



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

District Financial Statements

June 30, 2007

(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, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2007 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 45 through 46 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, 2007 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, 2007. 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, 2006 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. The combining and individual fund financial information listed in Section I pertaining to 2006 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 14, 2007

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Introduction

Our discussion and analysis of Saint Paul Public School's (SPPS) financial performance provides an overview of the School Board's financial activities for the fiscal year ended June 30, 2007. 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 financial statements to enhance their understanding of SPPS's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

On the district-wide financial statements:

- Total net assets of SPPS increased from \$156.7 million in fiscal year 2006 to \$164.0 million in fiscal year 2007, an increase of \$7.3 million, or 4.7%.
- Total revenue increased \$18.0 million from \$569.7 million in fiscal year 2006 to \$589.7 million in fiscal year 2007, or 3.5%.
- Total expenses increased \$10.5 million from \$572.0 million in fiscal year 2006 to \$582.4 million in fiscal year 2007, or 1.8%.
- The District retired \$47.2 million of outstanding long-term debt.
- The District issued \$48.6 million of long-term debt: \$24.8 million of general obligation bonds for the renovation, deferred maintenance and improvement of facilities, and \$23.8 million of certificates of participation to acquire and renovate facilities for instructional purposes.

On the fund financial statements:

- The ending fund balance of all governmental funds of SPPS decreased from \$148.1 million in fiscal year 2006 to \$133.3 million in fiscal year 2007, a decrease of \$14.8 million, or 10%.
- The capital project fund balance decreased by \$ 14.8 million, going from \$37.5 million in fiscal year 2006 to \$22.7 million in fiscal year 2007. This decrease is due to the completion of projects that were funded in the previous year.
- The debt service fund balance decreased from \$46.7 million in fiscal year 2006 to \$42.1 million in fiscal year 2007. This decrease of \$4.6 million is due to the payment of refunding bonds that is greater than the amount issued.
- The General Fund balance increased by \$4.1 million, going from \$57.2 million in fiscal year 2006 to \$61.3 million in fiscal year 2007. The General Fund unreserved undesignated fund balance accounted for \$1.5 million of the increase.

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Management's Discussion and Analysis

June 30, 2007

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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.

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Management's Discussion and Analysis

June 30, 2007

(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			
	2007	2006	% Change
Current assets	\$ 278.5	257.9	8.0%
Other noncurrent assets	24.5	39.5	(38.0)
Capital assets, net	387.6	362.0	7.1
Total assets	\$ 690.6	659.4	4.7%
Current liabilities	\$ 207.1	185.5	11.6%
Long-term liabilities	319.5	317.2	0.7
Total liabilities	\$ 526.6	502.7	4.8%
Net assets:			
Invested in capital assets, net of related debt	\$ 76.7	59.0	30.0%
Restricted for:			
Debt service fund	42.1	46.7	(9.9)
Capital projects fund	6.6	8.4	(21.4)
Community service	2.7	2.1	28.6
Retirement benefits	20.8	18.8	10.6
Other activities	6.9	5.1	35.3
Unrestricted	8.2	16.6	(50.6)
Total net assets	\$ 164.0	156.7	4.7%

- **Total assets** increased due to increases in both current and capital assets
- **Current assets** increased due primarily to increase in cash receipts.
- **Noncurrent assets** increased mainly due to an increase in building improvement assets.
- **Current liabilities** increased due primarily to an increase of \$12.4 million in deferred property tax and \$4.9 million in accrued expenses.

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June 30, 2007

(Unaudited)

- **Noncurrent liabilities** increased primarily due to the issuance of \$24.8 million in general obligation bonds, and \$23.8 in certificate of participation bonds, net of reductions resulting from principal payments.

Figure A-2			
Change in Net Assets			
(In millions)			
	Governmental activities		
	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 15.4	17.7	(13.0)%
Operating grants and contributions	142.2	142.7	(0.4)
Total program revenues	<u>157.6</u>	<u>160.4</u>	<u>(1.7)</u>
General revenues:			
Property taxes levied for general purposes	51.1	29.6	72.6
Property taxes levied for debt services	27.8	25.6	8.6
Property taxes levied for community service	3.7	1.8	105.6
Federal and state aid not restricted to specific purposes	340.4	347.7	(2.1)
Investment earnings	9.1	4.6	97.8
Total general revenues	<u>432.1</u>	<u>409.3</u>	<u>5.6</u>
Total revenues	<u>589.7</u>	<u>569.7</u>	<u>3.5</u>
Expenses:			
Instruction	364.1	358.5	1.6
Support services:			
Pupil support	67.1	63.2	6.2
District administration	19.0	18.3	3.8
Sites and buildings	47.0	49.7	(5.4)
Instructional support	32.0	31.8	0.6
District support	11.6	11.8	(1.7)
Community education services	23.3	23.0	1.3
Interest and fiscal costs on long-term debt	18.3	15.7	16.6
Total expenses	<u>582.4</u>	<u>572.0</u>	<u>1.8</u>
Change in net assets	<u>\$ 7.3</u>	<u>(2.3)</u>	<u>(417.4)%</u>

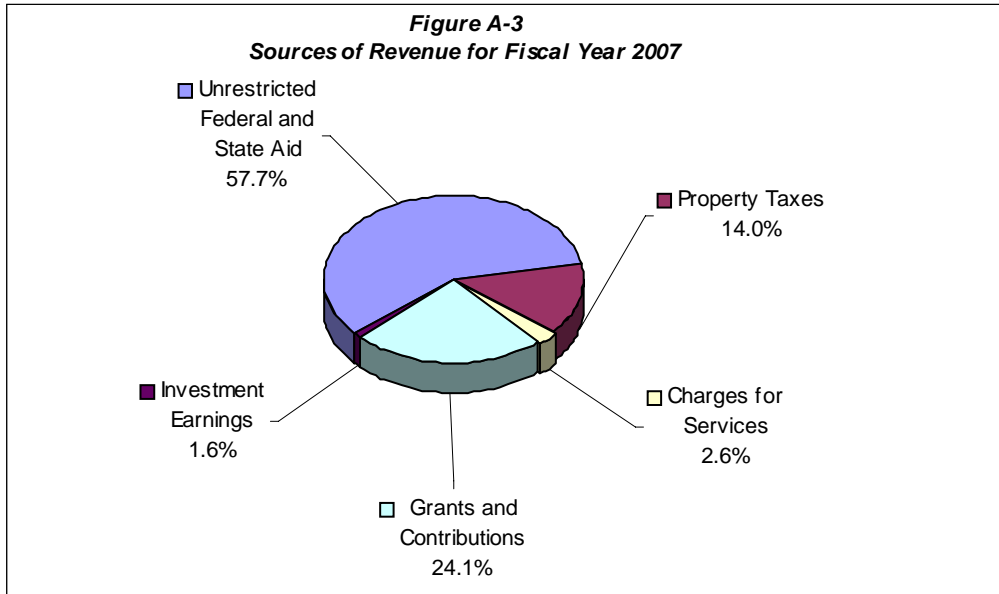
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Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Revenues: SPPS' total revenues were \$589.7 million for the year ended June 30, 2007. Federal and state aid and property taxes accounted for 71.7% of total revenue for the year (see Figure A-3). Another 24.1% came from operating grants and contributions, and 4.2% from charges for services and investment earnings. As a percentage of the total revenue, property tax revenue increased by 40% from 10% of revenue in fiscal year 2006 to 14% in fiscal year 2007, and federal and state aid decreased from 61% of revenue in fiscal year 2006 to 58% in fiscal year 2007.



