



# EDEN PRAIRIE SCHOOLS

Inspiring each student every day

SCHOOL BOARD Regular Business Meeting

Monday, November 19, 2018

6:00 PM

## MEETING AGENDA

*The mission of Eden Prairie Schools is to inspire each student to learn continuously so they are empowered  
To reach personal fulfillment and contribute purposefully to our ever-changing world.*

1. **Convene: 6:00 p.m.**

(Roll Call)

**Call to Order:**

School Board Roll Call

Lauren Crandall, Dave Espe, Elaine Larabee, Holly Link, Adam Seidel, Terri Swartout

2. **Pledge of Allegiance: 6:00 p.m.**

3. **Agenda Review and Approval: 6:05 p.m.**

(Action)

Approval of the agenda for the Monday, November 9, 2018 meeting of the School Board of Independent School District 272, Eden Prairie Schools.

Motion \_\_\_\_\_ Seconded \_\_\_\_\_

4. **Approval of Previous Minutes: 6:05 p.m.**

(Action)

Approval of the Unofficial Minutes from the October 22, 2018 Regular Business Meeting and the November 14, 2018 Special Board Meeting.

Motion \_\_\_\_\_ Seconded \_\_\_\_\_

A. October 22, 2018 Unofficial Minutes - Regular Business Meeting

4

B. November 14, 2018 Unofficial Minutes - School Board Special Meeting

9

5. **Public Comment: 6:10 p.m.**

(Information)

6. **Announcements: 6:20 p.m.**

(Information)

7. **Spotlight on Success: 6:25 p.m.**

(Information)

EPHS - Student Leadership & Voice

8. **Board Education & Required Reporting: 6:35 p.m.**

(Information)

A. 2017-18 Audited Financial Presentation

1) 2017-18 Audited Financial Executive Summary

10

2) Audit: Comprehensive Annual Financial Report (166 Pages)

11

3) Audit: Management Report (26 Pages)

177

4) Audit: Special Purpose Audit Reports (26 Pages)

203

5) Audit: Student Activity Audit Report (18 Pages)

229

9. **Board Work: 6:55 p.m.**

(Action)

A. Policy Monitoring

1) Executive Limitations (EL)

a. EL 2.9 Communication and Support to the School Board (Semi-annual)

247

OI Motion \_\_\_\_\_ Seconded \_\_\_\_\_

Evidence Motion \_\_\_\_\_ Seconded \_\_\_\_\_

B. School Board Policy Revisions - Additions/Revisions:

1) Executive Limitations:

a. Propose "New" Policy EL 2.2.9

Motion \_\_\_\_\_ Seconded \_\_\_\_\_

b. Propose "New Policy for EL 2.2.10

262

Motion \_\_\_\_\_ Seconded \_\_\_\_\_

c. Governance Process (GP):	
(1) Propose New Policy for GP 4.5.5 and Renumbering Child Policies GP: 4.5.6, 4.5.7, and 4.5.8	263
	<b>Motion _____ Seconded _____</b>
C. Record of Board Self-Evaluation	
1) Record of Board Policy Monitoring - Ends & Executive Limitations	266
	<b>Motion _____ Seconded _____</b>
2) Record of Board Self-Evaluation - Governance Policies	270
	<b>Motion _____ Seconded _____</b>
D. Designing Pathways	276
	<b>Motion _____ Seconded _____</b>
E. Required Board Action	
1) 2018-19 Superintendent Goal Setting	277
	<b>Motion _____ Seconded _____</b>
10. <b>Superintendent Consent Agenda: <u>7:20 p.m.</u></b>	<b>(Action)</b>
<i>Management items the Board would not act upon in Policy Governance, but require Board approval from outside entities.</i>	
	<b>Motion _____ Seconded _____</b>
A. Monthly Reports	
1) Resolution of Acceptance of Donations	278
2) Human Resources Report	279
3) Business Services Reports	
a. Board Business	281
b. Expenditures/Revenue Financial Report	282
4) Metro South Consortium Agreement - Executive Agreement	283
11. <b>Superintendent's Incidental Information Report: <u>7:25 p.m.</u></b>	<b>(Information)</b>
<i>Incidental Information is considered as "nice to know" information regarding district business. Monitoring and decision-making information are handled elsewhere on the agenda. These items are not open for debate, but rather for awareness and understanding. (Supports EL 2.9 in general and 2.9.6 specifically)</i>	
12. <b>Board Action on Committee Reports &amp; Minutes: <u>7:30 p.m.</u></b>	<b>(Action)</b>
A. Board Development Committee: School Board Governance Processes & Procedures	
1) Ends Policy Monitoring Process	284
	<b>Motion _____ Seconded _____</b>
2) Executive Limitation (EL) Policy Monitoring Process	289
	<b>Motion _____ Seconded _____</b>
B. School Board Treasurer's Report	293
	<b>Motion _____ Seconded _____ (Action)</b>
C. Board Development Committee (Holly Link, Lauren Crandall)	294
BDC Minutes for 10/26/18:	
	<b>Motion _____ Seconded _____</b>
D. Community Linkage Committee (Dave Espe, Holly Link, Terri Swartout)	295
CLC Minutes for 11/09/18:	
	<b>Motion _____ Seconded _____</b>
E. Negotiations Committee (Elaine Larabee, Adam Seidel, Lauren Crandall)	
F. Policy Committee (Elaine Larabee, Adam Seidel, Terri Swartout)	
13. <b>Other Board Updates (AMSD, WMEP, ISD 287, PTO): <u>7:45 p.m.</u></b>	<b>(Information)</b>
A. AMSD (Association of Metropolitan Schools) - Holly Link & Terri Swartout	
B. WMEP (West Metro Education Program) - Dave Espe	
C. ISD 287 (Intermediate School District 287)	

14. **Closed Session:** Annual Review of FY 2017-18 Superintendent Goals - **7:55 p.m.**

*Pursuant to MN Statue 13D.05, Subd.3(a): A public body may close a meeting to evaluate the performance of an individual who is subject to its authority.*

**MOTION** by \_\_\_\_\_, **Seconded** by \_\_\_\_\_ to move into Closed Session at \_\_\_\_\_ p.m.

**MOTION** by \_\_\_\_\_, **Seconded** by \_\_\_\_\_ to move out of Closed Session and the resume regular Business Meeting at \_\_\_\_\_ p.m.

15. **Board Work Plan:** **8:15 p.m.**

A. "Proposed" Work Plan Changes Document

**Motion** \_\_\_\_\_ **Seconded** \_\_\_\_\_ **(Action)**

296

B. 2018-19 Annual Work Plan

297

C. 2018-19 School Board Calendar of Events & Activities - *Updating*

16. **Adjournment:** \_\_\_\_\_ p.m.

**(Action)**

**MOTION** to adjourn the Monday, November 19, 2018 Meeting of the Eden Prairie School Board at \_\_\_\_\_ p.m.

**Motion** \_\_\_\_\_ **Seconded** \_\_\_\_\_

**INDEPENDENT SCHOOL DISTRICT 272 ~ EDEN PRAIRIE SCHOOLS  
UNOFFICIAL MINUTES OF THE OCTOBER 22, 2018  
SCHOOL BOARD MEETING**

---

A Regular Business Meeting of the Independent School District 272, Eden Prairie Schools, was held on the 22<sup>nd</sup> day of October 2018 in the Administrative Services Center 8100 School Road, Eden Prairie, MN.

1. **Convene:** 6:00 p.m. – Call to Order:  
School Board Roll Call  
*Present:* Lauren Crandall, Dave Espe, Elaine Larabee, Holly Link, Adam Seidel, Terri Swartout  
*Present:* Superintendent Josh Swanson
2. **Pledge of Allegiance:**
3. **Agenda Review and Approval:** **Motion** by H. Link, **Seconded** by A. Seidel to approve the agenda for Monday, October 22, 2018 meeting of the School Board of Independent School District 272, Eden Prairie Schools.
4. **Approval of Previous Minutes:** **Motion** by A. Seidel, **Seconded** by T. Swartout to approve the UNOFFICIAL Minutes from the September 24, 2018 Regular Business Meeting Independent School District 272, Eden Prairie Schools.
5. **Public Comment:**  
C. Wieland – Class size in District; A. Koch – Class size; S. Larsen – Class size
6. **Announcements:** Superintendent Swanson
  - Congratulations to the **EPHS Eagle Marching Band** for being awarded second place out of 26 bands in the Youth in Music Grand Championships at U.S. Bank Stadium on Saturday, Oct. 13 where they performed their show “No Limits.” The Eagle Band will be heading to Indianapolis to compete at the Bands of America's Super Regional on Saturday, Oct 20.
  - Congratulations to Athletics Director **Mike Grant** for being presented with the 2018 Bob Basten Excellence in Leadership Award on Saturday, Oct. 13. Mike received the award in recognition of his distinguished career as an educator, coach and athletic director.
  - Congratulations to the **Eden Prairie High School Football Team** on winning the West Metro Subdistrict Title. The Eagles open State Tournament play on Nov. 2 at Aerie Stadium
  - Congratulations to **Liesl Paulsen** on her second place finish in the Girls Cross Country Lake Conference Championships.
  - Congratulations (again) to Eden Prairie High School junior **Liesl Paulsen** for being named the [Star Tribune Athlete of the Week](#).
  - Congratulations to the **Boys and Girls Cross Country teams** on their third place finishes in the Cross Country [Lake Conference Championships](#).
  - **Eden Prairie High School** has been named a finalist in the *Southwest News Media* "Best of the Best 2018."
  - Congratulations to the Sixteen students who were named [National Merit Commended Students](#) and three were named [National Hispanic Recognition Scholars](#).  
Congratulations to the [Thirty-five students from Central Middle School](#) who were inducted into the International Thespian Society, the honor society for secondary school theater students. The Junior Thespians were active members of Central Middle School, Troupe 88160 directed by Katie Skramstad.
  - October is **Principal Appreciation Month**. We thank each principal for the hard work and dedication they have each day to inspire each student and staff member.
  - Congratulations to Eden Prairie High School Science Teacher **Kristin Gabel** on receiving the [Sarah L. Tilman Memorial Science Teaching Award](#) by the [University of Minnesota College of Biological Sciences](#). This award recognizes a secondary science educator for excellence in teaching and mentoring.



- **National School Lunch Week** was Oct. 15-19. We thank all of our Child Nutrition Services employees for the work the great work they do in connecting with students and inspiring student in the cafeteria.
- **National School Bus Safety Week** is Oct. 22-26. We thank our Transportation employees for continuously inspiring each student on the school bus.

7. **Spotlight on Success:** Forest Hills Students Presenting how "*Mindfulness Helps them in their Learning*"

8. **Board Work**

A. Required Board Action

- 1) Resolution Awarding the Sale of Refunding Bonds (*Roll Call*): **MOTION** by S. Seidel, **Seconded** by H. Link, the Eden Prairie School Board of Independent School District No. 272 approves and adopts the "Resolution" awarding the sale of general obligation Alternative Facilities Refunding Bonds, Series 2018a, in the original aggregate principal amount of \$8,410,000; fixing their form and specifications; directing their execution and delivery; providing for their payment; and providing for the refunding of bonds refunded as presented:

- |                    |     |                   |     |
|--------------------|-----|-------------------|-----|
| 1. Lauren Crandall | Yes | 4. Holly Link     | Yes |
| 2. Dave Espe       | Yes | 5. Adam Seidel    | Yes |
| 3. Elaine Larabee  | Yes | 6. Terri Swartout | Yes |

Passed: 6-0

- 2) Sale of Land - Executive Summary (*Roll Call*): **MOTION** by S. Seidel, **Seconded** by L. Crandall, be it resolved that the Eden Prairie School Board of Independent School District No. 272 approves the Memorandum of Understanding presented for the acquired property rights at 17255 Peterborg Road, the temporary construction easement and drainage and utility easement a presented.

- |                    |     |                   |     |
|--------------------|-----|-------------------|-----|
| 1. Lauren Crandall | Yes | 4. Holly Link     | Yes |
| 2. Dave Espe       | Yes | 5. Adam Seidel    | Yes |
| 3. Elaine Larabee  | Yes | 6. Terri Swartout | Yes |

Passed: 6-0

B. Policy Monitoring

- 1) Ends: 1.1, 1.2, 1.3 Evidence (2017-18) - Executive Summary

- a. Ends 1.1.1 (Evidence) – Each student is reading at grade level by the end of third grade. **Motion** by D. Espe, **Seconded** by A. Seidel that the Eden Prairie School District *did* demonstrate the expected progress toward the achievement of End 1.1.1 – Passed

Ends 1.1.2 (Evidence) – Each student achieves individual growth expectations and proficiency annually in, but not limited to, Language Arts, Math and Science. **Motion** by D. Espe, **Seconded** by T. Swartout that the Eden Prairie School District *did not* demonstrate the expected progress toward the achievement of End 1.1.2 – Passed

Ends 1.1.3 (Evidence) – Each student receives a broad-based education that exceeds the Minnesota State Graduation Requirements. **Motion** by A. Seidel, **Seconded** by H. Link that the Eden Prairie School District *did* demonstrate the expected progress toward the achievement of End 1.1.3 – Passed

Ends 1.1 (Evidence) – Each student graduates and is academically prepared to progress to multiple opportunities after high school. **Motion** by H. Link, **Seconded** by T. Swartout that the Eden Prairie School District *did not* demonstrate the expected progress toward the achievement of End 1.1 – Passed

- b. Ends 1.2 - Each student has the 21st century skills needed to succeed in the global economy. **Motion** by L. Crandall, **Seconded** by A. Seidel that the Eden Prairie School

District *did* demonstrate the expected progress toward the achievement of End 1.2 – Passed

- c. Ends 1.3 – Each student has the knowledge that citizens and residents of the United States need to contribute positively to society. **Motion** by H. Link, **Seconded** by L. Crandall that the Eden Prairie School District *did not* demonstrate the expected progress toward the achievement of End 1.3 – Passed

2) Executive Limitations (EL)

- a. EL 2.4 – Treatment of Staff:

**Motion** by H. Link, **Seconded** by A. Seidel, that the overall Global Constraint of Operation Interpretation (OI) for EL 2.4 is reasonable – Passed

**Motion** by A. Seidel, **Seconded** by H. Link that the Evidence supports the Global Constraint of the Operational Interpretation for EL 2.4 - Passed

- b. EL 2.8 – Compensation and Benefits

**Motion** by T. Swart, **Seconded** by L. Crandall, that the overall Global Constraint of Operation Interpretation (OI) for EL 2.8 is reasonable – Passed

**Motion** by A. Seidel, **Seconded** by D. Ese that the Evidence supports the Global Constraint of the Operational Interpretation for EL 2.8 - Passed

3) Governance Process (GP)

- a. GP 4.1 – Governing Style: **Motion** by H. Link, **Seconded** by L. Crandall to accept GP 4.1 presented in compliance; **Amendment** by A. Seidel, **Seconded** by L. Crandall to accept 4.1 as presented with a strikethrough in the comment area of 4.1.4 in the “Behavior needing improvement or opportunity continuous improvement” – Passed. The original **Motion** as **Amended** – Passed
- b. GP 4.2 – School Board Job Products: **Motion** by H. Link, **Seconded** T. Swartout to accept GP 4.2 in compliance with the exception of 4.2.1 - Passed
- c. GP 4.3 – Annual Work Plan: **Motion** by A. Seidel, **Seconded** H. Link to accept GP 4.3 as presented - Passed
- d. GP 4.9 – Governance Investment: **Motion** by H. Link, **Seconded** L. Crandall accept GP 4.9 in compliance as presented - Passed

C. Decision Preparation

1) Designing Pathways

- a. Q & A Report
- b. Superintendent's Presentation

D. Record of Board Self-Evaluation

- 1) Record of Board Policy Monitoring – Ends & EL's: **Motion** by D. Espe, **Seconded** A. Seidel to accept the Ends & EL's Report as presented - Passed
- 2) Record of Board Self-Evaluation – Governance Policies: **Motion** by H. Link, **Seconded** by T. Swartout to accept the Governance Policies Report as presented – Passed

9. **Superintendent Consent Agenda:** **Motion** by H. Link, **Seconded** by L. Crandall to approve the Superintendent's Consent Agenda as presented - Passed

A. Monthly Reports

- 1) Resolution of Acceptance of Donations
- 2) Human Resources Report

- 3) Business Services Reports
  - a. Board Business
  - b. Expenditure and Revenue Financial Report
- 4) Oak Point/Eagle Heights Elementary School Parking Lot Executive Summary - Reject Bids
  - a. Recommendation Letter from Parking Lot Engineer

**10. Board Education & Required Reporting:**

**11. Superintendent's Incidental Information Report:**

- A. Enrollment Report – Jason Mutzenberger
  - 1) Executive Summary - October 1, 2018 Enrollment
  - 2) Capture Rate - Kindergarten
  - 3) Enrollment by Grades
  - 4) Enrollment History and Projection Totals
- B. World's Best Workforce Report & Achievement Integration - Summary of Progress Fiscal Year 2017-18 – Michelle Ament

**12. Board Action on Committee Reports & Minutes:**

- A. Board Development Committee (Holly Link, Lauren Crandall)
  - 1) BDC Meeting Minutes for October 5, 2018: **Motion** by L. Crandall, **Seconded** by H. Link to accept minutes as presented - Passed
- B. Community Linkage Committee (Dave Espe, Holly Link, Terri Swartout)
  - 1) Community Linkage Meeting Minutes for October 18, 2018: **Motion** by A. Seidel, **Seconded** by H. Link to accept minutes as presented - Passed
- C. Negotiations Committee (Elaine Larabee, Adam Seidel, Lauren Crandall)
- D. Policy Committee (Elaine Larabee, Adam Seidel, T. Swartout)

**13. Other Board Updates (AMSD, WMEP, ISD 287, PTO) 9:05 p.m.**

- A. AMSD (Association of Metropolitan Schools) - Holly Link & Terri Swartout – No update
- B. WMEP (West Metro Education Program) – Update to Board
- C. ISD 287 (Intermediate School District 287) – Update provided to Board

**14. Board Work Plan: 9:10 p.m.**

- A. "Proposed" Work Plan Changes Document: **Motion** by H. Link, **Seconded** L. Crandall to approve changes presented – Passed

Eden Prairie School Board 2018-2019 WORK PLAN CHANGES WORK PLAN CHANGES - <b>October 22, 2018</b>	
Date of Meeting/Workshop	Changes Requested
Monday, October 22, 2018	
Monday, November 5, 2018 – Workshop	<ul style="list-style-type: none"> <li>- <b>MOVE:</b> First Reading of Board Development's Handbook to 2/11/19 Workshop</li> <li>- <b>Add:</b> <ul style="list-style-type: none"> <li>. Designing Pathways Discussion</li> <li>. Board Development Governance Policy Processes</li> <li>. Policy Revisions</li> </ul> </li> </ul>

	. Add child policy for GP 4.5.5 (renumbering) . Propose a new policy for EL 2.2.9
Wednesday, November 14, 2018 (7:30 a.m.)	
Monday, November 19, 2018	- <b>Add:</b> Designing Pathways (Board Work)
Monday, December 10, 2018	
Monday, January 7, 2019 – <b>Annual Organizational Meeting &amp; Workshop</b>	
Monday, January 28, 2019	
Monday, February 11, 2019 – <b>Workshop</b>	- <b>Add:</b> First Reading of Board Development's Handbook (Moved from 11/5/18)
Monday, February 25, 2019	- <b>Add:</b> Re-review Policy EL 2.2.1 (Board Work – Policy Monitoring)
Monday, March 11, 2019 – <b>Workshop</b>	
Monday, March 25, 2019	

**Placeholder – General Board Work**

- Workshop Regarding: Post-Secondary Options (Possible presentation at the January or February 2019 Workshop)
- ~~Administration to bring back Policy EL 2.2.1 with updated information requested by the Board~~
- Table Discussion from 10/8/2018 Workshop: Discuss Appointment for Open Board Seat

**Placeholder – Policy Review**

- ~~Additions: (Moved to 11/5/18 Workshop)~~
  - 1) ~~Add child policy for GP 4.5.5 (renumbering)~~
  - 2) ~~Propose a new policy for EL 2.2.9~~

B. 2018-19 Annual Work Plan

C. 2018-19 School Board Calendar of Events & Activities

15. **Adjournment: Motion** by H. Link, **Seconded** by L. Crandall to adjourn the Monday, October 22, 2018 Meeting of the Eden Prairie School Board #272 at 9:30 p.m.



Adam Seidel – Board Clerk

**INDEPENDENT SCHOOL DISTRICT 272 ~ EDEN PRAIRIE SCHOOLS**  
**UNOFFICIAL MINUTES OF THE NOVEMBER 14, 2018**  
**SPECIAL SCHOOL BOARD MEETING**

A Brief Business Meeting of the Independent School District 272 School Board was held on the 14<sup>th</sup> day of November 2018 in the Administrative Services Center, located at 8100 School Road, Eden Prairie, Minnesota to canvass results of the General Elections.

**1. Convene**

- A. Call to order: Chair Elaine Larabee called the meeting to order at 7:30 a.m.

School Board Roll Call

**Board Members Present:** Lauren Crandall, Dave Espe, Elaine Larabee, Holly Link, Adam Seidel and Terri Swartout

Present: Superintendent Josh Swanson

**2. Agenda Review and Approval**

**MOTION** by A. Seidel, **Seconded** by T. Swartout to approve the agenda for the Wednesday, November 14, 2018 Brief Business meeting of the School Board of Independent School District 272, Eden Prairie Schools. Passed

**3. Board Work**

A. Required Board Action

1. Resolution Canvassing Returns of Votes of School District General and Special Elections:

**MOTION** by A. Seidel, **Seconded** by T. Swartout that the Eden Prairie School Board of Independent School District No. 272 approves and adopts the resolution canvassing returns of votes of School District General and Special Elections as presented:

**Board Members:**

1. Dave Espe	Yes X	4. Elaine Larabee	Yes X
2. Terri Swartout	Yes X	5. Lauren Crandall	Yes X
3. Adam Seidel	Yes X	6. Holly Link	Yes X

**MOTION** Passed 6-0

2. Resolution Authorizing Issuance of Certificates of Election and Directing the School District Clerk to Perform Other Election Related Duties:

**MOTION** by A. Seidel, **Seconded** by D. Espe that the Eden Prairie School Board of Independent School District No. 272 approves and adopts the resolution authorizing Issuance of Certificates of Election and directing the School District Clerk to perform other election related duties as presented:

**Board Members:**

1. Dave Espe	Yes X	4. Elaine Larabee	Yes X
2. Terri Swartout	Yes X	5. Lauren Crandall	Yes X
3. Adam Seidel	Yes X	6. Holly Link	Yes X

**MOTION** passed 6-0

**4. Adjournment**

**MOTION** by A. Seidel, **Seconded** by L. Crandall to adjourn the November 14, 2018, brief Business meeting of the Eden Prairie School Board at 7:34 a.m. – Passed

---

Adam Seidel, Board Clerk



November 19, 2018

To: Dr. Josh Swanson, Superintendent  
From: Business Office  
Re: FY17-18 Annual Financial Audit

We are pleased to present the year-end financial results for fiscal year 2018. There are four documents included in this package; Management Report, Special Purpose Audit Report, Student Activity Report, and the Comprehensive Annual Financial Report (CAFR). The financial reports will be available on the district website for the community following this board meeting.

The CAFR has been prepared following the guidelines provided by the Association of School Business Officials International (ASBO) and the Government Finance Officers Association (GFOA) for their Certificates of Excellence in Financial Reporting Programs. Achieving recognition by these programs provides a clear indication of the District's high standards for financial reporting. The District has received the ASBO Certificate of Excellence for 18 consecutive years. The District also earned the GFOA Certificate for the 4th consecutive year.

The District hired Malloy Montague Karnowski Radosevich & Co., P.A. (MMKR), an independent audit firm to conduct the financial audit. The auditors have issued a clean unmodified opinion on the audit report, the highest opinion they can provide, indicating the financial statements are fairly stated. The auditors did identify a few audit findings which can be found in the Special Purpose Audit Report on pages 9-11. All findings have already been addressed with the required corrective action plan submitted to the Minnesota Department of Education.

The CAFR contains the Management's Discussion and Analysis (pages 4-15) which provides a narrative overview and analysis of the financial activities during the fiscal year. The Management Report is designed to communicate information relevant to the financing of public education in Minnesota and to provide comments resulting from the audit process. I would encourage you to focus on these pages of the report which provide a great summary of the district's current financial condition.

This presentation also doubles as our year-end financial report to the school board. The general fund finished with an unassigned fund balance of \$16,494,612, which represents 15.60% of our annual expenditures and an increase of \$1,141,011 from the prior year. The actual increase was within \$9,226 of the anticipated increase.

We are pleased with the year-end results in all funds across the district, and continue to meet our financial targets as expected. The updated 5-year financial projection will be presented to the board in spring 2019.



# Comprehensive Annual Financial Report

2018





COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2018

INDEPENDENT SCHOOL DISTRICT NO. 272  
EDEN PRAIRIE, MINNESOTA

8100 School Road  
Eden Prairie, MN 55344

Prepared by  
Finance Department

Jason Mutzenberger • Executive Director of Business Services

Ron Meyer • Director of Finance

Nicole Johnson • Finance Coordinator

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

**Table of Contents**

	Page
<b>SECTION I – INTRODUCTORY SECTION</b>	
Letter of Transmittal	i–v
Organizational Chart	vi
School Board and Administration	vii
Certificate of Excellence in Financial Reporting – Association of School Business Officials	viii
Certificate of Achievement for Excellence in Financial Reporting – Government Finance Officers Association	ix
<b>SECTION II – FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	1–3
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	4–15
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17–18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19–20
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenue, Expenditures, and Changes in Fund Balances	22–23
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	25
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Food Service Fund	26
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Service Fund	27
Internal Service Funds	
Statement of Net Position	28
Statement of Revenue, Expenses, and Changes in Net Position	29
Statement of Cash Flows	30
Fiduciary Funds	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	32
Notes to Basic Financial Statements	33–68

# INDEPENDENT SCHOOL DISTRICT NO. 272

## Table of Contents (continued)

	Page
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	69
Schedule of District Contributions	69
Teachers Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	70
Schedule of District Contributions	70
Pension Benefits Plan	
Schedule of Changes in the District's Net Pension Liability and Related Ratios	71
Other Post-Employment Benefits Plan	
Schedule of Changes in the District's Net OPEB Liability and Related Ratios	72
Schedule of Investment Returns	73
Notes to Required Supplementary Information	74–76
<b>SUPPLEMENTAL INFORMATION</b>	
General Fund	
Comparative Balance Sheet	77
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	78–80
Food Service Special Revenue Fund	
Comparative Balance Sheet	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	82
Community Service Special Revenue Fund	
Comparative Balance Sheet	83
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	84
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	85
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	86
Debt Service Fund	
Balance Sheet by Account	87
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account – Budget and Actual	88–89
Internal Service Funds	
Combining Statement of Net Position	90
Combining Statement of Revenue, Expenses, and Changes in Net Position	91
Combining Statement of Cash Flows	92
Employee Benefit Trust Funds	
Combining Statement of Fiduciary Net Position	93
Combining Statement of Changes in Fiduciary Net Position	94

INDEPENDENT SCHOOL DISTRICT NO. 272

**Table of Contents (continued)**

	Page
<b>SECTION III – STATISTICAL SECTION (UNAUDITED)</b>	
Net Position by Component	95–96
Changes in Net Position	97–98
Governmental Activities Tax Revenues by Source and Levy Type	99
Fund Balances of Governmental Funds	100–101
Changes in Fund Balances of Governmental Funds	102–103
General Governmental Tax Revenues by Source and Levy Type	104
Assessed and Actual Value of Taxable Property	105
Property Tax Rates – Direct and Overlapping Governments	106–107
Principal Property Taxpayers	108
Property Tax Levies, Collections, and Receivables	109–110
Ratios of Outstanding Debt by Type	111
Ratio of Net General Obligation Bonded Debt to Market Value and Net General Obligation Bonded Debt per Capita	112
Direct and Overlapping Debt	113
Legal Debt Margin Information	114–115
Demographic and Economic Statistics	116
Principal Employers	117
Employees by Classification	118–119
Operating Statistics	120
School Building Information	121–122
Food Service – School Lunch Program Data	123
Student Enrollment	124

THIS PAGE INTENTIONALLY LEFT BLANK

## **SECTION I – INTRODUCTORY SECTION**





November 8, 2018

To the Citizens of the School District, Board of Education, and Employees of the School District

## **PREFACE**

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 272, Eden Prairie Public Schools (the District) is submitted for the fiscal year ended June 30, 2018. The District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation of the enclosed financial reports. An independent firm of certified public accountants audits this report.

Independent School District No. 272, also known as Eden Prairie Schools, is an instrumentality of the state of Minnesota established to function as an educational institution. The elected School Board is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the School Board and is responsible for administrative control of the District. There are no other entities for which the District is considered financially accountable.

These financial statements incorporate the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB) entitled *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This standard, issued in June 1999, creates a reporting model of financial information and disclosure, which is comprehensive and attempts to closely reflect the reporting model required for private industry. The reader will notice that two government-wide basic financial statements created by this standard, the Statement of Net Position and the Statement of Activities, do not contain numerous columns for various funds that have been seen in past governmental financial statements. These two statements consolidate much of the information contained in fund-based financial statements of the past into statements which tend to answer the question: "Is the District better or worse off financially than it was in the previous year?" A comparison of net position should help the reader in answering that question.

Also required as a part of required supplementary information by GASB Statement No. 34 is the management's discussion and analysis, which allows the District to explain in layman's terms its financial position and results of operations of the past fiscal year.

The District is required to undergo an annual audit of its Federal Financial Assistance (Single Audit) in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Uniform Guidance. Information related to the Single Audit is issued separately and is not included in this report.

## **DISTRICT GOALS**

School District Mission: Inspire each student to learn continuously so they are empowered to reach personal fulfillment and contribute purposefully to our ever-changing world.

The School Board governs under a Policy Governance model, which provides a clear differentiation between governance and management responsibilities in organizations. Within this governance structure, the School Board has set parameters in the areas of Board Management Delegation, Executive Limitations (EL), and Ends Policies. The School Board has overall control of the organization. Through its policies, the Superintendent is the School Board's link to operational achievement and conduct, so that all authority and accountability of staff, as far as the School Board is concerned, is considered the authority and accountability of the Superintendent. The School Board's EL defines the parameters within which the Superintendent works, outlining the expectations and limitations of the organization.

