
Cash	2	0.50 %
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 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2017 contribution rates. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. SPTRFA

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed 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	$ 189,587,757	$ 133,484,646	$ 87,270,951
SPTRFA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the SPTRFA net pension liability	$ 571,249,007	$ 449,596,014	$ 347,703,383

H. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the Independent School District No. 625 OPEB Plan, a single-employer defined benefit plan administered by the District. 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. These benefits are summarized as follows:

Post-Employment Insurance Benefits – 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.

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

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.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District. The District has established an Employee Benefits Revocable Trust to fund these obligations.

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation to the plan:

ARC	$ 30,679,417
Interest on net OPEB obligation	2,586,387
Adjustment to ARC	(4,950,443)
Annual OPEB cost	28,315,361
Contributions made	20,305,375
Increase in net OPEB obligation	8,009,986
Net OPEB obligation – beginning of year	103,455,486
Net OPEB obligation – end of year	$ 111,465,472

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 21,633,525	$ 19,178,957	88.7%	$ 94,885,430
June 30, 2016	$ 28,437,970	$ 19,867,914	69.9%	$ 103,455,486
June 30, 2017	$ 28,315,361	$ 20,305,375	71.7%	$ 111,465,472

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

D. Funded Status and Funding Progress

As of January 1, 2015, which was the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $393,607,751, resulting in an unfunded actuarial accrued liability (UAAL) of $393,607,751. The covered payroll (annual payroll of active employees covered by the plan) was $316,234,536, and the ratio of the UAAL to the covered payroll was 124.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 2.50 percent investment rate of return (net of investment expenses) based on the District's own investments; a 2.75 percent inflation rate; and an annual medical trend rate of 7.20 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after seven years. The UAAL is being amortized over a 30-year period on a level dollar method over an open period.

NOTE 8 – INTERFUND BALANCES AND TRANSACTIONS

A. Interfund Receivables and Payables

The District had the following interfund receivables and payables at June 30, 2017:

	Due From Other Fund	Due to Other Fund
General Fund	$ 9,270,316	$ –
Capital Projects Fund	–	9,270,316
Total	$ 9,270,316	$ 9,270,316

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

NOTE 8 – INTERFUND BALANCES AND TRANSACTIONS (CONTINUED)

B. Interfund Transfers

During fiscal year 2017, the General Fund transferred $285,978 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.

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, 2017, the District had commitments totaling $138,746,853 under various construction contracts for which the work was not yet completed. In addition, the District has separately committed $21,834,005 for contracts approved subsequent to year end.

NOTE 10 – SUBSEQUENT EVENTS

In December 2017, the District issued $57,530,000 of Certificates of Participation, Series 2017C with an interest rate of 2.964 percent.

In December 2017, the District issued $17,040,000 of General Obligation School Building Refunding Bonds, Series 2017D with an interest rate of 2.501 percent.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 625

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

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%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

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%

Note 1: **Changes of Benefit Terms** – On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, 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.

Note 2: **Changes in Actuarial Assumptions** – (1) 2015 Changes – 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. (2) 2016 Changes – 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 future 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.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 625

Saint Paul Teachers Retirement Fund Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

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%

Saint Paul Teachers Retirement Fund Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

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	$ 25,794,020	$ 25,794,020	$ –	$ 262,952,558	9.81%
06/30/2016	$ 26,184,079	$ 26,184,079	$ –	$ 257,470,816	10.17%
06/30/2017	$ 27,036,260	$ 27,036,260	$ –	$ 260,269,125	10.39%

Note 1: **Change of Assumptions –** (1) 2015 Changes – 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. (2) 2016 Changes – 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. Details, if necessary, can be obtained from the SPTRFA's CAFR.