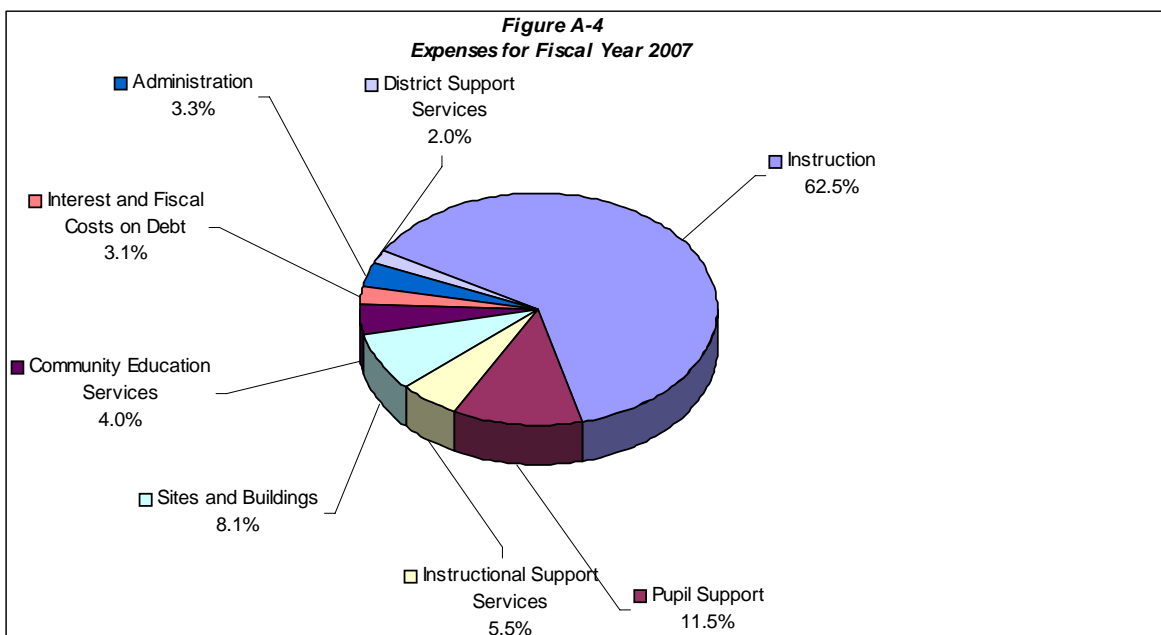
**INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA**

Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Expenses: The total cost of all programs and services was \$582 million. The District's expenses for classroom instruction and caring for students is 79.5%, which consists 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.



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Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Capital Assets

At June 30, 2007, SPPS had \$387.6 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) \$25.6 million or an increase of 7.1 %.

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

	Governmental activities		
	2007	2006	% Change
Land	\$ 26.0	26.0	0.0 %
Land improvements	11.9	11.9	0.0
Buildings	327.7	325.5	0.7
Building improvements	178.3	168.5	5.8
Equipment	12.3	11.8	4.2
Construction in progress	33.3	6.2	437.1
Total	589.5	549.9	7.2
Less accumulated depreciation	(201.9)	(187.9)	7.5
Total capital assets, net	\$ 387.6	362.0	7.1 %

Capital assets increased due to major additions and/or capital repairs to existing buildings. No new buildings were started or built during fiscal year 2007.

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Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Long-term Debt

As of June 30, 2007, SPPS had \$338.3 million in general obligation bonds and other long-term debt outstanding, which represents an increase of \$3.0 million, or 0.9%, from last year.

Figure A-6			
Outstanding long-term debt			
(In millions)			
	Governmental activities		
	2007	2006	% Change
General obligation bonds	\$ 281.4	269.4	4.5 %
Certificates of participation	52.9	63.5	(16.7)
Note payable	0.1	0.2	(50.0)
Less unamortized discount/ premium	4.6	3.1	48.4
Less deferred assets on refunding	(0.7)	(0.9)	(22.2)
	\$ 338.3	335.3	0.9 %

During fiscal year 2007, SPPS retired \$29.1 million of 1995C and 1997 B certificates of participation. The proceeds to retire the debt came from a fiscal year 2007 issuance of \$23.8 million in certificates of participation refunding bonds and District funds. In addition to the certificate of participation refunding bonds, the District issued \$24.8 million in new general obligation bonds in fiscal year 2007. The District also retired \$12.7 million of general obligation bonds and \$4.3 million of certificates of participation related to schedule principal payments.

SPPS currently has legislative authority to annually issue \$15 million in capital bonds and \$11 million in alternative bonds to be used for capital projects and deferred maintenance.

Fund Financial Statements

SPPS' fund financial statements provide detailed information about the most significant funds – not the SPPS as a whole. The SPPS' Governmental Funds use the following accounting approach: Governmental Funds – All of SPPS' 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' 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' 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, 2007

(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, 2007. 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)			
Local sources	2007	2006	% Change
Property taxes	\$ 82.3	57.2	43.9 %
County and other	18.5	20.9	(11.5)
State aids	414.1	420.0	(1.4)
Federal aids	61.6	63.1	(2.4)
Investment earnings	9.1	4.5	102.2
Sales and conversion of assets	3.8	4.1	(7.3)
Subtotal	589.4	569.8	3.4
Other financing sources (uses), net	21.1	64.6	(67.3)
Total	\$ 610.5	634.4	(3.8)%

Total revenues and other financing sources decreased by \$23.9 million, or 3.8%, from the previous year. This is a net result of an increase in revenue and a decrease in other financing sources (uses). The increase in revenue is due primarily to an increase in property tax revenue. The decrease in other financing sources was primarily due to the District's refunding debt issuances. In fiscal year 2006, the District issued \$44.3 million refunding bonds and during fiscal year 2007 \$23.8 million refunding bonds were issued.

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

Management's Discussion and Analysis

June 30, 2007

(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, 2007, and the percentage increase and decrease in relation to prior year amounts.

Figure A-8 Expenditures (In millions)			
	<u>2007</u>	<u>2006</u>	<u>% Change</u>
District administration	\$ 18.8	18.1	3.9 %
District support services	11.1	11.2	(0.9)
Regular instruction	245.8	240.5	2.2
Vocational instruction	3.9	4.7	(17.0)
Exceptional instruction	101.6	100.6	1.0
Community education	23.2	22.9	1.3
Instructional support services	31.9	31.7	0.6
Pupil support services	66.9	62.9	6.4
Sites, buildings, and equipment	86.6	62.4	38.8
Debt service	35.5	31.3	13.4
Total	<u>\$ 625.3</u>	<u>586.3</u>	<u>6.7 %</u>

Total governmental expenditures increased by \$39 million, or 6.7%, over the previous year. Sites, buildings, and equipment are up due to spending of previous bonds funds. Debt service expenditures are up due to an increase in the payment of general obligation bonds.

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 2006, the Board adopted a balanced budget for fiscal year 2007 that reflected total resources of \$597.8 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 \$9.3 million due to using fund balance and reappropriating June 30, 2006 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, 2007

(Unaudited)

Requests for Information

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

Saint Paul Public Schools
Business Office
360 Colborne Street
Saint Paul, Minnesota 55102
Or visit our website at: <http://www.spps.org>

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

Statement of Net Assets

June 30, 2007

	Assets	Governmental activities
Current assets:		
Cash and short-term investments		\$ 100,079,925
Cash with fiscal agent		41,427,984
Taxes receivable, net		58,939,360
Due from other governmental units		70,218,247
Other receivables		5,388,744
Inventories		1,732,363
Prepaid expenses		388,933
Interest receivable		382,369
Total current assets		<u>278,557,925</u>
Noncurrent assets:		
Restricted cash and investments		23,496,369
Bond issuance costs		968,687
Capital assets		589,475,665
Less accumulated depreciation		<u>(201,916,774)</u>
Total noncurrent assets		<u>412,023,947</u>
Total assets		<u>\$ 690,581,872</u>
	Liabilities	
Current liabilities:		
Accounts payable		\$ 16,247,757
Accrued expense		50,113,306
Compensated absences		14,698,124
Due to other governmental units		2,481,234
Amounts held for school activities		3,220,924
Deferred revenue – property tax		94,807,987
Deferred revenue – other		6,678,530
Long-term obligations due within one year		18,861,418
Total current liabilities		<u>207,109,280</u>
Noncurrent liabilities:		
Long-term obligations		<u>319,472,980</u>
Total noncurrent liabilities		<u>319,472,980</u>
Total liabilities		<u>\$ 526,582,260</u>
	Net Assets	
Invested in capital assets, net of related debt		\$ 76,706,281
Restricted for:		
Debt service		42,130,770
Capital projects		6,593,788
Community services		2,688,825
Retirement benefits		20,768,944
Other purposes		6,900,822
Unrestricted		<u>8,210,182</u>
Total net assets		<u>\$ 163,999,612</u>

See accompanying notes to basic financial statements.