### **Executive Limitations**

The Superintendent shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, unethical, imprudent, or in violation of commonly accepted business and professional practices.

1. Emergency Superintendent Succession
2. Treatment of Students
3. Treatment of Parents
4. Treatment of Staff
5. Financial Management and Operations
6. Financial Condition and Activities
7. Asset Protection
8. Compensation and Benefits
9. Communication and Support to the School Board

### **Ends Policies**

Eden Prairie public schools exist so that each student obtains an outstanding education that prepares them for their next stage of life in a manner that justifies the resources expended.

1. Each student graduates and is academically prepared to progress to multiple opportunities after high school.
2. Each student has the 21st century skills needed to succeed in the global economy.
3. Each student has the knowledge that citizens and residents of the United States need to contribute positively to society.

## **DISTRICT FISCAL FRAMEWORK**

The District has been functioning under financial constraints over the past several years as a result of:

- Flat to slightly declining enrollment
- Insufficient increases in state funding
- Inflationary pressures on key expenditure areas

The District has been proactively planning for conditions affecting school funding considering:

- State economic and political conditions
- Enrollment projections and trends
- Necessary budget adjustments and expenditure reductions

**Strong community partnerships** have enhanced the success of the District. The Citizen's Financial Advisory Committee continues to function as a key committee guiding the District's financial planning and long-term outlook on investment decisions. This committee's purpose is to assist the District in financial analysis and long-range financial planning. Specifically, the purposes of the committee are as follows:

- To inform members on school district finances
- Engage in discussion of financial goals
- Empower members as ambassadors
- Advise administration on the financial direction to support the mission of Eden Prairie Schools

## **LOCAL ECONOMIC CONDITION**

Eden Prairie is a relatively stable suburban area southwest of the twin cities of Minneapolis and St. Paul that covers 36 square miles with an estimated population of 63,163. Eden Prairie residents enjoy amenities, including transportation, employment opportunities, housing, educational institutions, and a quality school district.

Learners in the District attend eight district sites. The District operates six kindergarten through sixth grade elementary schools with five boundary schools and a Spanish Immersion School. The Eagle Heights Spanish Immersion School is housed in the same building as the Oak Point Elementary School. Eden Prairie's seventh and eighth graders attend Central Middle School, while Eden Prairie High School is home to students in Grades 9 through 12. The District also has a thriving Education Center which houses the Family Center, Early Childhood Special Education, TASSEL Transition Program, and Community Education programs for learners of all ages. In total, district-owned instruction and administrative buildings account for 1,851,588 square feet of space with an average age of 30 years.

As one of the largest employers in the city with over 1,482 staff members, the District plays a dual role in economic development. The highly skilled staff remains focused on the mission: "Inspire each student to learn continuously so they are empowered to reach personal fulfillment and contribute purposefully to our ever-changing world." The District's commitment to quality and service is among the reasons it operates its own student transportation system and food service program. Buildings and grounds staff members are responsible for maintaining the facilities to ensure a healthy and safe learning environment. A dedicated auxiliary staff, including a wide variety of positions such as lunchroom/playground supervisors, computer assistants, network managers, special education inclusion assistants, secretarial/clerical staff, and health assistants, collaborate in advancing our goals.

The District has a long reputation for fiscal soundness and efficiency. District expenditures per pupil are consistently among the lowest in Hennepin County, while maintaining high achievement standards in both academic and extracurricular activities. A Citizen's Financial Advisory Committee meets bimonthly to review and provide advice on fiscal and budget processes.

## **DISTRICT ECONOMIC CONDITION**

The referendum that was passed in 2014 includes an inflation escalation clause that gives financial stability to protect the District against inflation. The District has built up a strong unassigned fund balance by increasing revenues with the referendum passage, as well as limiting expenditures by finding efficiencies in normal school operations. The District's board policy requires an 8 percent unassigned fund balance to ensure financial health and viability. Each year, the School Board is presented with a 5-year financial forecast that considers enrollment projections, expense increases, efficiencies, and other financial assumptions. Additionally, the District has a finance committee comprised of school board member(s), community members, and staff that review a range of finance related elements several times per year. This ensures that the District is planning for the current reality as well as the future.

In the spring of 2016, the District started a process called “Designing Pathways,” which is designed to support the strategic plan by moving through a process of academic and facilities planning for the next decade to reach each student. This potentially major initiative could have a financial impact based on final decisions by the School Board. A comprehensive financial analysis is being completed to understand the impact of those decisions on the long-term outlook of the District.

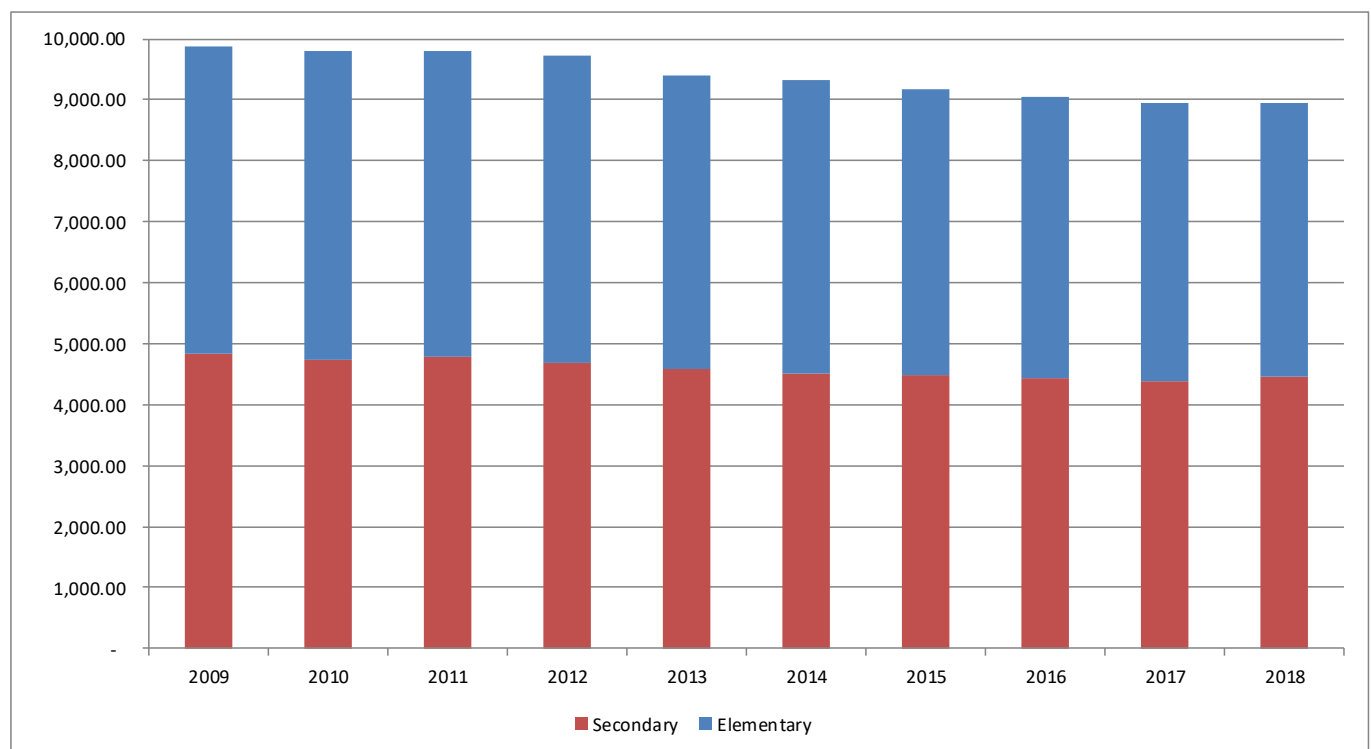
## ENROLLMENT

Enrollment is a critical factor in determining funding levels. Approximately 65 percent of the General Fund revenue is enrollment driven. During fiscal year 2018, enrollment declined by just over 103 average daily memberships to 8,833.

### Student Enrollment (Average Daily Membership)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pre-K and HCP-K	83.90	86.12	85.34	89.25	106.10	104.31	123.38	126.05	116.98	119.84
Reg K	638.42	661.80	663.98	578.66	629.48	560.27	595.08	561.73	561.06	564.86
Elementary	4,336.57	4,279.36	4,270.65	4,150.02	4,080.75	4,006.32	3,889.68	3,880.82	3,791.63	3,801.12
Secondary	4,731.13	4,774.44	4,694.38	4,593.11	4,500.90	4,492.37	4,445.20	4,380.66	4,466.26	4,347.08
Total Students for Aid	9,790.02	9,801.72	9,714.35	9,411.04	9,317.23	9,163.27	9,053.34	8,949.26	8,935.93	8,832.90
Percent Change	-0.76%	0.12%	-0.89%	-3.12%	-1.00%	-1.65%	-1.20%	-1.15%	-0.15%	-1.15%

### Student Enrollment (Average Daily Membership)



The continued graduation of comparably large student cohorts coupled with smaller incoming kindergarten cohorts in the last three years led to a 2.4 percent decline in enrollment over the past three years. The enrollment and demographic changes presented above offer both financial and strategic challenges and opportunities for the District.

## **INTERNAL CONTROL STRUCTURE AND BUDGETARY CONTROL**

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools. The UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report must be provided to the Minnesota Department of Education by December 31, subsequent to year-end on June 30.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or losses. Reasonable assurance means the cost of controls is weighed against the benefits received. The District utilizes an integrated payroll/finance system for all financial recordkeeping. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. To accurately track and report financial activities with a focus on site-based accounting, approximately 20,000 accounts have been defined within the District's chart of accounts. Each site and department administrator has access to the finance system to extract reports and review detailed budget activity specific to their area of responsibility. The District's administration receives and reviews monthly financial reports. These reports are also presented to the School Board and are publicly available as part of the School Board's meeting materials.

The District's budgeting process begins with a review and estimation of the projected student enrollment. Student enrollment is the main driver of the allocation of the unrestricted revenue resources. A majority of the budgeting decisions are made centrally, including staffing, capital expenditures, and infrastructure improvements. Budget managers receive an allocation for site or department-specific needs. The District adopts an annual budget for all governmental funds that is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level.

## **INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE**

State statutes require an annual audit by independent certified public accountants. The accounting firm of Malloy, Montague, Karnowski, Radosovich & Co., P.A. was selected by the District's School Board to conduct the annual audit.

This report has been prepared following the guidelines provided by the Association of School Business Officials (ASBO) International and the Government Finance Officers Association (GFOA) for their Certificates of Excellence in Financial Reporting Programs. Achieving recognition by these programs provides a clear indication of the District's high standards for financial reporting. The District intends to submit this CAFR to the ASBO International and the GFOA Certificate Programs for consideration. The District has received the ASBO International Certificate of Excellence in Financial Reporting for the CAFR for the last 18 financial years and the GFOA Certificate of Achievement for Excellence in Financial Reporting for the past four.

## **ACKNOWLEDGMENTS**

We acknowledge the efforts of the entire Business Office staff in providing complete and accurate data for this CAFR.

Sincerely,

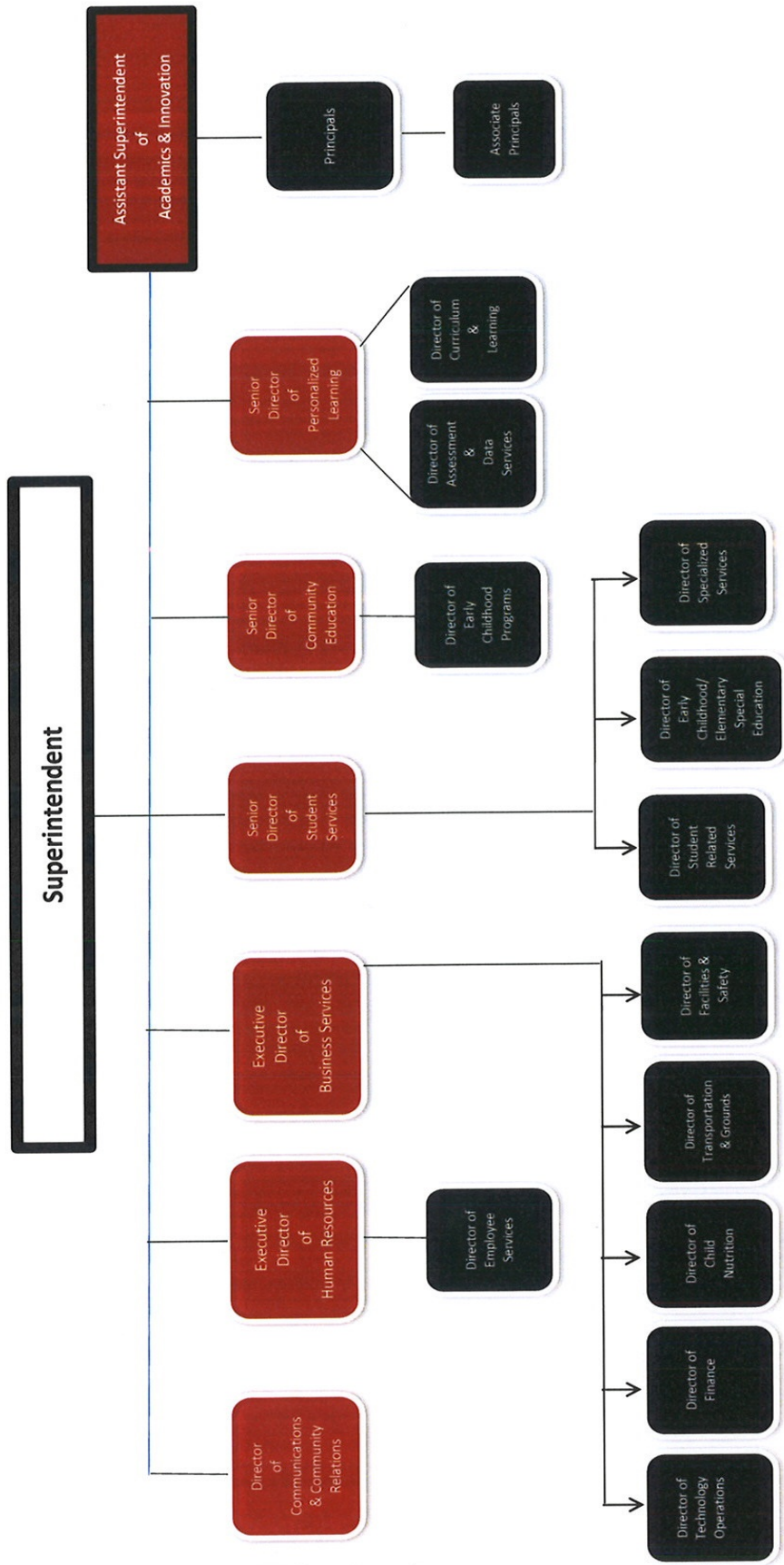


Dr. Josh Swanson  
Superintendent



Jason Mutzenberger  
Executive Director of Business Services

THIS PAGE INTENTIONALLY LEFT BLANK



Red = Superintendent's Cabinet

INDEPENDENT SCHOOL DISTRICT NO. 272

School Board and Administration  
Year Ended June 30, 2018

**SCHOOL BOARD**

	<u>Board Position</u>
Elaine Larabee	Chairperson
David Espe	Vice Chairperson
Holly Link	Treasurer
Adam Seidel	Clerk
Lauren Crandall	Director
Greg Lehman	Director
Terri Swartout	Director

**ADMINISTRATION**

Dr. Joshua Swanson	Superintendent
Vacant	Assistant Superintendent of Academics and Innovation
Jason Mutzenberger	Executive Director of Business Services
Thomas May	Executive Director of Human Resources
Dr. Shawn Hoffman-Bram	Senior Director of Community Education
Michelle Ament	Senior Director of Personalized Learning
Christina Bemboom	Senior Director of Student Services
Jaclyn Swords	Director of Communications and Community Relations





ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting  
is presented to**

**Eden Prairie Independent School District #272**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE  
Executive Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Eden Prairie Independent School  
District #272, Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

## **SECTION II – FINANCIAL SECTION**



**INDEPENDENT AUDITOR'S REPORT**

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 272 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

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

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

### **Prior Year Comparative Information**

We have previously audited the District's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 15, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
November 8, 2018

THIS PAGE INTENTIONALLY LEFT BLANK



## INDEPENDENT SCHOOL DISTRICT NO. 272

### Management's Discussion and Analysis Year Ended June 30, 2018

This section of Independent School District No. 272's (the District) Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the other components of the District's CAFR.

#### **FINANCIAL HIGHLIGHTS**

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018 by \$79,214,402 (net position deficit). The District's total net position decreased by \$27,445,443 during the fiscal year ended June 30, 2018.
- Government-wide revenues totaled \$141,680,801 and were \$27,445,443 less than expenses of \$169,126,244.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$651,833 from the prior year, compared to a \$1,216,444 increase planned in the budget.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the CAFR consists of the following parts:

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

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except for the fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or major funds, rather than the District as a whole.

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

The District maintains the following kinds of funds:

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

**Proprietary Funds** – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of the district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

<b>Table 1</b> <b>Summary Statement of Net Position</b> <b>as of June 30, 2018 and 2017</b>		
	2018	2017
Assets		
Current and other assets	\$ 87,502,635	\$ 89,437,377
Capital assets, net of depreciation	96,756,117	99,258,197
Total assets	<u>\$ 184,258,752</u>	<u>\$ 188,695,574</u>
Deferred outflows of resources		
Pension plan deferments	<u>\$ 126,168,425</u>	<u>\$ 170,881,609</u>
Liabilities		
Current and other liabilities	\$ 14,369,644	\$ 15,327,835
Long-term liabilities, including due within one year	290,826,319	350,791,438
Total liabilities	<u>\$ 305,195,963</u>	<u>\$ 366,119,273</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 40,664,553	\$ 39,285,766
Pension plan deferments	43,126,878	5,369,651
OPEB plan deferments	654,185	571,452
Total deferred inflows of resources	<u>\$ 84,445,616</u>	<u>\$ 45,226,869</u>
Net position		
Net investment in capital assets	\$ 41,716,939	\$ 43,813,793
Restricted	3,970,336	4,598,772
Unrestricted	(124,901,677)	(100,181,524)
Total net position	<u>\$ (79,214,402)</u>	<u>\$ (51,768,959)</u>

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

Total net position decreased by \$27,445,443 from current year operating results. Much of the decrease is attributable to the change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans, which contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position.

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

<b>Table 2</b> <b>Summary Statement of Activities</b> <b>for the Years Ended June 30, 2018 and 2017</b>		
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 9,005,810	\$ 8,317,981
Operating grants and contributions	20,056,189	20,243,863
Capital grants and contributions	2,562,744	744,095
General revenues		
Property taxes	43,183,425	42,504,491
General grants and aids	63,786,229	65,912,935
Other	3,086,404	2,733,281
Total revenues	<u>141,680,801</u>	<u>140,456,646</u>
Expenses		
Administration	4,520,405	4,736,758
District support services	5,860,095	5,682,115
Elementary and secondary regular instruction	80,606,299	82,848,774
Vocational education instruction	2,799,977	2,875,255
Special education instruction	26,612,680	27,120,384
Instructional support services	8,946,008	9,535,521
Pupil support services	10,510,787	10,719,258
Sites and buildings	15,048,481	14,574,619
Fiscal and other fixed cost programs	381,996	312,351
Food service	4,983,613	5,084,197
Community service	6,674,630	6,168,308
Interest and fiscal charges	2,181,273	2,315,611
Total expenses	<u>169,126,244</u>	<u>171,973,151</u>
Change in net position	(27,445,443)	(31,516,505)
Net position – beginning	<u>(51,768,959)</u>	<u>(20,252,454)</u>
Net position – ending	<u>\$ (79,214,402)</u>	<u>\$ (51,768,959)</u>

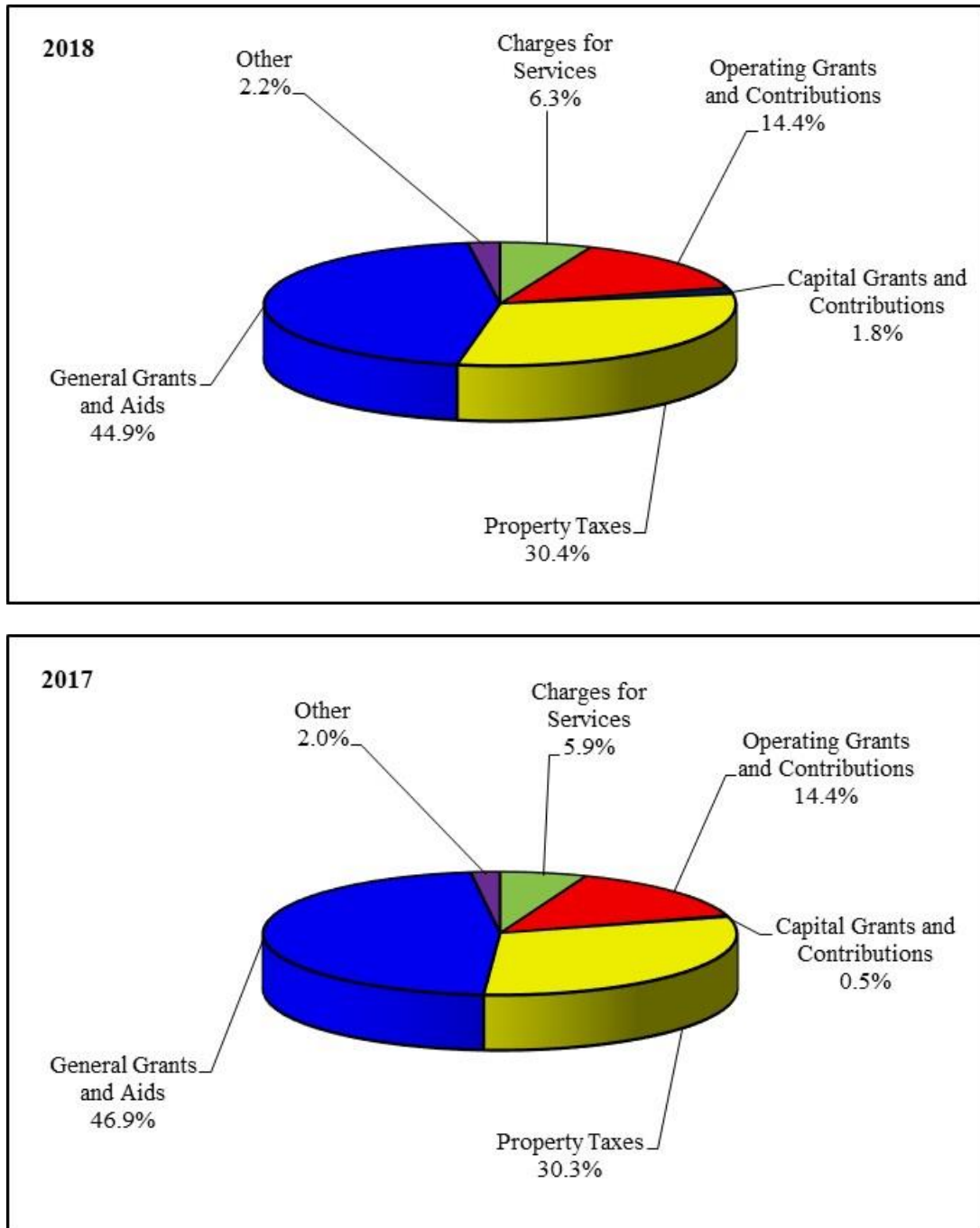
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Governmental activities revenues increased \$1,224,155 (0.9 percent) from the previous year, primarily attributable to improvements in the general education funding formula and an increase in special education aid.

Governmental activity expenses decreased \$2,846,907 (1.7 percent) from last year, mainly due to the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

**Figure A – Sources of Revenues for Fiscal Years 2018 and 2017**

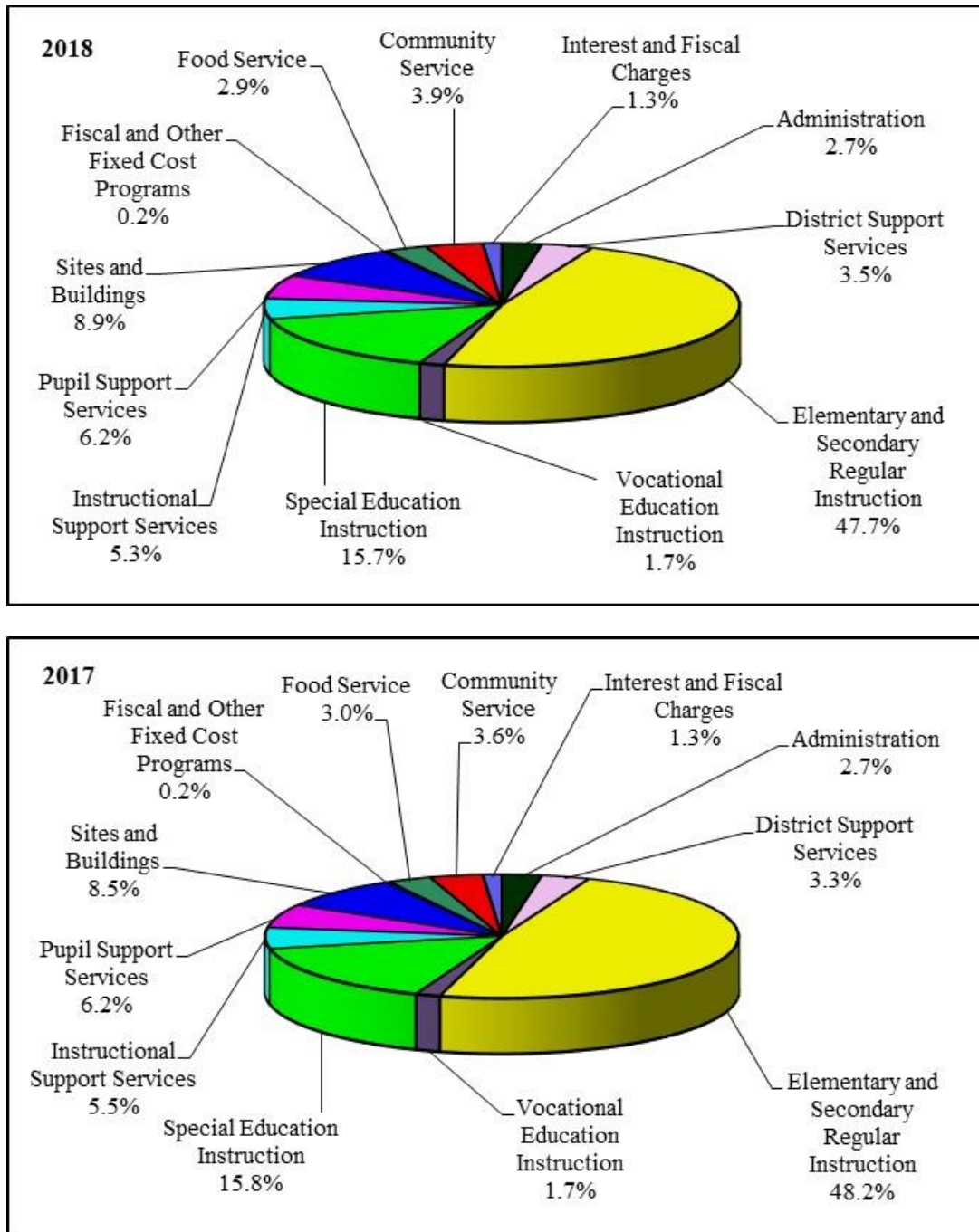


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2018 and 2017**



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

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

<b>Table 3</b> <b>Governmental Fund Balances</b> <b>as of June 30, 2018 and 2017</b>			
	2018	2017	Increase (Decrease)
Major funds			
General	\$ 20,286,476	\$ 19,634,643	\$ 651,833
Food Service	764,922	712,332	52,590
Community Service	395,507	888,231	(492,724)
Capital Projects – Building			
Construction	5,567,295	9,786,197	(4,218,902)
Debt Service	1,243,673	1,762,208	(518,535)
Total governmental funds	<u>\$ 28,257,873</u>	<u>\$ 32,783,611</u>	<u>\$ (4,525,738)</u>

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2018, the District's governmental funds reported combined fund balances of \$28,257,873, a decrease of \$4,525,738 in comparison with the prior year. The majority of the decrease was the result of the District utilizing the proceeds from the 2017A General Obligation Facilities Maintenance Bond to finance long-term facilities maintenance projects. Approximately 56.8 percent of this amount (\$16,044,927) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$300,119), 2) restricted for particular purposes (\$10,227,375), or 3) assigned for particular purposes (\$1,685,452).

## ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4</b> <b>General Fund</b> <b>Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues and other financing sources	<u>\$ 121,883,117</u>	<u>\$ 121,459,503</u>	<u>\$ (423,614)</u>	<u>(0.3%)</u>
Expenditures and other financing uses	<u>\$ 120,666,673</u>	<u>\$ 120,243,059</u>	<u>\$ (423,614)</u>	<u>(0.4%)</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or new debt issued.

Table 5 summarizes the operating results of the General Fund:

<b>Table 5</b> <b>General Fund</b> <b>Operating Results</b>					
	<u>2018 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 121,639,679	\$ 180,176	0.1%	\$ (1,886,340)	(1.5%)
Expenditures and other financing uses	<u>120,987,846</u>	<u>744,787</u>	0.6%	<u>(412,369)</u>	(0.3%)
Net change in fund balances	<u>\$ 651,833</u>	<u>\$ (564,611)</u>		<u>\$ (1,473,971)</u>	

The fund balance of the General Fund increased \$651,833 compared to a planned increase of \$1,216,444 approved in the final budget.

General Fund revenues and other financing sources for 2018 decreased \$1,886,340 (1.5 percent), compared to the prior year, and were \$180,176 (0.1 percent) more than budget. The largest revenue variance occurred in state sources, which was \$825,405 more than projected in the budget. This was offset by other local sources, which were \$757,043 less than projected in the budget, mainly in fundraising for activity accounts and Medical Assistance billings.



The decrease from the prior year was mainly due to the issuance of a capital lease for \$2,620,690 and the proceeds received from the sale of capital assets of \$1,389,100 in the prior year, offset by improvements in the general education funding formula and additional special education revenue in the current year.

