



**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Financial Statements and Supplementary Information

June 30, 2008

(With Independent Auditors' Report Thereon)

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

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KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Education
Independent School District No. 625
Saint Paul, Minnesota:

We have audited the accompanying financial statements of the governmental activities, each major fund, and remaining fund information of Independent School District No. 625, Saint Paul, Minnesota (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and remaining fund information of the District as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 8 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 47 through 48 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit for the year ended June 30, 2008 was made for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules listed in section I and the supplementary information listed in section II of the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The combining and individual fund financial statements listed in section I of the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2008. The supplementary information listed in section II of the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

We have also previously audited, in accordance with generally accepted auditing standards, the basic financial statements as of and for the year ended June 30, 2007 (none of which are presented herein), and we expressed unqualified opinions on those financial statements. The combining and individual fund financial information listed in section I pertaining to 2007 was subjected to auditing procedures applied in the audit of those basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

KPMG LLP

Minneapolis, Minnesota
December 23, 2008

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Introduction

Our discussion and analysis of Independent School District No. 625 (SPPS or the District) financial performance provides an overview of the School Board's financial activities for the fiscal year ended June 30, 2008. It should be read in conjunction with SPPS's financial statements. The intent of this management's discussion and analysis is to look at SPPS's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of SPPS's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

On the district-wide financial statements:

- Total net assets of SPPS decreased from \$164.0 million in fiscal year 2007 to \$155.0 million in fiscal year 2008, a decrease of \$9.0 million, or 5.5%.
- Total revenue increased \$21.1 million from \$589.7 million in fiscal year 2007 to \$610.8 million in fiscal year 2008, or 3.6%.
- Total expenses increased \$37.4 million from \$582.4 million in fiscal year 2007 to \$619.8 million in fiscal year 2008, or 6.4%.
- The District retired \$29.1 million of outstanding long-term debt.
- The District issued \$25.6 million of long-term debt for the renovation, deferred maintenance, and improvement of facilities.

On the fund financial statements:

- The ending fund balance of all governmental funds of SPPS decreased from \$133.3 million in fiscal year 2007 to \$131.9 million in fiscal year 2008; a decrease of \$1.4 million, or 1.1%.
- The debt service fund balance decreased from \$42.1 million in fiscal year 2007 to \$34.9 million in fiscal year 2008. This decrease of \$7.2 million is due to the payment of refunded bonds and scheduled principal payments that are greater than the amount issued.
- The General Fund balance increased by \$4.2 million, going from \$61.3 million in fiscal year 2007 to \$65.5 million in fiscal year 2008. The General Fund unreserved undesignated fund balance accounted for \$0.5 million of the increase. The General Fund unreserved designated for net year fund balance accounted for \$1.9 million of the increase.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Overview of the Financial Statements

The financial section of the annual report consists of five parts – independent auditors' report, management's discussion and analysis, basic financial statements, required supplementary information, and combining and individual fund statements and schedules. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide financial statements.

The governmental funds statements tell how basic services such as regular and special education were financed in the short term, as well as what remains for future spending.

Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

District-wide Financial Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. 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 district-wide financial statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position (see figure A-1).

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional nonfinancial factors such as changes in the District's property tax base, enrollment changes, legislative changes, and the condition of school buildings and other facilities.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

In the district-wide financial statements, the District's activities are shown in one category:

- **Governmental activities** – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes, state aids, grants, and charges for services finance most of these activities (see figure A-2).

Figure A-1

Net Assets

(In millions)

	Governmental activities		
	2008	2007	% change
Current assets	\$ 282.6	278.5	1.5%
Other noncurrent assets	26.8	24.5	9.4
Capital assets, net	393.7	387.6	1.6
Total assets	<u>\$ 703.1</u>	<u>690.6</u>	<u>1.8%</u>
Current liabilities	\$ 215.6	207.1	4.1%
Long-term liabilities	332.5	319.5	4.1
Total liabilities	<u>\$ 548.1</u>	<u>526.6</u>	<u>4.1%</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 85.2	76.7	11.1%
Restricted for:			
Debt service fund	34.9	42.1	(17.1)
Capital projects fund	6.3	6.6	(4.5)
Community service	2.5	2.7	(7.4)
Retirement benefits	21.1	20.8	1.4
Other activities	4.3	6.9	(37.7)
Unrestricted	0.7	8.2	(91.5)
Total net assets	<u>\$ 155.0</u>	<u>164.0</u>	<u>(5.5)%</u>

- **Total assets** increased due to increases in both current and capital assets
- **Current assets** increased due primarily to increase in cash receipts and prepaid expenses.
- **Noncurrent assets** increased mainly due to an increase in building improvement assets.
- **Current liabilities** increased due primarily to an increase of \$3.3 million in deferred property tax and \$4.4 million in accrued expenses.

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Management's Discussion and Analysis

June 30, 2008

(Unaudited)

- **Noncurrent liabilities** increased primarily due to the issuance of \$25.6 million in general obligation bonds, net of reductions resulting from principal payments.

Figure A-2

Change in Net Assets

(In millions)

	Governmental activities		
	2008	2007	% change
Revenues:			
Program revenues:			
Charges for services	\$ 14.5	15.4	(5.8)%
Operating grants and contributions	149.1	142.2	4.9
Total program revenues	<u>163.6</u>	<u>157.6</u>	<u>3.8</u>
General revenues:			
Property taxes levied for general purposes	64.9	51.1	27.0
Property taxes levied for debt services	31.5	27.8	13.3
Property taxes levied for community service	3.7	3.7	—
Federal and state aid not restricted to specific purposes	339.8	340.4	(0.2)
Investment earnings	7.3	9.1	(19.8)
Total general revenues	<u>447.2</u>	<u>432.1</u>	<u>3.5</u>
Total revenues	<u>610.8</u>	<u>589.7</u>	<u>3.6</u>
Expenses:			
Instruction	387.0	364.1	6.3
Support services:			
Pupil support	69.6	67.1	3.7
District administration	20.3	19.0	6.8
Sites and buildings	53.1	47.0	13.0
Instructional support	36.3	32.0	13.4
District support	12.5	11.6	7.8
Community education services	24.1	23.3	3.4
Interest and fiscal costs on long-term debt	16.9	18.3	(7.7)
Total expenses	<u>619.8</u>	<u>582.4</u>	<u>6.4</u>
Change in net assets	<u>\$ (9.0)</u>	<u>7.3</u>	<u>(223.3)%</u>

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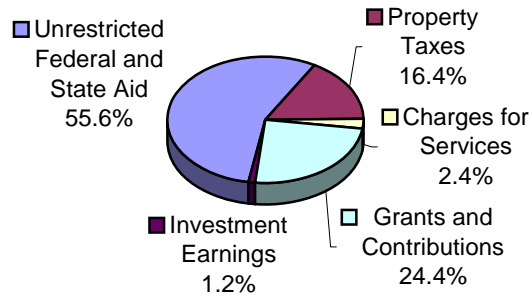
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Revenues: SPPS' total revenues were \$610.8 million for the year ended June 30, 2008. Federal and state aid and property taxes accounted for 72.0% of total revenue for the year (see figure A-3). Another 24.4% came from operating grants and contributions, and 2.4% from charges for services and investment earnings. As a percentage of the total revenue, property tax revenue increased by 2.4% from 14.0% of revenue in fiscal year 2007 to 16.4% in fiscal year 2008, and federal and state aid decreased from 57.7% of revenue in fiscal year 2007 to 55.6% in fiscal year 2008.

**Figure A-3
Sources of Revenue for Fiscal Year 2008**



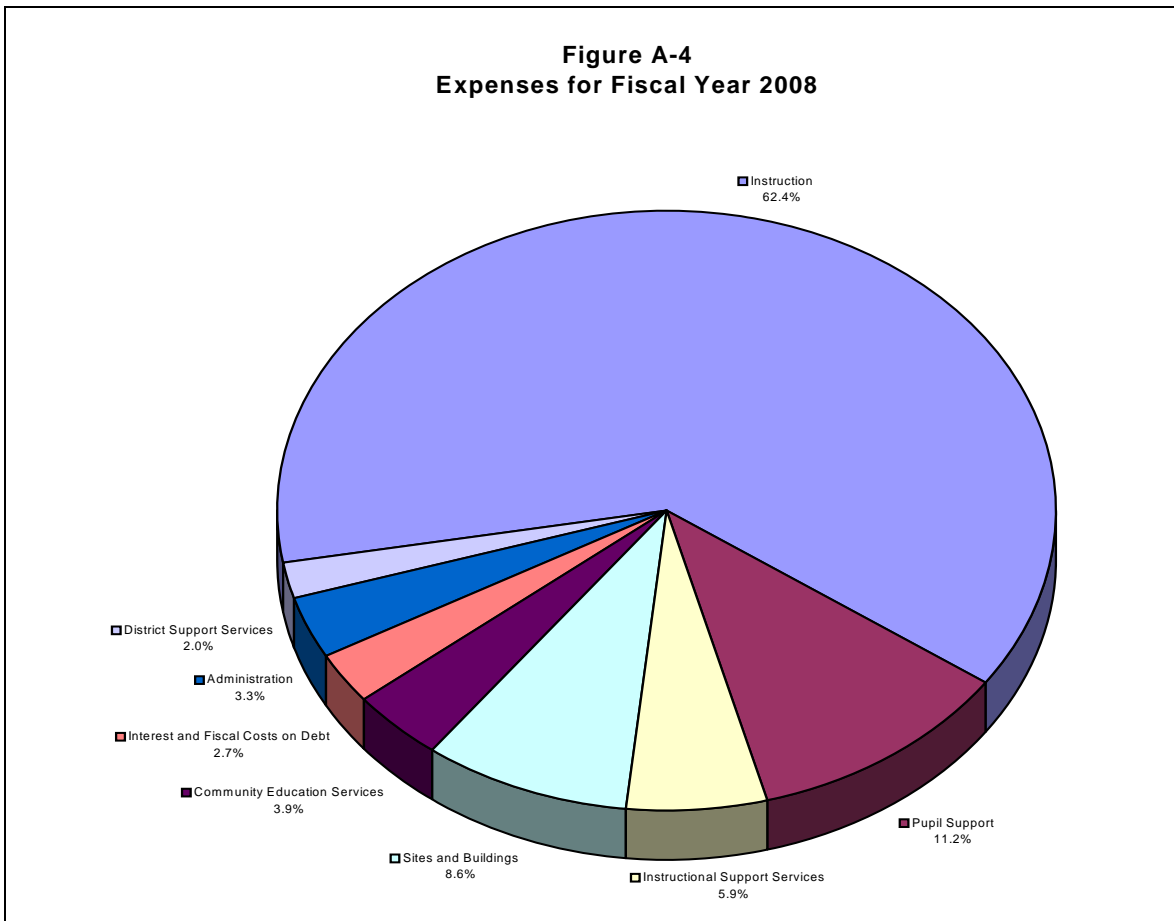
**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Expenses: The total cost of all programs and services was \$619.8 million. The District's expenses for classroom instruction and caring for students are 79.5%, which consist of the following three program areas: instruction, instructional support, and pupil support. The District's administration activities account for 3.3% of total costs. Employees' salaries and related benefits account for the vast majority of costs.