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

Statement of Activities
Year ended June 30, 2007

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	\$ 258,419,310	3,010,164	41,795,592	(213,613,554)
Special education instruction	101,785,262	2,466,931	47,164,778	(52,153,553)
Vocational education instruction	3,890,068	—	610,772	(3,279,296)
Community education services	23,304,877	5,991,182	12,999,627	(4,314,068)
Sites and buildings	46,948,082	323,895	813,512	(45,810,675)
Instructional support services	32,045,698	24,845	4,571,189	(27,449,664)
Pupil support services	67,144,433	3,488,336	30,295,501	(33,360,596)
District support services	11,610,515	97,317	243,601	(11,269,597)
Administration	18,958,628	—	—	(18,958,628)
Interest and fiscal costs on long-term debt	18,381,638	—	3,732,577	(14,649,061)
Total governmental activities	<u>\$ 582,488,511</u>	<u>15,402,670</u>	<u>142,227,149</u>	<u>(424,858,692)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				51,089,083
Property taxes levied for debt services				27,876,963
Property taxes levied for community services				3,663,519
Federal and state aid not restricted to specific purposes				340,389,281
Investment earnings				9,149,479
Subtotal, general revenues				<u>432,168,325</u>
Changes in net assets				7,309,633
Net assets, beginning of year				<u>156,689,979</u>
Net assets, end of year				<u>\$ 163,999,612</u>

See accompanying notes to basic financial statements.

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

Balance Sheet

Governmental Funds

June 30, 2007

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)	\$ 73,858,195	3,229,054	3,768,967	9,791,582	—	90,647,798
Cash with fiscal agent	—	—	—	41,427,984	—	41,427,984
Restricted cash and investments (note 3)	—	—	—	—	23,496,369	23,496,369
Receivables:						
Property taxes	34,418,137	2,012,542	—	22,508,681	—	58,939,360
Due from other governmental units (note 4)	64,531,328	2,699,877	815,220	2,071,822	100,000	70,218,247
Interest	297,528	8,918	12,409	11,813	24,876	355,544
Other	1,383,363	177,096	—	—	3,828,285	5,388,744
Inventories, principally at cost	866,139	—	866,224	—	—	1,732,363
Prepaid expenses	314,746	74,187	—	—	—	388,933
Total assets	<u>\$ 175,669,436</u>	<u>8,201,674</u>	<u>5,462,820</u>	<u>75,811,882</u>	<u>27,449,530</u>	<u>292,595,342</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 9,949,864	1,423,195	403,393	—	4,471,305	16,247,757
Accrued expenses	31,906,239	1,107,692	701,649	—	303,446	34,019,026
Due to other governmental units	2,481,234	—	—	—	—	2,481,234
Amounts held for school activities	3,220,924	—	—	—	—	3,220,924
Deferred revenue:						
Property taxes	60,861,090	2,071,592	—	33,681,112	—	96,613,794
Other	5,955,026	723,504	—	—	—	6,678,530
Total liabilities	<u>114,374,377</u>	<u>5,325,983</u>	<u>1,105,042</u>	<u>33,681,112</u>	<u>4,774,751</u>	<u>159,261,265</u>
Equity:						
Fund balance (note 7):						
Reserved for:						
Encumbrances	4,546,348	—	—	—	—	4,546,348
Adult Basic Education	—	699,037	—	—	—	699,037
Alternative facilities program	—	—	—	—	6,593,788	6,593,788
Severance pay	3,568,979	—	—	—	—	3,568,979
Retiree health insurance	16,667,113	186,866	345,986	—	—	17,199,965
Area Learning Center	470,887	—	—	—	—	470,887
School readiness	—	224,509	—	—	—	224,509
Community education	—	1,420,985	—	—	—	1,420,985
ECFE	—	344,294	—	—	—	344,294
Bond refunding	—	—	—	41,427,984	—	41,427,984
Health and safety	457,698	—	—	—	—	457,698
Operating capital	1,425,889	—	—	—	—	1,425,889
Inventories and prepaid expenses	1,180,885	74,187	866,224	—	—	2,121,296
Unreserved:						
Designated for contractual obligations	208,750	—	—	—	—	208,750
Designated for building construction	—	—	—	—	16,080,991	16,080,991
Designated for next year operations	5,992,823	—	—	—	—	5,992,823
Undesignated	26,775,687	(74,187)	3,145,568	702,786	—	30,549,854
Total fund balances	<u>61,295,059</u>	<u>2,875,691</u>	<u>4,357,778</u>	<u>42,130,770</u>	<u>22,674,779</u>	<u>133,334,077</u>
Total liabilities and fund balances	<u>\$ 175,669,436</u>	<u>8,201,674</u>	<u>5,462,820</u>	<u>75,811,882</u>	<u>27,449,530</u>	<u>292,595,342</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, 2007

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

Total fund balances – Governmental Funds		\$ 133,334,077
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in Governmental Funds:		
Capital assets	\$ 589,475,665	
Less accumulated depreciation	<u>(201,916,774)</u>	387,558,891
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		1,805,807
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	968,687	
Unamortized bond discount (premium), net	<u>(4,647,976)</u>	(3,679,289)
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.		835,186
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	281,380,000	
Certificates of participation	52,968,979	
Deferred amounts on refunding	(731,917)	
Note payable	69,360	
Accrued interest on the bonds and certificates	7,470,514	
Compensated absences (vacation expense)	4,348,422	
Special termination benefits payable (severance payment)	10,349,702	<u>(355,855,060)</u>
Net assets of governmental activities		<u>\$ 163,999,612</u>

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds

Year ended June 30, 2007

	<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	\$ 50,742,324	3,663,519	32,187	27,876,963	—	82,314,993
County and other	11,629,232	6,735,580	—	28,212	105,000	18,498,024
State	396,576,158	11,072,950	1,103,080	5,386,162	—	414,138,350
Federal	41,434,769	4,125,343	15,455,028	—	564,059	61,579,199
Investment earnings	4,386,874	129,672	181,338	2,691,772	1,759,822	9,149,478
Sales and conversions of assets	371,409	—	3,432,118	—	—	3,803,527
Total revenues	<u>505,140,766</u>	<u>25,727,064</u>	<u>20,203,751</u>	<u>35,983,109</u>	<u>2,428,881</u>	<u>589,483,571</u>
Expenditures:						
Current:						
District administration	18,802,699	—	—	—	—	18,802,699
District support	11,055,140	—	—	—	—	11,055,140
Regular instruction	244,857,423	963,283	—	—	—	245,820,706
Vocational instruction	3,881,215	—	—	—	—	3,881,215
Exceptional instruction	101,647,668	—	—	—	—	101,647,668
Community education services	—	23,168,575	—	—	—	23,168,575
Instructional support	31,905,182	—	—	—	—	31,905,182
Pupil support	45,629,872	955,360	20,314,586	—	—	66,899,818
Sites, buildings, and equipment	43,256,435	—	—	—	43,318,965	86,575,400
Debt service:						
Principal payments	—	—	—	18,105,872	—	18,105,872
Interest expense	—	—	—	17,100,799	—	17,100,799
Other debt expense	—	—	—	325,448	55,328	380,776
Total expenditures	<u>501,035,634</u>	<u>25,087,218</u>	<u>20,314,586</u>	<u>35,532,119</u>	<u>43,374,293</u>	<u>625,343,850</u>
Excess (deficiency) of revenues over (under) expenditures	4,105,132	639,846	(110,835)	450,990	(40,945,412)	(35,860,279)
Other financing sources (uses)						
Bonds issued	—	—	—	—	24,760,000	24,760,000
Refunding certificates of participation issued	—	—	—	23,790,000	—	23,790,000
Premium on bonds and certificates of participation issued	—	—	—	258,977	1,384,057	1,643,034
Payment to refunded bond escrow agent	—	—	—	(29,100,000)	—	(29,100,000)
Total other financing sources (uses)	—	—	—	(5,051,023)	26,144,057	21,093,034
Excess (deficiency) of revenue and other financing sources over (under) expenditures	4,105,132	639,846	(110,835)	(4,600,033)	(14,801,355)	(14,767,245)
Fund balance at beginning of year	57,189,927	2,235,845	4,468,613	46,730,803	37,476,134	148,101,322
Fund balance at end of year	<u>\$ 61,295,059</u>	<u>2,875,691</u>	<u>4,357,778</u>	<u>42,130,770</u>	<u>22,674,779</u>	<u>133,334,077</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