Total General Fund expenditures and other financing uses for 2018 decreased \$412,369 (0.3 percent) from the prior year. Current year expenditures and other financing uses of \$120,987,846 were \$744,787 (0.6 percent) over budget. The expenditure variance was spread across several programs and object categories of the General Fund, with the largest variances due to a contracted increase in Quality Compensation (Q Comp) paid to the District's teachers, and federal special education tuition billing adjustments not included in the budget.

The decrease from the previous year was mainly due to the continued repayment of capital lease obligations, which resulted in lower principal and interest payments in the current year.

#### **COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER MAJOR FUNDS**

##### **Food Service Fund**

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing total fund balance by \$52,590, compared to a budgeted fund balance increase of \$21,110. This variance was due to an increase in á la carte sales that was not anticipated in the budget.

##### **Community Service Fund**

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources by \$492,724, mainly due to the planned use of fund balance for expanded programs and offerings as reflected in the budgeted fund balance reduction of \$414,076.

##### **Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. At June 30, 2018, the District had a fund balance of \$5,567,295 restricted for long-term facilities maintenance. The fund balance decrease of \$4,218,902 during the year is a result of the District utilizing the proceeds from the 2017A General Obligation Facilities Maintenance Bonds to finance long-term facilities maintenance projects.

##### **Debt Service Fund**

The Debt Service Fund expenditures exceeded revenues by \$518,535 in the current year. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The remaining fund balance of \$1,243,673 at June 30, 2018, is restricted for meeting future debt service obligations.

#### **COMMENTS ON OTHER FUNDS**

##### **Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. These funds are used to account for the District's self-insured health and dental benefits insurance activities. The net position balance for all internal service funds as of June 30, 2018 was \$1,895,453, which represents a \$2,421,376 increase from the prior year. This was mainly due to a change in the self-funded health insurance plans offered, a reduction in the health benefit claims, and an increase in the health insurance premiums charged to the governmental funds in the current year.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2018 and 2017:

<b>Table 6</b>			
<b>Capital Assets</b>			
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 6,798,693	\$ 6,798,693	\$ —
Construction in progress	1,192,175	1,688,127	(495,952)
Land improvements	9,723,841	9,052,675	671,166
Buildings and improvements	205,377,630	202,046,063	3,331,567
Equipment	23,388,685	20,915,944	2,472,741
Capital leased equipment	6,443,694	6,443,694	—
Less accumulated depreciation	<u>(156,168,601)</u>	<u>(147,686,999)</u>	<u>(8,481,602)</u>
Total	<u>\$ 96,756,117</u>	<u>\$ 99,258,197</u>	<u>\$ (2,502,080)</u>
Depreciation expense	<u>\$ 8,807,570</u>	<u>\$ 8,734,019</u>	<u>\$ 73,551</u>

By the end of 2018, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2018, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in Note 3 in the notes to basic financial statements.

## Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

<b>Table 7</b> <b>Outstanding Long-Term Liabilities</b>			
	2018	2017	Change
General obligation bonds payable	\$ 60,645,000	\$ 66,540,000	\$ (5,895,000)
Unamortized premiums	1,099,640	1,390,803	(291,163)
Capital lease payable	2,616,833	4,489,798	(1,872,965)
Net pension liability	225,619,599	277,022,965	(51,403,366)
Compensated absences payable	845,247	1,347,872	(502,625)
Total	<u>\$ 290,826,319</u>	<u>\$ 350,791,438</u>	<u>\$ (59,965,119)</u>

The decrease in general obligation bonds payable and capital lease payable is due to scheduled principal payments during fiscal year 2018.

The difference in the net pension liability reflects the changes in the District's proportionate share of the state-wide PERA and TRA pension plans, along with a decrease in the net pension liability for the single-employer defined benefit pension plan administered by the District, and is mainly due to benefit payments in the current year.

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

<b>Table 8</b> <b>Limitations on Debt</b>	
District's market value	\$ 9,588,325,775
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,438,248,866</u>

Additional details of the District's long-term debt activity can be found in Note 4 in the notes to basic financial statements.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, Independent School District No. 272, 8100 School Road, Eden Prairie, Minnesota 55344.

## BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Governmental Activities	
	2018	2017
Assets		
Cash and temporary investments	\$ 51,339,823	\$ 53,206,788
Receivables		
Current taxes	20,289,873	21,645,902
Delinquent taxes	395,907	325,515
Accounts and interest	208,174	196,795
Due from other governmental units	11,099,582	9,156,054
Due from post-employment benefit trust	1,006,882	714,186
Inventory	108,557	121,961
Prepaid items	191,562	781,656
Net other post-employment benefit asset	2,862,275	3,288,520
Capital assets		
Not depreciated	7,990,868	8,486,820
Depreciated, net of accumulated depreciation	88,765,249	90,771,377
Total capital assets, net of accumulated depreciation	<u>96,756,117</u>	<u>99,258,197</u>
Total assets	184,258,752	188,695,574
Deferred outflows of resources		
Pension plan deferments	<u>126,168,425</u>	<u>170,881,609</u>
Total assets and deferred outflows of resources	<u>\$ 310,427,177</u>	<u>\$ 359,577,183</u>
Liabilities		
Salaries payable	\$ 5,263,473	\$ 5,202,631
Accounts and contracts payable	5,536,271	5,708,222
Accrued interest payable	943,070	1,047,947
Due to other governmental units	357,126	274,005
Claims payable	504,704	1,178,927
Unearned revenue	1,765,000	1,916,103
Long-term liabilities		
Due within one year	8,529,420	8,221,088
Due in more than one year	<u>282,296,899</u>	<u>342,570,350</u>
Total long-term liabilities	<u>290,826,319</u>	<u>350,791,438</u>
Total liabilities	305,195,963	366,119,273
Deferred inflows of resources		
Property taxes levied for subsequent year	40,664,553	39,285,766
Pension plan deferments	43,126,878	5,369,651
OPEB plan deferments	<u>654,185</u>	<u>571,452</u>
Total deferred inflows of resources	<u>84,445,616</u>	<u>45,226,869</u>
Net position		
Net investment in capital assets	41,716,939	43,813,793
Restricted for		
Capital asset acquisition	1,430,599	743,562
Food service	764,922	712,332
Community service	709,556	1,218,863
Debt service	389,446	795,792
Other purposes (state and other funding restrictions)	675,813	1,128,223
Unrestricted	<u>(124,901,677)</u>	<u>(100,181,524)</u>
Total net position	<u>(79,214,402)</u>	<u>(51,768,959)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 310,427,177</u>	<u>\$ 359,577,183</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

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

		2018		
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Administration	\$ 4,520,405	\$ —	\$ —	\$ —
District support services	5,860,095	—	—	—
Elementary and secondary regular instruction	80,606,299	1,308,532	3,586,743	—
Vocational education instruction	2,799,977	—	3,000	—
Special education instruction	26,612,680	326,560	13,322,999	—
Instructional support services	8,946,008	—	—	—
Pupil support services	10,510,787	118,929	690,371	—
Sites and buildings	15,048,481	123,089	—	2,562,744
Fiscal and other fixed cost programs	381,996	—	—	—
Food service	4,983,613	3,414,483	1,549,404	—
Community service	6,674,630	3,714,217	903,672	—
Interest and fiscal charges	2,181,273	—	—	—
Total governmental activities	<u>\$ 169,126,244</u>	<u>\$ 9,005,810</u>	<u>\$ 20,056,189</u>	<u>\$ 2,562,744</u>
General revenue				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for community service				
Property taxes, levied for debt service				
General grants and aids				
Other general revenues				
Investment earnings				
Total general revenues				
Change in net position				
Net position – beginning				
Net position – ending				

See notes to basic financial statements



	2017
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Governmental Activities
\$ (4,520,405)	\$ (4,736,758)
(5,860,095)	(5,682,115)
(75,711,024)	(77,690,037)
(2,796,977)	(2,826,533)
(12,963,121)	(13,728,850)
(8,946,008)	(9,535,521)
(9,701,487)	(9,659,926)
(12,362,648)	(13,791,711)
(381,996)	(312,351)
(19,726)	(173,177)
(2,056,741)	(2,214,622)
(2,181,273)	(2,315,611)
(137,501,501)	(142,667,212)
34,452,614	33,659,448
839,740	1,011,306
7,891,071	7,833,737
63,786,229	65,912,935
2,566,249	2,492,689
520,155	240,592
110,056,058	111,150,707
(27,445,443)	(31,516,505)
(51,768,959)	(20,252,454)
<u>\$ (79,214,402)</u>	<u>\$ (51,768,959)</u>

## INDEPENDENT SCHOOL DISTRICT NO. 272

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

	General Fund	Food Service Fund	Community Service Fund
Assets			
Cash and temporary investments	\$ 33,480,404	\$ 791,065	\$ 1,329,792
Receivables			
Current taxes	15,889,330	—	378,606
Delinquent taxes	297,338	—	9,726
Accounts and interest	127,446	3,120	4,439
Due from other governmental units	10,990,801	32,730	63,423
Due from other funds	1,006,882	—	—
Inventory	—	108,557	—
Prepaid items	145,362	—	46,200
	<u>\$ 61,937,563</u>	<u>\$ 935,472</u>	<u>\$ 1,832,186</u>
Liabilities			
Salaries payable	\$ 5,149,570	\$ 8,810	\$ 105,093
Accounts and contracts payable	4,639,045	29,127	143,370
Due to other governmental units	350,336	—	6,790
Unearned revenue	286,191	132,613	334,066
Total liabilities	10,425,142	170,550	589,319
Deferred inflows of resources			
Property taxes levied for subsequent year	30,928,607	—	837,634
Unavailable revenue – delinquent taxes	297,338	—	9,726
Total deferred inflows of resources	31,225,945	—	847,360
Fund balances (deficit)			
Nonspendable	145,362	108,557	46,200
Restricted	2,106,412	656,365	653,630
Assigned	1,685,452	—	—
Unassigned	16,349,250	—	(304,323)
Total fund balances	20,286,476	764,922	395,507
	<u>\$ 61,937,563</u>	<u>\$ 935,472</u>	<u>\$ 1,832,186</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,937,563</u>	<u>\$ 935,472</u>	<u>\$ 1,832,186</u>

Capital Projects – Building Construction Fund	Debt Service Fund	Total Governmental Funds	
		2018	2017
\$ 6,221,419	\$ 6,104,856	\$ 47,927,536	\$ 51,473,371
–	4,021,937	20,289,873	21,645,902
–	88,843	395,907	325,515
57,987	15,182	208,174	196,795
12,618	10	11,099,582	9,156,054
–	–	1,006,882	714,186
–	–	108,557	121,961
–	–	191,562	781,656
<u>\$ 6,292,024</u>	<u>\$ 10,230,828</u>	<u>\$ 81,228,073</u>	<u>\$ 84,415,440</u>
\$ –	\$ –	\$ 5,263,473	\$ 5,202,631
724,729	–	5,536,271	5,708,222
–	–	357,126	274,005
–	–	752,870	835,690
<u>724,729</u>	<u>–</u>	<u>11,909,740</u>	<u>12,020,548</u>
–	8,898,312	40,664,553	39,285,766
–	88,843	395,907	325,515
–	8,987,155	41,060,460	39,611,281
–	–	300,119	903,617
5,567,295	1,243,673	10,227,375	15,156,272
–	–	1,685,452	2,409,257
–	–	16,044,927	14,314,465
<u>5,567,295</u>	<u>1,243,673</u>	<u>28,257,873</u>	<u>32,783,611</u>
<u>\$ 6,292,024</u>	<u>\$ 10,230,828</u>	<u>\$ 81,228,073</u>	<u>\$ 84,415,440</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018	2017
Total fund balances – governmental funds	\$ 28,257,873	\$ 32,783,611
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	252,924,718	246,945,196
Accumulated depreciation	(156,168,601)	(147,686,999)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(60,645,000)	(66,540,000)
Unamortized premiums	(1,099,640)	(1,390,803)
Capital lease payable	(2,616,833)	(4,489,798)
Net pension liability	(225,619,599)	(277,022,965)
Compensated absences payable	(845,247)	(1,347,872)
Net OPEB asset reported in the Statement of Net Position does not require the use of current financial resources and is not reported in the governmental funds.	2,862,275	3,288,520
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	1,895,453	(525,923)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(943,070)	(1,047,947)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	126,168,425	170,881,609
Deferred inflows – pension plan deferments	(43,126,878)	(5,369,651)
Deferred inflows – OPEB plan deferments	(654,185)	(571,452)
Deferred inflows – delinquent property taxes	395,907	325,515
Total net position – governmental activities	<u>\$ (79,214,402)</u>	<u>\$ (51,768,959)</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	General Fund	Food Service Fund	Community Service Fund
Revenue			
Local sources			
Property taxes	\$ 34,390,488	\$ —	\$ 838,786
Investment earnings	350,364	9,675	12,349
Other	4,402,057	3,453,049	3,986,745
State sources	79,545,674	157,789	743,824
Federal sources	2,867,120	1,393,425	—
Total revenue	<u>121,555,703</u>	<u>5,013,938</u>	<u>5,581,704</u>
Expenditures			
Current			
Administration	3,742,489	—	—
District support services	5,793,381	—	—
Elementary and secondary regular instruction	56,621,307	—	—
Vocational education instruction	2,226,472	—	—
Special education instruction	21,373,181	—	—
Instructional support services	7,421,018	—	—
Pupil support services	9,481,647	—	—
Sites and buildings	11,870,809	—	—
Fiscal and other fixed cost programs	381,996	—	—
Food service	—	4,872,931	—
Community service	—	—	6,252,847
Capital outlay	—	88,417	—
Debt service			
Principal	1,872,965	—	—
Interest and fiscal charges	24,162	—	—
Total expenditures	<u>120,809,427</u>	<u>4,961,348</u>	<u>6,252,847</u>
Excess (deficiency) of revenue over expenditures	746,276	52,590	(671,143)
Other financing sources (uses)			
Debt issued	—	—	—
Premium on debt issued	—	—	—
Capital lease issued	—	—	—
Sale of capital assets	83,976	—	—
Transfers in	—	—	178,419
Transfers (out)	(178,419)	—	—
Total other financing sources (uses)	<u>(94,443)</u>	<u>—</u>	<u>178,419</u>
Net change in fund balances	651,833	52,590	(492,724)
Fund balances			
Beginning of year	<u>19,634,643</u>	<u>712,332</u>	<u>888,231</u>
End of year	<u>\$ 20,286,476</u>	<u>\$ 764,922</u>	<u>\$ 395,507</u>

See notes to basic financial statements

Capital Projects – Building Construction Fund	Debt Service Fund	Total Governmental Funds	
		2018	2017
\$ —	\$ 7,883,759	\$ 43,113,033	\$ 42,513,230
84,386	45,768	502,542	235,548
—	—	11,841,851	11,196,024
—	89	80,447,376	78,997,964
—	—	4,260,545	4,366,037
<u>84,386</u>	<u>7,929,616</u>	<u>140,165,347</u>	<u>137,308,803</u>
—	—	3,742,489	3,685,730
—	—	5,793,381	5,420,285
—	—	56,621,307	57,571,373
—	—	2,226,472	2,198,932
—	—	21,373,181	19,933,386
—	—	7,421,018	7,470,572
—	—	9,481,647	9,574,415
—	—	11,870,809	10,607,283
—	—	381,996	312,351
—	—	4,872,931	4,903,381
—	—	6,252,847	5,547,410
4,303,288	—	4,391,705	6,830,546
—	5,895,000	7,767,965	9,790,936
—	2,553,151	2,577,313	2,583,448
<u>4,303,288</u>	<u>8,448,151</u>	<u>144,775,061</u>	<u>146,430,048</u>
(4,218,902)	(518,535)	(4,609,714)	(9,121,245)
—	—	—	10,940,000
—	—	—	326,471
—	—	—	2,620,690
—	—	83,976	1,389,100
—	—	178,419	162,423
—	—	(178,419)	(162,423)
<u>—</u>	<u>—</u>	<u>83,976</u>	<u>15,276,261</u>
(4,218,902)	(518,535)	(4,525,738)	6,155,016
<u>9,786,197</u>	<u>1,762,208</u>	<u>32,783,611</u>	<u>26,628,595</u>
<u>\$ 5,567,295</u>	<u>\$ 1,243,673</u>	<u>\$ 28,257,873</u>	<u>\$ 32,783,611</u>

THIS PAGE INTENTIONALLY LEFT BLANK



## INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2018</u>	<u>2017</u>
Total net change in fund balances – governmental funds	\$ (4,525,738)	\$ 6,155,016
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	4,745,990	9,606,118
Capital contributions	1,559,500	–
Depreciation expense	(8,807,570)	(8,734,019)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	–	(808,488)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	–	(10,940,000)
Capital lease payable	–	(2,620,690)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	5,895,000	5,370,000
Capital lease payable	1,872,965	4,177,892
Capital improvement loans payable	–	243,044
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	104,877	(9,723)
Debt issuance premiums are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	291,163	(48,911)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	51,403,366	(196,103,961)
Net OPEB asset	(426,245)	468,583
Compensated absences payable	502,625	274,967
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	2,421,376	(751,284)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	(44,713,184)	155,532,603
Deferred inflows – pension plan deferments	(37,757,227)	7,252,539
Deferred inflows – OPEB plan deferments	(82,733)	(571,452)
Deferred inflows – delinquent property taxes	<u>70,392</u>	<u>(8,739)</u>
Change in net position – governmental activities	<u>\$ (27,445,443)</u>	<u>\$ (31,516,505)</u>

See notes to basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund  
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 34,592,554	\$ 34,592,554	\$ 34,390,488	\$ (202,066)
Investment earnings	150,000	150,000	350,364	200,364
Other	5,159,100	5,159,100	4,402,057	(757,043)
State sources	79,143,883	78,720,269	79,545,674	825,405
Federal sources	2,837,580	2,837,580	2,867,120	29,540
Total revenue	121,883,117	121,459,503	121,555,703	96,200
Expenditures				
Current				
Administration	3,808,911	3,764,327	3,742,489	(21,838)
District support services	6,241,653	6,085,132	5,793,381	(291,751)
Elementary and secondary regular instruction	55,664,669	55,844,300	56,621,307	777,007
Vocational education instruction	2,032,774	2,018,036	2,226,472	208,436
Special education instruction	20,721,772	20,673,188	21,373,181	699,993
Instructional support services	7,838,611	7,794,451	7,421,018	(373,433)
Pupil support services	9,709,717	9,651,648	9,481,647	(170,001)
Sites and buildings	12,034,204	12,095,890	11,870,809	(225,081)
Fiscal and other fixed cost programs	467,215	217,215	381,996	164,781
Debt service				
Principal	1,872,985	1,872,985	1,872,965	(20)
Interest and fiscal charges	24,162	24,162	24,162	—
Total expenditures	120,416,673	120,041,334	120,809,427	768,093
Excess (deficiency) of revenue over expenditures	1,466,444	1,418,169	746,276	(671,893)
Other financing sources (uses)				
Sale of capital assets	—	—	83,976	83,976
Transfers (out)	(250,000)	(201,725)	(178,419)	23,306
Total other financing sources (uses)	(250,000)	(201,725)	(94,443)	107,282
Net change in fund balances	\$ 1,216,444	\$ 1,216,444	651,833	\$ (564,611)
Fund balances				
Beginning of year			19,634,643	
End of year			\$ 20,286,476	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Food Service Fund  
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Investment earnings	\$ 2,000	\$ 2,000	\$ 9,675	\$ 7,675
Other – primarily meal sales	3,336,900	3,336,900	3,453,049	116,149
State sources	165,000	165,000	157,789	(7,211)
Federal sources	1,400,000	1,400,000	1,393,425	(6,575)
Total revenue	<u>4,903,900</u>	<u>4,903,900</u>	<u>5,013,938</u>	<u>110,038</u>
Expenditures				
Current				
Salaries	1,920,242	1,920,242	1,933,995	13,753
Employee benefits	751,048	751,048	760,168	9,120
Purchased services	187,500	187,500	256,792	69,292
Supplies and materials	1,944,000	1,944,000	1,911,067	(32,933)
Other expenditures	5,000	5,000	10,909	5,909
Capital outlay	75,000	75,000	88,417	13,417
Total expenditures	<u>4,882,790</u>	<u>4,882,790</u>	<u>4,961,348</u>	<u>78,558</u>
Net change in fund balances	<u>\$ 21,110</u>	<u>\$ 21,110</u>	52,590	<u>\$ 31,480</u>
Fund balances				
Beginning of year			<u>712,332</u>	
End of year			<u>\$ 764,922</u>	

INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Community Service Fund  
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 842,969	\$ 835,069	\$ 838,786	\$ 3,717
Investment earnings	4,000	4,000	12,349	8,349
Other – primarily tuition and fees	3,383,369	3,690,389	3,986,745	296,356
State sources	618,007	625,170	743,824	118,654
Total revenue	<u>4,848,345</u>	<u>5,154,628</u>	<u>5,581,704</u>	<u>427,076</u>
Expenditures				
Current				
Salaries	3,009,340	3,471,766	3,754,962	283,196
Employee benefits	870,661	988,627	1,087,671	99,044
Purchased services	941,070	1,095,869	1,158,173	62,304
Supplies and materials	182,280	165,035	242,596	77,561
Other expenditures	1,600	1,600	9,445	7,845
Total expenditures	<u>5,004,951</u>	<u>5,722,897</u>	<u>6,252,847</u>	<u>529,950</u>
Excess (deficiency) of revenue over expenditures	(156,606)	(568,269)	(671,143)	(102,874)
Other financing sources				
Transfers in	<u>154,193</u>	<u>154,193</u>	<u>178,419</u>	<u>24,226</u>
Net change in fund balances	<u>\$ (2,413)</u>	<u>\$ (414,076)</u>	<u>(492,724)</u>	<u>\$ (78,648)</u>
Fund balances				
Beginning of year			<u>888,231</u>	
End of year			<u>\$ 395,507</u>	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and temporary investments	\$ 3,412,287	\$ 1,733,417
Liabilities		
Current liabilities		
Unearned revenue	1,012,130	1,080,413
Claims payable	<u>504,704</u>	<u>1,178,927</u>
Total current liabilities	<u>1,516,834</u>	<u>2,259,340</u>
Net position		
Unrestricted	<u>\$ 1,895,453</u>	<u>\$ (525,923)</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2018</u>	<u>2017</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 13,611,757	\$ 12,335,413
Operating expenses		
Health benefit claims	9,946,365	11,945,983
Dental benefit claims	<u>1,261,629</u>	<u>1,145,758</u>
Total operating expenses	<u>11,207,994</u>	<u>13,091,741</u>
Operating income (loss)	2,403,763	(756,328)
Nonoperating revenue		
Investment earnings	<u>17,613</u>	<u>5,044</u>
Change in net position	2,421,376	(751,284)
Net position		
Beginning of year	<u>(525,923)</u>	<u>225,361</u>
End of year	<u><u>\$ 1,895,453</u></u>	<u><u>\$ (525,923)</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 13,543,474	\$ 13,415,826
Payment for health claims	(10,620,710)	(10,795,638)
Payment for dental claims	(1,261,507)	(1,140,340)
Net cash flows from operating activities	<u>1,661,257</u>	<u>1,479,848</u>
Cash flows from investing activities		
Investment income received	<u>17,613</u>	<u>5,044</u>
Net change in cash and cash equivalents	1,678,870	1,484,892
Cash and cash equivalents		
Beginning of year	<u>1,733,417</u>	<u>248,525</u>
End of year	<u><u>\$ 3,412,287</u></u>	<u><u>\$ 1,733,417</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 2,403,763	\$ (756,328)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Unearned revenue	(68,283)	1,080,413
Claims payable	(674,223)	1,155,763
Net cash flows from operating activities	<u><u>\$ 1,661,257</u></u>	<u><u>\$ 1,479,848</u></u>

## INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Fiduciary Net Position  
as of June 30, 2018

	Private-Purpose Trust Fund	Employee Benefit Trust Funds
Assets		
Cash and temporary investments	\$ 50,949	\$ 68,761
Receivables		
Accounts and interest	200	53,677
Investments, at fair value		
Agency securities	—	99,443
Treasury securities	—	703,732
Mortgage-backed securities	—	49,167
Corporate obligations	—	3,406,768
Equities	—	5,032,486
Real estate investment trusts	—	64,095
Mutual funds	—	7,980,297
Total assets	<u>51,149</u>	<u>17,458,426</u>
Liabilities		
Accounts and contracts payable	—	24,102
Due to governmental funds	—	1,006,882
Total liabilities	<u>—</u>	<u>1,030,984</u>
Net position		
Restricted for scholarships	51,149	—
Restricted for employee cafeteria plan benefits	—	46,989
Restricted for OPEB	—	16,380,453
Total net position	<u>\$ 51,149</u>	<u>\$ 16,427,442</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2018

	Private-Purpose Trust Fund	Employee Benefit Trust Funds
Additions		
Contributions		
Plan participants	\$ —	\$ 489,679
Gifts and donations	8,000	—
Investment earnings		
Total investment earnings	607	1,331,341
Less investment expense	—	134,525
Net investment earnings	<u>607</u>	<u>1,196,816</u>
Total additions	8,607	1,686,495
Deductions		
Scholarships	8,000	—
Employee benefits	—	1,332,243
OPEB	—	1,006,882
Total deductions	<u>8,000</u>	<u>2,339,125</u>
Change in net position	607	(652,630)
Net position		
Beginning of year	<u>50,542</u>	<u>17,080,072</u>
End of year	<u>\$ 51,149</u>	<u>\$ 16,427,442</u>

THIS PAGE INTENTIONALLY LEFT BLANK

## INDEPENDENT SCHOOL DISTRICT NO. 272

Notes to Basic Financial Statements  
June 30, 2018

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Organization**

Independent School District No. 272 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. A School Board elected by the voters of the District governs the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **B. Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, district school boards can elect to either control or not control extracurricular student activities. The District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in the District's basic financial statements.

#### **C. Government-Wide Financial Statement Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for any nonmajor governmental funds is reported in a single column in the fund financial statements.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Food service sales, community education tuition, and other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust and private-purpose trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

### **Description of Funds**

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

### **Major Governmental Funds**

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

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program, which is financed through revenue from meal sales, state aids, and federal grants.

**Community Service Special Revenue Fund** – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services. These activities are financed by program fees and tuition, property tax levies, and state aids.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or under the long-term facilities maintenance program.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the 2009 taxable OPEB bond issue.

### **Proprietary Funds**

**Internal Service Funds** – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

### **Fiduciary Funds**

**Trust Funds** – Trust funds are used to administer resources received and held by the District as a custodian or trustee for others. The District maintains a Private-Purpose Trust Fund to account for resources held to award scholarships to former students; an Employee Benefits Trust Fund to account for resources held for employee cafeteria plan benefits; and a Post-Employment Benefits Trust Fund to account for resources held in an irrevocable trust to fund post-employment insurance benefits for eligible employees and retirees.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Budgetary Information

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. For the year ended June 30, 2018, actual expenditures exceeded budgeted appropriations in the following funds:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General	\$ 120,041,334	\$ 120,809,427	\$ 768,093
Food Service Special Revenue	\$ 4,882,790	\$ 4,961,348	\$ 78,558
Community Service Special Revenue	\$ 5,722,897	\$ 6,252,847	\$ 529,950

The excess expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with revenues in excess of budget, other financing sources, or available fund balances.

### F. Cash and Temporary Investments

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

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

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

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



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G. Receivables

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

At June 30, 2018, the District reported the following receivables due from other governmental units:

Due from the Minnesota Department of Education	\$ 11,029,503
Due from other Minnesota school districts	37,736
Due from Hennepin County	17,465
Due from other governmental units	<u>14,878</u>
Total due from other governmental units	<u>\$ 11,099,582</u>

### H. Inventories

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

### I. Prepaid Items

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

### J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,891,684 of the property tax levy collectible in 2018 as revenue to the District in fiscal year 2017–2018. The remaining portion of the taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **K. Capital Assets**

Capital assets that are purchased or constructed by the District are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$3,000 or more for assets acquired through June 30, 2015 and \$5,000 or more for assets acquired thereafter, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District does not possess material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Capital assets are reported in the government-wide financial statements, but not in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Land and construction in progress are not depreciated.