Note 2: 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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Schedule of Funding Progress
Other Post-Employment Benefits Plan
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
January 1, 2011	$ 376,275,242	$ –	$376,275,242	– %	$318,665,789	118.1 %
January 1, 2013	$ 353,531,587	$ –	$353,531,587	– %	$316,234,536	111.8 %
January 1, 2015	$ 393,607,751	$ –	$393,607,751	– %	$316,234,536	124.5 %

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, 2017

	General			
	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Local sources				
Property taxes	$ 84,183,013	$ 84,183,013	$104,153,522	$ 19,970,509
County and other	8,100,000	12,700,678	13,287,231	586,553
State	425,364,927	428,064,045	440,192,069	12,128,024
Federal	43,314,252	51,664,027	46,615,814	(5,048,213)
Investment earnings	100,000	100,000	3,505,883	3,405,883
Sales and conversion of assets	–	–	496,770	496,770
Total revenues	561,062,192	576,711,763	608,251,289	31,539,526
Expenditures				
Current				
Administration	23,960,230	24,282,244	24,269,929	(12,315)
District support services	20,174,472	20,211,665	17,767,049	(2,444,616)
Elementary and secondary regular instruction	264,121,984	271,164,488	271,359,672	195,184
Vocational education instruction	1,322,533	2,833,237	5,380,826	2,547,589
Special education instruction	105,850,128	107,699,296	113,047,558	5,348,262
Instructional support services	40,607,451	45,209,073	66,883,085	21,674,012
Pupil support services	56,239,211	57,663,912	58,789,228	1,125,316
Sites and buildings	42,124,174	52,352,637	56,573,418	4,220,781
Food service	–	–	–	–
Community service	6,662,009	6,440,332	7,162,945	722,613
Capital outlay	–	–	5,911,457	5,911,457
Debt service				
Principal payments	–	–	1,660,131	1,660,131
Interest	–	–	111,292	111,292
Total expenditures	561,062,192	587,856,884	628,916,590	41,059,706
Excess (deficiency) of revenues over expenditures	–	(11,145,121)	(20,665,301)	(9,520,180)
Other financing sources (uses)				
Capital lease issued	–	–	23,510,709	23,510,709
Sale of capital assets	–	–	18,245	18,245
Transfers (out)	–	–	(285,978)	(285,978)
Total other financing sources (uses)	–	–	23,242,976	23,242,976
Net change in fund balances	$ –	$ (11,145,121)	2,577,675	$ 13,722,796
Fund balances at beginning of year			90,072,189	
Fund balances at end of year			$ 92,649,864	

Food Service				Community Service			
Budgeted Amounts				Budgeted Amounts			
Original	Final	Actual	Variance	Original	Final	Actual	Variance
$ –	$ –	$ –	$ –	$ 3,147,403	$ 3,147,403	$ 3,224,411	$ 77,008
–	45,300	33,928	(11,372)	7,881,351	8,054,136	8,112,538	58,402
1,793,700	1,111,300	1,101,463	(9,837)	15,997,184	17,253,169	17,457,338	204,169
25,150,200	25,832,600	24,736,711	(1,095,889)	2,403,203	2,517,597	2,419,409	(98,188)
–	–	12,044	12,044	–	–	23,981	23,981
1,902,800	1,902,800	1,728,333	(174,467)	–	–	–	–
28,846,700	28,892,000	27,612,479	(1,279,521)	29,429,141	30,972,305	31,237,677	265,372
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	708,290	1,086,756	1,086,345	(411)
–	–	–	–	–	–	–	–
28,846,700	28,892,000	25,788,378	(3,103,622)	–	–	–	–
–	–	–	–	29,117,245	30,281,943	29,011,689	(1,270,254)
–	–	–	–	–	–	7,195	7,195
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
28,846,700	28,892,000	25,788,378	(3,103,622)	29,825,535	31,368,699	30,105,229	(1,263,470)
–	–	1,824,101	1,824,101	(396,394)	(396,394)	1,132,448	1,528,842
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
$ –	$ –	1,824,101	$ 1,824,101	$ (396,394)	$ (396,394)	1,132,448	$ 1,528,842
		3,887,079				2,722,769	
		$ 5,711,180				$ 3,855,217	

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 (BFAC) meets to provide input to administration and to the Board of Education on budget planning recommendations that support the strategic goals and policies of the District. The committee is co-chaired by the Board Treasurer and the Chief Financial Officer and members include staff, parents, residents, local business representatives and the community.