Year ended June 30, 2007

Total net change in fund balances – Governmental Funds \$ (14,767,245)

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	\$ 39,619,417	
Depreciation expense	<u>(14,031,568)</u>	25,587,849

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		314,572
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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	18,105,872	
Payments to refunded bond escrow agent	<u>29,100,000</u>	47,205,872

Bond proceeds provide current financial resources to the Governmental Funds but increase long-term liabilities in the statement of net assets		
Building bonds issued	(24,760,000)	
Refunding certificates of participation issued	<u>(23,790,000)</u>	(48,550,000)

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:		
Increase in accrued interest expense	(856,953)	
Increase in accrued compensated absences	(337,652)	
Amortization of bond issuance costs, premiums, and discounts and deferred amounts on refunding	76,869	
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>(1,755,707)</u>	(2,873,443)

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>392,028</u>
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Change in net assets of governmental activities		<u><u>\$ 7,309,633</u></u>
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See accompanying notes to basic financial statements.

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

Statement of Net Assets

Proprietary Fund

June 30, 2007

		Governmental Activities – Internal Service Fund
	Assets	
Cash and short term investments		\$ 9,432,127
Interest receivable		26,825
Total assets		<u>\$ 9,458,952</u>
	Liabilities	
Workers compensation payable		\$ 8,623,766
Total liabilities		<u>8,623,766</u>
	Net Assets	
Net assets		
Unrestricted		<u>835,186</u>
Total net assets		<u>835,186</u>
Total liabilities and net assets		<u>\$ 9,458,952</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, 2007

	Governmental Activities – Internal Service Fund
Operating revenues:	
Insurance service fees	\$ 4,347,724
Investment earnings	392,028
Total operating revenues	<u>4,739,752</u>
Operating expenses:	
Claims expense	<u>4,347,724</u>
Total operating expenses	<u>4,347,724</u>
Operating income/change in net assets	392,028
Net assets at beginning of year	<u>443,158</u>
Net assets at end of year	<u><u>\$ 835,186</u></u>

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, 2007

		Governmental Activities – Internal Service Fund
		<u> </u>
Cash flows from operating activities:		
Received from assessments made to other funds	\$	4,347,724
Investment earnings		384,485
Workers compensation payments		<u>(2,788,206)</u>
Net cash provided by operating activities		1,944,003
Cash at beginning of year		<u>7,488,124</u>
Cash at end of year	\$	<u><u>9,432,127</u></u>
Reconciliation of operating income/change in net assets to net cash provided by operating activities:		
Operating income/change in net assets	\$	392,028
Adjustment to reconcile operating income/change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Interest receivable		(7,543)
Workers compensation payable		<u>1,559,518</u>
Net cash provided by operating activities	\$	<u><u>1,944,003</u></u>

See accompanying notes to basic financial statements.

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

Basic Financial Statements

June 30, 2007

(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

Basic Financial Statements

June 30, 2007

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**

Basic Financial Statements

June 30, 2007

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 District funds 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

Basic Financial Statements

June 30, 2007

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 2007 property taxes from Ramsey County:

June 5, 2007	Second half advance of estimated May property tax collections
July 5, 2007	Final May tax settlement
October 24, 2007	First half advance of estimated October property tax collections
November 2, 2007	Second half advance of estimated October property tax collections
December 2, 2007	Final October settlement
January 25, 2008	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

Basic Financial Statements

June 30, 2007

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 2007 property taxes is recorded as deferred revenue since the property tax levy collectible in 2007 is intended to finance the subsequent fiscal year. As mandated by legislation, a portion of the property tax levy collectible in 2007, including the TRA benefit levy, is recognized as revenue in fiscal 2007.

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

Basic Financial Statements

June 30, 2007

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**

Basic Financial Statements

June 30, 2007

(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.

(f) *New Accounting Pronouncements*

In June 2004, the GASB issued Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. This Statement establishes accounting and financial reporting standards for post-employment benefits. The District is currently evaluating the impact of adopting Statement No. 45. The District will implement GASB Statement No. 45 beginning with the year ended June 30, 2008.

(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 District 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, 2007 are as follows:

	Carrying amount	Bank balance
Total bank deposits (checking and savings)	\$ 208,632	3,105,455

At June 30, 2007, all deposits for the District were insured or collateralized by securities held by the District's agent in the District's name.

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(b) Cash on Hand

Cash in the possession of the District, consisting of petty cash and change funds, totaled \$1,730,754 at June 30, 2007.

(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.
- (2) Shares of investment companies registered under the Federal Investment Company Act of 1940 whose only investments are securities described in (a) above.
- (3) General obligations of the State of Minnesota or any of its municipalities.
- (4) Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (5) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality and maturing in 270 days or less.
- (6) Guaranteed investment contracts issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States 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.

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- **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.

The following table presents the District's deposit and investment balances at June 30, 2007, 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>portfolio</u>	<u>Credit rating</u>		
			<u>S&P</u>	<u>Moody's</u>	
Commercial paper:					
Centrestar Cap No 1 LLC	7/2/2007	No	N/R	P-1	\$ 1,494,710
Kaiserplatz Funding LLC	7/3/2007	No	A-1	P-1	991,217
Sachsen Funding I LLC	7/5/2007	14.2%	A-1+	P-1	13,938,167
Hannover Funding Co	7/6/2007	No	A-1	P-1	894,456
Morrigan TRR Funding LLC	7/6/2007	No	A-1	P-1	1,693,731
Axon Financial Funding LLC	7/11/2007	5.0%	A-1+	P-1	4,948,131
Panterra Funding LLC	7/12/2007	11.1%	N/R	P-1	10,883,950
Centrestar Cap No 1 LLC	7/19/2007	12.5%	N/R	P-1	12,271,119
Centrestar Cap No 1 LLC	7/19/2007	No	N/R	P-1	2,772,896
La Fayette Asset Security	7/23/2007	No	A-1	P-1	2,484,995
Centrestar Cap	8/1/2007	10.1%	N/R	P-1	9,885,925
Neptune Funding Corporation	8/15/2007	No	A-1	N/R	4,453,051
Neptune Funding Corporation	8/15/2007	6.8%	A-1	N/R	6,630,953
Panterra Funding LLC	8/30/2007	8.0%	N/R	P-1	7,900,078
Ebury Finance LLC	9/14/2007	6.2%	A-1	P-1	6,123,327
Abacas Investments LLC	10/1/2007	10.8%	A-1+	N/R	10,648,224
Money market funds					<u>125,609</u>
Total investments					98,140,539
Petty cash					1,730,754
Deposits					<u>208,632</u>
Total deposits and investments					<u>\$ 100,079,925</u>

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(3) Restricted Cash and Investments

At June 30, 2007, \$23,496,369 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, 2007, 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, Golden Key U.S. LLC, with maturity date of August 13, 2007 and credit rating of A-1 by S&P and P-1 by Moody's. Carrying value of the investment is \$2,664,563 at June 30, 2007.