### **L. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively, in the current period.

### **M. Employee Benefits**

- 1. Compensated Absences** – Under the terms of certain collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates. Vacation and sick pay are accrued in the governmental funds to the extent they have been used or otherwise matured prior to year-end. Because teachers are not eligible for vacation pay and amounts accrued to other employees are forfeited if not taken by January 1 of the following year, no long-term vacation liabilities are recorded in the financial statements. Some employee bargaining groups are eligible to be compensated for unused sick leave upon termination subject to certain conditions. Convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.
- 2. Early Retirement Incentive** – The District provides early retirement incentive benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. No individual can receive benefits in excess of one year's salary. Benefits are accrued in the governmental funds as they become due and payable. See the Defined Benefit Pension Plan – District note for further information.
- 3. Post-Employment Healthcare Benefits** – The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. For eligible retirees, the District pays health insurance premiums until the retiree reaches age 65 in an amount equal to active employee health insurance premiums. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For purposes of measuring the OPEB liability (asset), deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

4. **State-Wide Pension Plans** – District employees participate in cost-sharing, multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA), to which the District contributes. See the Defined Benefit Pension Plans – State-Wide note for further information.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the PERA and the TRA and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

### N. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no reductions in the District's insurance coverage in fiscal year 2018.
2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus stop-loss health and dental insurance premium costs and administrative service charges. Any excess of the premiums above claims remaining is used to establish a reserve for future claims.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District claim liabilities are reported when it is probable a loss has occurred and the amount can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of dental claim liabilities for the last two years were as follows:

Year Ended June 30,	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2017	\$ 23,164	\$ 1,145,758	\$ 1,140,340	\$ 28,582
2018	\$ 28,582	\$ 1,261,629	\$ 1,261,507	\$ 28,704

Changes in the balance of health claim liabilities for the last two years were as follows:

Year Ended June 30,	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2017	\$ –	\$ 11,945,983	\$ 10,795,638	\$ 1,150,345
2018	\$ 1,150,345	\$ 9,946,365	\$ 10,620,710	\$ 476,000

### O. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

### Q. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s superintendent and executive director of business services are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **R. Use of Estimates**

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

### **S. Prior Period Comparative Financial Information/Reclassification**

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 14,353,049
Investments	54,436,061
Cash on hand	<u>6,411</u>
Total	<u><u>\$ 68,795,521</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 51,339,823
Statement of Fiduciary Net Position	
Cash and temporary investments	
Private-Purpose Trust Fund	50,949
Employee Benefit Trust Funds	68,761
Investments	
Employee Benefit Trust Funds	<u>17,335,988</u>
Total	<u><u>\$ 68,795,521</u></u>

### B. Deposits

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

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

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

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

At year-end, the carrying amount and bank balance of the District’s deposits were both \$14,353,049. At June 30, 2018, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			
	Rating	Agency		No Maturity	Less Than 1	1 to 5	Total
				Date			
District investments							
U.S. treasury securities	AA	S&P	Level 2	\$ –	\$ 1,997,812	\$ 786,909	\$ 2,784,721
U.S. agency securities	AA	S&P	Level 2	\$ –	\$ 1,000,000	\$ –	1,000,000
Negotiable certificates of deposit	Not rated		Level 2	\$ –	\$ 989,000	\$ –	989,000
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	\$ 21,882,859	\$ –	\$ –	21,882,859
MNTrust Term Series	Not rated		N/A	\$ –	\$ 7,000,000	\$ –	7,000,000
MNTrust Limited Term Duration	AAA	S&P	N/A	\$ 1,500,000	\$ –	\$ –	1,500,000
MSDLAF Liquid Class	AAA	S&P	N/A	\$ 1,943,493	\$ –	\$ –	1,943,493
OPEB trust investments							
U.S. treasury securities	AAA	Moody's	Level 1	\$ –	\$ 174,555	\$ 529,178	703,733
U.S. agency securities	AA	S&P	Level 1	\$ –	\$ 99,443	\$ –	99,443
Mortgage-backed securities	AAA	S&P	Level 1	\$ –	\$ –	\$ 49,167	49,167
Corporate obligations	AA	S&P	Level 1	\$ –	\$ 298,952	\$ 345,173	644,125
Corporate obligations	A	S&P	Level 1	\$ –	\$ 672,764	\$ 948,547	1,621,311
Corporate obligations	A	Moody's	Level 1	\$ –	\$ –	\$ 353,577	353,577
Corporate obligations	BAA	Moody's	Level 1	\$ –	\$ –	\$ 167,471	167,471
Corporate obligations	BBB	S&P	Level 1	\$ –	\$ 249,619	\$ 370,663	620,282
Equities	Not rated		Level 1	\$ 5,032,486	\$ –	\$ –	5,032,486
Real estate investment trusts	Not rated		Level 2	\$ 64,095	\$ –	\$ –	64,095
Investment pools/mutual funds	Not rated		Level 1	\$ 6,275,210	\$ –	\$ –	6,275,210
Real asset mutual funds	Not rated		Level 2	\$ 1,705,088	\$ –	\$ –	1,705,088
Total investments							\$ 54,436,061

N/A – Not Applicable

The Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Term Series, MNTrust Limited Term Duration, and the Minnesota School District Liquid Asset Fund (MSDLAF) Liquid Class are external investment pools not registered with the Securities and Exchange Commission regulated by Minnesota Statutes. The District's investments in these investment pools are measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF Liquid Class investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required. MNTrust Term Series require a seven day redemption notice.



## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

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

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District’s investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

### NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 6,798,693	\$ –	\$ –	\$ –	\$ 6,798,693
Construction in progress	1,688,127	3,041,750	–	(3,537,702)	1,192,175
Total capital assets, not depreciated	8,486,820	3,041,750	–	(3,537,702)	7,990,868
Capital assets, depreciated					
Land improvements	9,052,675	31,020	–	640,146	9,723,841
Buildings and improvements	202,046,063	434,011	–	2,897,556	205,377,630
Equipment	20,915,944	2,798,709	(325,968)	–	23,388,685
Capital leased equipment	6,443,694	–	–	–	6,443,694
Total capital assets, depreciated	238,458,376	3,263,740	(325,968)	3,537,702	244,933,850
Less accumulated depreciation for					
Land improvements	(5,296,305)	(326,046)	–	–	(5,622,351)
Buildings and improvements	(123,021,858)	(5,324,179)	–	–	(128,346,037)
Equipment	(15,837,588)	(1,205,789)	325,968	–	(16,717,409)
Capital leased equipment	(3,531,248)	(1,951,556)	–	–	(5,482,804)
Total accumulated depreciation	(147,686,999)	(8,807,570)	325,968	–	(156,168,601)
Net capital assets, depreciated	90,771,377	(5,543,830)	–	3,537,702	88,765,249
Total capital assets, net	\$ 99,258,197	\$ (2,502,080)	\$ –	\$ –	\$ 96,756,117

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

Administration	\$ 8,710
District support services	100,039
Elementary and secondary regular instruction	4,858,898
Special education instruction	30,086
Instructional support services	1,103
Pupil support services	699,975
Sites and buildings	2,972,711
Food service	82,760
Community service	53,288
Total depreciation expense	\$ 8,807,570

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
Alternative facilities bonds	01/14/2009	4.000–5.000%	\$ 10,985,000	02/01/2022	\$ 9,550,000
Taxable OPEB bonds	01/14/2009	5.250–5.750%	15,000,000	02/01/2019	3,755,000
Alternative facilities bonds	01/25/2011	4.000–4.375%	11,000,000	02/01/2027	10,800,000
Capital facilities bond	01/25/2011	2.000–4.000%	1,070,000	02/01/2021	325,000
School building refunding bonds	09/27/2011	3.000–5.000%	11,520,000	02/01/2020	4,115,000
Alternative facilities bonds	02/27/2013	2.000–2.250%	11,000,000	02/01/2024	10,850,000
Alternative facilities bonds	04/07/2015	3.000%	10,310,000	02/01/2028	10,310,000
Facilities maintenance bonds	02/22/2017	3.000–4.000%	10,940,000	02/01/2032	10,940,000
Total general obligation bonds payable					<u>\$ 60,645,000</u>

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized equal 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

### B. Capital Leases Payable

On September 17, 2012, the District entered a master lease purchase agreement with Apple, Inc. for iPads and MacBooks. The District acquires equipment from time to time under this master agreement as needed. Each lease “schedule” added under this master lease agreement adds equipment to the lease and carries its own lease term and payment schedule. The lease schedules have interest rates ranging from zero percent to 0.99 percent and mature in fiscal year 2020. Upon payment in full of all scheduled lease payments, the lessor’s (Apple, Inc.) interest in the equipment is transferred to the District, free and clear of any right or interest of Apple, Inc. The General Fund will be used to liquidate this liability.

At June 30, 2018, the total cost of the leased equipment capitalized through this agreement is \$6,443,694, with accumulated depreciation of \$5,482,804.

### C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, pensions, and OPEB; the details of which are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund or a Trust Fund established by the District to finance OPEB obligations.

#### NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2018, are as follows:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 23,499,261	\$ 7,071,988	\$ 5,430,424	\$ 2,730,881
State-wide, multiple-employer – TRA	201,853,864	119,096,437	37,687,444	34,743,555
Single-employer – District	266,474	–	9,010	38,209
Total	<u>\$ 225,619,599</u>	<u>\$ 126,168,425</u>	<u>\$ 43,126,878</u>	<u>\$ 37,512,645</u>

#### D. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	\$ 66,540,000	\$ –	\$ 5,895,000	\$ 60,645,000	\$ 6,460,000
Unamortized premiums	1,390,803	–	291,163	1,099,640	–
Capital lease payable	4,489,798	–	1,872,965	2,616,833	1,857,027
Net pension liability	277,022,965	3,965,307	55,368,673	225,619,599	–
Compensated absences payable	1,347,872	74,362	576,987	845,247	212,393
	<u>\$ 350,791,438</u>	<u>\$ 4,039,669</u>	<u>\$ 64,004,788</u>	<u>\$ 290,826,319</u>	<u>\$ 8,529,420</u>

#### E. Minimum Debt Payments

Minimum principal and interest payments for general obligation bonds and capital leases are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 6,460,000	\$ 2,263,369	\$ 1,857,027	\$ 12,449
2020	5,875,000	1,917,256	759,806	870
2021	6,240,000	1,687,706	–	–
2022	5,690,000	1,441,606	–	–
2023	4,515,000	1,203,406	–	–
2024–2028	21,870,000	3,825,125	–	–
2029–2032	9,995,000	732,950	–	–
	<u>\$ 60,645,000</u>	<u>\$ 13,071,418</u>	<u>\$ 2,616,833</u>	<u>\$ 13,319</u>

## NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

### A. Classifications

At June 30, 2018, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total
<b>Nonspendable</b>						
Inventory	\$ –	\$ 108,557	\$ –	\$ –	\$ –	\$ 108,557
Prepaid items	145,362	–	46,200	–	–	191,562
Total nonspendable	145,362	108,557	46,200	–	–	300,119
<b>Restricted</b>						
Capital projects levy	485,096	–	–	–	–	485,096
Operating capital	852,824	–	–	–	–	852,824
Medical Assistance	675,813	–	–	–	–	675,813
Long-term facilities maintenance	92,679	–	–	5,567,295	–	5,659,974
Food service	–	656,365	–	–	–	656,365
Community education programs	–	–	249,746	–	–	249,746
Early childhood family education programs	–	–	403,884	–	–	403,884
Debt service	–	–	–	–	1,243,673	1,243,673
Total restricted	2,106,412	656,365	653,630	5,567,295	1,243,673	10,227,375
<b>Assigned</b>						
Site carryover	374,988	–	–	–	–	374,988
Activity accounts	463,047	–	–	–	–	463,047
Construction	697,417	–	–	–	–	697,417
Curriculum adoption	150,000	–	–	–	–	150,000
Total assigned	1,685,452	–	–	–	–	1,685,452
<b>Unassigned</b>						
School readiness restricted deficit	–	–	(304,323)	–	–	(304,323)
Unassigned	16,349,250	–	–	–	–	16,349,250
Total unassigned	16,349,250	–	(304,323)	–	–	16,044,927
<b>Total</b>	<b>\$ 20,286,476</b>	<b>\$ 764,922</b>	<b>\$ 395,507</b>	<b>\$ 5,567,295</b>	<b>\$ 1,243,673</b>	<b>\$ 28,257,873</b>

### B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes the District will strive to maintain a minimum unassigned General Fund balance of 8.0 percent of annual budgeted expenditures. At June 30, 2018, the unassigned fund balance of the General Fund was 15.6 percent of fiscal 2018 unassigned expenditures.

## **NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

### **A. Plan Descriptions**

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

#### **1. General Employees Retirement Fund (GERF)**

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

#### **2. Teachers Retirement Association (TRA)**

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the City of St. Paul and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by Minnesota State Colleges and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan administered by MnSCU.

### **B. Benefits Provided**

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually through 2018, and 1.0 percent thereafter.

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

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### 1. GERF Benefits

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

### 2. TRA Benefits

The TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

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

#### Tier I Benefits

Step-Rate Formula	Percentage per Year
<b>Basic Plan</b>	
First 10 years of service	2.2 %
All years after	2.7 %
<b>Coordinated Plan</b>	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) Three percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

### C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

#### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2018; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2018, were \$1,867,386. The District's contributions were equal to the required contributions as set by state statutes.

#### 2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,			
	2017		2018	
	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.0 %	11.5 %	11.0 %	11.5 %
<b>Coordinated Plan</b>	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2018, were \$4,106,891. The District's contributions were equal to the required contributions for each year as set by state statutes.



## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	<i>in thousands</i>
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 367,791
Add employer contributions not related to future contribution efforts	810
Deduct the TRA's contributions not included in allocation	<u>(456)</u>
Total employer contributions	368,145
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u><u>\$ 403,733</u></u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. The TRA has rounded percentage amounts to the nearest ten thousandths.

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2018, the District reported a liability of \$23,499,261 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.3681 percent at the end of the measurement period and 0.3631 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 23,499,261
State's proportionate share of the net pension liability associated with the District	\$ 295,507

For the year ended June 30, 2018, the District recognized pension expense of \$2,722,348 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$8,533 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the GERF.

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 774,464	\$ 1,481,912
Changes in actuarial assumptions	3,848,392	2,355,802
Difference between projected and actual investment earnings	–	1,048,950
Changes in proportion	581,746	543,760
District's contributions to the GERF subsequent to the measurement date	1,867,386	–
Total	<u>\$ 7,071,988</u>	<u>\$ 5,430,424</u>

A total of \$1,867,386 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ (419,525)
2020	\$ 1,549,378
2021	\$ (358,179)
2022	\$ (997,496)

### 2. TRA Pension Costs

At June 30, 2018, the District reported a liability of \$201,853,864 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 1.0112 percent at the end of the measurement period and 1.0364 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 201,853,864
State's proportionate share of the net pension liability associated with the District	\$ 19,511,695

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

For the year ended June 30, 2018, the District recognized pension expense of \$34,369,336. It also recognized \$374,219 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,663,390	\$ 1,417,584
Changes in actuarial assumptions	112,055,347	28,276,540
Difference between projected and actual investment earnings	–	1,718,379
Changes in proportion	1,270,809	6,274,941
District's contributions to the TRA subsequent to the measurement date	4,106,891	–
Total	<u>\$ 119,096,437</u>	<u>\$ 37,687,444</u>

A total of \$4,106,891 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ 20,446,491
2020	\$ 24,281,116
2021	\$ 21,436,191
2022	\$ 18,077,825
2023	\$ (6,939,521)

**E. Actuarial Assumptions**

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

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25% per year	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	5.12%

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

## **NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

The following changes in actuarial assumptions occurred in 2017:

### **1. GERF**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

### **2. TRA**

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 5.12 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

### F. Discount Rate

#### 1. GERF

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

#### 2. TRA

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

### G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 36,449,100	\$ 23,499,261	\$ 12,897,466
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	\$ 266,408,204	\$ 201,853,864	\$ 147,426,701

### H. Pension Plan Fiduciary Net Position

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

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

Detailed information about the TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at the TRA website at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103; or by calling (651) 296-2409 or (800) 657-3669.

## NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

### A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

These benefits are summarized as follows:

**Administrative Supervisory Technical (AST) Employees Pension Benefits** – AST employees hired before July 1, 1998 are eligible to receive an additional retirement incentive benefit. AST employees accumulate four days of credit for each full year of service to the District. The benefit is based on an employee's rate of pay, less any cumulative employer tax sheltered annuity contributions, with a limitation on total benefits to an individual of 50 percent of base annual salary. Benefits are paid out in a lump sum of 60 percent to a voluntary employees' beneficiary association account (OPEB) and 40 percent to 403(b) account (pension).

**Principal Pension Benefits** – Principals hired before July 1, 2016 are eligible to receive an additional retirement incentive benefit. Principals accumulate four days of credit for each full year of service to the District. The benefit is based on an employee's rate of pay, less any cumulative employer tax sheltered annuity contributions, with a limitation on total benefits to an individual of 50 percent of base annual salary. Benefits are paid out in a lump sum to a 403(b) account.

### B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits.

### C. Membership

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

Active plan members	19
---------------------	----

### D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2016, and a measurement date as of June 30, 2018, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.50%
20-year municipal bond yield	3.50%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

## NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

### E. Discount Rate

The discount rate used to measure the total pension liability was 3.50 percent. The District discount rate used in the prior measurement date was 2.90 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds, as of the measurement date.

### F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2017	\$ 334,917
Changes for the year	
Service cost	30,311
Interest	9,186
Assumption changes	(10,298)
Benefit payments	(97,642)
Total net changes	(68,443)
Ending balance – June 30, 2018	\$ 266,474

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 2.90 percent to 3.50 percent.

### G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	2.50%	3.50%	4.50%
Total pension liability	\$ 287,423	\$ 266,474	\$ 246,195

### H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

For the current year ended, the District recognized pension expense of \$38,209. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ –	\$ 9,010



**NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to this pension plan, will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ (1,288)
2020	\$ (1,288)
2021	\$ (1,288)
2022	\$ (1,288)
2023	\$ (1,288)
Thereafter	\$ (2,570)

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN****A. Plan Description**

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

**B. Benefits Provided**

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches age 65. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District contributes 100 percent of the cost of the negotiated current year premiums for specified coverage levels of eligible retired plan members and their spouses. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The Post-Employment Benefits Trust Fund reimbursed the General Fund for the actual cost of medical insurance premiums paid for retirees and the implicit rate subsidy for the year ended June 30, 2018.

### D. Membership

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

Retirees and beneficiaries receiving benefits	97
Active plan members	<u>1,317</u>
Total members	<u><u>1,414</u></u>

### E. Net OPEB Liability (Asset) of the District

The District's net OPEB (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB (asset) was determined by an actuarial valuation as of that date. The components of the net OPEB (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 13,518,178
Plan fiduciary net position	<u>(16,380,453)</u>
District's net OPEB liability (asset)	<u><u>\$ (2,862,275)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>121.2%</u></u>

### F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	6.30%
Expected long-term investment return	6.30% (net of investment expenses)
20-year municipal bond yield	3.50%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50% grading to 5.00% over 6 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	30.00 %	3.10 %
Domestic equity	32.00	8.03 %
International equity	18.00	8.48 %
Real estate	10.00	7.50 %
Other (event driven hedge, equity hedge)	10.00	5.70 %
Total	100.00 %	6.30 %

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 7.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

The discount rate used to measure the total OPEB liability was 6.30 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 6.10 percent.

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

### I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning balance – July 1, 2017	\$ 12,907,884	\$ 16,196,404	\$ (3,288,520)
Changes for the year			
Service cost	541,720	–	541,720
Interest	790,171	–	790,171
Assumption changes	(104,010)	–	(104,010)
Plan changes	389,295	–	389,295
Projected investment return	–	1,020,373	(1,020,373)
Differences between expected and actual experience	–	170,558	(170,558)
Benefit payments – paid by trust	(1,006,882)	(1,006,882)	–
Total net changes	610,294	184,049	426,245
Ending balance – June 30, 2018	\$ 13,518,178	\$ 16,380,453	\$ (2,862,275)

Assumption changes since the prior measurement date include the following:

- The expected long-term investment return was changed from 6.10 percent to 6.30 percent.
- The discount rate was changed from 6.10 percent to 6.30 percent.

Plan changes since the prior measurement date include the following:

- An early retirement incentive was offered for teachers retiring at the end of the 2017–2018 school year. Teachers retiring after age 55 with 10 years of service will receive \$15,000 placed in a VEBA account. Plan A teachers (hired before October 1, 1993) receive the payment on June 30, 2023. Plan B teachers receive the payment no later than June 30, 2018.

### J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	5.30%	6.30%	7.30%
Net OPEB liability (asset)	\$ (2,230,947)	\$ (2,862,275)	\$ (3,456,816)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB healthcare trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Net OPEB liability (asset)	\$ (3,813,565)	\$ (2,862,275)	\$ (1,774,393)

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)****K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources**

For the current year ended, the District recognized OPEB expense of \$508,978. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ —	\$ 89,151
Differences between projected and actual investment earnings	—	565,034
Total	<u>\$ —</u>	<u>\$ 654,185</u>

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

Year Ending June 30,	OPEB Expense Amount
2019	\$ (191,835)
2020	\$ (191,835)
2021	\$ (191,831)
2022	\$ (48,969)
2023	\$ (14,859)
Thereafter	\$ (14,856)

**NOTE 9 – FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan, which is classified as a cafeteria plan (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if, and when, the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for total contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

All assets of the Plan are held in a separate bank account and are administered by an employee of the District. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated service providers and are accounted for primarily in the District's General Fund. The medical reimbursement and dependent care activity in the financial statements is accounted for in the Employee Benefits Trust Fund.

## **NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)**

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## **NOTE 10 – INTERFUND BALANCES AND TRANSACTIONS**

The General Fund had a receivable of \$1,006,882 due from the Post-Employment Benefits Trust Fund at June 30, 2018, to reimburse OPEB payments the General Fund made during the year. Because fiduciary fund activity is not included in the government-wide financial statements, this receivable is included as due from the Post-Employment Benefit Trust Fund in the governmental activities on the Statement of Net Position.

The District transferred \$178,419 from the General Fund to the Community Service Special Revenue Fund to help finance various program costs. Such transfers are eliminated in the government-wide financial statements.

## **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

### **A. Federal and State Programs**

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

### **B. Legal Claims**

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

## NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### C. Education Center Lease

The District has a lease agreement with the City of Eden Prairie for use of 51,315 square feet of space housing the District's Education Center. This site houses nearly all of the District's programs and administration for the following programs: Community Education, Family Education, and Early Childhood Special Education. In June 2014, the District signed an extension of this lease commencing on June 1, 2014 and extending through May 31, 2024. Annual lease payments are due on September 1st of each year. The District may cancel this lease at any time with 12 months' notice if the School Board does not appropriate or budget moneys sufficient to pay the lease payments coming due after the current levy appropriation.

If not cancelled, future minimum lease payments for the initial lease term are as follows:

Year Ending June 30,	Base Rent	Improvement Rent	Total
2019	\$ 359,205	\$ 97,632	\$ 456,837
2020	368,442	–	368,442
2021	377,165	–	377,165
2022	386,915	–	386,915
2023	396,665	–	396,665
2024	406,415	–	406,415
	<u>\$ 2,294,807</u>	<u>\$ 97,632</u>	<u>\$ 2,392,439</u>

### D. Construction Contracts

At June 30, 2018, the District had commitments totaling \$2,052,681 under various construction contracts for which the work was not yet completed.

### E. Purchase Power Commitment

#### Solar Gardens

During fiscal year 2016, the District entered into five community solar garden subscription agreements with SunE Nesvold, LLC. The District is committed to purchasing up to 40 percent of the annual delivered energy of the solar systems for a period of 25 years from the commercial operation date of January 1, 2018.

During fiscal year 2017, the District entered into five community solar garden subscription agreements with SunE Feely, LLC. The District is committed to purchasing up to 20 percent of the annual delivered energy of the solar systems for a period of 25 years from the expected commercial operation date of January 2019.

During fiscal year 2017, the District entered into five community solar garden subscription agreements with Randolph CSG 1, LLC. The District is committed to purchasing up to 20 percent of the annual delivered energy of the solar systems for a period of 25 years from the expected commercial operation date of February 2019.

## NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### Solar Panels

During fiscal year 2018, the District entered into various power purchase agreements to purchase the energy generated by solar panels contributed to the District and installed on various buildings of the District. At June 30, 2018, the equipment capitalized through these agreements is \$1,559,500, with accumulated depreciation of \$103,967. Future power purchase payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 33,937
2020	34,845
2021	36,402
2022	38,033
2023	39,735
2024–2028	226,995
2029–2033	178,380
2034–2038	<u>127,945</u>
	<u>\$ 716,272</u>

## NOTE 12 – SUBSEQUENT EVENTS

The District has authorized the issuance of \$8,410,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2018A. The bonds will be used to refund the 2009A General Obligation Alternative Facilities Bonds to reduce debt levies to district taxpayers.



REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 272

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3926%	\$ 18,442,381	\$ —	\$ 18,442,381	\$ 20,638,451	89.36%	78.70%
06/30/2016	06/30/2015	0.3524%	\$ 18,263,198	\$ —	\$ 18,263,198	\$ 20,684,774	88.29%	78.20%
06/30/2017	06/30/2016	0.3631%	\$ 29,481,919	\$ 385,105	\$ 29,867,024	\$ 22,396,905	131.63%	68.90%
06/30/2018	06/30/2017	0.3681%	\$ 23,499,261	\$ 295,507	\$ 23,794,768	\$ 23,755,883	98.92%	75.90%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,527,411	\$ 1,527,411	\$ —	\$ 20,684,774	7.38%
06/30/2016	\$ 1,679,027	\$ 1,679,027	\$ —	\$ 22,396,905	7.50%
06/30/2017	\$ 1,778,675	\$ 1,778,675	\$ —	\$ 23,755,883	7.49%
06/30/2018	\$ 1,867,386	\$ 1,867,386	\$ —	\$ 24,941,557	7.49%

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

INDEPENDENT SCHOOL DISTRICT NO. 272

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.1120%	\$ 51,240,159	\$ 3,604,593	\$ 54,844,752	\$ 50,758,363	100.95%	81.50%
06/30/2016	06/30/2015	1.0058%	\$ 62,218,677	\$ 7,631,910	\$ 69,850,587	\$ 51,428,891	120.98%	76.80%
06/30/2017	06/30/2016	1.0364%	\$247,206,129	\$ 24,812,446	\$272,018,575	\$ 54,216,148	455.96%	44.88%
06/30/2018	06/30/2017	1.0112%	\$201,853,864	\$ 19,511,695	\$221,365,559	\$ 54,659,806	369.29%	51.57%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 3,828,390	\$ 3,828,390	\$ —	\$ 51,428,891	7.44%
06/30/2016	\$ 4,043,043	\$ 4,043,043	\$ —	\$ 54,216,148	7.46%
06/30/2017	\$ 4,085,938	\$ 4,085,938	\$ —	\$ 54,659,806	7.48%
06/30/2018	\$ 4,106,891	\$ 4,106,891	\$ —	\$ 54,876,205	7.48%

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

INDEPENDENT SCHOOL DISTRICT NO. 272

Pension Benefits Plan  
Schedule of Changes in the District's Net  
Pension Liability and Related Ratios  
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 30,311	\$ 31,507
Interest	9,186	11,500
Assumption changes	(10,298)	–
Benefit payments	<u>(97,642)</u>	<u>(145,219)</u>
Net change in total pension liability	(68,443)	(102,212)
Total pension liability – beginning of year	<u>334,917</u>	<u>437,129</u>
Total pension liability – end of year	<u><u>\$ 266,474</u></u>	<u><u>\$ 334,917</u></u>
Covered-employee payroll	<u><u>\$ 2,629,505</u></u>	<u><u>\$ 2,478,561</u></u>
Total pension liability as a percentage of covered-employee payroll	<u><u>10.13%</u></u>	<u><u>13.51%</u></u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 73 related benefits.

Note 2: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 272

Other Post-Employment Benefits Plan  
Schedule of Changes in the District's Net  
OPEB Liability and Related Ratios  
Year Ended June 30, 2018

	2018	2017
Total OPEB liability		
Service cost	\$ 541,720	\$ 542,422
Interest	790,171	766,806
Assumption changes	(104,010)	—
Plan changes	389,295	—
Benefit payments	(1,006,882)	(846,510)
Net change in total OPEB liability	610,294	462,718
Total OPEB liability – beginning of year	12,907,884	12,445,166
Total OPEB liability – end of year	13,518,178	12,907,884
Plan fiduciary net position		
Contributions – employer	—	132,324
Investment earnings	1,020,373	1,645,487
Differences between expected and actual experience	170,558	—
Benefit payments	(1,006,882)	(846,510)
Net change in plan fiduciary net position	184,049	931,301
Plan fiduciary net position – beginning of year	16,196,404	15,265,103
Plan fiduciary net position – end of year	16,380,453	16,196,404
Net OPEB liability (asset)	\$ (2,862,275)	\$ (3,288,520)
Fiduciary net position as a percentage of the total OPEB liability	121.17%	125.48%
Covered-employee payroll	\$ 75,075,856	\$ 72,889,181
Net OPEB (asset) as a percentage of covered-employee payroll	(3.81%)	(4.51%)

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 272

Other Post-Employment Benefits Plan  
Schedule of Investment Returns  
Year Ended June 30, 2018

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	10.78%
2018	7.40%

Note: The District implemented GASB Statement Nos. 74 and No. 75 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 272

Notes to Required Supplementary Information  
June 30, 2018

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

**2015 CHANGES IN PLAN PROVISIONS:**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS:**

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

INDEPENDENT SCHOOL DISTRICT NO. 272

Notes to Required Supplementary Information (continued)  
June 30, 2018

**TRA**

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The single discount rate was changed from 8.00 percent to 4.66 percent.

**2015 CHANGES IN PLAN PROVISIONS:**

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.



INDEPENDENT SCHOOL DISTRICT NO. 272

Notes to Required Supplementary Information (continued)  
June 30, 2018

**PENSION BENEFITS PLAN**

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The discount rate was changed from 2.90 percent to 3.50 percent.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and the retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 4.00 percent to 2.90 percent.

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**2018 CHANGES IN PLAN PROVISIONS:**

- An early retirement incentive was offered for teachers retiring at the end of the 2017–2018 school year. Teachers retiring after age 55 with 10 years of service will receive \$15,000 placed in a VEBA account. Plan A teachers (hired before October 1, 1993) receive the payment on June 30, 2023. Plan B teachers receive the payment no later than June 30, 2018.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The expected long-term investment return was changed from 6.10 percent to 6.30 percent.
- The discount rate was changed from 6.10 percent to 6.30 percent.