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

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

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

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund
Balance Sheet by Account
as of June 30, 2017
(With Comparative Totals as of June 30, 2016)

	General Fund Accounts	Fully Financed General Fund Accounts	Totals 2017	Totals 2016
Assets				
Cash and investments (deficit)	$ 72,741,463	$ (2,533,733)	$ 70,207,730	$ 66,428,380
Restricted cash and investments in revocable trust for OPEB obligations	34,476,447	–	34,476,447	31,390,345
Receivables				
Current taxes	65,067,755	–	65,067,755	60,624,947
Delinquent taxes	1,662,134	–	1,662,134	1,785,166
Due from other governmental units	42,588,599	6,179,901	48,768,500	50,635,078
Other	1,191,226	707,746	1,898,972	298,707
Due from other fund	9,270,316	–	9,270,316	1,090,996
Inventories	538,959	–	538,959	572,348
Prepaid items	902,947	8,287	911,234	709,537
Total assets	$ 228,439,846	$ 4,362,201	$ 232,802,047	$ 213,535,504
Liabilities				
Accounts payable	$ 8,410,898	$ 179,877	$ 8,590,775	$ 5,130,001
Accrued expenditures	44,850,157	2,287,964	47,138,121	38,906,113
Due to other governmental units	537,400	120,515	657,915	1,140,652
Unearned revenue	–	1,638,762	1,638,762	1,958,546
Total liabilities	53,798,455	4,227,118	58,025,573	47,135,312
Deferred inflows of resources				
Property taxes levied for subsequent year	80,830,565	–	80,830,565	75,074,267
Unavailable revenue – delinquent taxes	1,296,045	–	1,296,045	1,253,736
Total deferred inflows of resources	82,126,610	–	82,126,610	76,328,003
Fund balance				
Nonspendable for				
Inventories	538,959	–	538,959	572,348
Prepaid items	902,947	8,287	911,234	709,537
Restricted for				
Operating capital	2,741,310	–	2,741,310	5,511,843
Area learning center	–	–	–	367,837
Teacher development and evaluation	83,626	–	83,626	451,629
Achievement and integration	483,147	–	483,147	–
OPEB revocable trust	34,476,447	–	34,476,447	31,390,345
Committed to				
Severance pay	2,538,018	–	2,538,018	2,538,018
Assigned to				
Contractual obligations	3,482,217	–	3,482,217	3,440,596
Strong Schools, Strong Communities initiative	7,100,000	–	7,100,000	7,200,000
Site-based operations	6,078,918	–	6,078,918	6,340,760
Intraschool activities	3,215,835	–	3,215,835	2,897,273
Unassigned				
Health and safety restricted account deficit	(3,768,183)	–	(3,768,183)	(5,722,006)
Long-term facilities maintenance restricted account deficit	(1,094,424)	–	(1,094,424)	–
Unassigned	35,735,964	126,796	35,862,760	34,374,009
Total fund balance	92,514,781	135,083	92,649,864	90,072,189
Total liabilities, deferred inflows of resources, and fund balance	$ 228,439,846	$ 4,362,201	$ 232,802,047	$ 213,535,504

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund Accounts
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 72,741,463	$ 67,022,762
Restricted cash and investments in revocable trust for OPEB obligations	34,476,447	31,390,345
Receivables		
Current taxes	65,067,755	60,624,947
Delinquent taxes	1,662,134	1,785,166
Due from other governmental units	42,588,599	45,549,710
Other	1,191,226	202,447
Due from other fund	9,270,316	1,090,996
Inventories	538,959	572,348
Prepaid items	902,947	705,068
Total assets	$ 228,439,846	$ 208,943,789
Liabilities		
Accounts payable	$ 8,410,898	$ 4,743,925
Accrued expenditures	44,850,157	37,288,813
Due to other governmental units	537,400	693,318
Total liabilities	53,798,455	42,726,056
Deferred inflows of resources		
Property taxes levied for subsequent year	80,830,565	75,074,267
Unavailable revenue – delinquent taxes	1,296,045	1,253,736
Total deferred inflows of resources	82,126,610	76,328,003
Fund balance		
Nonspendable for		
Inventories	538,959	572,348
Prepaid items	902,947	705,068
Restricted for		
Operating capital	2,741,310	5,511,843
Area learning center	–	367,837
Teacher development and evaluation	83,626	451,629
Achievement and integration	483,147	–
OPEB revocable trust	34,476,447	31,390,345
Committed to		
Severance pay	2,538,018	2,538,018
Assigned to		
Contractual obligations	3,482,217	3,440,596
Strong Schools, Strong Communities initiative	7,100,000	7,200,000
Site-based operations	6,078,918	6,340,760
Intraschool activities	3,215,835	2,897,273
Unassigned		
Health and safety restricted account deficit	(3,768,183)	(5,722,006)
Long-term facilities maintenance restricted account deficit	(1,094,424)	–
Unassigned	35,735,964	34,196,019
Total fund balance	92,514,781	89,889,730
Total liabilities, deferred inflows of resources, and fund balances	$ 228,439,846	$ 208,943,789