(4) Receivables

Receivables due from other governmental units at June 30, 2007 consist of the following:

	<u>General</u>	<u>Community service</u>	<u>Food service</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total</u>
Minnesota Department of Education categorical aid	\$ 48,103,520	1,534,862	23,513	2,071,822	—	51,733,717
Minnesota Department of Education, principally passthrough federal assistance	13,711,668	793,997	791,707	—	—	15,297,372
Tuition reimbursement	1,043,017	—	—	—	—	1,043,017
Federal government direct assistance	1,231,131	274,045	—	—	—	1,505,176
Other	441,992	96,973	—	—	100,000	638,965
	<u>\$ 64,531,328</u>	<u>2,699,877</u>	<u>815,220</u>	<u>2,071,822</u>	<u>100,000</u>	<u>70,218,247</u>

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(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 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, 2006	\$ 11,848,496	325,521,302	168,538,983	11,782,961	517,691,742
Additions and transfers in	75,696	2,224,433	9,730,764	573,372	12,604,265
Deletions and transfers out	—	—	—	(95,482)	(95,482)
Cost at June 30, 2007	<u>\$ 11,924,192</u>	<u>327,745,735</u>	<u>178,269,747</u>	<u>12,260,851</u>	<u>530,200,525</u>
			<u>Land</u>	<u>Construction in progress</u>	<u>Total</u>
Capital assets not being depreciated:					
Cost at June 30, 2006			\$ 26,016,335	6,148,171	32,164,506
Additions and transfers in			—	39,141,527	39,141,527
Deletions and transfers out			—	(12,030,893)	(12,030,893)
Cost at June 30, 2007			<u>\$ 26,016,335</u>	<u>33,258,805</u>	<u>59,275,140</u>

Accumulated depreciation activity for the year ended June 30, 2007 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, 2006	\$ 4,985,704	116,430,867	56,985,878	9,490,062	187,892,511
Additions	594,317	6,228,294	6,566,358	642,599	14,031,568
Deletions	—	—	—	(7,305)	(7,305)
Accumulated depreciation at June 30, 2007	<u>\$ 5,580,021</u>	<u>122,659,161</u>	<u>63,552,236</u>	<u>10,125,356</u>	<u>201,916,774</u>
Capital assets net of accumulated depreciation at June 30, 2007	<u>\$ 6,344,171</u>	<u>205,086,574</u>	<u>114,717,511</u>	<u>2,135,495</u>	<u>328,283,751</u>

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Depreciation expense of \$14,031,568 for the year ended June 30, 2007 was charged to the following governmental functions:

Administration	\$	117,421
District support services		532,236
Elementary and secondary regular instruction		12,581,543
Vocational education instruction		7,749
Special education instruction		173,499
Instructional support services		109,571
Pupil support services		256,170
Sites and buildings		126,337
Community service		<u>127,042</u>
Total depreciation expense	\$	<u><u>14,031,568</u></u>

At June 30, 2007, the District had approximately \$11,300,000 in outstanding construction commitments.

(6) Long-Term Liabilities

(a) Change in Long-Term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Due within one year
General obligation bonds	\$ 269,355,000	24,760,000	(12,735,000)	281,380,000	13,990,000
Certificates of participation	63,537,152	23,790,000	(34,358,173)	52,968,979	4,836,738
Note payable	182,059	—	(112,699)	69,360	34,680
Add (less) unamortized discount/premium	3,099,477	1,643,034	(94,535)	4,647,976	—
Add (less) deferred amounts on refunding	<u>(876,364)</u>	<u>—</u>	<u>144,447</u>	<u>(731,917)</u>	<u>—</u>
Total long-term obligations	335,297,324	50,193,034	(47,155,960)	338,334,398	18,861,418
Compensated absences:					
Severance pay	10,162,316	2,346,479	(2,159,093)	10,349,702	10,349,702
Vacation pay	<u>4,198,156</u>	<u>4,445,403</u>	<u>(4,295,137)</u>	<u>4,348,422</u>	<u>4,348,422</u>
	<u>\$ 349,657,796</u>	<u>56,984,916</u>	<u>(53,610,190)</u>	<u>353,032,522</u>	<u>33,559,542</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, 2007 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, 2007</u>
4/1/1996	2/1/2013	3.5% – 5.25%	\$ 17,675,000	8,650,000
8/1/1998	2/1/2019	4.5% – 5.75%	15,000,000	10,925,000
5/1/1999	2/1/2018	4.25% – 5.0%	11,000,000	7,050,000
11/1/1999	2/1/2020	5.125% – 6.0%	15,000,000	10,190,000
8/1/2000	2/1/2021	5.0% – 6.0%	15,000,000	12,490,000
8/1/2000	2/1/2021	5.0% – 6.0%	11,000,000	9,160,000
3/20/2001	3/20/2011	Zero coupon	6,000,000	6,000,000
8/1/2001	2/1/2021	4.0% – 5.0%	5,000,000	3,725,000
8/1/2001	2/1/2021	4.0% – 5.0%	15,000,000	11,425,000
8/1/2002	2/1/2023	3.0% – 5.0%	11,000,000	9,585,000
8/1/2002	2/1/2023	3.0% – 5.0%	15,000,000	13,145,000
8/1/2002	2/1/2014	3.0% – 4.0%	6,815,000	4,395,000
8/1/2002	2/1/2015	3.0% – 4.2%	13,440,000	10,045,000
3/31/2003	2/1/2024	3.0% – 4.5%	11,000,000	9,815,000
3/31/2003	2/1/2024	3.5% – 4.5%	15,000,000	13,390,000
12/1/2004	2/1/2025	3.0% – 5.0%	25,335,000	23,715,000
12/1/2004	2/1/2017	3.0% – 4.0%	29,055,000	24,710,000
12/1/2005	2/1/2026	4.0% – 5.0%	24,995,000	24,365,000
12/1/2005	2/1/2021	4.0% – 5.0%	44,290,000	43,840,000
11/1/2006	2/1/2027	4.0% – 5.0%	24,760,000	24,760,000
			<u>\$ 331,365,000</u>	<u>281,380,000</u>

The District's legal debt limit is 15% of the fair market value of the property within the District, totaling \$3,717,129,629 at June 30, 2007. The District's legal debt margin at June 30, 2007 is \$3,435,629,153.

At June 30, 2007, \$99,475,000 of defeased 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, 2007 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	5.9% – 7.1%	\$ 23,148,543	3,630,195
2/1/1993	2/1/2013	5.7% – 6.375%	4,000,000	1,725,000
1/7/1993	1/1/2017	5.4% – 6.35%	5,603,508	2,503,784
5/1/1999	2/1/2019	4.25% – 5.125%	15,000,000	10,075,000
8/1/2002	2/1/2015	2.5% – 4.2%	16,760,000	11,245,000
11/1/2006	2/1/2016	4.00%	14,420,000	14,420,000
11/1/2006	2/1/2018	4.00%	9,370,000	9,370,000
			\$ 88,302,051	52,968,979

(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:						
2008	13,990,000	12,982,591	4,836,738	4,063,196	18,826,738	17,045,787
2009	24,620,000	12,134,584	5,155,484	3,727,847	29,775,484	15,862,431
2010	16,435,000	11,516,655	5,302,982	3,611,245	21,737,982	15,127,900
2011	23,920,000	10,830,895	5,482,558	3,475,025	29,402,558	14,305,920
2012	18,205,000	10,016,857	5,631,950	3,320,388	23,836,950	13,337,245
2013 – 2017	89,565,000	36,925,544	23,414,267	10,807,550	112,979,267	47,733,094
2018 – 2022	68,380,000	15,611,816	3,145,000	192,613	71,525,000	15,804,429
2023 – 2027	26,265,000	2,972,500	—	—	26,265,000	2,972,500
	\$ 281,380,000	112,991,442	52,968,979	29,197,864	334,348,979	142,189,306

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(d) Minimum Debt Service Payments for Notes Payable

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

	Principal	Interest	Total
Year ending June 30:			
2008	34,680	3,468	38,148
2009	34,680	1,734	36,414
	\$ 69,360	5,202	74,562

(e) General Obligation Bonds and Certificates of Participation Issued

During fiscal year 2007, the District issued \$24,760,000 in General Obligation School Building Bonds, Series 2006A. 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.

During fiscal year 2007, the District also issued \$14,420,000 Series 2006B and \$9,370,000 Series 2006C in Refunding Full Faith and Credit Certificates of Participation. The proceeds were used to finance a current refunding of 1995C and the 1997B Certificates of Participation. The aggregate net carrying amount of the refunded debt exceeded the reacquisition price by \$50,177. The 2006B issue was undertaken to reduce the total debt service payments over the next 9 years by a net \$2,191,453 and resulted in an economic gain in present value dollars of \$1,228,610. The 2006C issue was undertaken to reduce the total debt service over the next 11 years by a net \$1,275,211 and resulted in an economic gain in present value dollars of \$705,156.

(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 \$1,732,363 on the governmental funds balance sheet in accordance with 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 \$388,933 on the governmental funds balance sheet in accordance with generally accepted accounting principles.