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS:**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and the retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 5.50 percent to 6.10 percent.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018	2017
Assets		
Cash and temporary investments	\$ 33,480,404	\$ 32,255,902
Receivables		
Current taxes	15,889,330	17,241,155
Delinquent taxes	297,338	235,212
Accounts and interest	127,446	144,014
Due from other governmental units	10,990,801	9,016,518
Due from other funds	1,006,882	714,186
Prepaid items	145,362	717,276
Total assets	<u>\$ 61,937,563</u>	<u>\$ 60,324,263</u>
Liabilities		
Salaries payable	\$ 5,149,570	\$ 5,115,007
Accounts and contracts payable	4,639,045	4,297,225
Due to other governmental units	350,336	267,413
Unearned revenue	286,191	338,962
Total liabilities	<u>10,425,142</u>	<u>10,018,607</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	30,928,607	30,435,801
Unavailable revenue – delinquent taxes	297,338	235,212
Total deferred inflows of resources	<u>31,225,945</u>	<u>30,671,013</u>
Fund balances (deficits)		
Nonspendable for prepaid items	145,362	717,276
Restricted for capital projects levy	485,096	48,183
Restricted for operating capital	852,824	695,379
Restricted for Medical Assistance	675,813	1,128,223
Restricted for long-term facilities maintenance	92,679	–
Assigned for site carryover	374,988	653,945
Assigned for activity accounts	463,047	622,895
Assigned for construction	697,417	782,417
Assigned for curriculum adoption	150,000	350,000
Unassigned – long-term facilities maintenance		
restricted account deficit	–	(18,882)
Unassigned	16,349,250	14,655,207
Total fund balances	<u>20,286,476</u>	<u>19,634,643</u>
Total liabilities, deferred inflows		
of resources, and fund balances	<u>\$ 61,937,563</u>	<u>\$ 60,324,263</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 34,592,554	\$ 34,390,488	\$ (202,066)	\$ 33,662,761
Investment earnings	150,000	350,364	200,364	171,298
Other	5,159,100	4,402,057	(757,043)	4,595,704
State sources	78,720,269	79,545,674	825,405	78,184,860
Federal sources	2,837,580	2,867,120	29,540	2,901,606
Total revenue	121,459,503	121,555,703	96,200	119,516,229
Expenditures				
Current				
Administration				
Salaries	2,738,665	2,750,031	11,366	2,730,276
Employee benefits	882,712	893,115	10,403	838,453
Purchased services	72,200	34,345	(37,855)	47,540
Supplies and materials	3,350	5,048	1,698	8,278
Other expenditures	67,400	59,950	(7,450)	61,183
Total administration	3,764,327	3,742,489	(21,838)	3,685,730
District support services				
Salaries	2,163,585	2,179,989	16,404	2,217,079
Employee benefits	743,542	672,413	(71,129)	760,446
Purchased services	1,869,265	1,725,796	(143,469)	1,614,567
Supplies and materials	1,013,412	821,634	(191,778)	687,382
Capital expenditures	273,728	370,144	96,416	120,315
Other expenditures	21,600	23,405	1,805	20,496
Total district support services	6,085,132	5,793,381	(291,751)	5,420,285
Elementary and secondary regular instruction				
Salaries	39,969,816	39,512,444	(457,372)	39,469,634
Employee benefits	11,006,203	12,089,344	1,083,141	10,878,888
Purchased services	3,041,601	1,889,674	(1,151,927)	2,009,493
Supplies and materials	1,645,238	2,612,441	967,203	2,134,687
Capital expenditures	120,380	220,135	99,755	2,727,382
Other expenditures	61,062	297,269	236,207	351,289
Total elementary and secondary regular instruction	55,844,300	56,621,307	777,007	57,571,373

## INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018		2017
	Budget	Actual	Over (Under) Budget
			Actual
Expenditures (continued)			
Current (continued)			
Vocational education instruction			
Salaries	1,132,660	1,028,250	(104,410)
Employee benefits	312,062	298,240	(13,822)
Purchased services	543,600	807,263	263,663
Supplies and materials	29,200	82,906	53,706
Other expenditures	514	9,813	9,299
Total vocational education instruction	2,018,036	2,226,472	208,436
Special education instruction			
Salaries	14,161,911	13,972,045	(189,866)
Employee benefits	4,348,881	4,283,437	(65,444)
Purchased services	1,800,496	2,737,694	937,198
Supplies and materials	124,350	88,016	(36,334)
Capital expenditures	212,250	203,009	(9,241)
Other expenditures	25,300	88,980	63,680
Total special education instruction	20,673,188	21,373,181	699,993
Instructional support services			
Salaries	5,154,732	5,028,708	(126,024)
Employee benefits	1,494,492	1,434,358	(60,134)
Purchased services	780,191	703,713	(76,478)
Supplies and materials	91,516	132,559	41,043
Capital expenditures	257,595	85,843	(171,752)
Other expenditures	15,925	35,837	19,912
Total instructional support services	7,794,451	7,421,018	(373,433)
Pupil support services			
Salaries	5,607,264	5,695,847	88,583
Employee benefits	2,437,679	2,355,425	(82,254)
Purchased services	262,950	342,181	79,231
Supplies and materials	844,355	793,529	(50,826)
Capital expenditures	495,000	266,646	(228,354)
Other expenditures	4,400	28,019	23,619
Total pupil support services	9,651,648	9,481,647	(170,001)

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	4,540,046	4,439,784	(100,262)	4,287,839
Employee benefits	1,431,377	1,518,051	86,674	1,371,943
Purchased services	3,088,716	3,059,701	(29,015)	2,953,435
Supplies and materials	933,200	1,047,521	114,321	955,361
Capital expenditures	2,089,251	1,792,544	(296,707)	1,024,355
Other expenditures	13,300	13,208	(92)	14,350
Total sites and buildings	12,095,890	11,870,809	(225,081)	10,607,283
Fiscal and other fixed cost programs				
Purchased services	217,215	381,996	164,781	312,351
Debt service				
Principal	1,872,985	1,872,965	(20)	4,420,936
Interest and fiscal charges	24,162	24,162	—	42,529
Total debt service	1,897,147	1,897,127	(20)	4,463,465
Total expenditures	120,041,334	120,809,427	768,093	121,237,792
Excess (deficiency) of revenue over expenditures	1,418,169	746,276	(671,893)	(1,721,563)
Other financing sources (uses)				
Capital lease issued	—	—	—	2,620,690
Sale of capital assets	—	83,976	83,976	1,389,100
Transfers (out)	(201,725)	(178,419)	23,306	(162,423)
Total other financing sources (uses)	(201,725)	(94,443)	107,282	3,847,367
Net change in fund balances	\$ 1,216,444	651,833	\$ (564,611)	2,125,804
Fund balances				
Beginning of year		19,634,643		17,508,839
End of year		\$ 20,286,476		\$ 19,634,643

## INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 791,065	\$ 729,227
Receivables		
Accounts and interest	3,120	1,344
Due from other governmental units	32,730	45,379
Inventory	108,557	121,961
Prepaid items	<u>—</u>	<u>3,248</u>
Total assets	<u>\$ 935,472</u>	<u>\$ 901,159</u>
Liabilities		
Salaries payable	\$ 8,810	\$ 24,543
Accounts and contracts payable	29,127	15,953
Due to other governmental units	—	160
Unearned revenue	<u>132,613</u>	<u>148,171</u>
Total liabilities	<u>170,550</u>	<u>188,827</u>
Fund balances		
Nonspendable for inventory	108,557	121,961
Nonspendable for prepaid items	—	3,248
Restricted for food service	<u>656,365</u>	<u>587,123</u>
Total fund balances	<u>764,922</u>	<u>712,332</u>
Total liabilities and fund balances	<u>\$ 935,472</u>	<u>\$ 901,159</u>



INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 2,000	\$ 9,675	\$ 7,675	\$ 3,430
Other – primarily meal sales	3,336,900	3,453,049	116,149	3,282,523
State sources	165,000	157,789	(7,211)	166,010
Federal sources	1,400,000	1,393,425	(6,575)	1,464,431
Total revenue	<u>4,903,900</u>	<u>5,013,938</u>	<u>110,038</u>	<u>4,916,394</u>
Expenditures				
Current				
Salaries	1,920,242	1,933,995	13,753	1,953,506
Employee benefits	751,048	760,168	9,120	764,553
Purchased services	187,500	256,792	69,292	184,453
Supplies and materials	1,944,000	1,911,067	(32,933)	1,994,616
Other expenditures	5,000	10,909	5,909	6,253
Capital outlay	75,000	88,417	13,417	95,631
Total expenditures	<u>4,882,790</u>	<u>4,961,348</u>	<u>78,558</u>	<u>4,999,012</u>
Net change in fund balances	<u>\$ 21,110</u>	52,590	<u>\$ 31,480</u>	(82,618)
Fund balances				
Beginning of year		<u>712,332</u>		<u>794,950</u>
End of year		<u>\$ 764,922</u>		<u>\$ 712,332</u>

## INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 1,329,792	\$ 1,731,896
Receivables		
Current taxes	378,606	424,119
Delinquent taxes	9,726	8,772
Accounts and interest	4,439	19,185
Due from other governmental units	63,423	94,147
Prepaid items	<u>46,200</u>	<u>61,132</u>
Total assets	<u><u>\$ 1,832,186</u></u>	<u><u>\$ 2,339,251</u></u>
Liabilities		
Salaries payable	\$ 105,093	\$ 63,081
Accounts and contracts payable	143,370	172,020
Due to other governmental units	6,790	6,432
Unearned revenue	<u>334,066</u>	<u>348,557</u>
Total liabilities	589,319	590,090
Deferred inflows of resources		
Property taxes levied for subsequent year	837,634	852,158
Unavailable revenue – delinquent taxes	<u>9,726</u>	<u>8,772</u>
Total deferred inflows of resources	847,360	860,930
Fund balances (deficits)		
Nonspendable for prepaid items	46,200	61,132
Restricted for community education programs	249,746	409,004
Restricted for early childhood family education programs	403,884	739,955
Unassigned – school readiness restricted account deficit	<u>(304,323)</u>	<u>(321,860)</u>
Total fund balances	<u>395,507</u>	<u>888,231</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,832,186</u></u>	<u><u>\$ 2,339,251</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 835,069	\$ 838,786	\$ 3,717	\$ 1,012,447
Investment earnings	4,000	12,349	8,349	9,303
Other – primarily tuition and fees	3,690,389	3,986,745	296,356	3,313,097
State sources	625,170	743,824	118,654	646,998
Total revenue	5,154,628	5,581,704	427,076	4,981,845
Expenditures				
Current				
Salaries	3,471,766	3,754,962	283,196	3,221,673
Employee benefits	988,627	1,087,671	99,044	1,000,292
Purchased services	1,095,869	1,158,173	62,304	1,104,555
Supplies and materials	165,035	242,596	77,561	212,921
Other expenditures	1,600	9,445	7,845	7,969
Total expenditures	5,722,897	6,252,847	529,950	5,547,410
Excess (deficiency) of revenue over expenditures	(568,269)	(671,143)	(102,874)	(565,565)
Other financing sources				
Transfers in	154,193	178,419	24,226	162,423
Net change in fund balances	\$ (414,076)	(492,724)	\$ (78,648)	(403,142)
Fund balances				
Beginning of year		888,231		1,291,373
End of year		\$ 395,507		\$ 888,231

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 6,221,419	\$ 10,984,818
Receivables		
Accounts and interest	57,987	24,403
Due from other governmental units	<u>12,618</u>	<u>—</u>
Total assets	<u>\$ 6,292,024</u>	<u>\$ 11,009,221</u>
Liabilities		
Accounts and contracts payable	\$ 724,729	\$ 1,223,024
Fund balances		
Restricted for long-term facilities maintenance	<u>5,567,295</u>	<u>9,786,197</u>
Total liabilities and fund balances	<u>\$ 6,292,024</u>	<u>\$ 11,009,221</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

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

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 30,000	\$ 84,386	\$ 54,386	\$ 29,294
Other	—	—	—	4,700
Total revenue	30,000	84,386	54,386	33,994
Expenditures				
Capital outlay				
Purchased services	5,126,750	4,303,288	(823,462)	6,734,915
Excess (deficiency) of revenue over expenditures	(5,096,750)	(4,218,902)	877,848	(6,700,921)
Other financing sources				
Debt issued	—	—	—	10,602,519
Premium on debt issued	—	—	—	326,471
Total other financing sources	—	—	—	10,928,990
Net change in fund balances	\$ (5,096,750)	(4,218,902)	\$ 877,848	4,228,069
Fund balances				
Beginning of year		9,786,197		5,558,128
End of year		\$ 5,567,295		\$ 9,786,197

THIS PAGE INTENTIONALLY LEFT BLANK

## INDEPENDENT SCHOOL DISTRICT NO. 272

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

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2018	2017
Assets				
Cash and temporary investments	\$ 3,236,475	\$ 2,868,381	\$ 6,104,856	\$ 5,771,528
Receivables				
Current taxes	2,210,288	1,811,649	4,021,937	3,980,628
Delinquent taxes	60,796	28,047	88,843	81,531
Accounts and interest	7,328	7,854	15,182	7,849
Due from other governmental units	5	5	10	10
Total assets	<u>\$ 5,514,892</u>	<u>\$ 4,715,936</u>	<u>\$ 10,230,828</u>	<u>\$ 9,841,546</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	\$ 4,890,176	\$ 4,008,136	\$ 8,898,312	\$ 7,997,807
Unavailable revenue – delinquent taxes	60,796	28,047	88,843	81,531
Total deferred inflows of resources	<u>4,950,972</u>	<u>4,036,183</u>	<u>8,987,155</u>	<u>8,079,338</u>
Fund balances				
Restricted for debt service	<u>563,920</u>	<u>679,753</u>	<u>1,243,673</u>	<u>1,762,208</u>
Total deferred inflows of resources and fund balances	<u>\$ 5,514,892</u>	<u>\$ 4,715,936</u>	<u>\$ 10,230,828</u>	<u>\$ 9,841,546</u>

## INDEPENDENT SCHOOL DISTRICT NO. 272

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

		2018	
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 7,916,087	\$ 3,911,620	\$ 3,972,139
Investment earnings	—	21,566	24,202
State sources	—	44	45
Total revenue	<u>7,916,087</u>	<u>3,933,230</u>	<u>3,996,386</u>
Expenditures			
Debt service			
Principal	5,895,000	2,460,000	3,435,000
Interest	2,549,551	2,144,713	404,838
Fiscal charges and other	3,600	3,150	450
Total expenditures	<u>8,448,151</u>	<u>4,607,863</u>	<u>3,840,288</u>
Excess (deficiency) of revenue over expenditures	(532,064)	(674,633)	156,098
Other financing sources			
Debt issued	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ (532,064)</u>	(674,633)	156,098
Fund balances			
Beginning of year		<u>1,238,553</u>	<u>523,655</u>
End of year		<u>\$ 563,920</u>	<u>\$ 679,753</u>



		2017
Total	Over (Under) Budget	Actual
\$ 7,883,759	\$ (32,328)	\$ 7,838,022
45,768	45,768	22,223
89	89	96
<u>7,929,616</u>	<u>13,529</u>	<u>7,860,341</u>
5,895,000	—	5,370,000
2,549,551	—	2,482,856
3,600	—	58,063
<u>8,448,151</u>	<u>—</u>	<u>7,910,919</u>
(518,535)	13,529	(50,578)
<u>—</u>	<u>—</u>	<u>337,481</u>
(518,535)	<u>\$ 13,529</u>	286,903
<u>1,762,208</u>		<u>1,475,305</u>
<u>\$ 1,243,673</u>		<u>\$ 1,762,208</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Internal Service Funds  
Combining Statement of Net Position  
as of June 30, 2018  
(With Comparative Totals as of June 30, 2017)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2018	2017
Assets				
Current assets				
Cash and temporary investments	\$ 2,985,049	\$ 427,238	\$ 3,412,287	\$ 1,733,417
Liabilities				
Current liabilities				
Unearned revenue	924,891	87,239	1,012,130	1,080,413
Claims payable	476,000	28,704	504,704	1,178,927
Total current liabilities	<u>1,400,891</u>	<u>115,943</u>	<u>1,516,834</u>	<u>2,259,340</u>
Net position				
Unrestricted	<u>\$ 1,584,158</u>	<u>\$ 311,295</u>	<u>\$ 1,895,453</u>	<u>\$ (525,923)</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Internal Service Funds  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2018	2017
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 12,354,639	\$ 1,257,118	\$ 13,611,757	\$ 12,335,413
Operating expenses				
Health benefit claims	9,946,365	—	9,946,365	11,945,983
Dental benefit claims	—	1,261,629	1,261,629	1,145,758
Total operating expenses	<u>9,946,365</u>	<u>1,261,629</u>	<u>11,207,994</u>	<u>13,091,741</u>
Operating income (loss)	2,408,274	(4,511)	2,403,763	(756,328)
Nonoperating revenue				
Investment earnings	<u>13,800</u>	<u>3,813</u>	<u>17,613</u>	<u>5,044</u>
Change in net position	2,422,074	(698)	2,421,376	(751,284)
Net position				
Beginning of year	<u>(837,916)</u>	<u>311,993</u>	<u>(525,923)</u>	<u>225,361</u>
End of year	<u>\$ 1,584,158</u>	<u>\$ 311,295</u>	<u>\$ 1,895,453</u>	<u>\$ (525,923)</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2018	2017
Cash flows from operating activities				
Contributions from governmental funds	\$ 12,289,063	\$ 1,254,411	\$ 13,543,474	\$ 13,415,826
Payment for health claims	(10,620,710)	—	(10,620,710)	(10,795,638)
Payment for dental claims	—	(1,261,507)	(1,261,507)	(1,140,340)
Net cash flows from operating activities	1,668,353	(7,096)	1,661,257	1,479,848
Cash flows from investing activities				
Investment income received	13,800	3,813	17,613	5,044
Net change in cash and cash equivalents	1,682,153	(3,283)	1,678,870	1,484,892
Cash and cash equivalents				
Beginning of year	1,302,896	430,521	1,733,417	248,525
End of year	\$ 2,985,049	\$ 427,238	\$ 3,412,287	\$ 1,733,417
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 2,408,274	\$ (4,511)	\$ 2,403,763	\$ (756,328)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Unearned revenue	(65,576)	(2,707)	(68,283)	1,080,413
Claims payable	(674,345)	122	(674,223)	1,155,763
Net cash flows from operating activities	\$ 1,668,353	\$ (7,096)	\$ 1,661,257	\$ 1,479,848

## INDEPENDENT SCHOOL DISTRICT NO. 272

Employee Benefit Trust Funds  
Combining Statement of Fiduciary Net Position  
as of June 30, 2018

	Employee Benefits Trust Fund	Post-Employment Benefits Trust Fund	Totals
Assets			
Cash and temporary investments	\$ 68,761	\$ —	\$ 68,761
Receivables			
Accounts and interest	2,330	51,347	53,677
Investments, at fair value			
Agency securities	—	99,443	99,443
Treasury securities	—	703,732	703,732
Mortgage-backed securities	—	49,167	49,167
Corporate obligations	—	3,406,768	3,406,768
Equities	—	5,032,486	5,032,486
Real estate investment trusts	—	64,095	64,095
Mutual funds	—	7,980,297	7,980,297
Total assets	<u>71,091</u>	<u>17,387,335</u>	<u>17,458,426</u>
Liabilities			
Accounts and contracts payable	24,102	—	24,102
Due to governmental funds	—	1,006,882	1,006,882
Total liabilities	<u>24,102</u>	<u>1,006,882</u>	<u>1,030,984</u>
Net position			
Restricted for employee cafeteria plan benefits	46,989	—	46,989
Restricted for OPEB	—	16,380,453	16,380,453
Total net position	<u>\$ 46,989</u>	<u>\$ 16,380,453</u>	<u>\$ 16,427,442</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Employee Benefit Trust Funds  
Combining Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2018

	Employee Benefits Trust Fund	Post-Employment Benefits Trust Fund	Totals
Additions			
Contributions			
Plan participants	\$ 489,679	\$ —	\$ 489,679
Investment earnings			
Total investment earnings	5,885	1,325,456	1,331,341
Less investment expense	—	134,525	134,525
Net investment earnings	5,885	1,190,931	1,196,816
Total additions	495,564	1,190,931	1,686,495
Deductions			
Employee benefits	1,332,243	—	1,332,243
OPEB	—	1,006,882	1,006,882
Total deductions	1,332,243	1,006,882	2,339,125
Change in net position	(836,679)	184,049	(652,630)
Net position			
Beginning of year	883,668	16,196,404	17,080,072
End of year	\$ 46,989	\$ 16,380,453	\$ 16,427,442

**SECTION III – STATISTICAL SECTION (UNAUDITED)**





## **STATISTICAL SECTION (UNAUDITED)**

This section of Independent School District No. 272's (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

### **Contents**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

#### **Operating Indicators**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's CAFR relates to the services the District provides, and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the District's CAFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 272

Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 24,743,020	\$ 28,961,979	\$ 31,238,048	\$ 37,922,925
Restricted	3,954,771	4,496,085	4,458,122	3,827,113
Unrestricted	10,864,172	10,950,127	14,590,499	14,591,609
Total governmental activities net position	<u>\$ 39,561,963</u>	<u>\$ 44,408,191</u>	<u>\$ 50,286,669</u>	<u>\$ 56,341,647</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$80.1 million. Prior years were not restated.

Note 2: The District implemented GASB Statement Nos. 73, 74, and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$11.3 million. Prior years were not restated.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 41,721,166	\$ 46,150,573	\$ 49,968,770	\$ 46,495,778	\$ 43,813,793	\$ 41,716,939
4,933,513	5,314,896	4,820,097	4,148,442	4,598,772	3,970,336
<u>13,424,028</u>	<u>12,945,749</u>	<u>(65,730,130)</u>	<u>(59,580,118)</u>	<u>(100,181,524)</u>	<u>(124,901,677)</u>
<u>\$ 60,078,707</u>	<u>\$ 64,411,218</u>	<u>\$ (10,941,263)</u>	<u>\$ (8,935,898)</u>	<u>\$ (51,768,959)</u>	<u>\$ (79,214,402)</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Expenses				
Administration	\$ 3,502,692	\$ 4,143,352	\$ 3,995,200	\$ 4,138,483
District support services	3,126,085	3,894,235	3,054,468	3,237,176
Elementary and secondary regular instruction	46,625,626	52,116,355	50,112,864	49,895,524
Vocational education instruction	2,278,841	2,058,781	1,832,713	1,869,260
Special education instruction	16,816,062	17,379,807	17,219,661	17,253,839
Instructional support services	5,748,701	5,872,358	5,308,108	6,096,063
Pupil support services	7,737,865	8,374,135	8,436,663	8,905,444
Sites and buildings	13,813,150	14,845,097	16,928,520	15,980,936
Fiscal and other fixed cost programs	295,504	285,524	271,816	281,021
Food service	4,669,235	4,279,727	4,284,420	4,511,845
Community service	5,448,067	4,859,368	4,868,967	5,042,537
Interest and fiscal charges	3,827,797	3,836,347	3,562,030	3,164,787
Total governmental activities expenses	113,889,625	121,945,086	119,875,430	120,376,915
Program revenues				
Charges for services				
Elementary and secondary regular instruction	1,304,278	1,204,157	1,262,449	1,469,962
Special education instruction	—	—	—	—
Instructional support services	15,618	2,656	—	—
Pupil support services	224,762	206,265	189,926	165,634
Sites and buildings	49,942	30,683	36,313	61,642
Food service	3,774,715	3,701,874	3,394,632	3,166,996
Community service	2,148,758	2,346,409	2,277,723	2,788,349
Operating grants and contributions	15,228,119	23,013,592	16,624,548	17,088,039
Capital grants and contributions	841,229	2,375,195	3,176,925	3,446,645
Total governmental activities program revenues	23,587,421	32,880,831	26,962,516	28,187,267
Net (expense) revenue	(90,302,204)	(89,064,255)	(92,912,914)	(92,189,648)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	27,213,756	26,165,030	37,366,027	23,222,475
Property taxes, levied for community service	1,289,673	1,469,042	1,838,319	1,203,912
Property taxes, levied for building construction	—	—	—	—
Property taxes, levied for debt service	11,278,858	13,477,263	12,004,142	13,271,401
General grants and aids	60,465,477	51,934,801	46,802,152	59,604,896
Unrestricted investment earnings	801,558	262,057	90,399	29,272
Gain on sale of capital assets	—	—	—	—
Miscellaneous	649,926	602,290	690,353	912,670
Total general revenues and other changes in net position	101,699,248	93,910,483	98,791,392	98,244,626
Change in net position	\$ 11,397,044	\$ 4,846,228	\$ 5,878,478	\$ 6,054,978

2013	2014	2015	2016	2017	2018
\$ 4,453,035	\$ 3,659,478	\$ 3,318,266	\$ 3,827,612	\$ 4,736,758	\$ 4,520,405
3,223,136	6,767,218	6,168,708	5,337,689	5,682,115	5,860,095
53,349,424	53,878,287	53,765,254	59,627,119	82,848,774	80,606,299
1,746,242	1,698,280	1,845,940	1,929,401	2,875,255	2,799,977
17,062,035	17,107,046	18,620,390	19,886,753	27,120,384	26,612,680
5,583,066	7,971,692	7,201,154	7,722,877	9,535,521	8,946,008
8,630,429	9,376,195	9,119,888	8,897,020	10,719,258	10,510,787
14,734,120	11,067,099	11,811,681	13,696,744	14,574,619	15,048,481
290,451	368,206	329,667	252,593	312,351	381,996
4,633,990	4,908,136	4,919,568	4,893,018	5,084,197	4,983,613
5,439,220	5,811,208	4,156,097	4,492,095	6,168,308	6,674,630
3,211,059	2,743,155	2,034,145	2,442,183	2,315,611	2,181,273
122,356,207	125,356,000	123,290,758	133,005,104	171,973,151	169,126,244
1,359,191	4,084,921	1,385,244	1,455,096	1,086,487	1,308,532
—	433,841	463,135	883,511	843,310	326,560
—	—	—	—	—	—
173,782	148,748	127,424	128,862	120,717	118,929
80,293	71,671	38,760	83,193	38,813	123,089
3,118,787	3,090,246	3,046,821	3,183,516	3,282,523	3,414,483
3,324,895	3,462,217	2,131,108	2,427,585	2,946,131	3,714,217
17,795,374	18,304,009	17,531,443	19,955,518	20,243,863	20,056,189
1,040,292	383,805	886,495	869,776	744,095	2,562,744
26,892,614	29,979,458	25,610,430	28,987,057	29,305,939	31,624,743
(95,463,593)	(95,376,542)	(97,680,328)	(104,018,047)	(142,667,212)	(137,501,501)
25,272,782	16,665,577	25,962,472	33,216,511	33,659,448	34,452,614
1,332,721	721,453	1,171,597	1,006,495	1,011,306	839,740
499,999	—	—	—	—	—
13,328,797	12,206,366	12,320,333	7,746,601	7,833,737	7,891,071
58,089,586	68,326,914	60,176,831	61,289,944	65,912,935	63,786,229
40,833	238,990	35,877	98,806	240,592	520,155
—	22,966	—	—	—	—
635,935	1,526,787	2,749,324	2,665,055	2,492,689	2,566,249
99,200,653	99,709,053	102,416,434	106,023,412	111,150,707	110,056,058
\$ 3,737,060	\$ 4,332,511	\$ 4,736,106	\$ 2,005,365	\$ (31,516,505)	\$ (27,445,443)

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

Governmental Activities Tax Revenues by Source and Levy Type  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

Fiscal Year	Property Tax					Total
	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service		
2009	\$ 27,213,756	\$ 1,289,673	\$ –	\$ 11,278,858	\$ 39,782,287	
2010	26,165,030	1,469,042	–	13,477,263	41,111,335	
2011	37,366,027	1,838,319	–	12,004,142	51,208,488	
2012	23,222,475	1,203,912	–	13,271,401	37,697,788	
2013	25,272,782	1,332,721	499,999	13,328,797	40,434,299	
2014	16,665,577	721,453	–	12,206,366	29,593,396	
2015	25,962,472	1,171,597	–	12,320,333	39,454,402	
2016	33,216,511	1,006,495	–	7,746,601	41,969,607	
2017	33,659,448	1,011,306	–	7,833,737	42,504,491	
2018	34,452,614	839,740	–	7,891,072	43,183,426	

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

## INDEPENDENT SCHOOL DISTRICT NO. 272

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 2,783,651	\$ —	\$ —	\$ —
Unreserved	14,637,947	—	—	—
Nonspendable	—	259,349	278,350	337,027
Restricted	—	1,920,583	2,514,651	1,880,684
Assigned	—	2,509,358	2,830,859	804,305
Unassigned	—	10,672,253	12,132,508	13,936,928
Total General Fund	<u>\$ 17,421,598</u>	<u>\$ 15,361,543</u>	<u>\$ 17,756,368</u>	<u>\$ 16,958,944</u>
All other governmental funds				
Reserved				
Community Service Fund	\$ 254,720	\$ —	\$ —	\$ —
Capital project funds	10,372,666	—	—	—
Debt service funds	—	—	—	13,545,008
Unreserved, reported in				
Special revenue funds	1,577,125	—	—	—
Debt service funds	2,290,994	—	—	—
Nonspendable	—	104,048	118,730	113,711
Restricted	—	9,267,346	15,507,318	8,980,899
Unassigned, reported in				
Special revenue funds	—	—	—	—
Total all other governmental funds	<u>\$ 14,495,505</u>	<u>\$ 9,371,394</u>	<u>\$ 15,626,048</u>	<u>\$ 22,639,618</u>
Total all governmental funds	<u>\$ 31,917,103</u>	<u>\$ 24,732,937</u>	<u>\$ 33,382,416</u>	<u>\$ 39,598,562</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which established new fund balance classifications. Fiscal year 2010 amounts have been restated.