**INDEPENDENT SCHOOL DISTRICT NO. 625
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Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Capital Assets

At June 30, 2008, SPPS had \$393.7 million invested in a broad range of capital assets, including land, land improvements, buildings, building improvements, equipment, and construction in progress. This amount represents a net increase of (including additions and depreciation) \$6.1 million or an increase of 1.6%.

**Figure A-5
Capital Assets**
(Net of depreciation in millions)

	Governmental activities		
	2008	2007	% change
Land	\$ 26.0	26.0	0.0 %
Land improvements	15.6	11.9	0.3
Buildings	327.7	327.7	0.0
Building improvements	192.8	178.3	8.1
Equipment	13.2	12.3	7.3
Construction in progress	34.9	33.3	4.8
Total	610.2	589.5	3.5
Less accumulated depreciation	(216.5)	(201.9)	7.2
Total capital assets, net	\$ 393.7	387.6	1.6 %

Capital assets increased due to major additions and/or capital repairs to existing buildings. No new buildings were started or built during fiscal year 2008.

**INDEPENDENT SCHOOL DISTRICT NO. 625
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Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Long-Term Debt

As of June 30, 2008, SPPS had \$335.3 million in general obligation bonds and other long-term debt outstanding, which represents a decrease of \$3.0 million, or 0.9%, from last year.

**Figure A-6
Outstanding Long-Term Debt**
(In millions)

	Governmental activities		
	2008	2007	% Change
General obligation bonds	\$ 282.8	281.4	0.5 %
Certificates of participation	48.1	52.9	(9.1)
Note payable	—	0.1	(100.0)
Less unamortized discount/premium	5.0	4.6	8.7
Less deferred assets on refunding	(0.6)	(0.7)	(14.3)
	\$ 335.3	338.3	(0.9)%

During fiscal year 2008, SPPS retired \$10.9 million of 1998B general obligation bonds. The proceeds to retire the debt came from a fiscal year 2005 issuance of \$44.3 million in general obligation refunding bonds and the District's funds. The District issued \$25.6 million in new general obligation bonds in fiscal year 2008. The District also retired \$14.0 million of general obligation bonds and \$4.8 million of certificates of participation related to scheduled principal payments.

SPPS currently has legislative authority to annually issue \$15.0 million in capital bonds and \$11.0 million in alternative bonds to be used for capital projects and deferred maintenance.

Fund Financial Statements

SPPS's fund financial statements provide detailed information about the most significant funds – not the SPPS as a whole. The SPPS's Governmental Funds use the following accounting approach: Governmental Funds – All of SPPS's services are reported in Governmental Funds. Governmental Fund reporting focuses on showing how money flows into and out of Funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of SPPS's operations and the services it provides. Governmental Fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance SPPS's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and Governmental Funds on the reconciliation of the Governmental Funds.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Governmental Revenues

The following table presents a summary of general operating fund, food service fund, community service fund, debt service fund, and capital project fund revenues and other financing sources by type for the year ended June 30, 2008. It also depicts the amount and percentage increases and decreases in relation to prior year revenues and other financing sources.

**Figure A-7
Revenues and Other Financing Sources**
(In millions)

<u>Local sources</u>	<u>2008</u>	<u>2007</u>	<u>% change</u>
Property taxes	\$ 99.1	82.3	20.4 %
County and other	17.2	18.5	(7.0)
State aids	417.9	414.1	0.9
Federal aids	64.6	61.6	4.9
Investment earnings	5.7	9.1	(37.4)
Sales and conversion of assets	3.7	3.8	(2.6)
Subtotal	608.2	589.4	3.2
Other financing sources, net	15.6	21.1	(26.1)
Total	\$ <u>623.8</u>	<u>610.5</u>	<u>2.2 %</u>

Total revenues and other financing sources increased by \$13.3 million, or 2.2%, from the previous year. This is a result of an increase in revenue and a decrease in other financing sources. The increase in revenue is due primarily to an increase in property tax revenue and an increase in federal aids. The decrease in other financing sources was primarily due to the District's debt issuances and retirement of debt activity in fiscal year 2008 compared to fiscal year 2007. In fiscal year 2007, the District issued \$23.8 million of refunding bonds with \$29.1 million of retirement of certificates of participation and during fiscal year 2008 no refunding bonds were issued.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Governmental Expenditures

The following table represents a summary of general operating fund, food service fund, community service fund, debt service fund, and capital project fund expenditures for the year ended June 30, 2008, and the percentage increase and decrease in relation to prior year amounts.

**Figure A-8
Expenditures
(In millions)**

	<u>2008</u>	<u>2007</u>	<u>% change</u>
District administration	\$ 20.1	18.8	6.9 %
District support services	11.2	11.1	0.9
Regular instruction	255.9	245.8	4.1
Vocational instruction	4.3	3.9	10.3
Exceptional instruction	100.2	101.6	(1.4)
Community education	23.6	23.2	1.7
Instructional support services	35.0	31.9	9.7
Pupil support services	67.8	66.9	1.3
Sites, buildings, and equipment	72.9	86.6	(15.8)
Debt service	34.2	35.5	(3.7)
Total	<u>\$ 625.2</u>	<u>625.3</u>	<u>(0.0)%</u>

Total governmental expenditures for fiscal year 2008 remained at essentially the same level as fiscal year 2007.

Budgetary Highlights

The budgets are prepared by fund. Within the general fund, allocations are made to schools based mainly on the enrollment projections for the coming fall. Central services allocations are based on historical needs and projections.

- In June 2007, the Board adopted a balanced budget for fiscal year 2008 that reflected total resources of \$629 million
- During the year, the District revised its budget to reappropriate fund balances, to adjust for enrollment changes, to adjust for economic and legislative changes, and to accept additional grants. The final General Operating Fund budget has expenditures in excess of revenues by \$6.8 million due to the use of fund balance and the reappropriation of June 30, 2007 reserved and designated fund balances.
- Actual general operating fund revenues and expenditures were under budget due to various factors. The primary factor is related to unspent grants. These grants normally carry over to the next grant year.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Requests for Information

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of SPPS's finances and to show SPPS's accountability for the money it receives. Additional details can be requested by mail, at the following address:

Saint Paul Public School
Business Office
360 Colborne Street
Saint Paul, MN 55102

Or visit our Website at: <http://www.spps.org>

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Statement of Net Assets

June 30, 2008

	Assets	Governmental activities
Current assets:		
Cash and short-term investments		\$ 113,554,311
Cash with fiscal agent		31,629,538
Taxes receivable, net		63,294,401
Due from other governmental units		67,425,264
Other receivables		2,586,303
Inventories		1,714,645
Prepaid expenses		2,150,685
Interest receivable		231,922
Total current assets		<u>282,587,069</u>
Noncurrent assets:		
Restricted cash and investments		25,910,690
Bond issuance costs		926,837
Capital assets		610,213,390
Less accumulated depreciation		<u>(216,532,050)</u>
Total noncurrent assets		<u>420,518,867</u>
Total assets		<u>\$ 703,105,936</u>
	Liabilities	
Current liabilities:		
Accounts payable		\$ 15,705,040
Accrued expense		54,519,558
Compensated absences		15,272,997
Due to other governmental units		1,738,840
Amounts held for school activities		3,647,624
Deferred revenue – property tax		98,135,342
Deferred revenue – other		6,009,075
Long-term obligations due within one year		<u>20,615,164</u>
Total current liabilities		<u>215,643,640</u>
Noncurrent liabilities:		
Net other postemployment benefit obligation		17,768,845
Long-term obligations		<u>314,711,206</u>
Total noncurrent liabilities		<u>332,480,051</u>
Total liabilities		<u>\$ 548,123,691</u>
	Net Assets	
Invested in capital assets, net of related debt		\$ 85,192,497
Restricted for:		
Debt service		34,892,210
Capital projects		6,353,989
Community services		2,483,960
Retirement benefits		21,144,030
Other purposes		4,255,509
Unrestricted		<u>660,050</u>
Total net assets		<u>\$ 154,982,245</u>

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Statement of Activities

Year ended June 30, 2008

Functions/programs	Expenses	Program revenues		Net (expenses) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Total governmental activities
Governmental activities:				
Elementary and secondary instruction	\$ 278,838,718	919,005	44,207,815	(233,711,898)
Special education instruction	103,890,126	4,065,645	50,077,988	(49,746,493)
Vocational education instruction	4,285,856	—	678,617	(3,607,239)
Community education services	24,128,009	5,706,943	13,279,236	(5,141,830)
Sites and buildings	53,120,822	212,265	2,089,997	(50,818,560)
Instructional support services	36,251,345	7,122	2,394,445	(33,849,778)
Pupil support services	69,549,487	3,450,589	32,394,239	(33,704,659)
District support services	12,480,750	162,693	270,892	(12,047,165)
Administration	20,274,194	—	—	(20,274,194)
Interest and fiscal costs on long-term debt	16,947,777	—	3,732,577	(13,215,200)
Total governmental activities	<u>\$ 619,767,084</u>	<u>14,524,262</u>	<u>149,125,806</u>	<u>(456,117,016)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 64,934,229
Property taxes levied for debt services				31,470,034
Property taxes levied for community services				3,667,352
Federal and state aid not restricted to specific purposes				339,781,761
Investment earnings				7,246,273
Subtotal, general revenues				<u>447,099,649</u>
Changes in net assets				(9,017,367)
Net assets, beginning of year				<u>163,999,612</u>
Net assets, end of year				<u>\$ 154,982,245</u>