INDEPENDENT SCHOOL DISTRICT NO. 625

Fully Financed General Fund Accounts
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and investments (deficit)	$ (2,533,733)	$ (594,382)
Receivables		
Due from other governmental units	6,179,901	5,085,368
Other	707,746	96,260
Prepaid items	8,287	4,469
Total assets	$ 4,362,201	$ 4,591,715
Liabilities		
Accounts payable	$ 179,877	$ 386,076
Accrued expenditures	2,287,964	1,617,300
Due to other governmental units	120,515	447,334
Unearned revenue	1,638,762	1,958,546
Total liabilities	4,227,118	4,409,256
Fund balance		
Nonspendable for prepaid items	8,287	4,469
Unassigned	126,796	177,990
Total fund balance	135,083	182,459
Total liabilities and fund balance	$ 4,362,201	$ 4,591,715

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances by Account
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	General Fund Accounts	Fully Financed General Fund Accounts	Totals 2017	Totals 2016
Revenues				
Local sources				
Property taxes	$ 104,153,522	$ –	$ 104,153,522	$ 101,230,092
County and other	9,242,672	4,044,559	13,287,231	11,192,611
State	438,731,993	1,460,076	440,192,069	440,042,071
Federal	1,167,447	45,448,367	46,615,814	41,020,038
Investment earnings	3,505,883	–	3,505,883	946,775
Sales and conversions of assets	496,770	–	496,770	373,140
Total revenues	557,298,287	50,953,002	608,251,289	594,804,727
Expenditures				
Current				
Administration	24,197,560	72,369	24,269,929	21,752,040
District support services	17,338,528	428,521	17,767,049	17,334,028
Elementary and secondary regular instruction	237,507,817	33,851,855	271,359,672	267,349,209
Vocational education instruction	4,614,046	766,780	5,380,826	5,376,845
Special education instruction	103,878,464	9,169,094	113,047,558	112,922,089
Community service	7,162,945	–	7,162,945	6,542,681
Instructional support services	64,786,014	2,097,071	66,883,085	43,525,335
Pupil support services	54,735,935	4,053,293	58,789,228	52,306,909
Sites and buildings	56,573,418	–	56,573,418	45,974,197
Capital outlay	5,350,062	561,395	5,911,457	4,043,410
Debt service				
Principal payments	1,660,131	–	1,660,131	1,741,549
Interest	111,292	–	111,292	29,874
Total expenditures	577,916,212	51,000,378	628,916,590	578,898,166
Excess (deficiency) of revenues over expenditures	(20,617,925)	(47,376)	(20,665,301)	15,906,561
Other financing sources (uses)				
Capital lease issued	23,510,709	–	23,510,709	–
Sale of capital assets	18,245	–	18,245	21,787
Transfers (out)	(285,978)	–	(285,978)	(12,000,000)
Total other financing sources (uses)	23,242,976	–	23,242,976	(11,978,213)
Net change in fund balances	2,625,051	(47,376)	2,577,675	3,928,348
Fund balance at beginning of year	89,889,730	182,459	90,072,189	86,143,841
Fund balance at end of year	$ 92,514,781	$ 135,083	$ 92,649,864	$ 90,072,189