2013	2014	2015	2016	2017	2018
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
244,799	952,663	422,808	462,195	717,276	145,362
684,054	810,854	1,256,917	1,207,446	1,871,785	2,106,412
708,318	1,834,953	3,036,146	2,727,888	2,409,257	1,685,452
13,722,291	11,824,573	10,281,140	13,111,310	14,636,325	16,349,250
<u>\$ 15,359,462</u>	<u>\$ 15,423,043</u>	<u>\$ 14,997,011</u>	<u>\$ 17,508,839</u>	<u>\$ 19,634,643</u>	<u>\$ 20,286,476</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
145,478	111,767	154,926	199,906	186,341	154,757
15,744,487	10,746,472	15,064,990	9,241,713	13,284,487	8,120,963
<u>—</u>	<u>—</u>	<u>(184,509)</u>	<u>(321,863)</u>	<u>(321,860)</u>	<u>(304,323)</u>
<u>\$ 15,889,965</u>	<u>\$ 10,858,239</u>	<u>\$ 15,035,407</u>	<u>\$ 9,119,756</u>	<u>\$ 13,148,968</u>	<u>\$ 7,971,397</u>
<u>\$ 31,249,427</u>	<u>\$ 26,281,282</u>	<u>\$ 30,032,418</u>	<u>\$ 26,628,595</u>	<u>\$ 32,783,611</u>	<u>\$ 28,257,873</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Local sources				
Property taxes	\$ 39,616,286	\$ 41,031,054	\$ 51,404,212	\$ 40,992,041
Investment earnings	841,719	405,512	90,399	29,272
Other	8,127,838	7,950,879	7,851,396	8,799,079
State sources	72,795,282	66,602,464	62,158,520	71,410,243
Federal sources	3,639,608	10,721,124	4,445,105	5,313,914
Total revenues	125,020,733	126,711,033	125,949,632	126,544,549
Expenditures				
Current				
Administration	4,687,670	4,077,932	3,968,529	4,126,012
District support services	3,719,405	3,838,206	3,366,929	3,203,924
Elementary and secondary regular instruction	55,351,574	48,095,266	45,677,557	46,664,877
Vocational education instruction	2,177,905	2,058,781	1,832,713	1,869,260
Special education instruction	19,743,834	17,342,047	17,024,148	17,263,273
Instructional support services	6,330,018	5,998,444	5,713,290	6,116,035
Pupil support services	8,062,132	7,522,119	8,089,888	8,244,509
Sites and buildings	12,877,556	12,233,537	12,576,180	12,692,387
Fiscal and other fixed cost programs	295,504	285,524	271,816	281,021
Food service	4,615,213	4,217,195	4,237,186	4,448,639
Community service	5,393,373	4,806,808	4,816,407	4,989,977
Capital outlay	7,316,264	9,303,142	9,001,838	10,217,981
Debt service				
Principal	8,774,919	9,677,141	8,850,329	9,813,895
Interest and fiscal charges	3,363,063	4,439,057	4,042,152	3,993,854
Total expenditures	142,708,430	133,895,199	129,468,962	133,925,644
Excess of revenues over (under) expenditures	(17,687,697)	(7,184,166)	(3,519,330)	(7,381,095)
Other financing sources (uses)				
Sale of capital assets	—	—	—	—
Insurance recovery proceeds	—	—	—	—
Capital lease issued	—	—	—	—
Debt issued	39,094,460	—	12,070,000	11,520,000
Premium on debt issued	—	—	98,809	2,077,241
Payment to refunded bond escrow agent	(13,005,000)	—	—	—
Transfer in	478,811	461,382	608,124	509,805
Transfer (out)	(478,811)	(461,382)	(608,124)	(509,805)
Total other financing sources (uses)	26,089,460	—	12,168,809	13,597,241
Net change in fund balances	\$ 8,401,763	\$ (7,184,166)	\$ 8,649,479	\$ 6,216,146
Debt service as a percentage of noncapital expenditures	8.8%	11.1%	10.5%	11.0%

2013	2014	2015	2016	2017	2018
\$ 40,508,045	\$ 29,522,943	\$ 39,380,714	\$ 42,043,669	\$ 42,513,230	\$ 43,113,033
40,807	238,771	35,818	98,544	235,548	502,542
9,315,124	12,469,887	10,254,894	11,199,258	11,196,024	11,841,851
72,240,750	82,458,725	74,137,366	77,667,614	78,997,964	80,447,376
4,062,261	4,032,872	3,987,082	4,075,184	4,366,037	4,260,545
126,166,987	128,723,198	127,795,874	135,084,269	137,308,803	140,165,347
4,544,080	3,721,836	3,339,290	3,584,683	3,685,730	3,742,489
3,221,560	6,578,632	6,252,752	5,494,082	5,420,285	5,793,381
52,948,572	52,490,337	52,144,459	57,391,706	57,571,373	56,621,307
1,746,242	1,855,742	1,868,424	1,946,168	2,198,932	2,226,472
17,046,948	17,512,064	18,874,537	19,999,874	19,933,386	21,373,181
5,575,141	7,803,481	7,278,407	7,755,337	7,470,572	7,421,018
8,322,069	8,983,572	9,048,612	9,002,606	9,574,415	9,481,647
13,580,178	8,831,002	8,953,223	11,225,225	10,607,283	11,870,809
290,451	368,206	329,667	252,593	312,351	381,996
4,695,697	5,080,318	4,806,685	4,834,354	4,903,381	4,872,931
5,386,661	5,758,648	4,052,806	4,469,778	5,547,410	6,252,847
5,459,202	4,945,754	6,069,185	5,738,416	6,830,546	4,391,705
9,632,857	11,313,922	13,544,547	7,424,957	9,790,936	7,767,965
4,391,302	3,291,854	2,915,695	2,760,168	2,583,448	2,577,313
136,840,960	138,535,368	139,478,289	141,879,947	146,430,048	144,775,061
(10,673,973)	(9,812,170)	(11,682,415)	(6,795,678)	(9,121,245)	(4,609,714)
—	22,966	1,935,052	70,551	1,389,100	83,976
—	871,675	—	—	—	—
3,865,771	3,949,384	2,925,198	3,321,304	2,620,690	—
25,170,000	—	10,310,000	—	10,940,000	—
684,067	—	263,301	—	326,471	—
(27,695,000)	—	—	—	—	—
513,349	345,710	213,684	187,683	162,423	178,419
(513,349)	(345,710)	(213,684)	(187,683)	(162,423)	(178,419)
2,024,838	4,844,025	15,433,551	3,391,855	15,276,261	83,976
\$ (8,649,135)	\$ (4,968,145)	\$ 3,751,136	\$ (3,403,823)	\$ 6,155,016	\$ (4,525,738)
11.0%	11.3%	12.6%	7.7%	9.0%	7.4%

INDEPENDENT SCHOOL DISTRICT NO. 272

General Governmental Tax Revenues by Source and Levy Type  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax				
	General Fund	Community Service Fund	Capital Projects – Building Construction	Debt Service Fund	Total
2009	\$ 27,100,200	\$ 1,284,292	\$ –	\$ 11,231,794	\$ 39,616,286
2010	26,113,936	1,466,173	–	13,450,945	41,031,054
2011	37,508,844	1,845,345	–	12,050,023	51,404,212
2012	26,516,728	1,203,912	–	13,271,401	40,992,041
2013	25,323,714	1,334,894	499,999	13,349,438	40,508,045
2014	16,618,372	719,110	–	12,185,461	29,522,943
2015	25,919,031	1,168,409	–	12,293,274	39,380,714
2016	33,239,697	1,010,283	–	7,793,689	42,043,669
2017	33,662,761	1,012,447	–	7,838,022	42,513,230
2018	34,390,488	838,786	–	7,883,759	43,113,033

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 272

Assessed and Actual Value of Taxable Property  
Last Ten Fiscal Years

Payable Year	(1) Residential Property	(1) Commercial Property	(1) Total Assessed Value	(2) Estimated Actual Taxable Value	Total Direct Tax Rate
2009	\$ 7,918,714,900	\$ 2,100,859,900	\$10,019,574,800	\$ 9,661,447,000	24.69 %
2010	7,157,914,400	1,840,890,500	8,998,804,900	9,235,410,000	25.96
2011	6,673,993,300	1,691,119,900	8,365,113,200	8,595,831,400	28.42
2012	6,207,699,397	1,717,671,300	7,925,370,697	8,166,688,156	29.29
2013	6,311,618,573	1,860,094,000	8,171,712,573	7,909,976,999	29.07
2014	6,402,140,621	1,914,628,600	8,316,769,221	8,004,131,794	27.82
2015	6,585,945,500	2,041,177,200	8,627,122,700	8,402,678,939	22.03
2016	6,412,304,300	2,666,034,900	9,078,339,200	8,898,122,781	20.95
2017	6,839,600,000	2,793,643,700	9,633,243,700	9,129,810,474	21.87
2018	6,929,195,500	2,943,607,000	9,872,802,500	9,476,978,643	20.53

(1) Source: City of Eden Prairie assessor. Includes all properties within the city boundaries. This breakdown is not available for property within school district boundaries. Residential includes single family homes, townhomes and condominiums, and all other property, including vacant land, farm, utilities, personal property, and railroad property. Commercial property above includes both commercial and industrial property.

(2) Source: Hennepin County. Includes all properties within the school district boundaries.

# INDEPENDENT SCHOOL DISTRICT NO. 272

## Property Tax Rates – Direct and Overlapping Governments Last Ten Fiscal Years

Tax Collection Calendar Year	ISD No. 272 Direct Rate (1)				Overlapping Rates	
	General Fund	Community Service	General Obligation Debt Service	Total Direct School Tax Rate	City of Bloomington	City of Chanhassen
2009	10.444%	1.399%	12.848%	24.691%	35.855%	22.993%
2010	12.601%	1.289%	12.069%	25.959%	39.771%	25.185%
2011	12.642%	1.248%	14.530%	28.420%	43.088%	26.604%
2012	13.365%	1.423%	14.504%	29.292%	44.776%	28.532%
2013	12.911%	1.623%	14.533%	29.067%	47.207%	28.429%
2014	12.514%	1.329%	13.974%	27.817%	50.545%	27.817%
2015	12.349%	1.109%	8.572%	22.030%	47.336%	24.634%
2016	11.824%	1.041%	8.083%	20.948%	45.909%	24.253%
2017	13.100%	0.844%	7.921%	21.865%	42.484%	23.856%
2018	11.331%	0.791%	8.403%	20.525%	42.127%	22.667%

(1) Tax capacity rate method.

(2) Special districts includes Metro Mosquito, Metro Council, and Metro Transit.

Sources: Overlapping rate data provided by the District's financial advisor, Ehlers & Associates and the School Tax Report from the County Auditor's Office.

City of Eden Prairie	City of Edina	Special Districts (2)	Hennepin County	Three Rivers Park District	Other	Total Eden Prairie Resident
27.271%	22.447%	2.579%	40.413%	3.334%	3.334%	101.622%
28.742%	22.972%	2.620%	42.056%	3.499%	3.499%	106.375%
31.239%	24.660%	2.949%	45.840%	3.765%	3.765%	115.978%
33.250%	26.247%	3.084%	48.231%	3.943%	2.941%	120.741%
34.617%	27.216%	3.242%	49.461%	4.054%	4.187%	124.628%
34.709%	27.920%	3.335%	49.959%	4.169%	4.547%	124.536%
33.954%	26.605%	3.006%	46.398%	3.789%	2.990%	112.167%
32.327%	27.137%	2.899%	45.356%	3.601%	4.263%	109.394%
32.667%	28.271%	2.821%	44.087%	3.365%	4.390%	109.195%
32.526%	27.849%	2.683%	42.808%	3.161%	4.333%	106.036%

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT SCHOOL DISTRICT NO. 272

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
United Healthcare Services, Inc.	\$ 3,515,970	1	2.89 %	\$ —	—	— %
CAPREF Eden Prairie, LLC (Eden Prairie Mall)	2,046,250	2	1.68	—	—	—
WPT Land 2, LP	1,680,590	3	1.38	—	—	—
FPACP3 Eden, LLC	965,214	4	0.79	—	—	—
REEP-MF Fountain Place, LLC	937,125	5	0.77	—	—	—
AGNL Health	895,830	6	0.74	—	—	—
Liberty Property Limited Partnership	715,230	7	0.59	3,076,160	1	2.48
OSWX Property, LLC	673,570	8	0.55	—	—	—
Lifetouch, Inc.	634,482	9	0.52	842,622	4	0.68
TMF II Parkway, LLC	623,438	10	0.51	—	—	—
Eden Prairie Mall, LLC	—	—	—	2,504,500	2	2.02
ADC Telecommunications, Inc.	—	—	—	1,102,050	3	0.89
Geneva Office Exchange, LLC	—	—	—	769,250	5	0.62
Kraus-Anderson, Inc.	—	—	—	656,960	6	0.53
Gelco Corporation	—	—	—	611,430	7	0.49
First Industrial, LP	—	—	—	596,196	8	0.48
Flying Cloud Office, Inc.	—	—	—	595,430	9	0.48
LT Landlord, LLC	—	—	—	583,540	10	0.47
Total principal taxpayers	12,687,699		10.43	11,338,138		9.13
All other taxpayers	108,913,895		89.57	112,798,664		90.87
Total	\$ 121,601,594		100.00 %	\$ 124,136,802		100.00 %

Source: City of Eden Prairie

INDEPENDENT SCHOOL DISTRICT NO. 272

Property Tax Levies, Collections, and Receivables  
Last Ten Fiscal Years

For Taxes Collectible	Taxes Levied for the Fiscal Year					Collected Within the First Year of Levy	
	General Fund Basic Levy	Community Service Levy	Debt Service Levy	OPEB/Pension Levy	Total Tax Levy	Current Tax Collection	Percentage of Levy
2009	\$ 25,966,291	\$ 1,500,420	\$ 11,798,430	\$ 1,981,324	\$ 41,246,465	\$ 19,865,349	48.2 %
2010	28,093,064	1,309,775	11,232,990	1,036,573	41,672,402	20,510,475	49.2
2011	26,602,500	1,168,806	12,814,385	798,972	41,384,663	20,380,373	49.2
2012	25,975,642	1,281,184	12,593,426	472,886	40,323,138	20,152,524	50.0
2013	25,444,223	1,419,490	11,189,819	1,521,684	39,575,216	19,897,572	50.3
2014	25,529,344	1,175,946	11,573,877	1,175,946	39,455,113	19,796,741	50.2
2015	33,319,644	1,022,125	4,092,167	3,808,316	42,242,252	20,739,473	49.1
2016	33,574,885	1,030,212	4,079,271	3,920,004	42,604,372	21,408,517	50.2
2017	34,640,296	852,158	3,968,095	4,029,712	43,490,261	21,844,359	50.2
2018	35,153,927	837,634	4,890,176	4,008,136	44,889,873	24,600,000	54.8

Note: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent
	Total Tax Collection	Percentage of Levy		
\$ 21,381,116	\$ 41,246,465	100.0 %	\$ —	— %
21,161,927	41,672,402	100.0	—	—
20,951,945	41,332,318	99.9	52,345	0.1
20,162,649	40,315,173	100.0	7,965	0.0
19,667,835	39,565,407	100.0	9,809	0.0
19,615,161	39,411,902	99.9	43,211	0.1
21,491,271	42,230,744	100.0	11,508	0.0
21,073,152	42,481,669	99.7	122,703	0.3
21,497,536	43,341,895	99.7	148,366	0.3
—	24,600,000	54.8	—	—
			<u>\$ 395,907</u>	

INDEPENDENT SCHOOL DISTRICT NO. 272

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Capital Improvement Loans	Capital Leases	Special Assessments Payable	Total Primary Government		
2009	\$ 92,694,897	\$ 1,668,850	\$ —	\$ 202,772	\$ 94,566,519	— %	\$ 1,525
2010	83,001,078	1,491,709	—	137,362	84,630,149	—	1,352
2011	86,307,559	1,306,380	—	80,547	87,694,486	—	1,442
2012	89,894,608	1,112,485	—	32,325	91,039,418	—	1,477
2013	77,926,451	909,628	2,812,956	4,105	81,653,140	—	1,317
2014	67,533,863	697,395	5,365,651	—	73,596,909	—	1,187
2015	67,926,290	475,351	4,573,346	—	72,974,987	—	1,163
2016	62,311,892	243,044	6,047,000	—	68,601,936	—	1,096
2017	67,930,803	—	4,489,798	—	72,420,601	—	1,133
2018	61,744,640	—	2,616,833	—	64,361,473	—	1,019

(1) Presented net of issuance premiums and discounts.

(2) Personal income information for residents living within the District is not available.

(3) See Demographics and Economic Statistics table for source of estimated population.

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 272

Ratio of Net General Obligation Bonded Debt  
to Market Value and Net General Obligation Bonded Debt  
per Capita  
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds on Hand (2)	Net Bonded Debt	Estimated Actual Taxable Value (3)	Percent of Net Debt to Estimated Actual Taxable Value	Estimated Population (4)	Net Bonded Debt per Capita
2009	\$ 92,694,897	\$ 2,290,994	\$ 90,403,903	\$9,661,447,000	0.94 %	61,993	\$ 1,458
2010	83,001,078	2,080,062	80,921,016	9,235,410,000	0.88	62,604	1,293
2011	86,307,559	1,920,513	84,387,046	8,595,831,400	0.98	60,797	1,388
2012	89,894,608	15,477,778	74,416,830	8,166,688,156	0.91	61,657	1,207
2013	77,926,451	1,859,579	76,066,872	7,909,976,999	0.96	62,004	1,227
2014	67,533,863	1,079,474	66,454,389	8,004,131,794	0.83	62,004	1,072
2015	67,926,290	1,718,842	66,207,448	8,402,678,939	0.79	62,729	1,055
2016	62,311,892	1,475,305	60,836,587	8,898,122,781	0.68	62,593	972
2017	67,930,803	1,762,208	66,168,595	9,129,810,474	0.72	63,914	1,035
2018	61,744,640	1,243,673	60,500,967	9,476,978,643	0.64	63,163	958

(1) Presented net of issuance premiums and discounts.

(2) Includes all restricted fund balances in the Debt Service Fund. We believe this is the most accurate and consistent representation of the resources restricted for debt service as it includes crossover refunding bond proceeds held in escrow when applicable, which are not included in the governmental activities net position restricted for debt service, due to the conversion for full accrual accounting.

(3) See Assessed and Actual Value of Taxable Property table for estimated actual taxable value.

(4) See Demographics and Economic Statistics table for source of estimated population.

Source: Annual school district census and U.S. Census

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

Direct and Overlapping Debt  
as of June 30, 2018

Governmental Unit	2017-2018 Taxable Net Tax Capacity	Bonded Debt	Percent Allocable to ISD No. 272	Portion Allocable to ISD No. 272
Independent School District No. 272	\$ 105,811,709	\$ 64,361,473	100.00 %	\$ 64,361,473
Overlapping debt				
Hennepin County	\$ 1,838,226,093	\$ 1,022,555,000	5.76 %	58,860,166
City of Bloomington	\$ 143,857,556	\$ 57,340,000	0.33 %	187,070
City of Chanhassen	\$ 46,919,533	\$ 6,435,000	1.84 %	118,619
City of Eden Prairie	\$ 112,119,923	\$ 40,060,000	86.08 %	34,482,169
City of Edina	\$ 128,452,728	\$ 19,155,000	0.68 %	131,056
Metropolitan Council	\$ 3,971,779,581	\$ 148,045,000	2.66 %	3,944,049
Three Rivers Park District	\$ 1,304,690,419	\$ 53,355,000	8.11 %	4,327,144
Total overlapping debt				<u>102,050,274</u>
Total direct and overlapping debt				<u>\$ 166,411,747</u>

Note: The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Source: Taxable value data used to estimate applicable percentages and debt outstanding data provided by the District's financial advisor, Ehlers & Associates.

## INDEPENDENT SCHOOL DISTRICT NO. 272

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Dollars in Thousands)

	Fiscal Year			
	2009	2010	2011	2012
Debt limit	\$ 1,438,263	\$ 1,446,763	\$ 1,260,243	\$ 1,188,806
Total debt applicable to the limit	91,465	81,965	85,370	87,270
Legal debt margin	<u>\$ 1,346,798</u>	<u>\$ 1,364,798</u>	<u>\$ 1,174,873</u>	<u>\$ 1,101,536</u>
Total debt applicable to the limit as a percentage of debt limit	6.36%	5.67%	6.77%	7.34%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: State of Minnesota School Tax Report



2013	2014	2015	2016	2017	2018
\$ 1,174,647	\$ 1,247,515	\$ 1,285,487	\$ 1,354,606	\$ 1,388,302	\$ 1,438,249
75,315	65,610	66,315	60,970	66,540	60,645
<u>\$ 1,099,332</u>	<u>\$ 1,181,905</u>	<u>\$ 1,219,172</u>	<u>\$ 1,293,636</u>	<u>\$ 1,321,762</u>	<u>\$ 1,377,604</u>
6.41%	5.26%	5.16%	4.50%	4.79%	4.22%

Legal Debt Margin Calculation for Fiscal Year 2018

Market value	\$ 9,588,326
Debt limit (15% of market value)	1,438,249
Debt applicable to the limit General obligation bonds	<u>60,645</u>
Legal debt margin	<u>\$ 1,377,604</u>

INDEPENDENT SCHOOL DISTRICT NO. 272

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	City of Eden Prairie			School Enrollment	Unemployment Rate (3)
	Population (3)	Personal Income (1)	Per Capita Personal Income (1)		
2009	61,993	\$ —	\$ —	9,593	4.1 %
2010	62,604 (2)	—	—	9,596	5.8
2011	60,797	—	—	9,487	5.2
2012	61,657	—	—	9,162	5.2
2013	62,004	—	—	9,046	4.7
2014	62,004	—	—	9,011	4.0
2015	62,729	—	—	8,941	2.4
2016	62,593	—	—	8,844	2.3
2017	63,914	—	—	8,835	2.6
2018	63,163	—	—	8,780	2.4

(1) Personal income information for residents living within the District is not available.

(2) Information from the U.S. Census Bureau.

(3) Official Metropolitan Council estimate, except where otherwise noted.

INDEPENDENT SCHOOL DISTRICT NO. 272

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year					
	2018			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Eden Prairie Mall LLC/Homart Development	2,310	1	16.31 %	2,424	1	18.37 %
C.H. Robinson Worldwide, Inc.	2,062	2	14.56	1,296	5	9.82
Starkey Labs	2,000	3	14.12	1,400	4	10.61
Emerson Process Management	1,500	4	10.59	—	—	—
ISD No. 272 (Eden Prairie)	1,482	5	10.47	1,992	2	15.10
Element Fleet Management	1,200	6	8.47	—	—	—
Super Valu Stores, Inc.	1,100	7	7.77	1,498	3	11.35
MicroTech Hearing Instruments	1,000	8	7.06	1,200	6	9.09
MTS Systems Corporation	900	9	6.36	858	8	6.50
Eaton Corporation	606	10	4.28	—	—	—
Ingenix, Inc.	—	—	—	900	7	6.82
City of Eden Prairie	—	—	—	827	9	6.27
CIGNA Behavioral Health, Inc.	—	—	—	800	10	6.06
Total	<u>14,160</u>		<u>100.00 %</u>	<u>13,195</u>		<u>100.00 %</u>
Total ISD No. 272 population (see the Demographic and Economic Statistics)	<u>63,163</u>			<u>61,993</u>		
Percent of principal employers to total ISD No. 272 population	<u>22.4%</u>			<u>21.3%</u>		

Source: City of Eden Prairie

INDEPENDENT SCHOOL DISTRICT NO. 272

Employees by Classification  
Last Ten Fiscal Years

Licensed Employees	Fiscal Year			
	2009	2010	2011	2012
Administrative staff	25.0	20.0	19.8	19.8
Support service staff	55.0	60.3	56.4	57.7
Classroom teachers	587.4	583.7	561.6	553.7
Special education teachers	28.8	48.2	40.4	54.0
Total	696.2	712.2	678.2	685.2

Source: Minnesota Department of Education STARS report (October 1)

2013	2014	2015	2016	2017	2018
20.8	23.7	24.5	24.5	20.8	19.8
55.8	56.6	51.0	53.0	51.9	53.5
540.5	548.9	544.9	570.7	558.2	557.2
43.1	21.7	19.0	20.7	25.5	34.1
660.2	650.9	639.4	668.9	656.4	664.6

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

Operating Statistics  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Total Governmental Funds Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio
2009	9,593	\$ 142,708,430	\$ 14,876	10.4 %	587.4	16.3
2010	9,596	133,895,199	13,953	(6.2)	583.7	16.4
2011	9,487	129,468,962	13,647	(2.2)	561.6	16.9
2012	9,162	133,925,644	14,618	7.1	553.7	16.5
2013	9,046	136,840,960	15,127	3.5	540.5	16.7
2014	9,011	138,535,368	15,374	1.6	548.9	16.4
2015	8,941	139,478,289	15,600	1.5	544.9	16.4
2016	8,844	141,879,947	16,043	2.8	570.7	15.5
2017	8,835	146,430,048	16,574	3.3	558.2	15.8
2018	8,780	144,775,061	16,489	(0.5)	557.2	15.8

Note: Enrollment is as of October 1.

Source: District records

## INDEPENDENT SCHOOL DISTRICT NO. 272

School Building Information  
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Elementary Schools				
Eden Lake (1987)				
Enrollment (1)	908.68	893.45	853.94	812.58
Square feet	110,469	110,469	110,469	110,469
Forest Hills (1972)				
Enrollment (1)	607.20	586.24	582.25	548.82
Square feet	93,000	93,000	93,000	93,000
Prairie View (1965)				
Enrollment (1)	678.05	645.83	559.10	542.05
Square feet	95,063	95,063	95,063	95,063
Cedar Ridge (1987)				
Enrollment (1)	875.29	868.36	904.32	707.59
Square feet	115,599	115,599	115,599	115,599
Oak Point Facility (1990)				
Square feet	278,887	278,887	278,887	278,887
Oak Point Elementary				
Enrollment (1)	1,438.12	1,378.78	1,336.08	1,305.10
Eagle Heights Spanish Immersion (2)				
Enrollment (1)	466.86	565.51	692.48	806.28
Middle School				
Central Middle School (1960)				
Enrollment (1)	1,473.91	1,456.77	1,450.82	1,416.84
Square feet	242,699	242,699	242,699	242,699
High School				
Eden Prairie High School (1981)				
Enrollment (1)	3,145.38	3,201.26	3,107.86	3,022.32
Square feet	689,771	689,771	689,771	689,771
Total enrollment	9,593.49	9,596.20	9,486.85	9,161.58
Total square feet	1,625,488	1,625,488	1,625,488	1,625,488
Athletics				
Football fields	2	2	2	2
Soccer fields	5	5	5	5
Running tracks	2	2	2	2
Baseball/softball	2	2	2	2
Swimming pools	1	1	1	1
Playgrounds	6	6	6	6

(1) Enrollment reflects average daily membership (ADM) served by site. Resident students served under tuition agreements are excluded from this enrollment data.

(2) Eagle Heights Spanish Immersion School was housed partially at the Oak Point facility from 2009 to 2012.

Source: Square footage, capacity, and athletic statistics are derived from district records. Enrollment was obtained from a combination of district records and school ADM reports available on the Minnesota Department of Education website.



2013	2014	2015	2016	2017	2018
940.20	900.91	881.27	727.95	803.15	823.88
110,469	110,469	110,469	110,469	110,469	110,469
654.51	724.90	752.10	773.48	636.19	650.28
93,000	93,000	93,000	93,000	93,000	93,000
651.84	658.30	657.17	682.87	709.83	727.42
95,063	95,063	95,063	95,063	95,063	95,063
842.69	776.56	750.92	723.29	673.38	631.72
115,599	115,599	115,599	115,599	115,599	115,599
278,887	278,887	278,887	278,887	278,887	278,887
795.10	782.16	757.16	757.58	738.30	740.28
830.92	814.63	808.76	814.13	824.38	830.05
1,396.94	1,424.11	1,415.40	1,377.65	1,368.09	1,341.93
242,699	242,699	242,699	242,699	242,699	242,699
2,934.10	2,929.31	3,026.64	2,893.37	2,989.96	2,937.77
689,771	689,771	689,771	689,771	689,771	689,771
9,046.30	9,010.88	9,049.42	8,750.32	8,743.28	8,683.33
1,625,488	1,625,488	1,625,488	1,625,488	1,625,488	1,625,488
2	2	2	2	2	2
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
6	6	6	6	6	6

INDEPENDENT SCHOOL DISTRICT NO. 272

Food Service  
School Lunch Program Data  
Last Ten Fiscal Years

Year Ended June 30,	Program Adult Meals	Meals Served Students	Full Price Meals Served	Free Meals Served	Reduced-Price Meals Served
2009	30,126	970,570	763,774	165,686	41,110
2010	26,207	971,678	724,201	205,915	41,562
2011	29,850	959,409	695,428	220,201	43,780
2012	26,234	896,075	643,794	210,399	41,882
2013	23,978	833,667	577,623	218,766	37,278
2014	7,789	797,641	534,096	224,999	38,546
2015	5,633	845,853	578,949	222,388	44,516
2016	3,707	811,294	546,690	219,430	45,174
2017	4,083	798,449	543,414	210,444	44,591
2018	17,224	782,399	524,985	213,101	44,313

Year Ended June 30,	Student Regular Lunch Prices		
	Elementary	Middle	High School (1)
2009	\$ 2.35	\$ 2.60	\$ 2.60
2010	2.35	2.60	2.60
2011	2.40	2.65	2.65
2012	2.40	2.65	2.65
2013	2.40	2.65	2.65
2014	2.50	2.75	2.75
2015	2.60	2.85	2.85
2016	2.70	3.05	3.05
2017	2.70	3.05	3.05
2018	2.85	3.20	3.20

(1) Includes new generation and ethnic food options.

## INDEPENDENT SCHOOL DISTRICT NO. 272

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2009	83.90	638.42	4,336.57	4,731.13	9,790.02	11,356.36
2010	86.12	661.80	4,279.36	4,774.44	9,801.72	11,367.79
2011	85.34	663.98	4,270.65	4,694.38	9,714.35	11,251.77
2012	89.25	578.66	4,150.02	4,593.11	9,411.04	10,941.60
2013	106.10	629.48	4,080.75	4,500.90	9,317.23	10,794.31
2014	104.31	560.27	4,006.32	4,492.37	9,163.27	10,662.17
2015	123.38	595.08	3,889.68	4,445.20	9,053.34	9,942.38
2016	126.05	561.73	3,880.82	4,380.66	8,949.26	9,825.39
2017	116.98	561.06	3,791.63	4,466.26	8,935.93	9,829.18
2018	119.84	564.86	3,801.12	4,347.08	8,832.90	9,702.32

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: Beginning in fiscal 2015, changes in ADM weightings as noted below reduced the calculated pupil units.

Note 3: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2009 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2018	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

THIS PAGE INTENTIONALLY LEFT BLANK

Management Report  
for  
Independent School District No. 272  
Eden Prairie, Minnesota  
June 30, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

We have prepared this management report in conjunction with our audit of Independent School District No. 272's (the District) financial statements for the year ended June 30, 2018. We have organized this report into the following sections:

- Audit Summary
- Funding Public Education in Minnesota
- Financial Trends of Your District
- Legislative Summary
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the District, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to school district financing in Minnesota. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
November 8, 2018

THIS PAGE INTENTIONALLY LEFT BLANK



## AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the School Board, administration, or those charged with governance of the District.

### **OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (UNIFORM GUIDANCE)**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

### **AUDIT OPINION AND FINDINGS**

Based on our audit of the District's financial statements for the year ended June 30, 2018:

- We have issued an unmodified opinion on the District's basic financial statements.
- We reported no deficiencies in the District's internal control over financial reporting that we considered to be material weaknesses. It should be understood that internal controls are never perfected, and those controls, which protect the District's funds from such things as fraud and accounting errors, need to be continually reviewed by management and modified as necessary.
- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards*.
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the District has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.

- We reported two matters involving the internal controls over compliance and its operation that we consider to be significant deficiencies in our testing of major federal programs:
  1. For the child nutrition cluster federal program, the District did not have adequate controls in place to assure compliance with special tests and provisions requirements for the accurate completion of verification testing for free and reduced-price applications.
  2. For the special education cluster and Title I federal programs, the District did not have sufficient controls to ensure adequate and timely documentation of time and effort was created and retained to support salary costs charged to federal programs.
- We reported one finding based on our testing of the District's compliance with Minnesota laws and regulations:
  1. For 2 of 40 disbursements tested, the District was not in compliance with Minnesota Statutes requiring payment of invoices within 35 days from the receipt of goods or services, or the invoice for goods or services, for districts with governing boards that meet at least once a month.