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Balance Sheet

Governmental Funds

June 30, 2008

Assets	<u>General</u>	<u>Community Service</u>	<u>Food Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash and short-term investments (note 2)	\$ 79,990,831	5,211,691	3,323,454	12,517,037	—	101,043,013
Cash with fiscal agent	—	—	—	31,629,538	—	31,629,538
Restricted cash and investments (note 3)	—	—	—	—	25,910,690	25,910,690
Receivables:						
Property taxes	43,341,599	2,025,587	—	17,927,215	—	63,294,401
Due from other governmental units (note 4)	61,703,639	3,142,555	852,483	1,726,587	—	67,425,264
Interest	160,371	5,586	5,757	23,949	18,610	214,273
Other	1,429,204	38,230	—	—	1,118,869	2,586,303
Inventories, principally at cost	638,006	—	1,076,639	—	—	1,714,645
Prepaid expenses	750,895	19,431	3,359	1,377,000	—	2,150,685
Total assets	<u>\$ 188,014,545</u>	<u>10,443,080</u>	<u>5,261,692</u>	<u>65,201,326</u>	<u>27,048,169</u>	<u>295,968,812</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 11,909,680	1,410,714	291,261	2,578	2,090,807	15,705,040
Accrued expenses	33,497,786	1,244,540	898,480	—	383,133	36,023,939
Due to other governmental units	1,738,840	—	—	—	—	1,738,840
Amounts held for school activities	3,647,624	—	—	—	—	3,647,624
Deferred revenue:						
Property taxes	67,191,014	3,419,886	—	30,306,538	—	100,917,438
Other	4,569,397	1,439,678	—	—	—	6,009,075
Total liabilities	<u>122,554,341</u>	<u>7,514,818</u>	<u>1,189,741</u>	<u>30,309,116</u>	<u>2,473,940</u>	<u>164,041,956</u>
Equity:						
Fund balances (note 7):						
Reserved for:						
Encumbrances	2,844,886	—	—	—	—	2,844,886
Adult Basic Education	—	583,292	—	—	—	583,292
Alternative facilities program	—	—	—	—	6,353,989	6,353,989
Severance pay	4,100,350	—	—	—	—	4,100,350
Retiree health insurance	20,380,928	227,339	318,800	—	—	20,927,067
School readiness	—	216,963	—	—	—	216,963
Community education	—	1,550,563	—	—	—	1,550,563
ECFE	—	338,370	—	—	—	338,370
Bond refunding	—	—	—	31,629,538	—	31,629,538
Health and safety	124,813	—	—	—	—	124,813
Operating capital	1,285,810	—	—	—	—	1,285,810
Inventories and prepaid expenses	1,388,901	19,431	1,079,998	1,377,000	—	3,865,330
Unreserved:						
Designated for contractual obligations	166,078	—	—	—	—	166,078
Designated for building construction	—	—	—	—	18,602,980	18,602,980
Designated for next year operations	7,878,683	—	—	—	—	7,878,683
Undesignated	27,289,755	(7,696)	2,673,153	1,885,672	(382,740)	31,458,144
Total fund balances	<u>65,460,204</u>	<u>2,928,262</u>	<u>4,071,951</u>	<u>34,892,210</u>	<u>24,574,229</u>	<u>131,926,856</u>
Total liabilities and fund balances	<u>\$ 188,014,545</u>	<u>10,443,080</u>	<u>5,261,692</u>	<u>65,201,326</u>	<u>27,048,169</u>	<u>295,968,812</u>

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Reconciliation of the Balance Sheet
to the Statement of Net Assets

June 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances – Governmental Funds		\$	131,926,856
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in Governmental Funds:			
Capital assets	\$	610,213,390	
Less accumulated depreciation		<u>(216,532,050)</u>	393,681,340
Long-term receivables applicable to governmental activities are not available to pay current period expenditures and therefore are deferred in Governmental Funds:			
Delinquent property taxes			2,782,096
Debt issuance premiums, discounts, and issuance costs are reported as other financing sources, uses, or expenditures in the Governmental Funds, but as assets or adjustments to the carrying value of long-term obligations in the statement of net assets:			
Bond issuance costs		926,837	
Unamortized bond discount (premium), net		<u>(5,003,883)</u>	(4,077,046)
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 assets.			1,280,584
Net other postemployment benefit obligations reported in the statement of net assets do not require the use of current financial resources and are not reported as liabilities in governmental funds until actually due.			(17,768,845)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Bonds payable		282,795,000	
Certificates of participation		48,132,241	
Deferred amounts on refunding		(639,434)	
Note payable		34,680	
Accrued interest on the bonds and certificates		7,247,256	
Compensated absences (vacation expense)		4,726,015	
Special termination benefits payable (severance payment)		<u>10,546,982</u>	<u>(352,842,740)</u>
Net assets of governmental activities		\$	<u><u>154,982,245</u></u>

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2008

	<u>General</u>	<u>Community service</u>	<u>Food service</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total Governmental Funds</u>
Revenues:						
Local sources:						
Property taxes	\$ 63,909,787	3,667,352	48,153	31,470,034	—	99,095,326
County and other	10,739,034	6,405,369	—	—	103,200	17,247,603
State	399,797,386	11,655,935	1,193,109	5,265,812	—	417,912,242
Federal	43,043,640	3,729,641	15,750,686	—	2,089,997	64,613,964
Investment earnings	3,992,573	140,551	141,620	663,720	764,238	5,702,702
Sales and conversions of assets	271,637	108	3,386,275	—	—	3,658,020
Total revenues	<u>521,754,057</u>	<u>25,598,956</u>	<u>20,519,843</u>	<u>37,399,566</u>	<u>2,957,435</u>	<u>608,229,857</u>
Expenditures:						
Current:						
District administration	20,068,064	—	—	—	—	20,068,064
District support	11,253,813	—	—	—	—	11,253,813
Regular instruction	254,903,257	1,011,482	—	—	—	255,914,739
Vocational instruction	4,271,979	—	—	—	—	4,271,979
Exceptional instruction	100,198,717	—	—	—	—	100,198,717
Community education services	—	23,648,770	—	—	—	23,648,770
Instructional support	34,981,014	—	—	—	—	34,981,014
Pupil support	46,146,713	886,133	20,805,670	—	—	67,838,516
Sites, buildings, and equipment	45,765,355	—	—	—	27,102,469	72,867,824
Debt service:						
Principal payments	—	—	—	18,861,418	—	18,861,418
Interest expense	—	—	—	15,261,186	—	15,261,186
Other debt expense	—	—	—	44,743	31,456	76,199
Total expenditures	<u>517,588,912</u>	<u>25,546,385</u>	<u>20,805,670</u>	<u>34,167,347</u>	<u>27,133,925</u>	<u>625,242,239</u>
Excess (deficiency) of revenues over (under) expenditures	4,165,145	52,571	(285,827)	3,232,219	(24,176,490)	(17,012,382)
Other financing sources (uses):						
Bonds issued	—	—	—	—	25,630,000	25,630,000
Premium on bonds issued	—	—	—	—	445,940	445,940
Interest on proceeds of refunding bonds	—	—	—	1,543,571	—	1,543,571
Principal payments by refunded bond escrow agent	—	—	—	(10,225,000)	—	(10,225,000)
Interest payments by refunded bond escrow agent	—	—	—	(1,789,350)	—	(1,789,350)
Total other financing (uses) sources	—	—	—	(10,470,779)	26,075,940	15,605,161
Excess (deficiency) of revenue and other financing sources over (under) expenditures	4,165,145	52,571	(285,827)	(7,238,560)	1,899,450	(1,407,221)
Fund balance at beginning of year	61,295,059	2,875,691	4,357,778	42,130,770	22,674,779	133,334,077
Fund balance at end of year	<u>\$ 65,460,204</u>	<u>2,928,262</u>	<u>4,071,951</u>	<u>34,892,210</u>	<u>24,574,229</u>	<u>131,926,856</u>

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities

Governmental Funds

Year ended June 30, 2008

Total net change in fund balances – Governmental Funds		\$ (1,407,221)
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	\$ 20,765,705	
Depreciation expense	<u>(14,643,256)</u>	6,122,449
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the Governmental Funds. This consists of current year delinquent property taxes.		
		976,289
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Long-term obligations	18,861,418	
Payments to refunded bond escrow agent	<u>10,225,000</u>	29,086,418
Bond proceeds provide current financial resources to the Governmental Funds but increase long-term liabilities in the statement of net assets.		
		(25,630,000)
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:		
Decrease in accrued interest expense	223,258	
Increase in accrued compensated absences	(574,873)	
Amortization of bond issuance costs, premiums, and discounts and deferred amounts on refunding	152,674	
Governmental Funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
	<u>(642,914)</u>	(841,855)
Net other postemployment benefit obligation reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds until actually due.		
		(17,768,845)
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 net operating income of the Internal Service Fund is reported with governmental activities.		
		<u>445,398</u>
Change in net assets of governmental activities		<u>\$ (9,017,367)</u>

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Statement of Net Assets

Proprietary Fund

June 30, 2008

		Governmental Activities – Internal Service Fund
	Assets	
Cash and short-term investments		\$ 12,511,298
Interest receivable		17,649
Total assets		<u>\$ 12,528,947</u>
	Liabilities	
Workers' compensation payable		\$ 11,248,363
Total liabilities		<u>11,248,363</u>
	Net Assets	
Net assets:		
Unrestricted		<u>1,280,584</u>
Total net assets		<u>1,280,584</u>
Total liabilities and net assets		<u>\$ 12,528,947</u>

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Fund

Year ended June 30, 2008

		Governmental Activities – Internal Service Fund
Operating revenues:		
Insurance service fees	\$	5,557,299
Investment earnings		445,398
Total operating revenues		6,002,697
Operating expenses:		
Claims expense		5,557,299
Total operating expenses		5,557,299
Operating income/change in net assets		445,398
Net assets at beginning of year		835,186
Net assets at end of year	\$	1,280,584

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2008

		Governmental Activities – Internal Service Fund
Cash flows from operating activities:		
Received from assessments made to other funds	\$	5,557,299
Investment earnings		454,574
Workers' compensation payments		(2,932,702)
Net cash provided by operating activities		3,079,171
Cash at beginning of year		9,432,127
Cash at end of year	\$	12,511,298
Reconciliation of operating income/change in net assets to net cash provided by operating activities:		
Operating income/change in net assets	\$	445,398
Adjustment to reconcile operating income/change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Interest receivable		9,176
Workers' compensation payable		2,624,597
Net cash provided by operating activities	\$	3,079,171

See accompanying notes to basic financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Notes to Basic Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Independent School District No. 625 (the District) is an instrumentality of the state of Minnesota established to function as an educational institution. The Board of Education consists of elected officials and is responsible for legislative and fiscal control of the District. A superintendent is appointed by the Board of Education and is responsible for administrative control of the District.

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 include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected to control and be financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are included in these financial statements in the General Fund.

(b) District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities. The effect of interfund activity has been removed from these statements.

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Notes to Basic Financial Statements

June 30, 2008

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

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the Internal Service Fund is consolidated into the governmental column when presented in the District-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 for service. Operating expenses for the Internal Service Fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The district-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 recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, the District adopted all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, with the exception of those pronouncements that conflict with GASB pronouncements. The District has elected not to adopt FASB statements and interpretations issued after November 30, 1989.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Notes to Basic Financial Statements

June 30, 2008

Funds

The District reports its financial activities through the use of fund accounting. This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The existence of the various funds of the District has been established by the State of Minnesota, Department of Education. A description of the activities of the various funds is provided below.

Governmental Funds

The District reports the following major Governmental Funds:

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

Community Service Special Revenue Fund – Elementary and Secondary Community Service and Fully Financed Community Service – Activities relating to the adult education programs, recreation and civic programs, and community programs that are fully financed by federal, state, or private grants are accounted for in this fund.

Food Service Special Revenue Fund – Activities relating to the school lunch and other related programs are accounted for in this fund.