INDEPENDENT SCHOOL DISTRICT NO. 625

General Fund Accounts
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
Property taxes	$ 84,183,013	$ 104,153,522	$ 19,970,509	$ 101,230,092
County and other	8,100,000	9,242,672	1,142,672	7,999,175
State	425,401,427	438,731,993	13,330,566	438,858,194
Federal	1,000,000	1,167,447	167,447	1,248,992
Investment earnings	100,000	3,505,883	3,405,883	946,775
Sales and conversions of assets	–	496,770	496,770	373,140
Total revenues	518,784,440	557,298,287	38,513,847	550,656,368
Expenditures				
Current				
Administration	24,122,278	24,197,560	75,282	21,748,340
District support services	18,903,997	17,338,528	(1,565,469)	17,248,661
Elementary and secondary regular instruction	231,811,235	237,507,817	5,696,582	237,957,540
Vocational education instruction	1,802,402	4,614,046	2,811,644	4,696,076
Special education instruction	97,216,899	103,878,464	6,661,565	103,548,215
Community service	6,440,332	7,162,945	722,613	6,542,681
Instructional support services	43,442,214	64,786,014	21,343,800	41,721,362
Pupil support services	53,838,149	54,735,935	897,786	49,520,348
Sites and buildings	52,352,055	56,573,418	4,221,363	45,955,774
Capital outlay	–	5,350,062	5,350,062	4,036,110
Debt service				
Principal payments	–	1,660,131	1,660,131	1,741,549
Interest	–	111,292	111,292	29,874
Total expenditures	529,929,561	577,916,212	47,986,651	534,746,530
Excess (deficiency) of revenues over expenditures	(11,145,121)	(20,617,925)	(9,472,804)	15,909,838
Other financing sources (uses)				
Capital lease issued	–	23,510,709	23,510,709	–
Sale of capital assets	–	18,245	18,245	21,787
Transfers (out)	–	(285,978)	(285,978)	(12,000,000)
Total other financing sources (uses)	–	23,242,976	23,242,976	(11,978,213)
Net change in fund balances	$ (11,145,121)	2,625,051	$ 13,770,172	3,931,625
Fund balance at beginning of year		89,889,730		85,958,105
Fund balance at end of year		$ 92,514,781		$ 89,889,730

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, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
County and other	$ 4,600,678	$ 4,044,559	$ (556,119)	$ 3,193,436
State	2,662,618	1,460,076	(1,202,542)	1,183,877
Federal	50,664,027	45,448,367	(5,215,660)	39,771,046
Total revenues	57,927,323	50,953,002	(6,974,321)	44,148,359
Expenditures				
Current				
Administration	79,966	72,369	(7,597)	3,700
District support services	607,668	428,521	(179,147)	85,367
Elementary and secondary regular instruction	39,357,188	33,851,855	(5,505,333)	29,391,669
Vocational education instruction	1,030,835	766,780	(264,055)	680,769
Special education instruction	10,482,397	9,169,094	(1,313,303)	9,373,874
Instructional support services	2,542,924	2,097,071	(445,853)	1,803,973
Pupil support services	3,825,763	4,053,293	227,530	2,786,561
Sites and buildings	582	–	(582)	18,423
Capital outlay	–	561,395	561,395	7,300
Total expenditures	57,927,323	51,000,378	(6,926,945)	44,151,636
Net change in fund balances	$ –	(47,376)	$ (47,376)	(3,277)
Fund balance at beginning of year		182,459		185,736
Fund balance at end of year		$ 135,083		$ 182,459

INDEPENDENT SCHOOL DISTRICT NO. 625

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 4,054,637	$ 1,946,060
Receivables		
Due from other governmental units	1,178,493	1,220,345
Other	869	1,905
Inventories	1,324,591	1,355,456
Prepaid items	40,234	40,512
Total assets	$ 6,598,824	$ 4,564,278
Liabilities		
Accounts payable	$ 307,994	$ 109,571
Accrued expenditures	579,650	567,628
Total liabilities	887,644	677,199
Fund balance		
Nonspendable for inventories	1,324,591	1,355,456
Nonspendable for prepaid items	40,234	40,512
Restricted for food service	4,346,355	2,491,111
Total fund balance	5,711,180	3,887,079
Total liabilities and fund balance	$ 6,598,824	$ 4,564,278