#### **EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

In accordance with Minnesota Statutes, the District's School Board has elected not to exercise control over the transactions of the extracurricular student activity accounts maintained at various district sites. Consequently, the cash receipts and disbursements of the District's extracurricular student activity accounts are reported in a separate set of financial statements, rather than being reported within the District's General Fund. We have issued an opinion on these separate financial statements, stating that they fairly present the cash balances and cash receipts and disbursements of these accounts as of and for the year ended June 30, 2018, in accordance with the financial reporting provisions of the Minnesota Department of Education (MDE) (regulatory basis of accounting). Our opinion was qualified for a limitation related to the completeness of cash receipts reported.

We reported one deficiency involving internal control over financial reporting for the District's extracurricular student activities that we consider to be a material weakness:

- The District reports student activities on a cash basis, and has not established procedures to assure that all cash collections are recorded in the accounting records. Procedures, such as the use and reconciliation of prenumbered receipts, prenumbered admission tickets for events, and inventory controls over items sold for fundraisers, would help strengthen the controls in this area.

We also issued a report on compliance with the MDE's *Manual for Activity Fund Accounting*, in which we reported one finding:

- We identified 2 of 25 student activity receipts tested that lacked the signature of the student treasurer as defined in the *Manual for Activity Fund Accounting*.

## **FOLLOW-UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

As a part of the audit of the District's financial statements for the year ended June 30, 2018, we performed procedures to follow-up on any findings and recommendations that resulted from the prior year audit. We reported the following findings that were corrected by the District in the current year:

- During our audit of the year ended June 30, 2017, we noted that the District did not have adequate controls in place to assure compliance with procurement requirements for bids and/or quotations for contracts in the child nutrition cluster federal program. This resulted in a significant deficiency in internal controls over compliance and reportable instances of noncompliance in the child nutrition cluster federal programs, and a compliance finding with Minnesota Statutes requiring a contract awarded based on sealed bids or quotations. Based on our testing in the current year, the District implemented adequate procedures to correct this prior year finding.
- For one of two projects selected for testing that were completed during the 2017 fiscal year, the statutory requirement to obtain a Form IC134 or Contractor's Withholding Affidavit prior to making the final payment to a contractor was not met. Based on the current year testing, there is not a similar finding in the current year.

## **SIGNIFICANT ACCOUNTING POLICIES**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 of the notes to basic financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2018. However, the District implemented the following governmental accounting standard during the fiscal year ended June 30, 2018:

- Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, which addresses issues that have been identified during implementation and application of certain GASB statements.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

## ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a state-wide database—MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for the current fiscal year is not finalized until after the District has closed its financial records. General education revenue and certain other revenues are computed using preliminary information on the number of students served in the resident district and also utilizing some estimates, particularly in the area of enrollment options.

Special education state aid includes an adjustment related to tuition billings to and from other school districts for special education services, which are computed using formulas derived by the MDE. Because of the timing of the calculations, this adjustment for the current fiscal year is not finalized until after the District has closed its financial records. The impact of this adjustment on the receivable and revenue recorded for state special education aid is calculated using preliminary information available to the District.

The District has recorded a liability in the Statement of Net Position for compensated absences for which it is probable employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), the potential use of accumulated sick leave prior to termination, and the age at which such employees are likely to retire.

The District has recorded activity for other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies described in GASB Statement Nos. 68, 73, and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

The depreciation of capital assets involves estimates pertaining to useful lives.

The District's self-insured activities require recording a liability for claims incurred, but not yet reported, which are based on estimates.

We evaluated the key factors and assumptions used by management to develop the estimates discussed above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

## **DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

## **MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated November 8, 2018.

## **MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **OTHER AUDIT FINDINGS OR ISSUES**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **OTHER MATTERS**

We applied certain limited procedures to the management's discussion and analysis (MD&A) and the pension and OPEB-related required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental information accompanying the financial statements and the separately issued Schedule of Expenditures of Federal Awards and Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## FUNDING PUBLIC EDUCATION IN MINNESOTA

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this report. A summary of legislative changes affecting school districts and charter schools included later in this report gives an indication of how complicated the funding system is. This section provides some state-wide funding and financial trend information.

### BASIC GENERAL EDUCATION REVENUE

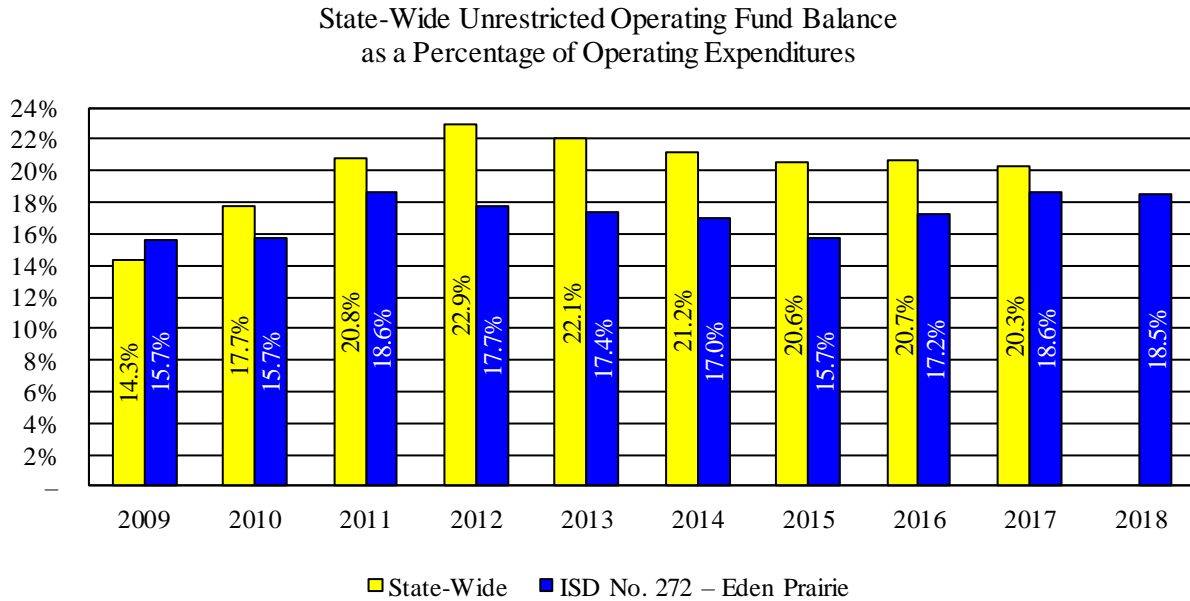
The largest single funding source for Minnesota school districts is basic general education aid. Each year, the Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to average daily membership (ADM). Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

The table below presents a summary of the formula allowance for the past decade and as approved for the 2019 fiscal year. The amount of the formula allowance and the percentage change from year-to-year excludes temporary funding changes, the “roll-in” of aids that were previously funded separately, and changes that may vary dependent on actions taken by individual districts. The \$529 increase in 2015 was offset by changes to pupil weightings and the general education aid formula that resulted in an increase equivalent to approximately \$105, or 2.0 percent, state-wide.

Fiscal Year Ended June 30,	Formula Allowance	
	Amount	Percent Increase
2009	\$ 5,124	1.0 %
2010	\$ 5,124	– %
2011	\$ 5,124	– %
2012	\$ 5,174	1.0 %
2013	\$ 5,224	1.0 %
2014	\$ 5,302	1.5 %
2015	\$ 5,831	2.0 %
2016	\$ 5,948	2.0 %
2017	\$ 6,067	2.0 %
2018	\$ 6,188	2.0 %
2019	\$ 6,312	2.0 %

## STATE-WIDE SCHOOL DISTRICT FINANCIAL HEALTH

One of the most common and comparable statistics used to evaluate school district financial health is the unrestricted operating fund balance as a percentage of operating expenditures.



Note: State-wide information is not available for fiscal 2018.

The calculation above reflects only the unrestricted fund balance of the General Fund, and the corresponding expenditures, which is the same method the state uses for the calculation of statutory operating debt. We have also included the comparable percentages for your district.

During the economic downturn that began in 2008, the average unrestricted fund balance as a percentage of operating expenditures maintained by Minnesota school districts increased, peaking at 22.9 percent at the end of fiscal 2012. This trend reflected districts' efforts to limit budget cuts, retain educational programs, and maintain adequate operating cash flow during a period of uncertain funding. As the state's economic condition improved in subsequent years, this ratio has gradually decreased, stabilizing at 20.3 percent at the end of fiscal 2017.

As of June 30, 2018, this ratio was 18.5 percent for the District, as compared to 18.6 percent at the end of the previous year.



The table below shows a comparison of governmental fund revenue per ADM received by Minnesota school districts and your district. Revenues for all governmental funds are included, except for the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds. Other financing sources, such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers, are also excluded.

<b>Governmental Funds Revenue per Student (ADM) Served</b>							
	State-Wide		Seven-County Metro Area		ISD No. 272 – Eden Prairie		
	2016	2017	2016	2017	2016	2017	2018
<b>General Fund</b>							
Property taxes	\$ 1,777	\$ 1,933	\$ 2,342	\$ 2,516	\$ 3,677	\$ 3,729	\$ 3,854
Other local sources	495	515	392	423	583	528	533
State	9,271	9,386	9,357	9,387	8,510	8,660	8,915
Federal	432	450	447	480	293	321	321
Total General Fund	11,975	12,284	12,538	12,806	13,063	13,238	13,623
<b>Special revenue funds</b>							
Food Service	548	561	545	557	528	545	562
Community Service	591	628	692	733	482	552	626
Debt Service Fund	1,053	1,119	1,084	1,118	444	440	441
Total revenue	<u>\$ 14,167</u>	<u>\$ 14,592</u>	<u>\$ 14,859</u>	<u>\$ 15,214</u>	<u>\$ 14,517</u>	<u>\$ 14,775</u>	<u>\$ 15,252</u>
ADM served per MDE School District Profiles Report (current year estimated)					<u>9,041</u>	<u>9,028</u>	<u>8,923</u>
Note: Excludes the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds.							
Source of state-wide and seven-county metro area data: School District Profiles Report published by the MDE							

ADM used in the table above and on the next page are based on enrollments consistent with those used in the MDE School District Profiles Report, which include extended time ADM, and may differ from ADM reported in other tables.

The mix of local and state revenues vary from year to year primarily based on funding formulas and the state's financial condition. The mix of revenue components from district to district varies, due to factors such as the strength of property values, mix of property types, operating and bond referendums, enrollment trends, density of population, types of programs offered, and countless other criteria.

The District earned \$136,084,575 in the governmental funds reflected above in fiscal 2018, an increase of \$2,694,466 (2.0 percent) from the prior year, or an increase of \$477 per ADM served. Total General Fund revenue increased \$385 per ADM. General Fund state revenue increased \$255 per ADM, resulting from the increase in the basic general education formula allowance discussed earlier and improved special education funding. Property tax revenues in the General Fund increased \$125 per ADM, due to additional levy authority for the long-term facilities maintenance program. Community Service Special Revenue Fund revenues increased \$74 per ADM, due to expanded programming in the current year.

The following table reflects similar comparative data available from the MDE for all governmental fund expenditures, excluding the Capital Projects – Building Construction Fund and Post-Employment Benefits Debt Service Fund. Other financing uses, such as bond refundings and transfers, are also excluded.

<b>Governmental Funds Expenditures per Student (ADM) Served</b>								
	State-Wide		Seven-County Metro Area		ISD No. 272 – Eden Prairie			
	2016	2017	2016	2017	2016	2017	2018	
General Fund								
District and school administration	\$ 960	\$ 991	\$ 958	\$ 996	\$ 958	\$ 995	\$ 1,027	
Elementary and secondary regular instruction	5,466	5,539	5,849	5,887	5,956	6,075	6,321	
Vocational education instruction	158	166	146	153	215	244	250	
Special education instruction	2,182	2,225	2,330	2,334	2,212	2,185	2,373	
Instructional support services	622	660	725	765	836	827	822	
Pupil support services	1,019	1,074	1,104	1,165	910	981	1,033	
Sites and buildings and other	890	906	847	870	1,292	1,590	1,385	
Total General Fund – noncapital	11,297	11,561	11,959	12,170	12,379	12,897	13,211	
General Fund capital expenditures	600	627	532	592	761	532	329	
Total General Fund	11,897	12,188	12,491	12,762	13,140	13,429	13,540	
Special revenue funds								
Food Service	542	550	539	545	546	554	556	
Community Service	577	611	676	713	494	614	701	
Debt Service Fund	1,522	1,359	1,453	1,323	489	463	516	
Total expenditures	<u>\$ 14,538</u>	<u>\$ 14,708</u>	<u>\$ 15,159</u>	<u>\$ 15,343</u>	<u>\$ 14,669</u>	<u>\$ 15,060</u>	<u>\$ 15,313</u>	
ADM served per MDE School District Profiles Report (current year estimated)					<u>9,041</u>	<u>9,028</u>	<u>8,923</u>	
Note: Excludes the Capital Projects – Building Construction and Post-Employment Benefits Debt Service Funds.								
Source of state-wide and seven-county metro area data: School District Profiles Report published by the MDE								

Expenditure patterns also vary from district to district for various reasons. Factors affecting the comparison include the growth cycle or maturity of the District, average employee experience, availability of funding, population density, and even methods of allocating costs. The differences from program to program reflect the District's particular character, such as its community service programs, as well as the fluctuations from year to year for such things as capital expenditures.

The District spent \$136,631,485 in the governmental funds reflected above in fiscal 2018, an increase of \$670,165 (0.5 percent) from the prior year, or an increase of \$253 per ADM served. General Fund expenditures, excluding capital, increased \$314 per ADM, with higher expenditures for elementary and secondary regular instruction (\$246 per ADM) and special education instruction (\$188 per ADM), offset by a decrease in sites and buildings (\$205 per ADM). General Fund capital expenditures decreased \$203 per ADM, mainly due to the timing of projects that will fluctuate from year-to-year. Community Service Special Revenue Fund expenditures increased \$87 per ADM, consistent with the expanded programming previously discussed. Debt Service Fund expenditures increased \$53 per ADM, as scheduled for outstanding bond issues.

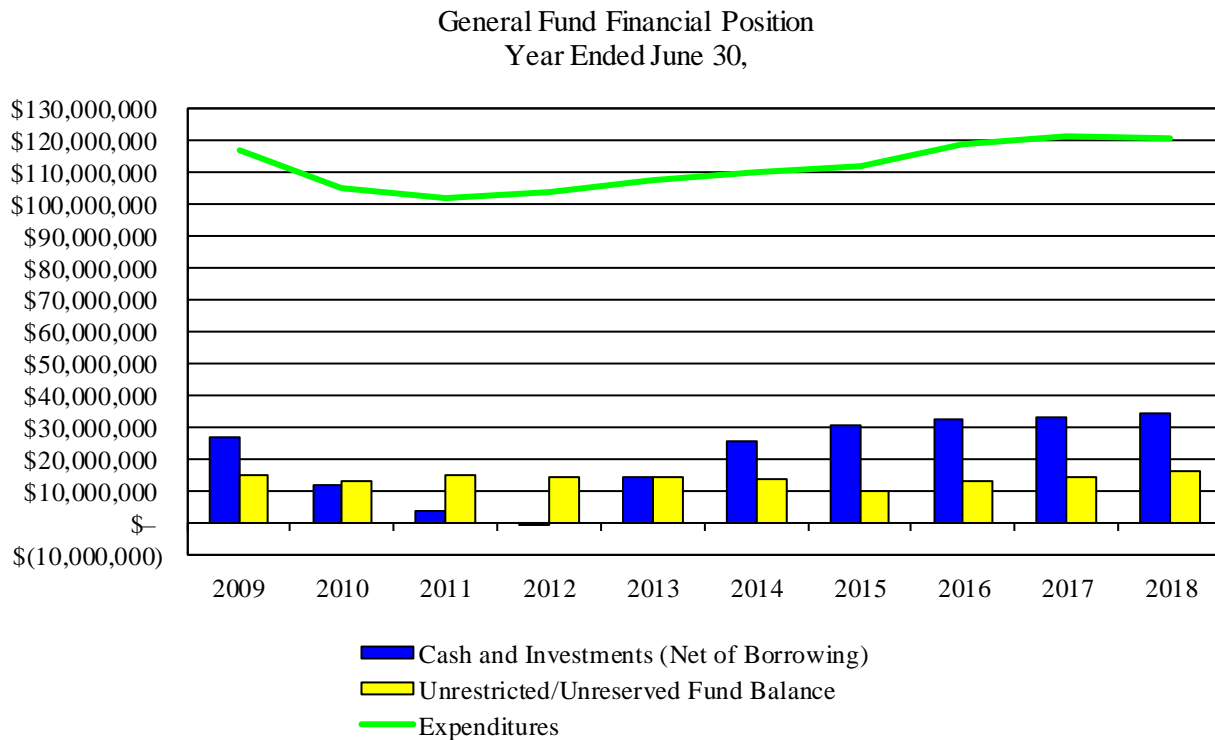
## SUMMARY

Funding for Minnesota school districts generally has not kept pace with inflation, despite recent enhancements to the basic general education state aid formula. This has often increased districts reliance on local revenue sources like voter-approved operating referenda and user fees to maintain programs. Many districts are also beginning to experience delays in collecting property tax revenues due to higher abatements, as more commercial property taxpayers are appealing the assessed values of brick-and-mortar facilities in light of the rapid evolution of e-commerce. School boards and district administrators continue to face many challenges in providing the best education within the limits of the resources available.

## FINANCIAL TRENDS OF YOUR DISTRICT

### GENERAL FUND FINANCIAL POSITION

The following graph displays the District's General Fund trends of financial position and changes in the volume of financial activity. Unrestricted fund balance and cash balance are two indicators of financial health, while annual expenditures are often used to measure the size of the operation.



The General Fund cash balance (adjusted for interfund borrowing) at the end of fiscal year 2018 was \$34,487,286, an increase of \$1,517,198 from the prior year.

Total fund balance at year-end was \$20,286,476, an increase of \$651,833, as compared to a budgeted increase of \$1,216,444. The year-end unassigned fund balance, excluding restricted account deficits, was \$16,349,250.

Changes in the metering of state aid payments to school districts and in the tax shift, as legislatively-approved, has significantly impacted cash and investment balances in the years presented in the graph above.

The following table presents the components of the General Fund balance for the past five years:

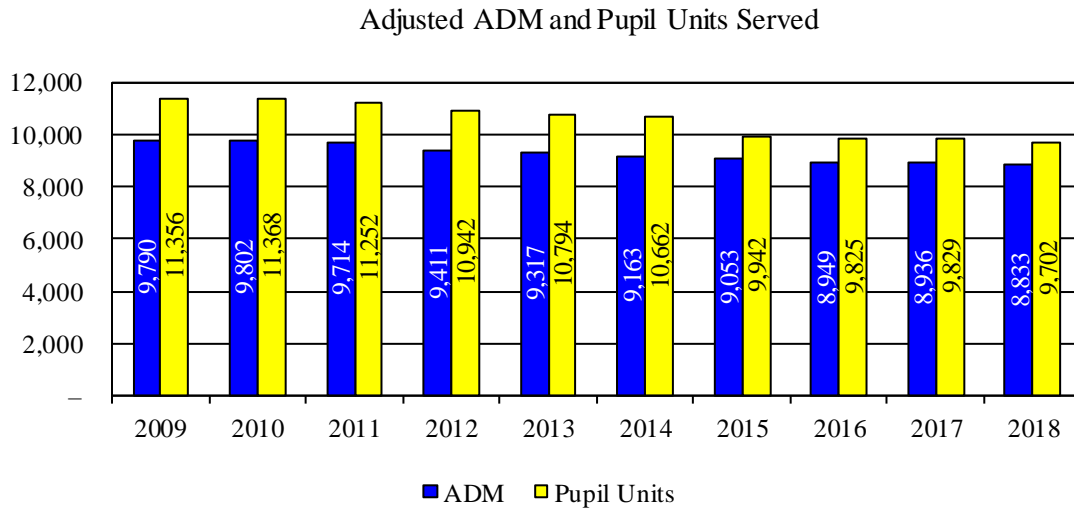
	June 30,				
	2014	2015	2016	2017	2018
Nonspendable fund balances	\$ 952,663	\$ 422,808	\$ 462,195	\$ 717,276	\$ 145,362
Restricted fund balances (1)	810,854	1,236,064	1,207,446	1,852,903	2,106,412
Unrestricted fund balances					
Assigned	1,834,953	3,036,146	2,727,888	2,409,257	1,685,452
Unassigned	11,824,573	10,301,993	13,111,310	14,655,207	16,349,250
Total fund balance	<u>\$ 15,423,043</u>	<u>\$ 14,997,011</u>	<u>\$ 17,508,839</u>	<u>\$ 19,634,643</u>	<u>\$ 20,286,476</u>
Total expenditures	<u>\$ 109,823,763</u>	<u>\$ 112,060,646</u>	<u>\$ 118,790,022</u>	<u>\$ 121,237,792</u>	<u>\$ 120,809,427</u>
Unrestricted fund balances as a percentage of expenditures	<u>12.4%</u>	<u>11.9%</u>	<u>13.3%</u>	<u>14.1%</u>	<u>14.9%</u>
Unassigned fund balances as a percentage of expenditures	<u>10.8%</u>	<u>9.2%</u>	<u>11.0%</u>	<u>12.1%</u>	<u>13.5%</u>
(1) Includes deficits in restricted fund balance accounts allowed to accumulate deficits under UFARS, which are part of unassigned fund balance on the accounting principles generally accepted in the United States of America-based financial statements.					

The table above reflects unrestricted and unassigned balances as a percentage of total General Fund expenditures, which differs from those in the previous discussion of state-wide fund balances, which are based on a state formula.

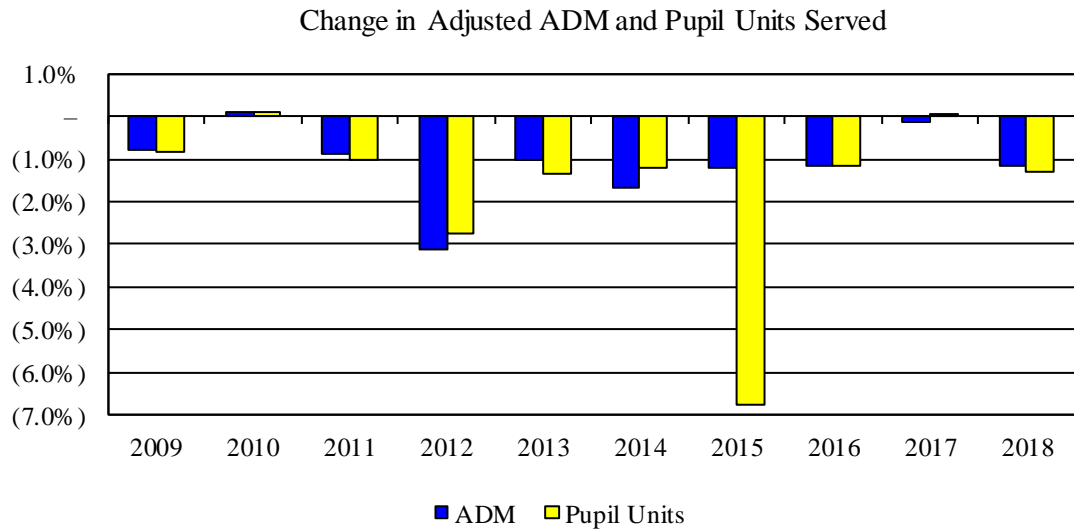
The resources represented by this fund balance are critical to a district's ability to maintain adequate cash flow throughout the year, to retain its programs, and to cushion against the impact of unexpected costs or funding shortfalls. At June 30, 2018, unrestricted fund balances in the General Fund represented 14.9 percent of annual expenditures, or less than eight weeks of operations, assuming level spending throughout the year.

## AVERAGE DAILY MEMBERSHIP (ADM) AND PUPIL UNITS

The following graph presents the District's adjusted ADM and pupil units served for the past 10 years:



The following graph shows the rate of change in ADM served by the District from year-to-year, along with the change in the resulting pupil units:



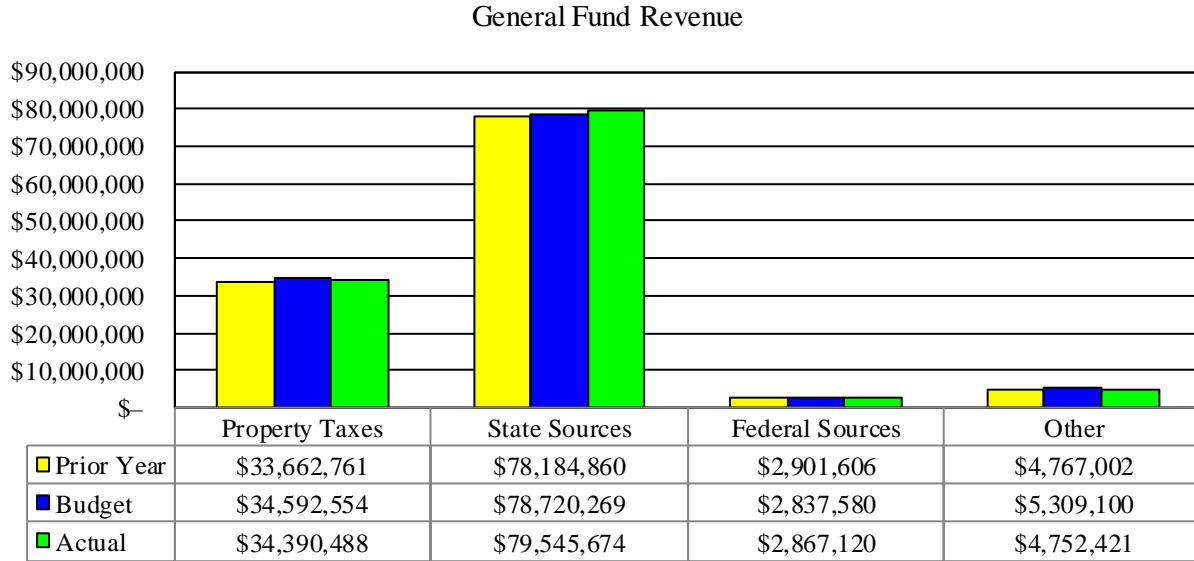
Note: The change in pupil units for 2015 includes the effect of legislative reductions to pupil units.

ADM is a measure of students attending class, which is converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts are not finalized until around January of the following year. When viewing revenue budget variances, one needs to consider these ADM changes, the impact of the prior year final adjustments which affect this year's revenue, and also the final adjustments caused by open enrollment gains and losses.

The District served an estimated adjusted ADM of 8,833 in 2018, a decrease of 103 (1.2 percent) from the previous year. The resulting pupil units served by the District decreased by 127 to 9,702.

## GENERAL FUND REVENUES

The following graph summarizes the District's General Fund revenue for 2018:

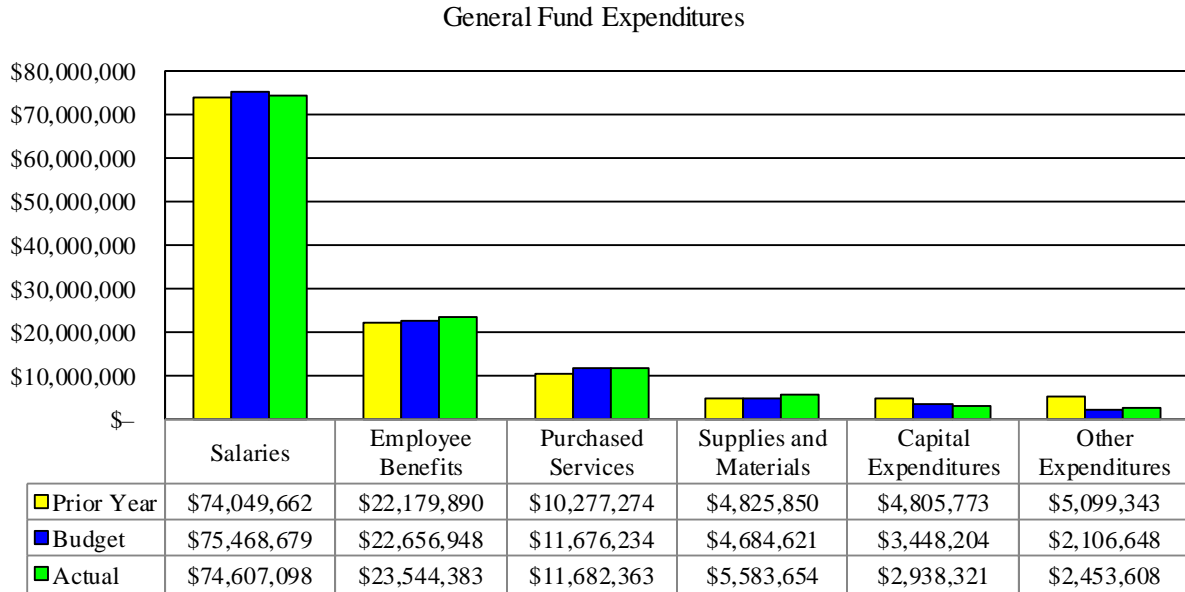


Total General Fund revenues were \$121,555,703 for the year ended June 30, 2018, which was \$96,200 (0.1 percent) over the final budget. State sources were \$825,405 over budget, mainly due to the General Fund portion (\$407,860) of the state contribution to the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) on behalf of the District, for which neither the revenue nor the offsetting expenditures were included in the budget. Additionally, state special education and general education aid revenues exceeded projections. Revenue from other local sources was \$556,679 under budget, due to Medical Assistance revenue and fundraising revenue from activity accounts being less than anticipated in the budget. Property tax revenue was \$202,066 under budget, due to higher cancellations and abatements than anticipated.

General Fund total revenues were \$2,039,474 (1.7 percent) more than the previous year. Revenue from state sources was \$1,360,814 higher than the prior year, due primarily to improvements in the general education funding formula and additional special education state aid. Property tax revenue increased \$727,727, due to additional levy authority for the long-term facilities maintenance program.