Debt Service Fund – This fund accounts for resources used to repay bond indebtedness incurred to finance major property acquisition, construction, and improvement programs for Elementary and Secondary Schools.

Capital Projects Fund – This fund accounts for resources to be used for the acquisition and construction of major capital facilities for Elementary and Secondary Schools.

Proprietary Fund

Internal Service Fund – This fund accounts for the activities of the District's workers' compensation self-insurance program.

(d) Assets, Liabilities, and Net Assets

(i) Cash and Investments

The District uses pooled cash and investment accounts. Investments in money market instruments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value.

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Notes to Basic Financial Statements

June 30, 2008

Investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement. Investment income is allocated to the various funds based upon average monthly cash and investment balances.

Cash overdrafts in certain funds are considered short-term advances from other funds within the pool and are reflected as interfund receivables/payables. The fund incurring the overdraft is charged interest.

For purposes of the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with maturities of three months or less from the date of acquisition.

(ii) Receivables

All receivables are shown net of any allowance for uncollectibles. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

(iii) Inventories

Inventory is valued at cost (first-in, first-out) or market and charged to expenditures when used. Inventory in the General Fund consists of textbooks and supplies held for consumption. Inventory in the Food Service Fund consists of food and related preparation supplies for the school lunch program.

(iv) Property Taxes

Property taxes are levied each December and are certified to Ramsey County for collection in 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. Property taxes are due from taxpayers in two installments payable on May 15 and October 15. The following are the dates the District receives the calendar year 2008 property taxes from Ramsey County:

June 5, 2008	Second half advance of estimated May property tax collections
July 7, 2008	Final May tax settlement
October 24, 2008	First half advance of estimated October property tax collections
November 4, 2008	Second half advance of estimated October property tax collections
December 2, 2008	Final October settlement
January 23, 2009	Final settlement for calendar year

The majority of the District's revenue in the General, Community Service, and Debt Service Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The 2003 legislation

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Notes to Basic Financial Statements

June 30, 2008

reinstated the old property tax shift for taxes payable in 2004 and future years. Districts are required to recognize a percentage of the tax receipts for the calendar year as revenue for the year ended June 30. State aid is reduced by the amount of revenue recognized early. The remaining portion of the 2008 property taxes is recorded as deferred revenue since the property tax levy collectible in 2008 is intended to finance the subsequent fiscal year. As mandated by legislation, a portion of the property tax levy collectible in 2008, including the Teacher's Retirement Association (TRA) benefit levy, is recognized as revenue in fiscal year 2008.

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 deferred in the fund-based financial statements because it is not known to be available to finance the operations of the District in the current year. Based on ultimate collections experience, no allowance for uncollectible taxes is considered necessary.

(v) Capital Assets

Capital assets have been acquired for school purposes. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost of purchased or constructed assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are recorded in the district-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Capital assets not being depreciated include land and construction in progress. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Estimated useful lives are as follows:

Land improvements	20 years
Buildings	50 years
Building improvements	25 years
Equipment	5 – 20 years

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

(vi) Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization, which approximates the effective-interest method. Bonds payable

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Notes to Basic Financial Statements

June 30, 2008

are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(vii) Compensated Absences – Vacation, Sick Leave, and Severance Pay

Under 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 district-wide financial statements.

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. Severance pay is reported in the district-wide financial statements. Employees must be 55 years of age or older and must be eligible for pension under provisions of the Saint Paul Teachers Retirement Fund or the Public Employees Retirement Association of Minnesota. Severance pay is calculated at a rate ranging from \$50 to \$175, 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 \$22,500.

Funding for severance pay is partially funded through a special levy. Severance pay is recorded as an expenditure when paid.

(viii) Fund Balance

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

(ix) Net Assets

Net assets represent the difference between assets and liabilities in the district-wide financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the district-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Notes to Basic Financial Statements

June 30, 2008

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Short-Term Investments

(a) Deposits

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the Board of Education. All such depositories are members of the Federal Reserve System.

Minnesota Statutes require that all the District's deposits be protected by insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% 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 deposits. 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.

Deposit balances at June 30, 2008 are as follows:

	Carrying amount	Bank balance
Total bank deposits (checking and savings)	\$ (1,918,666)	4,448,748

At June 30, 2008, all deposits for the District were insured or collateralized by securities held by the District's agent in the District's name.

(b) Cash on Hand

Cash in the possession of the District, consisting of petty cash and change funds, totaled \$1,770,754 at June 30, 2008.

(c) Investments

Minnesota Statutes authorize the District to invest in the following types of investments:

- (1) Direct obligations or obligations guaranteed by the United States or its agencies.

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- (2) Shares of investment companies registered under the Federal Investment Company Act of 1940 whose only investments are securities described in (a).
- (3) General obligations of the State of Minnesota or any of its municipalities.
- (4) Banker's acceptances of U.S. banks eligible for purchase by the Federal Reserve System.
- (5) Commercial paper issued by U.S. corporations or their Canadian subsidiaries, of the highest quality and maturing in 270 days or less.
- (6) Guaranteed investment contracts issued or guaranteed by U.S. commercial banks or domestic branches of foreign banks or U.S. insurance companies or their subsidiaries.
- (7) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker/dealers.
- (8) Future contracts sold under authority of Minnesota Statutes 471.56, subd. 5.

The District does not have any investment policies that would further limit investment choices.

The District's investments are potentially subject to various risks including the following:

- **Custodial credit risk** – The risk that in the event of a failure of the counterparty to an investment transaction (typically a brokerage firm or financial institution), the government would not be able to recover the value of the investment or collateral securities.
- **Credit risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.
- **Concentration risk** – Investing 5% or more of the District's portfolio in the securities of a single issuer. This disclosure excludes U.S. government securities that are explicitly guaranteed by the U.S. government.
- **Interest rate risk** – 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 policy does not address the various risks noted above.

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The following table presents the District's deposit and investment balances at June 30, 2008, and information relating to potential investment risks:

<u>Deposits/investments</u>	<u>Interest rate risk</u>	<u>Concentration risk</u>	<u>Credit risk</u>		<u>Carrying value</u>
	<u>Maturity date</u>	<u>Over 5% of portfolio</u>	<u>S&P</u>	<u>Moody's</u>	
Commercial paper:					
New Center Asset Trust	7/2/2008	No	A-1+	P-1	\$ 4,482,850
San Paolo IMI U.S. Financial Co	7/2/2008	10.5%	A-1+	P-1	11,961,120
Apreco LLC	7/18/2008	8.8	A-1+	P-1	9,953,778
New Center Asset Trust	8/1/2008	8.7	A-1+	P-1	9,948,850
New Center Asset Trust	8/15/2008	7.9	A-1+	P-1	8,944,200
San Paolo IMI U.S. Financial Co	8/29/2008	8.7	A-1+	P-1	9,940,736
Citigroup Funding Inc	9/12/2008	7.9	A-1+	P-1	8,936,392
American General Finance Corp	9/24/2008	7.0	A-1	P-1	7,938,133
American General Finance Corp	10/8/2008	7.0	A-1	P-1	7,929,111
American Express Company	7/16/2008	No	N/R	P-1	397,227
San Paolo IMI U.S. Financial Co	7/28/2008	No	A-1+	P-1	5,377,375
Citigroup Funding Inc	12/20/2008	5.0	A-1+	P-1	5,707,128
U.S. Bank Corporation	12/18/2008	No	A-1+	P-1	566,558
Money market funds					<u>21,618,765</u>
Total investments					113,702,223
Petty cash					1,770,754
Deposits					<u>(1,918,666)</u>
Total deposits and investments					<u>\$ 113,554,311</u>

N/R Not Rated

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(3) Restricted Cash and Investments

At June 30, 2008, \$25,910,690 of cash and commercial paper were held in escrow accounts for the District. These funds are the proceeds of the certificates of participation and general obligation bonds issued for the District's acquisition and renovation of instructional facilities. At June 30, 2008, all deposits of restricted cash for the District were insured or collateralized by securities held by the District's agent in the District's name.

The commercial paper consists of one issue, GE Capital, with maturity date of August 20, 2008 and credit rating of A-1+ by S&P and P-1 by Moody's. Carrying value of the investment is \$2,775,719 at June 30, 2008.

(4) Receivables

Receivables due from other governmental units at June 30, 2008 consist of the following:

	<u>General</u>	<u>Community service</u>	<u>Food service</u>	<u>Debt service</u>	<u>Total</u>
Minnesota Department of Education categorical aid	\$ 48,697,093	1,537,179	—	1,726,587	51,960,859
Minnesota Department of Education, principally pass-through federal assistance	9,414,646	1,355,759	852,483	—	11,622,888
Tuition reimbursement	1,597,089	—	—	—	1,597,089
Federal government direct assistance	1,297,268	144,913	—	—	1,442,181
Other	697,543	104,704	—	—	802,247
	<u>\$ 61,703,639</u>	<u>3,142,555</u>	<u>852,483</u>	<u>1,726,587</u>	<u>67,425,264</u>

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(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	<u>Land improvements</u>	<u>Buildings</u>	<u>Building improvements</u>	<u>Equipment</u>	<u>Total</u>
Capital assets being depreciated:					
Cost at June 30, 2007	\$ 11,924,192	327,745,735	178,269,747	12,260,851	530,200,525
Additions and transfers in	3,653,045	—	14,516,338	979,154	19,148,537
Deletions and transfers out	—	—	—	(27,980)	(27,980)
Cost at June 30, 2008	<u>\$ 15,577,237</u>	<u>327,745,735</u>	<u>192,786,085</u>	<u>13,212,025</u>	<u>549,321,082</u>
			<u>Land</u>	<u>Construction in progress</u>	<u>Total</u>
Capital assets not being depreciated:					
Cost at June 30, 2007			\$ 26,016,335	33,258,805	59,275,140
Additions and transfers in			—	19,786,551	19,786,551
Deletions and transfers out			—	(18,169,383)	(18,169,383)
Cost at June 30, 2008			<u>\$ 26,016,335</u>	<u>34,875,973</u>	<u>60,892,308</u>

Accumulated depreciation activity for the year ended June 30, 2008 is as follows:

	<u>Land improvements</u>	<u>Buildings</u>	<u>Building improvements</u>	<u>Equipment</u>	<u>Total</u>
Accumulated depreciation at June 30, 2007	\$ 5,580,021	122,659,161	63,552,236	10,125,356	201,916,774
Additions	684,628	6,209,153	6,928,474	821,001	14,643,256
Deletions	—	—	—	(27,980)	(27,980)
Accumulated depreciation at June 30, 2008	<u>\$ 6,264,649</u>	<u>128,868,314</u>	<u>70,480,710</u>	<u>10,918,377</u>	<u>216,532,050</u>
Capital assets net of accumulated depreciation at June 30, 2008	<u>\$ 9,312,588</u>	<u>198,877,421</u>	<u>122,305,375</u>	<u>2,293,648</u>	<u>332,789,032</u>

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Depreciation expense of \$14,643,256 for the year ended June 30, 2008 was charged to the following governmental functions:

Administration	\$	121,221
District support services		522,334
Elementary and secondary regular instruction		12,949,840
Vocational education instruction		11,483
Special education instruction		179,782
Instructional support services		335,190
Pupil support services		225,043
Sites and buildings		165,672
Community service		<u>132,691</u>
Total depreciation expense	\$	<u><u>14,643,256</u></u>

At June 30, 2008, the District had approximately \$8,600,000 in outstanding construction commitments.