(8) Retiree Health Insurance and Severance Pay

As allowed by Minnesota law, the District provides group insurance benefits to retired employees, including the extension of such benefits to the retiree’s surviving spouse and dependents. 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

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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. The District's contributions for retiree group insurance expenditures were \$9,824,077 in 2007 and \$9,703,453 in 2006.

The District also has recorded the total estimated liability of \$10,349,702 for severance pay. Eligible employees may receive up to \$22,500 in severance pay for unused sick leave as more fully explained in note 1(d)(vii).

(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 ten 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 2005.

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:

	2007	2006
Estimated liability at beginning of year	\$ 7,064,248	6,510,983
Increased claims (including IBNR)	4,347,724	3,802,020
Administrative payments	(139,062)	(334,020)
Claim payments	(2,649,144)	(2,914,735)
Estimated liability at end of year	\$ 8,623,766	7,064,248

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 the Association 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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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 ten 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, Minnesota 55104, or by calling (651) 642-2550.

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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:

	Basic Plan	Coordinated Plan
Contribution rates:		
Employees	8.00%	5.50%
District	11.64%	8.34%
Annual pension cost	\$ 3,056,953	\$ 29,218,723
Contributions made	\$ 2,921,262	\$ 27,865,630
Actuarial valuation date	July 1, 2006	July 1, 2006
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	15 years	15 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	2.00%	2.00%

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

Basic Financial Statements

June 30, 2007

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, 2004	\$ 6,007,232	97%	\$ 167,803
	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
Coordinated Plan	June 30, 2004	26,742,828	97	844,377
	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

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>Actuarial accrued liability (AAL) – entry age (b)</u>	<u>Unfunded AAL (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

(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.

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.

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

Basic Financial Statements

June 30, 2007

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 PERF'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 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 members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated 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, Minnesota 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

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

Basic Financial Statements

June 30, 2007

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 ending June 30, 2007, 2006, and 2005 were \$5,393,639, \$5,099,105, and \$4,791,725, respectively, equal to the contractually required contributions for each year as set by state statute.

**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, 2007

	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	\$ 48,878,764	48,878,764	50,742,324	3,557,633	3,557,633	3,663,519	—	—	32,187
County and other	13,161,605	16,131,886	11,629,232	6,496,658	7,094,294	6,735,580	—	—	—
State	392,020,927	398,337,652	396,576,158	10,103,820	11,182,045	11,072,950	798,200	798,200	1,103,080
Federal	37,017,966	48,402,621	41,434,769	2,140,510	5,133,527	4,125,343	14,766,700	14,766,700	15,455,028
Investment earning	1,818,461	1,818,461	4,386,874	—	—	129,672	—	—	181,338
Sales and conversions of assets	1,172,085	1,172,085	371,409	—	—	—	4,390,100	4,390,100	3,432,118
Total revenues	<u>494,069,808</u>	<u>514,741,469</u>	<u>505,140,766</u>	<u>22,298,621</u>	<u>26,967,499</u>	<u>25,727,064</u>	<u>19,955,000</u>	<u>19,955,000</u>	<u>20,203,751</u>
Expenditures:									
Current:									
District administration	18,802,840	19,294,881	18,802,699	—	—	—	—	—	—
District support	10,824,665	12,222,418	11,055,140	—	—	—	—	—	—
Regular instruction	246,422,841	259,880,512	244,857,423	1,129,899	1,178,395	963,283	—	—	—
Vocational instruction	903,023	2,108,973	3,881,215	—	—	—	—	—	—
Exceptional instruction	99,169,653	101,950,579	101,647,668	—	—	—	—	—	—
Community education services	—	—	—	20,836,069	25,091,884	23,168,575	—	—	—
Instructional support	30,480,170	36,294,464	31,905,182	—	—	—	—	—	—
Pupil support services	46,012,510	46,691,274	45,629,872	632,653	997,220	955,360	19,955,000	19,955,000	20,314,586
Capital outlay:									
Sites, buildings, and equipment	44,004,106	45,574,105	43,256,435	—	—	—	—	—	—
Total expenditures	<u>496,619,808</u>	<u>524,017,206</u>	<u>501,035,634</u>	<u>22,598,621</u>	<u>27,267,499</u>	<u>25,087,218</u>	<u>19,955,000</u>	<u>19,955,000</u>	<u>20,314,586</u>
Excess (deficiency) of revenues over (under) expenditures	(2,550,000)	(9,275,737)	4,105,132	(300,000)	(300,000)	639,846	—	—	(110,835)
Fund balances at beginning of year			<u>57,189,927</u>			<u>2,235,845</u>			<u>4,468,613</u>
Fund balances at end of year			<u>\$ 61,295,059</u>			<u>2,875,691</u>			<u>4,357,778</u>

See accompanying notes to required supplementary information.

INDEPENDENT SCHOOL DISTRICT NO. 625
SAINT PAUL, MINNESOTA

Notes to Required Supplementary Information

June 30, 2007

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).
- From September through January, the CBFAC meets to formulate guidelines.
- In January, the CBFAC recommends budget guidelines for the administration to follow in preparation of the budget.
- 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.
- In June, the CBFAC meets to review the proposed budget and get citizen input. The CBFAC prepares its report and recommendations to the Board of Education.
- 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 \$25,340,539 and \$32,066,276 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.

For the Food Service Fund, expenditures exceeded budgeted amounts by \$359,586.

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

General Fund

Combining Balance Sheet

June 30, 2007

(With comparative totals for June 30, 2006)

Assets	General Fund Accounts	Fully Financed General Fund Accounts	Totals	
			2007	2006
Cash and short-term investments	\$ 85,928,193	(12,069,998)	73,858,195	47,283,806
Receivables:				
Property taxes	34,418,137	—	34,418,137	36,177,988
Due from other governmental units	47,621,485	16,909,843	64,531,328	72,677,959
Interest	297,528	—	297,528	172,253
Other	1,071,227	312,136	1,383,363	1,586,803
Inventories, principally at cost	866,139	—	866,139	852,185
Prepaid expenses	260,799	53,947	314,746	147,157
Total assets	\$ 170,463,508	5,205,928	175,669,436	158,898,151
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 8,505,825	1,444,039	9,949,864	10,473,262
Accrued expenses	30,761,968	1,144,271	31,906,239	29,486,909
Due to other governmental units	2,231,641	249,593	2,481,234	3,118,706
Amounts held for school activities	3,220,924	—	3,220,924	2,894,511
Deferred revenue:				
Property taxes	60,861,090	—	60,861,090	51,454,538
Other	3,587,001	2,368,025	5,955,026	4,280,298
Total liabilities	109,168,449	5,205,928	114,374,377	101,708,224
Fund balance:				
Reserved for:				
Encumbrances	4,546,348	—	4,546,348	2,674,364
Severance pay	3,568,979	—	3,568,979	3,110,309
Retiree health insurance	16,667,113	—	16,667,113	15,166,068
Area Learning Center	470,887	—	470,887	371,878
Health and Safety	457,698	—	457,698	125,292
Operating capital	1,425,889	—	1,425,889	1,972,026
Inventories and prepaids	1,126,938	53,947	1,180,885	999,342
Unreserved:				
Designated for contractual obligations	208,750	—	208,750	242,143
Designated for next year operations	5,992,823	—	5,992,823	7,292,420
Undesignated	26,829,634	(53,947)	26,775,687	25,236,085
Total fund balance	61,295,059	—	61,295,059	57,189,927
Total liabilities and fund balance	\$ 170,463,508	5,205,928	175,669,436	158,898,151

See accompanying independent auditors' report.