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, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
County and other	$ 45,300	$ 33,928	$ (11,372)	$ 45,841
State	1,111,300	1,101,463	(9,837)	1,072,895
Federal	25,832,600	24,736,711	(1,095,889)	24,392,141
Investment earnings	–	12,044	12,044	4,461
Sales and conversion of assets	1,902,800	1,728,333	(174,467)	1,841,048
Total revenues	28,892,000	27,612,479	(1,279,521)	27,356,386
Expenditures				
Current				
Food service	28,892,000	25,544,098	(3,347,902)	25,301,931
Capital outlay	–	244,280	244,280	6,929
Total expenditures	28,892,000	25,788,378	(3,103,622)	25,308,860
Net change in fund balances	$ –	1,824,101	$ 1,824,101	2,047,526
Fund balance at beginning of year		3,887,079		1,839,553
Fund balance at end of year		$ 5,711,180		$ 3,887,079

INDEPENDENT SCHOOL DISTRICT NO. 625

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 5,158,444	$ 4,527,212
Receivables		
Current taxes	2,038,758	1,972,243
Delinquent taxes	55,753	64,838
Due from other governmental units	2,227,562	2,290,645
Other	20,722	63,068
Prepaid items	7,491	9,322
Total assets	$ 9,508,730	$ 8,927,328
Liabilities		
Accounts payable	$ 602,602	$ 576,416
Accrued expenditures	1,339,411	1,161,788
Due to other governmental units	–	65,958
Unearned revenue	261,651	1,094,144
Total liabilities	2,203,664	2,898,306
Deferred inflows of resources		
Property taxes levied for subsequent year	3,406,264	3,260,871
Unavailable revenue – delinquent taxes	43,585	45,382
Total deferred inflows of resources	3,449,849	3,306,253
Fund balance		
Nonspendable for prepaid items	7,491	9,322
Restricted for		
Adult basic education	410,164	319,615
School readiness	1,200,226	654,813
Community education	961,118	1,326,515
ECFE	267,755	350,293
Community service	1,008,463	62,211
Total fund balance	3,855,217	2,722,769
Total liabilities, deferred inflows of resources, and fund balance	$ 9,508,730	$ 8,927,328

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, 2017
(With Comparative Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
Property taxes	$ 3,147,403	$ 3,224,411	$ 77,008	$ 3,394,421
County and other	8,054,136	8,112,538	58,402	7,165,624
State	17,253,169	17,457,338	204,169	15,816,262
Federal	2,517,597	2,419,409	(98,188)	2,366,670
Investment earnings	–	23,981	23,981	34,309
Total revenues	30,972,305	31,237,677	265,372	28,777,286
Expenditures				
Current				
Pupil support services	1,086,756	1,086,345	(411)	1,014,254
Community service	30,281,943	29,011,689	(1,270,254)	27,981,656
Capital outlay	–	7,195	7,195	15,590
Total expenditures	31,368,699	30,105,229	(1,263,470)	29,011,500
Net change in fund balances	$ (396,394)	1,132,448	$ 1,528,842	(234,214)
Fund balance at beginning of year		2,722,769		2,956,983
Fund balance at end of year		$ 3,855,217		$ 2,722,769

INDEPENDENT SCHOOL DISTRICT NO. 625

Capital Projects Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Restricted cash and investments for capital projects	$ 52,968,577	$ 18,751,001
Receivables		
Due from other governmental units	–	1,055,000
Total assets	$ 52,968,577	$ 19,806,001
Liabilities		
Accounts payable	$ 13,135,267	$ 4,091,617
Accrued expenditures	42,062	309,030
Due to other fund	9,270,316	1,090,996
Unearned revenue	–	150,000
Total liabilities	22,447,645	5,641,643
Fund balance		
Restricted for		
Alternative facilities program	–	4,435,289
Projects funded by certificates of participation	9,715,008	–
Capital projects	20,805,924	9,729,069
Total fund balance	30,520,932	14,164,358
Total liabilities and fund balance	$ 52,968,577	$ 19,806,001