(6) Long-Term Liabilities

(a) Change in Long-Term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Due within one year
General obligation bonds	\$ 281,380,000	25,630,000	(24,215,000)	282,795,000	15,425,000
Certificates of participation	52,968,979	—	(4,836,738)	48,132,241	5,155,484
Note payable	69,360	—	(34,680)	34,680	34,680
Add (less) unamortized discount/premium	4,647,976	484,866	(128,959)	5,003,883	—
(Less) add deferred amounts on refunding	<u>(731,917)</u>	<u>—</u>	<u>92,483</u>	<u>(639,434)</u>	<u>—</u>
Total long-term obligations	338,334,398	26,114,866	(29,122,894)	335,326,370	20,615,164
Compensated absences:					
Severance pay	10,349,702	2,155,369	(1,958,089)	10,546,982	10,546,982
Vacation pay	<u>4,348,422</u>	<u>5,026,531</u>	<u>(4,648,938)</u>	<u>4,726,015</u>	<u>4,726,015</u>
	<u>\$ 353,032,522</u>	<u>33,296,766</u>	<u>(35,729,921)</u>	<u>350,599,367</u>	<u>35,888,161</u>

Severance and vacation pay are primarily liquidated by the fund incurring the liability.

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(b) Components of Long-Term Liabilities

(i) General Obligation Bonds Payable

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds were issued for school improvement, acquisition, and construction programs. General obligation bonds outstanding at June 30, 2008 include:

<u>Date of issue</u>	<u>Date of final maturity</u>	<u>Coupon rate percentage</u>	<u>Amount of original issue</u>	<u>Outstanding at June 30, 2008</u>
4/1/1996	2/1/2013	3.500% – 5.250%	\$ 17,675,000	7,125,000
5/1/1999	2/1/2018	4.250% – 5.000%	11,000,000	6,550,000
11/1/1999	2/1/2020	5.125% – 6.000%	15,000,000	9,625,000
8/1/2000	2/1/2021	5.000% – 6.000%	15,000,000	11,890,000
8/1/2000	2/1/2021	5.000% – 6.000%	11,000,000	8,720,000
3/20/2001	3/20/2011	Zero coupon	6,000,000	6,000,000
8/1/2001	2/1/2021	4.000% – 5.000%	5,000,000	3,535,000
8/1/2001	2/1/2021	4.000% – 5.000%	15,000,000	10,835,000
8/1/2002	2/1/2023	3.000% – 5.000%	11,000,000	9,155,000
8/1/2002	2/1/2023	3.000% – 5.000%	15,000,000	12,560,000
8/1/2002	2/1/2014	3.000% – 4.000%	6,815,000	3,850,000
8/1/2002	2/1/2015	3.000% – 4.200%	13,440,000	8,860,000
3/31/2003	2/1/2024	3.000% – 4.500%	11,000,000	9,395,000
3/31/2003	2/1/2024	3.500% – 4.500%	15,000,000	12,820,000
12/1/2004	2/1/2025	3.000% – 5.000%	25,335,000	22,780,000
12/1/2004	2/1/2017	3.000% – 4.000%	29,055,000	22,370,000
12/1/2005	2/1/2026	4.000% – 5.000%	24,995,000	23,530,000
12/1/2005	2/1/2021	4.000% – 5.000%	44,290,000	43,335,000
11/1/2006	2/1/2027	4.000% – 5.000%	24,760,000	24,230,000
11/1/2007	2/1/2028	4.000% – 5.000%	25,630,000	25,630,000
			<u>\$ 341,995,000</u>	<u>282,795,000</u>

The District's legal debt limit is 15% of the fair market value of the property within the District, totaling \$3,826,069,472 at June 30, 2008. The District's legal debt margin at June 30, 2008 is \$3,340,076,895.

At June 30, 2008, \$89,525,000 of decreased general obligation debt is outstanding.

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(ii) Certificates of Participation

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, 2008 include:

<u>Date of issue</u>	<u>Date of final maturity</u>	<u>Coupon rate percentage</u>	<u>Amount of original issue</u>	<u>Certificates outstanding</u>
2/1/1990	2/1/2010	5.900% – 7.100%	\$ 23,148,543	3,052,855
2/1/1993	2/1/2013	5.700% – 6.375%	4,000,000	1,480,000
1/7/1993	1/1/2017	5.400% – 6.350%	5,603,508	2,174,386
5/1/1999	2/1/2019	4.250% – 5.125%	15,000,000	9,425,000
8/1/2002	2/1/2015	2.500% – 4.200%	16,760,000	10,010,000
11/1/2006	2/1/2016	4.000%	14,420,000	13,205,000
11/1/2006	2/1/2018	4.000%	9,370,000	8,785,000
			<u>\$ 88,302,051</u>	<u>48,132,241</u>

(c) Minimum Debt Service Payments

Annual debt service requirements to maturity for the bonds and certificates of participation are as follows:

	<u>Bonds</u>		<u>Certificates</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:						
2009	\$ 15,425,000	13,026,963	5,155,484	3,727,847	20,580,484	16,754,810
2010	17,195,000	12,140,156	5,302,982	3,611,245	22,497,982	15,751,401
2011	24,695,000	11,455,324	5,482,558	3,475,025	30,177,558	14,930,349
2012	19,025,000	10,642,689	5,631,950	3,320,388	24,656,950	13,963,077
2013	19,875,000	9,802,446	5,824,469	3,153,870	25,699,469	12,956,316
2014 – 2018	91,705,000	35,715,393	19,659,798	7,795,230	111,364,798	43,510,623
2019 – 2023	68,450,000	14,964,675	1,075,000	51,063	69,525,000	15,015,738
2024 – 2029	26,425,000	2,928,556	—	—	26,425,000	2,928,556
	<u>\$ 282,795,000</u>	<u>110,676,202</u>	<u>48,132,241</u>	<u>25,134,668</u>	<u>330,927,241</u>	<u>135,810,870</u>

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(d) Minimum Debt Service Payments for Notes Payables

Annual debt service payments to maturity for the notes payable are as follows:

	Principal	Interest	Total
Year ending June 30: 2009	\$ 34,680	1,734	36,414
	\$ 34,680	1,734	36,414

(e) General Obligation Bonds and Certificates of Participation Issued

During fiscal year 2008, the District issued \$25,630,000 in General Obligation School Building Bonds, Series 2007A. The proceeds will be used to finance various deferred maintenance and repairs, health and safety projects, handicapped accessibility projects, and acquisition and betterment of school facilities.

(7) Variance from State Reporting Requirements

Inventories – The Minnesota Department of Education has not defined a reserve for inventory account in its Uniform Financial Accounting and Reporting Standards (UFARS). However, the District has reported a reserve for inventory of \$1,714,645 on the governmental funds balance sheet in accordance with U.S. generally accepted accounting principles.

Prepaid expenses – The Minnesota Department of Education has not defined a reserve for prepaid expenses in its UFARS. However, the District has reported a reserve for prepaid expenses of \$2,150,685 on the governmental funds balance sheet in accordance with U.S. generally accepted accounting principles.

(8) Postemployment Benefits Other Than Pensions

The cost of postemployment healthcare benefits, from an accrual account perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. For the year ended June 30, 2008, the District has implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB No. 45). Thus, the District recognizes the cost of postemployment healthcare in the year the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing with the fiscal year ended June 30, 2008.

(a) Plan Description

The District provides postemployment healthcare benefits to certain eligible employees. The District provides these benefits in a single-employer defined benefit healthcare plan administered by the District. All of the postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

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Employees who retire before age 65 and meet the eligibility requirements for health insurance shall continue to be provided health insurance contributions by the District until such employees reach 65 years of age. Employees hired into the District before January 1, 1996 and who retired prior to January 1, 1998, upon reaching age 65 and meeting the service eligibility requirements, shall receive, at no cost to the retiree, health insurance premium coverage for the remainder of the retiree's and dependent's life. Employees hired into the District before January 1, 1996 and who retire on or after January 1, 1998, upon reaching age 65 and meeting the service eligibility requirements, shall continue to receive the District's contribution toward health insurance premiums for the remainder of the retiree's and dependent's lives. Premium contributions for such policy will not exceed \$300 per month for single coverage and \$400 per month for family coverage. Premium contributions for non-Medicare-eligible employees will not exceed \$400 per month for single coverage and \$500 per month for family coverage. Employees hired on or after January 1, 1996 shall not have and acquire in any way any eligibility for District-paid health insurance premium contributions for coverage in retirement at age 65 and over.

(b) Funding Policy

The required contribution is based on a projected pay-as-you-go financing requirement.

(c) Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The District's OPEB cost for the current year and the related information is as follows at June 30, 2008:

Annual required contribution	\$	28,257,841
Contributions made		<u>(10,488,996)</u>
Increase in net OPEB obligation		17,768,845
Net OPEB obligation, beginning of year		<u>—</u>
Net OPEB obligation, end of year	\$	<u><u>17,768,845</u></u>

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June 30, 2008

(d) Three-Year Trend Information

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
6/30/08	\$ 28,257,841	37.1%	\$ 17,768,845
6/30/07	N/A	N/A	—
6/30/06	N/A	N/A	—

(e) Funded Status and Funding Progress

As of January 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$312,955,987 resulting in an unfunded actuarial accrued liability (UAAL) of \$312,955,987. The covered payroll (annual payroll of active employees covered by the plan) was \$214,378,153 and the ratio of UAAL to covered payroll was 68.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of 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 annual required contributions 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, as presented below as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(f) Schedule of Funding Progress – Unaudited Required Supplementary Information

Analysis of the District’s funding status follows:

Actuarial valuation date	Actuarial value of plan assets	Actuarial accrued liability (AAL)	Plan assets less than AAL	Funded ratio	Covered payroll	Plan assets less than AAL as of a % of covered payroll
1/1/07	\$ —	312,955,987	312,955,987	0.0%	\$ 214,378,153	68.5%
1/1/06	N/A	N/A	N/A	N/A	N/A	N/A
1/1/05	N/A	N/A	N/A	N/A	N/A	N/A

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(g) 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 AAL and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.2% investment rate of return, which is a long-term rate of return on general account assets, and an annual inflation rate and annual healthcare cost trend rate of 9.5% in 2007, reduced 0.5% each year until it reaches an annual rate of 5.0% in 2016. The UAAL is being amortized over a 30-year period on a level dollar method.