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

General Fund Accounts

Balance Sheet

June 30, 2007

(With comparative totals for June 30, 2006)

Assets	2007	2006
Cash and short-term investments	\$ 85,928,193	66,199,148
Receivables:		
Property taxes	34,418,137	36,177,988
Due from other governmental units	47,621,485	48,384,209
Interest	297,528	172,253
Other	1,071,227	1,118,857
Inventories, principally at cost	866,139	852,185
Prepaid expenses	260,799	134,025
Total assets	<u>\$ 170,463,508</u>	<u>153,038,665</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 8,505,825	9,387,770
Accrued expenses	30,761,968	27,142,500
Due to other governmental units	2,231,641	3,118,706
Amounts held for school activities	3,220,924	2,894,511
Deferred revenue:		
Property taxes	60,861,090	51,454,538
Other	3,587,001	1,850,713
Total liabilities	<u>109,168,449</u>	<u>95,848,738</u>
Fund balance:		
Reserved for:		
Encumbrances	4,546,348	2,674,364
Severance pay	3,568,979	3,110,309
Retiree health insurance	16,667,113	15,166,068
Area Learning Center	470,887	371,878
Operating capital	1,425,889	1,972,026
Health and Safety	457,698	125,292
Inventories and prepaid expenses	1,126,938	986,210
Unreserved:		
Designated for contractual obligations	208,750	242,143
Designated for next year operations	5,992,823	7,292,420
Undesignated	26,829,634	25,249,217
Total fund balance	<u>61,295,059</u>	<u>57,189,927</u>
Total liabilities and fund balance	<u>\$ 170,463,508</u>	<u>153,038,665</u>

See accompanying independent auditors' report.

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

Fully Financed General Fund Accounts

Balance Sheet

June 30, 2007

(With comparative totals for June 30, 2006)

Assets	2007	2006
Cash and short-term investments	\$ (12,069,998)	(18,915,342)
Receivables:		
Due from other governmental units	16,909,843	24,293,750
Other	312,136	467,946
Prepaid expenses	53,947	13,132
Total assets	\$ 5,205,928	5,859,486
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,444,039	1,085,492
Accrued expenses	1,144,271	2,344,409
Due to other governmental units	249,593	—
Deferred revenue	2,368,025	2,429,585
Total liabilities	5,205,928	5,859,486
Fund balance:		
Reserved for:		
Prepaid expenses	53,947	13,132
Unreserved:		
Undesignated	(53,947)	(13,132)
Total fund balance	—	—
Total liabilities and fund balance	\$ 5,205,928	5,859,486

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, 2007

(With comparative totals for the year ended June 30, 2006)

	General Fund Accounts	Fully Financed General Fund Accounts	Totals	
			2007	2006
Revenues:				
Local sources:				
Property taxes	\$ 50,742,324	—	50,742,324	29,823,170
County and other	7,332,808	4,296,424	11,629,232	14,022,259
State	389,727,644	6,848,514	396,576,158	401,526,054
Federal	2,096,937	39,337,832	41,434,769	43,765,204
Investment earnings	4,386,874	—	4,386,874	2,325,478
Sales and conversions of assets	371,409	—	371,409	540,827
Total revenues	454,657,996	50,482,770	505,140,766	492,002,992
Expenditures:				
Current:				
District administration	18,159,941	642,758	18,802,699	18,064,205
District support	10,974,328	80,812	11,055,140	11,248,168
Regular instruction	216,968,791	27,888,632	244,857,423	239,592,107
Vocational instruction	3,270,443	610,772	3,881,215	4,676,958
Exceptional instruction	88,839,648	12,808,020	101,647,668	100,643,701
Instructional support	25,849,955	6,055,227	31,905,182	31,694,478
Pupil support services	43,233,323	2,396,549	45,629,872	42,949,532
Capital outlay:				
Sites, buildings, and equipment	43,256,435	—	43,256,435	42,484,961
Total expenditures	450,552,864	50,482,770	501,035,634	491,354,110
Excess of revenues over expenditures	4,105,132	—	4,105,132	648,882
Fund balance at beginning of year	57,189,927	—	57,189,927	56,541,045
Fund balance at end of year	\$ 61,295,059	—	61,295,059	57,189,927

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, 2007

(With comparative totals for the year ended June 30, 2006)

	2007		2006
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
Property taxes	\$ 48,878,764	50,742,324	29,823,170
County and other	10,331,342	7,332,808	9,718,033
State	390,299,280	389,727,644	394,508,393
Federal	769,440	2,096,937	241,628
Interest earnings	1,818,461	4,386,874	2,325,478
Sales and conversions of assets	1,172,085	371,409	540,827
	<u>453,269,372</u>	<u>454,657,996</u>	<u>437,157,529</u>
Total revenues			
Expenditures:			
Current:			
District administration	18,742,532	18,159,941	17,665,653
District support	12,028,092	10,974,328	11,222,623
Regular instruction	226,004,005	216,968,791	208,598,428
Vocational instruction	1,423,529	3,270,443	3,952,856
Exceptional instruction	88,922,220	88,839,648	86,733,336
Instructional support	26,468,257	25,849,955	25,590,338
Pupil support services	43,382,369	43,233,323	40,260,452
Capital outlay:			
Sites, buildings, and equipment	45,574,105	43,256,435	42,484,961
	<u>462,545,109</u>	<u>450,552,864</u>	<u>436,508,647</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	\$ (9,275,737)	4,105,132	648,882
Fund balance at beginning of year		57,189,927	56,541,045
Fund balance at end of year		<u>\$ 61,295,059</u>	<u>57,189,927</u>

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, 2007

(With comparative totals for the year ended June 30, 2006)

	2007		2006
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
County and other	\$ 5,800,544	4,296,424	4,304,226
State	8,038,372	6,848,514	7,017,661
Federal	47,633,181	39,337,832	43,523,576
	61,472,097	50,482,770	54,845,463
Total revenues			
Expenditures:			
Current:			
District administration	552,349	642,758	398,552
District support	194,326	80,812	25,545
Regular instruction	33,876,507	27,888,632	30,993,679
Vocational instruction	685,444	610,772	724,102
Exceptional instruction	13,028,359	12,808,020	13,910,365
Instructional support	9,826,207	6,055,227	6,104,140
Pupil support services	3,308,905	2,396,549	2,689,080
	61,472,097	50,482,770	54,845,463
Total expenditures			
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, 2007

(With comparative totals for June 30, 2006)

Assets	2007	2006
Cash and short-term investments	\$ 3,229,054	2,289,499
Receivables:		
Property taxes	2,012,542	2,534,235
Due from other governmental units	2,699,877	2,251,417
Interest	8,918	7,078
Other	177,096	162,420
Prepaid expenses	74,187	5,949
Total assets	\$ 8,201,674	7,250,598
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,423,195	1,146,132
Accrued expenses	1,107,692	1,056,115
Deferred revenue:		
Property taxes	2,071,592	2,144,437
Other	723,504	668,069
Total liabilities	5,325,983	5,014,753
Fund balance:		
Reserve for:		
Adult Basic Education	699,037	287,724
Retiree health insurance	186,866	164,496
School readiness	224,509	240,395
Community education	1,420,985	1,231,101
ECFE	344,294	312,114
Prepaid expenses	74,187	5,949
Unreserved:		
Undesignated	(74,187)	(5,934)
Total fund balance	2,875,691	2,235,845
Total liabilities and fund balance	\$ 8,201,674	7,250,598

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, 2007

(With comparative totals for year ended June 30, 2006)

	2007	2006
Revenues:		
Local sources:		
Property taxes	\$ 3,663,519	1,792,107
County and other	6,735,580	6,923,253
State	11,072,950	11,880,287
Federal	4,125,343	3,355,479
Investment earnings	129,672	97,546
Total revenues	25,727,064	24,048,672
Expenditures:		
Current:		
Regular instruction	963,283	943,557
Community education services	23,168,575	22,855,547
Pupil support	955,360	940,550
Total expenditures	25,087,218	24,739,654
Excess (deficiency) of revenues over (under) expenditures	639,846	(690,982)
Fund balances at beginning of year	2,235,845	2,926,827
Fund balance at end of year	\$ 2,875,691	2,235,845

See accompanying independent auditors' report.