INDEPENDENT SCHOOL DISTRICT NO. 625

Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Federal	$ –	$ 32,603	$ 32,603	$ 1,055,000
Investment earnings	–	27,546	27,546	24,357
Total revenues	–	60,149	60,149	1,079,357
Expenditures				
Current				
Sites and buildings	37,031,501	17,165,654	(19,865,847)	12,833,421
Capital outlay	–	23,082,057	23,082,057	9,002,617
Debt service				
Other debt	–	830,780	830,780	–
Total expenditures	37,031,501	41,078,491	4,046,990	21,836,038
Excess (deficiency) of revenue over expenditures	(37,031,501)	(41,018,342)	(3,986,841)	(20,756,681)
Other financing sources				
Building bonds issued	30,000,000	30,000,000	–	–
Certificates of participation issued	–	24,305,000	24,305,000	–
Premium on debt issued	–	2,783,938	2,783,938	–
Transfer in	15,862,122	285,978	(15,576,144)	12,000,000
Total other financing sources	45,862,122	57,374,916	11,512,794	12,000,000
Net change in fund balances	$ 8,830,621	16,356,574	$ 7,525,953	(8,756,681)
Fund balance at beginning of year		14,164,358		22,921,039
Fund balance at end of year		$ 30,520,932		$ 14,164,358

INDEPENDENT SCHOOL DISTRICT NO. 625

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 23,174,418	$ 20,744,463
Restricted cash and investments for debt service	49,904,704	24,536,276
Receivables		
Current taxes	22,205,594	22,980,790
Delinquent taxes	671,304	748,433
Due from other governmental units	428,916	518,206
Other	199,172	127,255
Prepaid items	–	410,000
Total assets	$ 96,584,108	$ 70,065,423
Liabilities		
Unearned revenue	$ 130,500	$ 376,350
Deferred inflows of resources		
Property taxes levied for subsequent year	36,826,077	37,901,728
Unavailable revenue – delinquent taxes	530,022	541,752
Total deferred inflows of resources	37,356,099	38,443,480
Fund balance		
Nonspendable for prepaid items	–	410,000
Restricted for		
Bond refunding	39,467,049	15,894,372
QSCB payments	10,634,544	8,769,159
Debt service	8,995,916	6,172,062
Total fund balance	59,097,509	31,245,593
Total liabilities, deferred inflows of resources, and fund balance	$ 96,584,108	$ 70,065,423

INDEPENDENT SCHOOL DISTRICT NO. 625

Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Local sources				
Property taxes	$ 37,903,000	$ 37,492,714	$ (410,286)	$ 35,840,368
County and other	–	314,976	314,976	270,323
State	–	121,748	121,748	3,850,085
Federal	937,000	941,912	4,912	942,157
Investment earnings	100,000	569,448	469,448	599,472
Total revenues	38,940,000	39,440,798	500,798	41,502,405
Expenditures				
Debt service				
Principal payments	23,679,000	23,678,632	(368)	25,180,476
Interest	12,680,000	12,778,342	98,342	14,307,014
Other debt	100,000	520,500	420,500	25,450
Total expenditures	36,459,000	36,977,474	518,474	39,512,940
Excess (deficiency) of revenues over expenditures	2,481,000	2,463,324	(17,676)	1,989,465
Other financing sources (uses)				
Refunding debt issued	–	34,955,000	34,955,000	–
Premium on refunding debt issued	–	5,643,592	5,643,592	–
Principal payments by refunded bond escrow agent	(15,210,000)	(15,210,000)	–	(36,850,000)
Total other financing sources (uses)	(15,210,000)	25,388,592	40,598,592	(36,850,000)
Net change in fund balances	$ (12,729,000)	27,851,916	$ 40,580,916	(34,860,535)
Fund balance at beginning of year		31,245,593		66,106,128
Fund balance at end of year		$ 59,097,509		$ 31,245,593

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