(9) Joint Powers Agreement

(a) Metropolitan Learning Alliance

The District has formed a joint powers entity (Metropolitan Learning Alliance (MLA)) with four metropolitan area districts. The purpose of such agreement is to jointly and cooperatively establish educational programming at the Mall of America for research and development of lifelong learning and outcome-based education. This educational programming is being accomplished in collaboration with the Mall of America business community. The MLA board of trustees consists of 12 members. Five of the members have voting rights. The five voting members are the School Board members who have been designated as representatives by and for the respective districts. The remaining seven are the superintendents of the respective schools and two persons designated by the Mall of America business community.

Each district is responsible for funding MLA on a per-pupil basis with respect to the enrollment or participation in MLA educational programming by pupils residing within the geographical boundaries of each respective district. It is the intent that each district's respective per-pupil MLA expenditures not exceed like expenditures for pupils enrolled in each respective district's own educational programming, excluding capital expenditure aid, referendum revenue, and intradistrict integration grants. It is the intent that grants and donations from other governmental and nongovernmental entities shall be a major source of MLA funding.

(b) East Metro Integration District

The District is a member of the East Metro Integration District (District 6067) that includes 10 area districts. Each district is responsible for funding on a per-pupil basis for pupils residing within the geographic boundaries of each district. The Joint Powers Board for District 6067 consists of two representatives selected by each of the member school districts. Each representative of the Joint Powers Board from a member school district shall be entitled to cast one vote.

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(10) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. To mitigate these risks, the District has obtained property and casualty insurance through the Minnesota School Boards Association Insurance Trust (MSBAIT). The District's property and casualty plan through MSBAIT provides for a \$250,000 deductible per occurrence. The plan requires quarterly premiums with no additional assessments. MSBAIT has obtained a reinsurance policy. Settlement 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 2008.

Workers' compensation coverage is self-insured and is administered by Cannon Cochran Management Services, Inc. The District provides coverage of \$450,000 per employee per occurrence with a lifetime cap of \$1,200,000. Claims in excess of \$450,000 are covered by the District's reinsurance company, WCRA. The District pays quarterly premiums to WCRA and is subject to additional assessments. Changes in the estimated workers' compensation liability during the past two years are as follows:

	2008	2007
Estimated liability at beginning of year	\$ 8,623,766	7,064,248
Increased claims (including IBNR)	5,557,299	4,347,724
Administrative payments	(151,207)	(139,062)
Claim payments	(2,781,495)	(2,649,144)
Estimated liability at end of year	\$ 11,248,363	8,623,766

The District carries commercial insurance for employee health and dental coverage.

(11) Defined Benefit Pension Plans

The St. Paul Teachers' Retirement Fund Association (SPTRFA) is a single-employer pension plan. The Public Employees Retirement Association (PERA) is a cost-sharing multiple employer pension plan. Substantially all employees of the District are required by state law to belong to pension plans administered by the SPTRFA or PERA.

(a) St. Paul Teachers Retirement Fund Association

Plan Description

All licensed employees are required to participate in the SPTRFA plan. Licensed employees belong to either the Coordinated or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. Benefits are established by State Statute or SPTRFA bylaws.

SPTRFA provides retirement benefits, as well as death and disability benefits. All benefits vest after three years of credited service. Members first employed before July 1, 1990 are Tier I members but have the option of a Tier II benefit if this benefit is greater. All members first employed after June 30, 1990 are Tier II members. Normal retirement age in Tier I is 65. Normal retirement age in

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SAINT PAUL, MINNESOTA**

Notes to Basic Financial Statements

June 30, 2008

Tier II is 65 or the age in which a member becomes eligible for an unreduced Social Security benefit. In addition, the Tier I age and service requirements for unreduced benefits are the Rule of 90 or age 62 with 30 or more years of service in the Coordinated Plan, or age 60 with 25 years or more of service in the Basic Plan.

Employees in the Basic Plan with three years of credited service may retire at age 55 or older and receive a reduced retirement benefit. Employees in the Coordinated Plan with three years of credited service may retire at age 55 or older or at any age with 30 years of service and receive a reduced retirement benefit. Benefits are based upon the following formula percentages:

	<u>Coordinated Plan member</u>	<u>Basic Plan member</u>
Tier I:		
Each year of service during the first 10 years	1.0% per year	2.0% per year
Each year of service thereafter (up to a maximum of 40 years)	1.5% per year	2.5% per year
Tier II:		
All years of service	1.5% per year	2.5% per year

The formula percentage is applied to the average of the highest five successive annual salaries for Coordinated Plan members and the best five years during the 10 most current years for Basic Plan members. The benefit is payable for life with five available annuity payment plans.

SPTRFA issues a publicly available financial report that includes financial statements and required supplementary information for SPTRFA. That report may be obtained by writing to SPTRFA, 1619 Dayton Avenue, Room 309, St. Paul, MN 55104, or by calling 651-642-2550.

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SAINT PAUL, MINNESOTA**

Notes to Basic Financial Statements

June 30, 2008

Funding Policy and Annual Pension Cost

The District makes annual required contributions to the pension plans. The annual required contributions are actuarially determined. The District and the State are required by statute to make contributions, all of which have been made. The District's annual pension cost for the current fiscal year and related information is as follows:

	<u>Basic Plan</u>	<u>Coordinated Plan</u>
Contribution rates:		
Employees	8.00%	5.50%
District	11.64%	8.34%
Annual pension cost	\$ 2,290,608	30,958,584
Contributions made	\$ 2,212,988	29,873,680
Actuarial valuation date	July 1, 2007	July 1, 2007
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	14 years	14 years
Asset valuation method	Market value, adjusted for amortization obligations receivable at end of each fiscal year, less a percentage of unrecognized asset return determined at close of each of the four preceding fiscal years.	Market value, adjusted for amortization obligations receivable at end of each fiscal year, less a percentage of unrecognized asset return determined at close of each of the four preceding fiscal years.
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.0% to 6.9%	5.0% to 6.9%
Cost-of-living adjustments	2.70%	2.70%

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Notes to Basic Financial Statements

June 30, 2008

Four-Year Trend Information

	<u>Year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
Basic Plan	June 30, 2005	\$ 4,868,778	97%	\$ 146,063
	June 30, 2006	3,787,589	95	113,628
	June 30, 2007	3,056,952	96	135,690
	June 30, 2008	2,290,608	97	77,621
Coordinated Plan	June 30, 2005	27,166,076	97	814,982
	June 30, 2006	28,487,536	95	854,626
	June 30, 2007	29,218,723	95	1,353,092
	June 30, 2008	30,958,584	97	1,084,905

Schedule of Funding Progress (Unaudited)

Actuarial information with regard to the SPTRFA is presented below. All amounts are expressed in thousands of dollars.

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>AAL – entry age (b)</u>	<u>UAAL (b – a)</u>	<u>Funded ratio (a/b)</u>	<u>Annual covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b – a)/c)</u>
July 1, 2003	\$ 898,760	1,189,361	290,601	75.57%	\$ 205,655	141.31%
July 1, 2004	898,860	1,251,460	352,600	71.82	221,685	159.05
July 1, 2005	905,293	1,299,832	394,539	69.65	223,762	176.32
July 1, 2006	938,919	1,358,620	419,701	69.11	226,351	185.42
July 1, 2007	1,015,722	1,391,298	375,576	73.01	229,172	163.88

(b) Public Employees Retirement Association

Plan Description

All full-time and certain part-time employees of the District are covered by defined benefit plans administered by PERA. PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minnesota Statutes Chapters 353 and 356.

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Notes to Basic Financial Statements

June 30, 2008

Members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement 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 PERA's Coordinated and Basic 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 Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for Coordinated Plan members is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service.

For all PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint-and-survivor annuity options available, which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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 terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive, #200, St. Paul, MN 55103-2088, or by calling 651-296-7460 or 1-800-652-9026.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Notes to Basic Financial Statements

June 30, 2008

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plan equal to the amount required by state statute. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.75%, respectively, of their annual covered salary. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.25% for Coordinated Plan PERF members. The District's contributions for the years ended June 30, 2008, 2007, and 2006 were \$5,863,730, \$5,393,639, and \$5,099,105, respectively, equal to the contractually required contributions for each year as set by state statute.

(12) Subsequent Event

In October 2008, the District approved issuance of \$26,000,000 of General Obligation School Building Bonds to fund various construction and maintenance projects. In December, 2008, the District approved issuance of \$11,345,000 of General Obligation Refunding Bonds to refund existing outstanding issuances.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General Fund and Major Special Revenue Funds

Year ended June 30, 2008

	General			Community service			Food service		
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	Budgeted amounts		Actual
	Original	Final		Original	Final		Original	Final	
Revenues:									
Local sources:									
Property taxes	\$ 62,168,567	62,168,567	63,909,787	3,550,245	3,550,245	3,667,352	—	—	48,153
County and other	10,249,605	14,676,733	10,739,034	6,454,554	6,825,173	6,405,369	—	—	—
State	405,233,529	406,139,278	399,797,386	11,266,540	12,137,142	11,655,935	890,000	890,000	1,193,109
Federal	36,735,182	49,680,833	43,043,640	2,893,325	4,341,206	3,729,641	15,566,800	15,566,800	15,750,686
Investment earning	2,339,720	2,427,820	3,992,573	—	—	140,551	—	—	141,620
Sales and conversions of assets	14,200	198,228	271,637	—	—	108	4,582,000	4,582,000	3,386,275
Total revenues	516,740,803	535,291,459	521,754,057	24,164,664	26,853,766	25,598,956	21,038,800	21,038,800	20,519,843
Expenditures:									
Current:									
District administration	20,116,292	20,990,590	20,068,064	—	—	—	—	—	—
District support	11,694,219	13,851,076	11,253,813	—	—	—	—	—	—
Regular instruction	254,356,725	269,479,013	254,903,259	503,762	1,307,477	1,011,482	—	—	—
Vocational instruction	988,295	2,269,246	4,271,979	—	—	—	—	—	—
Exceptional instruction	102,437,329	102,562,551	100,198,717	—	—	—	—	—	—
Community education services	—	—	—	23,383,579	25,186,233	23,648,770	—	—	—
Instructional support	33,002,107	39,215,843	34,981,013	—	—	—	—	—	—
Pupil support services	48,234,431	47,751,994	46,146,712	625,825	1,005,508	886,133	21,038,800	21,038,800	20,805,670
Capital outlay:									
Sites, buildings, and equipment	43,466,405	45,928,517	45,765,355	—	—	—	—	—	—
Total expenditures	514,295,803	542,048,830	517,588,912	24,513,166	27,499,218	25,546,385	21,038,800	21,038,800	20,805,670
Excess (deficiency) of revenues over (under) expenditures	2,445,000	(6,757,371)	4,165,145	(348,502)	(645,452)	52,571	—	—	(285,827)
Fund balances at beginning of year			61,295,059			2,875,691			4,357,778
Fund balances at end of year			\$ 65,460,204			2,928,262			4,071,951

See accompanying note to required supplementary information.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Note to Required Supplementary Information

June 30, 2008

Budgetary Information

The budget for the General Fund, Community Service, and Food Service Special Revenue Funds is prepared on the same basis of accounting as the financial statements and lapses at year-end.