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

Food Service Fund

Balance Sheet

June 30, 2007

(With comparative figures for June 30, 2006)

Assets	Food Service	
	2007	2006
Cash and short-term investments	\$ 3,768,967	4,152,809
Receivables:		
Due from other governmental units	815,220	762,333
Interest	12,409	8,946
Inventories, principally at cost	866,224	714,458
Total assets	\$ 5,462,820	5,638,546
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 403,393	474,911
Accrued expenses	701,649	695,022
Total liabilities	1,105,042	1,169,933
Fund balance:		
Reserve for:		
Retiree health insurance	345,986	311,376
Inventories	866,224	714,458
Unreserved:		
Undesignated	3,145,568	3,442,779
Total fund balance	4,357,778	4,468,613
Total liabilities and fund balance	\$ 5,462,820	5,638,546

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, 2007

(With comparative totals for year ended June 30, 2006)

	2007	2006
Revenues:		
Local sources:		
Property taxes	\$ 32,187	21,781
State	1,103,080	1,048,428
Federal	15,455,028	14,878,480
Sales and conversion of assets	3,432,118	3,510,119
Investment earnings	181,338	121,752
	20,203,751	19,580,560
Expenditures:		
Current:		
Pupil support	20,314,586	19,013,229
	20,314,586	19,013,229
Excess (deficiency) of revenues over (under) expenditures	(110,835)	567,331
Fund balances at beginning of year	4,468,613	3,901,282
Fund balance at end of year	\$ 4,357,778	4,468,613

See accompanying independent auditors' report.

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

Debt Service Fund

Balance Sheet

June 30, 2007

(With comparative figures for June 30, 2006)

Assets	2007	2006
Cash and short-term investments	\$ 9,791,582	11,735,859
Cash with fiscal agent	41,427,984	41,160,821
Receivables:		
Property taxes	22,508,681	20,353,002
Due from other governmental units	2,071,822	2,365,323
Interest	11,813	34,892
Prepays expenses	—	1,377,000
Total assets	\$ 75,811,882	77,026,897
Liabilities and Fund Balance		
Deferred revenue:		
Property taxes	\$ 33,681,112	30,296,094
Total liabilities	33,681,112	30,296,094
Fund balance:		
Reserved for prepaid expenses	—	1,377,000
Reserved for bond refunding	41,427,984	41,160,821
Unreserved:		
Undesignated	702,786	4,192,982
Total fund balance	42,130,770	46,730,803
Total liabilities and fund balance	\$ 75,811,882	77,026,897

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, 2007

(With comparative actual figures for year ended June 30, 2006)

	2007		2006
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
Property taxes	\$ 29,800,000	27,876,963	25,611,041
County and other	—	28,212	—
State	3,919,000	5,386,162	5,543,546
Investment earnings	400,000	588,216	555,033
Total revenues	34,119,000	33,879,553	31,709,620
Expenditures:			
Debt service:			
Principal payments	17,993,173	18,105,872	16,648,846
Interest expense	14,690,126	17,100,799	14,486,329
Other debt expense	45,000	325,448	140,718
Total expenditures	32,728,299	35,532,119	31,275,893
(Deficiency) excess of revenues over (under) expenditures	1,390,701	(1,652,566)	433,727
Other financing sources (uses)			
Refunding bonds issued	—	23,790,000	44,290,000
Premium on refunding debt	—	258,977	2,734,079
Interest on proceeds of refunding bonds	—	2,103,556	127,734
Payments to refunded bond escrow agent	—	(29,100,000)	(8,525,000)
Total other financing sources (uses)	—	(2,947,467)	38,626,813
Excess (deficiency) of revenue and other financing sources over (under) expenditures	\$ 1,390,701	(4,600,033)	39,060,540
Fund balance at beginning of year		46,730,803	7,670,263
Fund balance at end of year		\$ 42,130,770	46,730,803

See accompanying independent auditors' report.

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

Capital Projects Fund

Balance Sheet

June 30, 2007

(With comparative figures for June 30, 2006)

Assets	2007	2006
Restricted cash and investments	\$ 23,496,369	38,606,871
Receivables:		
Due from other governmental units	100,000	—
Interest receivable	24,876	29,620
Other receivable	3,828,285	1,511,121
Total assets	<u>\$ 27,449,530</u>	<u>40,147,612</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 4,471,305	2,389,129
Accrued expenses	303,446	282,349
Total liabilities	<u>4,774,751</u>	<u>2,671,478</u>
Fund balance:		
Reserved for:		
Alternative facilities program	6,593,788	8,416,308
Unreserved:		
Designated for building construction	16,080,991	29,059,826
Total fund balance	<u>22,674,779</u>	<u>37,476,134</u>
Total liabilities and fund balance	<u>\$ 27,449,530</u>	<u>40,147,612</u>

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, 2007

(With comparative actual figures for year ended June 30, 2006)

	2007		2006
	Final Budget	Actual	Actual
Revenues:			
Local sources:			
County and other	\$ —	105,000	—
Federal	750,000	564,059	1,067,978
Investment earnings	1,500,000	1,759,822	1,384,950
Total revenues	2,250,000	2,428,881	2,452,928
Expenditures:			
Capital outlay:			
Sites, buildings, equipment, and other	26,750,000	43,318,965	19,930,876
Debt Service			
Other debt expense	—	55,328	59,015
Total expenditures	26,750,000	43,374,293	19,989,891
Deficiency of revenue under expenditures	(24,500,000)	(40,945,412)	(17,536,963)
Other financing sources:			
Bonds issued	26,000,000	24,760,000	24,995,000
Premium on bonds issued	—	1,384,057	1,009,280
Total other financing sources	26,000,000	26,144,057	26,004,280
(Deficiency) excess of revenue and other financing sources over (under) expenditures		(14,801,355)	8,467,317
Fund balance at beginning of year		37,476,134	29,008,817
Fund balance at end of year		\$ 22,674,779	37,476,134

See accompanying independent auditors' report.

District Name: St. Paul Public Schools

District Number: 625

01 GENERAL FUND

Total Revenue 505,098,683
Total Expenditures 501,035,635

Reserved:

403 Staff Development _____
406 Health & Safety 457,698
407 Capital Project Levy _____
408 Cooperative Programs _____
409 Deferred Maintenance _____
410 Unemployment Compensation _____
411 Severance Pay 20,236,092
412 Bus Purchase _____
414 Operating Debt _____
416 Levy Reduction _____
419 Encumbrances 4,546,348
423 Certain Teacher Programs _____
424 Operating Capital 1,425,889
426 \$25 Taconite _____
427 Disabled Accessibility _____
428 Learning & Development _____
433 Student Transport Safety _____
434 Area Learning Center 470,887
435 Contracted Alt. Programs _____
436 State Approved Alt. Program _____
438 Grad Standards Gifted & Talented _____
439 Grad Standards _____
441 Basic Skills Programs _____
442 Class Size Reduction _____
443 Telecommunication Access Cost _____
445 Career and Technical Programs _____
446 First Grade Preparedness _____
449 Safe Schools Levy _____
450 Prekindergarten _____

Unreserved:

418 Severance-Ins. Premium _____
422 Unreserved/Undesignated 34,158,145

02 FOOD SERVICE

Total Revenue 20,203,751
Total Expenditures 20,314,586

Reserved:

411 Severance Pay 345,986
419 Encumbrances _____

Unreserved:

418 Severance-Ins. Premium _____
422 Unreserved/Undesignated 4,011,791

04 COMMUNITY SERVICE

Total Revenue 25,727,064
Total Expenditures 25,087,218

Reserved:

411 Severance Pay 186,866
419 Encumbrances _____
426 \$25 Taconite _____
431 Community Education 1,420,985
432 E.C.F.E. 344,294
444 School Readiness 224,510
447 Adult Basic Education 699,037

Unreserved:

418 Severance Premium _____
422 Unreserved/Undesignated 1

06 BUILDING CONSTRUCTION

Total Revenue 2,428,881
Total Expenditures 43,318,964

Reserved:

407 Capital Projects Levy _____
409 Alternative Facility Program 6,593,789
419 Encumbrances _____

Unreserved:

422 Unreserved/Undesignated 16,080,991

07 DEBT SERVICE

Total Revenue 33,879,553
Total Expenditures 35,532,119

Reserved:

425 Bond Refundings 41,427,984

Unreserved:

422 Unreserved/Undesignated 702,785

08 TRUST

Total Revenue _____
Total Expenditures _____

Reserved:

419 Encumbrances _____

Unreserved:

422 Unreserved/Undesignated _____

09 AGENCY

Unreserved: Should Always Be - 0 -

422 Unreserved/Undesignated _____

20 INTERNAL SERVICE

Total Revenue 4,739,752
Total Expenditures 4,347,724

Reserved:

419 Encumbrances _____

Unreserved:

422 Unreserved/Undesignated 835,186

NOTE: DO NOT CHANGE THIS FORMAT WHEN REPORTING.