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

- In September, the Board of Education appoints members to the Citizens' Budget and Finance Advisory Committee (CBFAC).
- The Board of Education adopts the guidelines and the budget calendar.
- From February through April, the administration and schools prepare the budget.
- Joint meetings between the Board's Committee of the Board and the CBFAC are held in May to hear the administration's proposed budget.
- The Board's Committee of the Board and the CBFAC review the citizens' recommendations and the administration's responses. The administration recommends the budget.
- The Board'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.

Budgeted amounts include three budget amendments that increased the District's total revenue and expenditure budgets by \$21,239,758 and \$30,739,078, respectively. Unencumbered expenditure appropriations lapse at year-end. Encumbrances outstanding at year-end are reported as reservations of fund balances 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.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

General Fund

Combining Balance Sheet

June 30, 2008

(With comparative totals for June 30, 2007)

Assets	General Fund Accounts	Fully Financed General Fund Accounts	Totals	
			2008	2007
Cash and short-term investments	\$ 86,952,674	(6,961,843)	79,990,831	73,858,195
Receivables:				
Property taxes	43,341,599	—	43,341,599	34,418,137
Due from other governmental units	49,467,086	12,236,553	61,703,639	64,531,328
Interest	160,371	—	160,371	297,528
Other	996,524	432,680	1,429,204	1,383,363
Inventories, principally at cost	638,006	—	638,006	866,139
Prepaid expenses	649,547	101,348	750,895	314,746
Total assets	<u>\$ 182,205,807</u>	<u>5,808,738</u>	<u>188,014,545</u>	<u>175,669,436</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 10,813,102	1,096,578	11,909,680	9,949,864
Accrued expenses	32,478,158	1,019,628	33,497,786	31,906,239
Due to other governmental units	1,738,840	—	1,738,840	2,481,234
Amounts held for school activities	3,647,624	—	3,647,624	3,220,924
Deferred revenue:				
Property taxes	67,191,014	—	67,191,014	60,861,090
Other	876,865	3,692,532	4,569,397	5,955,026
Total liabilities	<u>116,745,603</u>	<u>5,808,738</u>	<u>122,554,341</u>	<u>114,374,377</u>
Fund balance:				
Reserved for:				
Encumbrances	2,844,886	—	2,844,886	4,546,348
Severance pay	4,100,350	—	4,100,350	3,568,979
Retiree health insurance	20,380,928	—	20,380,928	16,667,113
Area Learning Center	—	—	—	470,887
Health and Safety	124,813	—	124,813	457,698
Operating capital	1,285,810	—	1,285,810	1,425,889
Inventories and prepaids	1,287,553	101,348	1,388,901	1,180,885
Unreserved:				
Designated for contractual obligations	166,078	—	166,078	208,750
Designated for next year operations	7,878,683	—	7,878,683	5,992,823
Undesignated	27,391,103	(101,348)	27,289,755	26,775,687
Total fund balance	<u>65,460,204</u>	<u>—</u>	<u>65,460,204</u>	<u>61,295,059</u>
Total liabilities and fund balance	<u>\$ 182,205,807</u>	<u>5,808,738</u>	<u>188,014,545</u>	<u>175,669,436</u>

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

General Fund Accounts

Balance Sheet

June 30, 2008

(With comparative totals for June 30, 2007)

Assets	2008	2007
Cash and short-term investments	\$ 86,952,674	85,928,193
Receivables:		
Property taxes	43,341,599	34,418,137
Due from other governmental units	49,467,086	47,621,485
Interest	160,371	297,528
Other	996,524	1,071,227
Inventories, principally at cost	638,006	866,139
Prepaid expenses	649,547	260,799
Total assets	\$ 182,205,807	170,463,508
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 10,813,102	8,505,825
Accrued expenses	32,478,158	30,761,968
Due to other governmental units	1,738,840	2,231,641
Amounts held for school activities	3,647,624	3,220,924
Deferred revenue:		
Property taxes	67,191,014	60,861,090
Other	876,865	3,587,001
Total liabilities	116,745,603	109,168,449
Fund balance:		
Reserved for:		
Encumbrances	2,844,886	4,546,348
Severance pay	4,100,350	3,568,979
Retiree health insurance	20,380,928	16,667,113
Area Learning Center	—	470,887
Operating capital	1,285,810	1,425,889
Health and Safety	124,813	457,698
Inventories and prepaid expenses	1,287,553	1,126,938
Unreserved:		
Designated for contractual obligations	166,078	208,750
Designated for next year operations	7,878,683	5,992,823
Undesignated	27,391,103	26,829,634
Total fund balance	65,460,204	61,295,059
Total liabilities and fund balance	\$ 182,205,807	170,463,508

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Fully Financed General Fund Accounts

Balance Sheet

June 30, 2008

(With comparative totals for June 30, 2007)

Assets	2008	2007
Cash and short-term investments	\$ (6,961,843)	(12,069,998)
Receivables:		
Due from other governmental units	12,236,553	16,909,843
Other	432,680	312,136
Prepaid expenses	101,348	53,947
Total assets	\$ 5,808,738	5,205,928
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,096,578	1,444,039
Accrued expenses	1,019,628	1,144,271
Due to other governmental units	—	249,593
Deferred revenue	3,692,532	2,368,025
Total liabilities	5,808,738	5,205,928
Fund balance:		
Reserved for:		
Prepaid expenses	101,348	53,947
Unreserved:		
Undesignated	(101,348)	(53,947)
Total fund balance	—	—
Total liabilities and fund balance	\$ 5,808,738	5,205,928

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

General Fund

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	General Fund Accounts	Fully Financed General Fund Accounts	Totals	
			2008	2007
Revenues:				
Local sources:				
Property taxes	\$ 63,909,787	—	63,909,787	50,742,324
County and other	6,127,648	4,611,386	10,739,034	11,629,232
State	395,166,698	4,630,688	399,797,386	396,576,158
Federal	2,341,469	40,702,171	43,043,640	41,434,769
Investment earnings	3,991,810	763	3,992,573	4,386,874
Sales and conversions of assets	271,637	—	271,637	371,409
Total revenues	471,809,049	49,945,008	521,754,057	505,140,766
Expenditures:				
Current:				
District administration	19,303,268	764,796	20,068,064	18,802,699
District support	11,151,949	101,864	11,253,813	11,055,140
Regular instruction	225,459,894	29,443,363	254,903,257	244,857,423
Vocational instruction	3,593,362	678,617	4,271,979	3,881,215
Exceptional instruction	87,599,443	12,599,274	100,198,717	101,647,668
Instructional support	30,972,468	4,008,546	34,981,014	31,905,182
Pupil support services	43,798,165	2,348,548	46,146,713	45,629,872
Capital outlay:				
Sites, buildings, and equipment	45,765,355	—	45,765,355	43,256,435
Total expenditures	467,643,904	49,945,008	517,588,912	501,035,634
Excess of revenues over expenditures	4,165,145	—	4,165,145	4,105,132
Fund balance at beginning of year	61,295,059	—	61,295,059	57,189,927
Fund balance at end of year	\$ 65,460,204	—	65,460,204	61,295,059

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

General Fund Accounts

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Final Budget and Actual

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	2008		2007
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
Property taxes	\$ 62,168,567	63,909,787	50,742,324
County and other	7,491,097	6,127,648	7,332,808
State	399,886,483	395,166,698	389,727,644
Federal	2,353,176	2,341,469	2,096,937
Interest earnings	2,427,820	3,991,810	4,386,874
Sales and conversions of assets	198,228	271,637	371,409
	474,525,371	471,809,049	454,657,996
Total revenues			
Expenditures:			
Current:			
District administration	20,012,795	19,303,268	18,159,941
District support	13,365,712	11,151,949	10,974,328
Regular instruction	235,177,598	225,459,894	216,968,791
Vocational instruction	1,538,958	3,593,362	3,270,443
Exceptional instruction	88,336,563	87,599,443	88,839,648
Instructional support	32,631,419	30,972,468	25,849,955
Pupil support services	44,291,180	43,798,165	43,233,323
Capital outlay:			
Sites, buildings, and equipment	45,928,517	45,765,355	43,256,435
	481,282,742	467,643,904	450,552,864
Total expenditures			
(Deficiency) excess of revenues (under) over expenditures	\$ (6,757,371)	4,165,145	4,105,132
Fund balance at beginning of year		\$ 61,295,059	57,189,927
Fund balance at end of year		\$ 65,460,204	61,295,059

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Fully Financed General Fund Accounts

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Final Budget and Actual

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	2008		2007
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
County and other	\$ 7,185,636	4,611,386	4,296,424
State	6,252,795	4,630,688	6,848,514
Federal	47,327,657	40,702,171	39,337,832
Investment earnings	—	763	—
Total revenues	60,766,088	49,945,008	50,482,770
Expenditures:			
Current:			
District administration	977,795	764,796	642,758
District support	485,364	101,864	80,812
Regular instruction	34,301,415	29,443,363	27,888,632
Vocational instruction	730,288	678,617	610,772
Exceptional instruction	14,225,988	12,599,274	12,808,020
Instructional support	6,584,424	4,008,546	6,055,227
Pupil support services	3,460,814	2,348,548	2,396,549
Total expenditures	60,766,088	49,945,008	50,482,770
Excess of revenues over expenditures		—	—
Fund balance at beginning of year		—	—
Fund balance at end of year		\$ —	—

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Community Service Fund

Balance Sheet

June 30, 2008

(With comparative totals for June 30, 2007)

Assets	2008	2007
Cash and short-term investments	\$ 5,211,691	3,229,054
Receivables:		
Property taxes	2,025,587	2,012,542
Due from other governmental units	3,142,555	2,699,877
Interest	5,586	8,918
Other	38,230	177,096
Prepaid expenses	19,431	74,187
Total assets	\$ 10,443,080	8,201,674
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,410,714	1,423,195
Accrued expenses	1,244,540	1,107,692
Deferred revenue:		
Property taxes	3,419,886	2,071,592
Other	1,439,678	723,504
Total liabilities	7,514,818	5,325,983
Fund balance:		
Reserve for:		
Adult Basic Education	583,292	699,037
Retiree health insurance	227,339	186,866
School readiness	216,963	224,509
Community education	1,550,563	1,420,985
ECFE	338,370	344,294
Prepaid expenses	19,431	74,187
Unreserved:		
Undesignated	(7,696)	(74,187)
Total fund balance	2,928,262	2,875,691
Total liabilities and fund balance	\$ 10,443,080	8,201,674

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Community Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	2008	2007
Revenues:		
Local sources:		
Property taxes	\$ 3,667,352	3,663,519
County and other	6,405,369	6,735,580
State	11,655,935	11,072,950
Federal	3,729,641	4,125,343
Investment earnings	140,551	129,672
Sale and conversion of assets	108	—
Total revenues	25,598,956	25,727,064
Expenditures:		
Current:		
Regular instruction	1,011,482	963,283
Community education services	23,648,770	23,168,575
Pupil support	886,133	955,360
Total expenditures	25,546,385	25,087,218
Excess of revenues over expenditures	52,571	639,846
Fund balances at beginning of year	2,875,691	2,235,845
Fund balance at end of year	\$ 2,928,262	2,875,691

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Food Service Fund

Balance Sheet

June 30, 2008

(With comparative figures for June 30, 2007)

Assets	Food Service	
	2008	2007
Cash and short-term investments	\$ 3,323,454	3,768,967
Receivables:		
Due from other governmental units	852,483	815,220
Interest	5,757	12,409
Inventories, principally at cost	1,076,639	866,224
Prepaid expenses	3,359	—
Total assets	\$ 5,261,692	5,462,820
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 291,261	403,393
Accrued expenses	898,480	701,649
Total liabilities	1,189,741	1,105,042
Fund balance:		
Reserve for:		
Retiree health insurance	318,800	345,986
Inventories	1,079,998	866,224
Unreserved:		
Undesignated	2,673,153	3,145,568
Total fund balance	4,071,951	4,357,778
Total liabilities and fund balance	\$ 5,261,692	5,462,820

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Food Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
Local sources:		
Property taxes	\$ 48,153	32,187
State	1,193,109	1,103,080
Federal	15,750,686	15,455,028
Sales and conversion of assets	3,386,275	3,432,118
Investment earnings	141,620	181,338
Total revenues	<u>20,519,843</u>	<u>20,203,751</u>
Expenditures:		
Current:		
Pupil support	20,805,670	20,314,586
Total expenditures	<u>20,805,670</u>	<u>20,314,586</u>
Deficiency of revenues under expenditures	(285,827)	(110,835)
Fund balances at beginning of year	<u>4,357,778</u>	<u>4,468,613</u>
Fund balance at end of year	<u><u>\$ 4,071,951</u></u>	<u><u>4,357,778</u></u>

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Debt Service Fund

Balance Sheet

June 30, 2008

(With comparative figures for June 30, 2007)

Assets	2008	2007
Cash and short-term investments	\$ 12,517,037	9,791,582
Cash with fiscal agent	31,629,538	41,427,984
Receivables:		
Property taxes	17,927,215	22,508,681
Due from other governmental units	1,726,587	2,071,822
Interest	23,949	11,813
Prepays expenses	1,377,000	—
Total assets	\$ 65,201,326	75,811,882
Liabilities and Fund Balance		
Accounts payable	\$ 2,578	—
Deferred revenue:		
Property taxes	30,306,538	33,681,112
Total liabilities	30,309,116	33,681,112
Fund balance:		
Reserved for prepaid expenses	1,377,000	—
Reserved for bond refunding	31,629,538	41,427,984
Unreserved:		
Undesignated	1,885,672	702,786
Total fund balance	34,892,210	42,130,770
Total liabilities and fund balance	\$ 65,201,326	75,811,882

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Debt Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Final Budget and Actual

Year ended June 30, 2008

(With comparative actual figures for the year ended June 30, 2007)

	2008		2007
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
Property taxes	\$ 33,400,000	31,470,034	27,876,963
County and other	—	—	28,212
State	3,919,000	5,265,812	5,386,162
Investment earnings	400,000	663,720	588,216
Total revenues	37,719,000	37,399,566	33,879,553
Expenditures:			
Debt service:			
Principal payments	21,201,738	18,861,418	18,105,872
Interest expense	16,293,519	15,261,186	17,100,799
Other debt expense	50,000	44,743	325,448
Total expenditures	37,545,257	34,167,347	35,532,119
Excess (deficiency) of revenues over (under) expenditures	173,743	3,232,219	(1,652,566)
Other financing sources (uses):			
Refunding bonds issued	—	—	23,790,000
Premium on refunding debt	—	—	258,977
Interest on proceeds of refunding bonds	—	1,543,571	2,103,556
Principal payments by refunded bond escrow agent	—	(10,225,000)	(29,100,000)
Interest payments by bond escrow agent	—	(1,789,350)	—
Total other financing uses	—	(10,470,779)	(2,947,467)
Excess (deficiency) of revenue and other financing sources over (under) expenditures	\$ 173,743	(7,238,560)	(4,600,033)
Fund balance at beginning of year		\$ 42,130,770	46,730,803
Fund balance at end of year		\$ 34,892,210	42,130,770

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Capital Projects Fund

Balance Sheet

June 30, 2008

(With comparative figures for June 30, 2007)

Assets	2008	2007
Restricted cash and investments	\$ 25,910,690	23,496,369
Receivables:		
Due from other governmental units	—	100,000
Interest receivable	18,610	24,876
Other receivable	1,118,869	3,828,285
Total assets	\$ 27,048,169	27,449,530
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 2,090,807	4,471,305
Accrued expenses	383,133	303,446
Total liabilities	2,473,940	4,774,751
Fund balance:		
Reserved for:		
Alternative facilities program	6,353,989	6,593,788
Unreserved:		
Designated for building construction	18,602,980	16,080,991
Undesignated	(382,740)	—
Total fund balance	24,574,229	22,674,779
Total liabilities and fund balance	\$ 27,048,169	27,449,530

See accompanying independent auditors' report.

**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Capital Projects Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Final Budget and Actual

Year ended June 30, 2008

(With comparative actual figures for the year ended June 30, 2007)

	2008		2007
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
County and other	\$ 1,600,000	103,200	105,000
Federal	—	2,089,997	564,059
Investment earnings	1,500,000	764,238	1,759,822
Total revenues	3,100,000	2,957,435	2,428,881
Expenditures:			
Capital outlay:			
Sites, buildings, equipment, and other	31,700,000	27,102,469	43,318,965
Debt Service:			
Other debt expense	—	31,456	55,328
Total expenditures	31,700,000	27,133,925	43,374,293
Deficiency of revenue under expenditures	(28,600,000)	(24,176,490)	(40,945,412)
Other financing sources:			
Bonds issued	26,000,000	25,630,000	24,760,000
Premium on bonds issued	—	445,940	1,384,057
Total other financing sources	26,000,000	26,075,940	26,144,057
Excess (deficiency) of revenue and other financing sources over (under) expenditures		1,899,450	(14,801,355)
Fund balance at beginning of year		22,674,779	37,476,134
Fund balance at end of year		\$ 24,574,229	22,674,779

See accompanying independent auditors' report.

District Name:		District Number:	
<u>01 GENERAL FUND</u>		<u>04 COMMUNITY SERVICE</u>	
Total Revenue	<u>521,738,402</u>	Total Revenue	<u>25,598,955</u>
Total Expenditures	<u>517,588,911</u>	Total Expenditures	<u>25,546,385</u>
<i>Reserved:</i>		<i>Reserved:</i>	
403 Staff Development	<u> </u>	411 Severance Pay	<u>227,339</u>
406 Health & Safety	<u>124,813</u>	419 Encumbrances	<u> </u>
407 Capital Project Levy	<u> </u>	426 \$25 Taconite	<u> </u>
408 Cooperative Programs	<u> </u>	431 Community Education	<u>1,562,299</u>
409 Deferred Maintenance	<u> </u>	432 E.C.F.E.	<u>338,370</u>
410 Unemployment Compensation	<u> </u>	444 School Readiness	<u>216,963</u>
411 Severance Pay	<u>24,481,278</u>	447 Adult Basic Education	<u>583,292</u>
412 Bus Purchase	<u> </u>	<i>Unreserved:</i>	
414 Operating Debt	<u> </u>	418 Severance Premium	<u> </u>
416 Levy Reduction	<u> </u>	422 Unreserved/Undesignated	<u> </u>
419 Encumbrances	<u>2,844,886</u>	<u>06 BUILDING CONSTRUCTION</u>	
423 Certain Teacher Programs	<u> </u>	Total Revenue	<u>2,957,436</u>
424 Operating Capital	<u>1,285,810</u>	Total Expenditures	<u>27,133,927</u>
426 \$25 Taconite	<u> </u>	<i>Reserved:</i>	
427 Disabled Accessibility	<u> </u>	407 Capital Projects Levy	<u> </u>
428 Learning & Development	<u> </u>	409 Alternative Facility Program	<u>6,353,989</u>
429 Parental Involvement	<u> </u>	419 Encumbrances	<u> </u>
433 Student Transport Safety	<u> </u>	<i>Unreserved:</i>	
434 Area Learning Center	<u> </u>	422 Unreserved/Undesignated	<u>18,220,240</u>
435 Contracted Alt. Programs	<u> </u>	<u>07 DEBT SERVICE</u>	
436 State Approved Alt. Program	<u> </u>	Total Revenue	<u>37,399,566</u>
437 Grad Standards Staff Develop.	<u> </u>	Total Expenditures	<u>34,167,345</u>
438 Grad Standards Gifted & Talented	<u> </u>	<i>Reserved:</i>	
439 Grad Standards	<u> </u>	425 Bond Refundings	<u>31,629,538</u>
441 Basic Skills Programs	<u> </u>	<i>Unreserved:</i>	
442 Class Size, All-Day	<u> </u>	422 Unreserved/Undesignated	<u>3,262,674</u>
Kindergarten and Special Education	<u> </u>	<u>08 TRUST</u>	
Student-To-Instructor Ratio Reduction	<u> </u>	Total Revenue	<u> </u>
443 Telecommunication Access Cost	<u> </u>	Total Expenditures	<u> </u>
445 Career and Technical Programs	<u> </u>	<i>Reserved:</i>	
446 First Grade Preparedness	<u> </u>	419 Encumbrances	<u> </u>
<i>Unreserved:</i>		<i>Unreserved:</i>	
418 Severance-Ins. Premium	<u> </u>	422 Unreserved/Undesignated	<u> </u>
422 Unreserved/Undesignated	<u>36,723,416</u>	<u>09 AGENCY</u>	
<u>02 FOOD SERVICE</u>		<i>Unreserved: Should Always Be - 0 -</i>	
Total Revenue	<u>20,519,842</u>	422 Unreserved/Undesignated	<u> </u>
Total Expenditures	<u>20,805,669</u>	<u>20 INTERNAL SERVICE</u>	
<i>Reserved:</i>		Total Revenue	<u>6,002,697</u>
411 Severance Pay	<u>318,800</u>	Total Expenditures	<u>5,557,299</u>
419 Encumbrances	<u> </u>	<i>Reserved:</i>	
<i>Unreserved:</i>		419 Encumbrances	<u> </u>
418 Severance-Ins. Premium	<u> </u>	<i>Unreserved:</i>	
422 Unreserved/Undesignated	<u>3,753,151</u>	422 Unreserved/Undesignated	<u>1,280,584</u>