## GENERAL FUND EXPENDITURES

The following graph summarizes the District's General Fund expenditures for 2018:

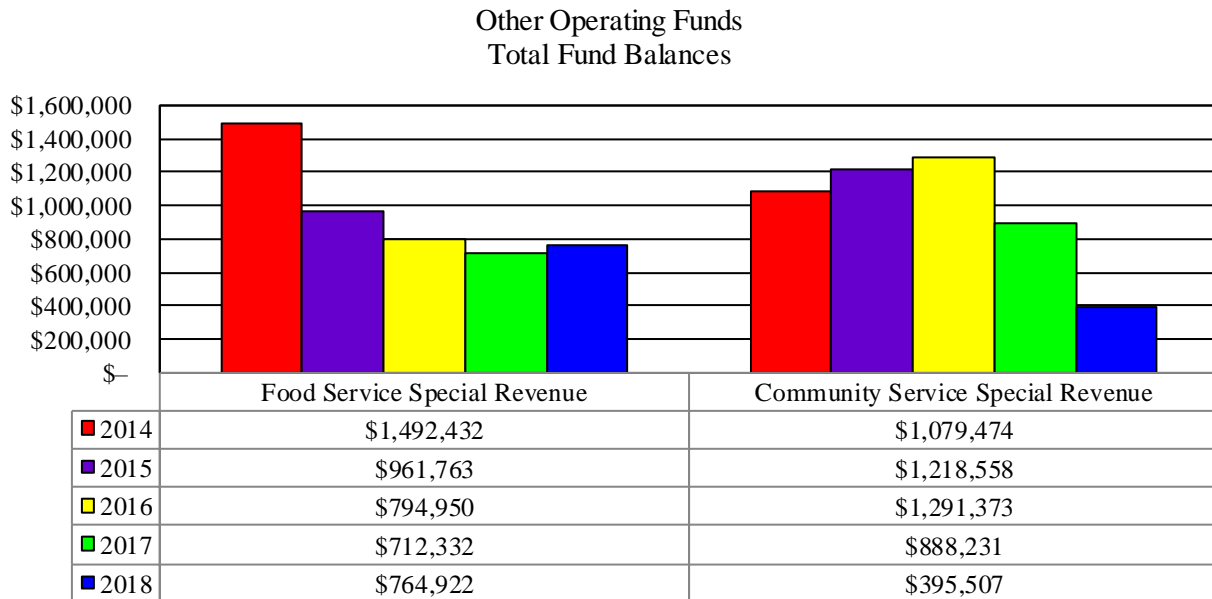


Total General Fund expenditures for 2018 were \$120,809,427, a decrease of \$428,365 (0.4 percent) from the prior year. Personnel-related costs were \$1,921,929 (2.0 percent) higher than last year, mainly due to contracted increases in salaries and benefits. Purchased services were \$1,405,089 higher than last year, due to federal tuition billing and increased purchased services due to student needs. Capital expenditures and other expenditures (including debt service) were \$1,867,452 and \$2,645,735, respectively, lower than the previous year, mainly due to the amount of Apple iLearn technology products purchased through capital leases or traded during 2017.

Total General Fund expenditures were over budget by \$768,093 (0.6 percent) in 2018, which was spread across several programs and object categories, with the largest variances due to a contracted increase in Quality Compensation (Q Comp) paid to the District's teachers, and due to federal tuition billing not being included in the budget.

## OTHER FUNDS OF THE DISTRICT

The following graph shows what is referred to as the other operating funds. The remaining nonoperating funds are only included in narrative form below, since their level of fund balance can fluctuate significantly due to such things as issuing and spending the proceeds of refunding or building bonds and, therefore, the trend of fund balance levels is not necessarily a key indicator of financial health. It does not mean that these funds cannot experience financial trouble or that their fund balances are unimportant.



### Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund ended fiscal 2018 with a fund balance of \$764,922, which is an increase of \$52,590 from last year, compared to a budgeted increase of \$21,110. Food service revenue was \$5,013,938, which was over budget by \$110,038, mainly in á la carte meal sales. Total expenditures of \$4,961,348 were \$78,558 over budget, as purchased services were more than projected.

### Community Service Special Revenue Fund

The District's Community Service Special Revenue Fund ended the year with a fund balance of \$395,507, a decrease of \$492,724 from the prior year, compared to a budgeted decrease of \$414,076. Revenues were over budget by \$427,076, mainly in tuition and fees due to expanded programming in the current year. Total expenditures were over budget by \$529,950, primarily in salaries and benefits.

Over the years, we have emphasized to our clients that food service and community service operations should be self-sustaining, and should not become an additional burden on general education funds.

### Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund experienced a fund balance decrease of \$4,218,902 in fiscal 2018, compared to a budgeted decrease of \$5,096,750, due to the planned spend down of the 2017A General Obligation Facilities Maintenance Bonds. The year-end fund balance of \$5,567,295 is restricted for the long-term facilities maintenance program.

### Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. Fund balance decreased \$518,535 in 2018 to a year-end balance of \$1,243,673, of which \$563,920 is restricted for general debt service and \$679,753 is restricted for OPEB bonds debt service.



## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's financial statements include fund-based information that focuses on budgetary compliance, and the sufficiency of the District's current assets to finance its current liabilities. The governmental reporting model also requires the inclusion of two government-wide financial statements designed to present a clear picture of the District as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering educational services, including capital assets and long-term liabilities.

Theoretically, net position represents district resources available for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, this statement divides net position into three components: net investment in capital assets, restricted, and unrestricted. The following table presents a summarized reconciliation of the District's governmental fund balances to net position, and the separate components of net position for the last two years:

	June 30,		Increase
	2018	2017	(Decrease)
Net position – governmental activities			
Total fund balances – governmental funds	\$ 28,257,873	\$ 32,783,611	\$ (4,525,738)
OPEB asset, net of deferments	2,208,090	2,717,068	(508,978)
Total capital assets, net of depreciation	96,756,117	99,258,197	(2,502,080)
Bonds and leases payable	(64,361,473)	(72,420,601)	8,059,128
Pension liability, net of deferments	(142,578,052)	(111,511,007)	(31,067,045)
Other adjustments	503,043	(2,596,227)	3,099,270
Total net position – governmental activities	<u>\$ (79,214,402)</u>	<u>\$ (51,768,959)</u>	<u>\$ (27,445,443)</u>
Net position			
Net investment in capital assets	\$ 41,716,939	\$ 43,813,793	\$ (2,096,854)
Restricted	3,970,336	4,598,772	(628,436)
Unrestricted	<u>(124,901,677)</u>	<u>(100,181,524)</u>	<u>(24,720,153)</u>
Total net position	<u>\$ (79,214,402)</u>	<u>\$ (51,768,959)</u>	<u>\$ (27,445,443)</u>

Some of the District's fund balances translate into restricted net position by virtue of external restrictions (statutory restrictions) or by the nature of the fund they are in (e.g., Food Service Special Revenue Fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unrestricted fund balances, offset against noncapital long-term obligations such as compensated absences, OPEB, and pensions.

Total net position decreased \$27,445,443 in fiscal 2018. The District's net investment in capital assets decreased \$2,096,854 this year. The change in this category of net position is typically determined by the relationship between the depreciation of capital assets and the repayment of the debt issued to construct or acquire the assets.

Restricted net position decreased \$628,436, primarily in amounts restricted for community service, debt service, and other state funding restrictions.

Unrestricted net position decreased \$24,720,153 mainly due to changes in the District's proportionate share of the PERA and the TRA pension plan liabilities and related deferments.

THIS PAGE INTENTIONALLY LEFT BLANK

## LEGISLATIVE SUMMARY

The 2018 legislative session, falling in the second half of the state's fiscal biennium, was a short session in which only two major finance-related bills were passed, an omnibus bonding bill and an omnibus pensions bill. The following is a brief summary of specific legislative changes from the 2018 session or previous legislative sessions impacting Minnesota school districts in future years.

**Basic General Education Revenue** – The Legislature approved annual increases of 2 percent to the basic general education formula allowance for the 2018–2019 biennium. The per pupil allowance will increase \$124 to \$6,312 for fiscal year (FY) 2019.

**Compensatory Revenue** – The \$5 million previously allocated for compensatory pilot grants was permanently added to the allocation for regular compensatory revenue beginning in FY 2018. The portion of compensatory revenue required to be used for extended time activities will increase from 1.7 percent of total compensatory revenue for FY 2018 to 3.5 percent in FY 2019, and 3.5 percent plus the percentage change in the basic formula for FY 2020 and beyond.

**Early Learning** – The Legislature made a number of changes to early learning programs, including appropriating funding of \$71.75 million for the 2018–2019 biennium. Other changes include:

- The creation of a new School Readiness Plus (SR+) program for FY 2018 and FY 2019 only, with the following student eligibility requirements:
  - A child who is four years of age as of September 1, and who demonstrates one or more risk factors is eligible to participate in the program free of charge,
  - A child who is four years of age as of September 1, and who does not demonstrate any risk factors is eligible to participate on a fee-for-service basis, and
  - A district must adopt a sliding fee schedule for students not demonstrating risk factors, but must waive the fee for students unable to pay.
- Changing the Voluntary Pre-Kindergarten (VPK) cap from a limit on the total state aid entitlement to a limit on the number of participants, as follows:
  - A combined cap of 7,160 participants for VPK and SR+ for FY 2019, and
  - A cap of 3,160 participants for VPK for FY 2020 and later (SR+ program sunsets).
- All applications submitted in January to renew an existing VPK program will be funded first (3,160 slots). Applications for expanded VPK programs, and new VPK or SR+ programs will be ranked and approved based on various criteria. The number of new participants allowed in each new or expanded program will depend on how the programs are ranked.

**Long-Term Facilities Maintenance Revenue** – Long-term facilities maintenance revenue will increase from \$292 to \$380 per adjusted pupil unit (APU); multiplied by the lesser of one, or the ratio of the district's average building age to 35 years for FY 2019 and thereafter.

**School Building Bond Agricultural Tax Credit** – Effective for taxes beginning with the payable 2018 levy (FY 2019), a tax credit on all property classified as agricultural (excluding the house, garage, and one acre of an agricultural homestead) is provided equal to 40 percent of the tax on the property attributable to school district building bond levies. The legislative appropriation for this tax credit is \$34.8 million for FY 2019, \$45.2 million for FY 2020, and \$52.5 million for FY 2021.

**School Safety Grants** – The 2018 bonding bill included an appropriation of \$25 million for school safety grants to be funded from the state's General Fund for FY 2019. These grants may be used to design, construct, furnish, or equip school facilities, including renovating or expanding existing facilities. Grants will be awarded by the MDE on a first come – first served basis, up to a limit of \$500,000 for each qualifying school building. At least half the grants must be awarded to school districts outside of the metro area.

**Pension Benefit Reforms** – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the Teachers Retirement Association (TRA), St. Paul Teachers Retirement Fund Association (SPTRFA), and the Public Employees Retirement Association (PERA). The reforms include:

- Elimination of augmentation (annual percentage increases to pension benefits accrued by individuals leaving public service prior to retirement). For the TRA plan, augmentation is eliminated for all members after December 31, 2017, but does not eliminate augmentation previously credited to member accounts.
- Early retirement subsidies (augmentation an early retiree would have received had they waited until the normal retirement age to begin receiving the pension) are phased out.
- Post-retirement cost of living adjustments (COLAs) are reduced. For the TRA plan, the COLA was reduced from 2.0 percent to 1.0 percent for five years, with the rate increasing by 0.1 percent annually thereafter, to a maximum of 1.5 percent. For the SPTRFA plan, there will be no COLA increase for two years, and a 1.0 percent annual COLA thereafter. For the PERA plans, the COLA will be equal to 50.0 percent of the annual increase for Social Security, but not less than 0.5 percent and not more than 1.5 percent.
- For early retirees that retire on or after January 1, 2024, COLAs are deferred until the retiree reaches the normal retirement age.
- The rate of interest paid on refunds of employee contributions to former public employees was reduced from an annual rate of 4 percent to 3 percent.
- The actuarial assumption for investment rate of return was reduced to 7.5 percent for all plans.
- Employer contribution rates were increased for the TRA plan (a total increase of 1.25 percent phased in over a 6-year period beginning in FY 2019) and the SPTRFA plan (a total increase of 2.50 percent phased in over a 6-year period beginning in FY 2019). Employee contribution rates were also increased by 0.25 percent beginning in FY 2024 for the TRA plan and beginning in FY 2023 for the SPTRFA plan. The pension adjustment component of the general education aid formula was increased by an amount equal to the product of the salaries paid to members of these two plans times the district's pension adjustment rate for the fiscal year to help offset the cost of the employer contribution increases.

**Competitive Bidding Threshold** – Effective for contracts awarded on or after August 1, 2018, the dollar threshold at which Minnesota Statutes require the use of a sealed bidding process was raised from \$100,000 to \$175,000. This extends the dollar range for which contracts may be awarded using direct negotiation (obtaining two quotations) contracts between \$25,000 and \$175,000. By reference, this change also increased the dollar threshold at which public contractors' performance and payment bonds are required for contracts over \$175,000.

## ACCOUNTING AND AUDITING UPDATES

### **GASB Statement No. 83, *Certain Asset Retirement Obligations***

At times, state and local governments are required to take specific actions to retire certain tangible capital assets, such as the decommissioning of nuclear reactors, removal and disposal of wind turbines in wind farms, dismantling and removal of sewage treatment plants, and removal and disposal of x-ray machines. Obligations to retire certain tangible capital assets also arise from contracts or court judgments. Accounting and financial reporting standards exist for costs of the closure and post-closure care of municipal solid waste landfills, but those standards do not address retirement obligations associated with other types of tangible capital assets.

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

### **GASB Statement No. 84, *Fiduciary Activities***

This statement is intended to enhance consistency and comparability of fiduciary activity reporting by state and local governments. It is also meant to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

### **GASB Statement No. 87, *Leases***

A lease is a contract that transfers control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Governments enter into leases for many types of assets. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar nonlease financing transactions.

The goal of this statement is to better meet the information needs of users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

#### ***GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements***

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The requirements of this statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

#### **Uniform Guidance, Micro-Purchase Threshold**

Under the Uniform Guidance for federal programs, a micro-purchase is one for goods or services that, due to its relatively low value, does not require the government to abide by many of its ordinary competitive procedures, including small business set-asides. Because the contract is theoretically, such a low amount, the contracting officer can pick virtually whatever company and product he or she wants to satisfy the procurement, so long as the price is reasonable. The standard micro-purchase threshold has been amended to increase the threshold to \$10,000, effective June 20, 2018. Entities are not required to increase the micro-purchase and simplified acquisition thresholds but, if they wish to do so, they must update their procurement policies and procedures to reflect the change in thresholds. They cannot retroactively make these changes effective prior to June 20, 2018.



# Special Purpose Audit Report

2018





INDEPENDENT SCHOOL DISTRICT NO. 272  
EDEN PRAIRIE, MINNESOTA

Special Purpose Audit Reports

Year Ended  
June 30, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

Special Purpose Audit Reports  
Year Ended June 30, 2018

**Table of Contents**

	Page
Schedule of Expenditures of Federal Awards	1
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2–3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	4–6
Independent Auditor's Report on Minnesota Legal Compliance	7
Schedule of Findings and Questioned Costs	8–11
Independent Auditor's Report on Uniform Financial Accounting and Reporting Standards Compliance Table	12–13
Uniform Financial Accounting and Reporting Standards Compliance Table	14–15

THIS PAGE INTENTIONALLY LEFT BLANK

## INDEPENDENT SCHOOL DISTRICT NO. 272

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	Noncash Assistance
<b>U.S. Department of Agriculture</b>			
Passed through Minnesota Department of Education			
Child nutrition cluster			
National School Lunch Program	10.555	\$ 1,232,047	\$ 139,976
School Breakfast Program	10.553	<u>161,378</u>	
Total child nutrition cluster		\$ 1,393,425	
<b>U.S. Department of Education</b>			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education Grants to States	84.027	1,627,454	
Special Education Preschool Grants	84.173	<u>52,653</u>	
Total special education cluster		1,680,107	
Special Education – Grants for Infants and Families	84.181	53,221	
Title I Grants to Local Educational Agencies	84.010	775,625	
Supporting Effective Instruction State Grants	84.367	214,299	
English Language Acquisition State Grants	84.365	97,977	
Passed through Independent School District No. 284			
Career and Technical Education – Basic Grants to States	84.048	<u>45,892</u>	
Total federal awards		<u>\$ 4,260,546</u>	

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 272 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2018.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Malloy, Montague, Karnowski, Radosenich & Co., P.A.*

Minneapolis, Minnesota

November 8, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Independent School District No. 272's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

## **OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

## **DISTRICT'S RESPONSES TO FINDINGS**

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(continued)

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 8, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Minneapolis, Minnesota  
November 8, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 272 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2018.

**MINNESOTA LEGAL COMPLIANCE**

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as described in the Schedule of Findings and Questioned Costs as item 2018-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provision.

**DISTRICT'S RESPONSE TO FINDING**

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
November 8, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 272

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

**A. SUMMARY OF AUDIT RESULTS**

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

**Financial Statements**

What type of auditor's report is issued?   X   Unmodified  
      Qualified  
      Adverse  
      Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?       Yes   X   No

Significant deficiency(ies) identified?       Yes   X   None reported

Noncompliance material to the financial statements noted?       Yes   X   No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?       Yes   X   No

Significant deficiency(ies) identified?   X   Yes       None reported

Type of auditor's report issued on compliance for major programs?

U.S. Department of Agriculture – child nutrition cluster	Unmodified
U.S. Department of Education – special education cluster	Unmodified
U.S. Department of Education – Title I Grants to Local Educational Agencies	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes       No

Programs tested as major programs:

Program or Cluster(s)	CFDA No.
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
The U.S. Department of Education – special education cluster consisting of:	
– Special Education Grants to States	84.027
– Special Education Preschool Grants	84.173
The U.S. Department of Education	
– Title I Grants to Local Educational Agencies	84.010

Threshold for distinguishing type A and B programs.   \$ 750,000  

Does the auditee qualify as a low-risk auditee?       Yes   X   No

INDEPENDENT SCHOOL DISTRICT NO. 272

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS**

None.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – CFDA NOS. 10.553 AND 10.555**

**2018-001 Internal Control Over Compliance With Federal Special Tests and Provisions**

**Criteria** – 7 CFR § 245.6a requires Independent School District No. 272 (the District) to establish and maintain effective internal control over compliance with requirements applicable to federal programs, including child nutrition cluster special tests and provisions requirements.

**Condition** – During our audit, we noted that the District did not have sufficient controls in place within its child nutrition cluster federal program to ensure compliance with the federal special tests and provisions requirement to accurately complete the verification testing packet for error-prone free and reduced-price applications.

**Questioned Costs** – None noted.

**Context** – The deficiency in control pertains to this program tested in the current year. This was not a statistically valid sample.

**Repeat Finding** – This is a current year finding.

**Cause** – Due to a lack of review by qualified district personnel, the District's verification testing of error-prone free and reduced-price lunch applications failed to identify two applications that had been approved for incorrect levels of service.

**Effect** – This could be viewed as a violation of the award agreement.

**Recommendation** – We recommend that the District review its internal control procedures relating to the verification of free and reduced-price applications for special tests and provision requirements for the child nutrition cluster federal programs.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review its procedures relating to special tests and provisions for its child nutrition cluster federal programs. The District has separately issued a Corrective Action Plan related to this finding.



INDEPENDENT SCHOOL DISTRICT NO. 272

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2018

**C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, SPECIAL EDUCATION CLUSTER – CFDA NOS. 84.027 AND 84.173 AND TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA No. 84.010**

**2018-002 Internal Control Over Compliance With Federal Allowable Costs Requirements**

**Criteria** – 2 CFR § 200.302(b)(3) requires the District to maintain records that adequately identify the source and application of funds for federally-funded activities in accordance with 2 CFR 200 Subpart E – Cost Principles.

**Condition** – During our audit, we noted that the District did not have sufficient controls to ensure adequate and timely documentation of time and effort was created and retained to support salary costs charged to federal special education cluster and Title I programs and ensure compliance with the U.S. Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) allowable costs standards.

**Questioned Costs** – \$11,551 CFDA Nos. 84.027 and 84.173.

**Context** – The deficiency in control pertains to major programs tested in the current year. This was not a statistically valid sample.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – This could be viewed as a violation of the award agreement.

**Recommendation** – We recommend that the District review its internal control procedures relating to time and effort documentation of allowable costs for special education and Title I federal programs.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review and update its policies and procedures relating to allowable costs for its federal programs to ensure compliance with Uniform Guidance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 272

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2018

**D. MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2018-003 Payment of Invoices**

**Criteria** – Minnesota Statutes § 471.425 requires prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services, or the invoice for goods or services, for districts with governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, districts must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month.

**Condition** – Two of forty disbursements selected for testing were not paid within the required thirty-five days from the receipt of goods and services.

**Questioned Costs** – Not applicable.

**Context** – Two of forty disbursements tested were not paid within the required thirty-five-day period.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – The District did not pay these claims within the time frame allowed by state statutes.

**Recommendation** – We recommend that the District review its procedures for paying invoices to ensure that all bills are paid within the statutory time limit.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review its procedures relating to processing disbursements to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT AUDITOR'S REPORT ON  
UNIFORM FINANCIAL ACCOUNTING AND  
REPORTING STANDARDS COMPLIANCE TABLE

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 272 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2018.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education (MDE), and is not a required part of the basic financial statements of the District. The UFARS Compliance Table is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the UFARS Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(continued)

The purpose of this report on the UFARS Compliance Table required by the MDE is solely to describe the scope of our testing of the UFARS Compliance Table and the results of that testing based on our audit. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota

November 8, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

## INDEPENDENT SCHOOL DISTRICT NO. 272

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2018

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 121,555,703	\$ 121,555,703	\$ –
Total expenditures		\$ 120,809,427	\$ 120,809,427	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 145,362	\$ 145,362	\$ –
Restricted				
403	Staff development	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ 485,096	\$ 485,096	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Project funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ 852,824	\$ 852,824	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-Kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ 92,679	\$ 92,679	\$ –
472	Medical Assistance	\$ 675,813	\$ 675,813	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 1,685,452	\$ 1,685,452	\$ –
Unassigned				
422	Unassigned fund balance	\$ 16,349,250	\$ 16,349,250	\$ –
<b>Food Service</b>				
Total revenue		\$ 5,013,938	\$ 5,013,938	\$ –
Total expenditures		\$ 4,961,348	\$ 4,961,348	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 108,557	\$ 108,557	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 656,365	\$ 656,365	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ 5,581,704	\$ 5,581,703	\$ 1
Total expenditures		\$ 6,252,847	\$ 6,252,847	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 46,200	\$ 46,200	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 249,746	\$ 249,746	\$ –
432	ECFE	\$ 403,884	\$ 403,884	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ (304,323)	\$ (304,323)	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 272

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2018

		Audit	UFARS	Audit – UFARS
<b>Building Construction</b>				
Total revenue		\$ 84,386	\$ 84,386	\$ –
Total expenditures		\$ 4,303,288	\$ 4,303,288	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Project funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ 5,567,295	\$ 5,567,295	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>				
Total revenue		\$ 3,933,230	\$ 3,933,229	\$ 1
Total expenditures		\$ 4,607,863	\$ 4,607,862	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Max effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 563,920	\$ 563,920	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>				
Total revenue		\$ 504,171	\$ 504,171	\$ –
Total expenditures		\$ 1,340,243	\$ 1,340,244	\$ (1)
422	Net position	\$ 98,138	\$ 98,138	\$ –
<b>Internal Service</b>				
Total revenue		\$ 13,629,370	\$ 13,629,370	\$ –
Total expenditures		\$ 11,207,994	\$ 11,207,994	\$ –
422	Net position	\$ 1,895,453	\$ 1,895,453	\$ –
<b>OPEB Revocable Trust Fund</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
<b>OPEB Irrevocable Trust Fund</b>				
Total revenue		\$ 1,190,931	\$ 1,190,931	\$ –
Total expenditures		\$ 1,006,882	\$ 1,006,882	\$ –
422	Net position	\$ 16,380,453	\$ 16,380,453	\$ –
<b>OPEB Debt Service Fund</b>				
Total revenue		\$ 3,996,386	\$ 3,996,386	\$ –
Total expenditures		\$ 3,840,288	\$ 3,840,288	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 679,753	\$ 679,753	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

THIS PAGE INTENTIONALLY LEFT BLANK





# Student Activity Audit Report

2018



INDEPENDENT SCHOOL DISTRICT NO. 272  
EDEN PRAIRIE, MINNESOTA

Extracurricular Student Activity Accounts  
Financial Report

Year Ended  
June 30, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

## INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

### **REPORT ON THE FINANCIAL STATEMENT**

We have audited the accompanying financial statement of Independent School District No. 272 (the District), which comprises the statement of cash receipts and disbursements of the extracurricular student activity accounts as of and for the year ended June 30, 2018, and the related notes to the extracurricular student activity accounts financial statement.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The District's extracurricular student activities management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Minnesota Department of Education (MDE), as described in Note 1 of the notes to extracurricular student activity accounts financial statement; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

(continued)

## **BASIS FOR QUALIFIED OPINION**

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practicable for us to extend our audit of such cash collections beyond the amounts recorded.

## **QUALIFIED OPINION**

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion” paragraph, the financial statement referred to on the previous page presents fairly, in all material respects, the cash balances of the District’s extracurricular student activity accounts as of June 30, 2018, and the cash receipts and disbursements for the year then ended, in accordance with the financial reporting provisions of the MDE described in Note 1 of the notes to extracurricular student activity accounts financial statement.

## **BASIS OF ACCOUNTING**

We draw attention to Note 1 of the notes to extracurricular student activity accounts financial statement, which describes the basis of accounting. The financial statement is prepared on the basis of the financial reporting provisions of the MDE, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the MDE. Our opinion is not modified with respect to this matter.

## **RESTRICTION ON USE**

This report is intended solely for the information and use of those charged with governance, management of the District, the MDE, and the state of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Minneapolis, Minnesota

November 8, 2018

INDEPENDENT SCHOOL DISTRICT NO. 272

Extracurricular Student Activity Accounts  
Statement of Cash Receipts and Disbursements  
Year Ended June 30, 2018

	Balance – June 30, 2017	Receipts and Transfers In	Disbursements and Transfers Out	Balance – June 30, 2018
<b>Eden Prairie High School</b>				
Class of 2017	\$ 12,291	\$ 9,136	\$ 16,238	\$ 5,189
Key Club	3,664	11,775	7,191	8,248
National Honor Society	2,594	9,909	7,495	5,008
Prom	14,851	44,130	55,026	3,955
Student Council	7,359	12,466	15,322	4,503
Total	40,759	87,416	101,272	26,903
<b>Central Middle School</b>				
Student Council	3,334	4,253	1,587	6,000
<b>Administration</b>				
Interest	4,147	810	981	3,976
	<u>\$ 48,240</u>	<u>\$ 92,479</u>	<u>\$ 103,840</u>	<u>\$ 36,879</u>

See notes to extracurricular student activity accounts financial statement

THIS PAGE INTENTIONALLY LEFT BLANK



# INDEPENDENT SCHOOL DISTRICT NO. 272

## Notes to Extracurricular Student Activity Accounts Financial Statement June 30, 2018

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Extracurricular student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or other adult.

Extracurricular student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fundraising events.

The accounts of Independent School District No. 272's (the District) extracurricular student activity accounts are maintained, and the accompanying financial statement has been prepared, in accordance with financial reporting provisions of the Minnesota Department of Education, which constitutes a regulatory basis of accounting that differs from accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, receipts are recorded when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

### NOTE 2 – CASH AND INVESTMENTS

The District has the following investments at year-end:

Investment Type	Credit Risk		Total
	Rating	Agency	
Investment pools/mutual funds			
MNTrust Investment Shares Portfolio	AAA	S&P	\$ 13,225
Minnesota School District Liquid Asset Fund	AAAm	S&P	23,654
Total investments			<u>\$ 36,879</u>

The Minnesota School District Liquid Asset Fund (MSDLAF) and the MNTrust Investment Shares Portfolio are external investment pools not registered with the Securities and Exchange Commission regulated by Minnesota Statutes. The District's investments in these investment pools are measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For these investment pools, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District’s investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

OTHER REQUIRED REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

In planning and performing our audit of the statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 272 (the District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Corrective Action as item 2018-001 to be a material weakness.

The District's response to the finding identified in our audit has been included in the Schedule of Findings and Corrective Action. The District's response was not subject to the auditing procedures applied in our audit of the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance, management of the District, the Minnesota Department of Education, and the state of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Minneapolis, Minnesota  
November 8, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the School Board and Management of  
Independent School District No. 272  
Eden Prairie, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 272 (the District) as of and for the year ended June 30, 2018, and the related notes to the extracurricular student activity accounts financial statement, and have issued our report thereon dated November 8, 2018. The financial statement is prepared, in a manner that demonstrates compliance with the regulatory basis of accounting prescribed by the Minnesota Department of Education (MDE), which differs from accounting principles generally accepted in the United States of America. Our report on the regulatory basis of accounting is qualified for a restriction on the scope of our audit resulting from the accounting system relating to cash receipts, which allows us only to audit cash collections that are recorded.

The provisions of the *Manual for Activity Fund Accounting*, issued by the MDE, provides uniform financial accounting and reporting standards for student activities. Compliance with student activity laws and regulations is the responsibility of the District's extracurricular student activity accounts management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Manual for Activity Fund Accounting*, except as described in the Schedule of Findings and Corrective Action as finding 2018-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Corrective Action. The District's response was not subject to the auditing procedures applied in our audit of the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance, management of the District, the MDE, and the state of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Minneapolis, Minnesota  
November 8, 2018

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT SCHOOL DISTRICT NO. 272

Extracurricular Student Activity Accounts  
Schedule of Findings and Corrective Action  
June 30, 2018

**FINDINGS AND CORRECTIVE ACTION**

**2018-001 MATERIAL WEAKNESS IN INTERNAL CONTROLS – CASH RECEIPTS**

**Criteria** – Management is responsible for establishing and maintaining a system of internal controls sufficient to reduce to an acceptable level, the possibility that a material misstatement of Independent School District No. 272's (the District) financial statement will not be prevented, or detected and corrected, on a timely basis.

**Condition** – The District reports the cash receipts and disbursements of its extracurricular student activity accounts on the cash basis. The internal controls at the District's school sites are not sufficient to assure that all cash receipts have been recorded.

**Type of Finding** – Current year and prior year finding.

**Recommendation** – We recommend that the District continue to review the internal controls over extracurricular student activity accounts at its various school sites, and consider adding procedures to strengthen the controls over the recording of cash receipts, such as the use and reconciliation of prenumbered receipts, the use and reconciliation of prenumbered admission tickets for events, and inventory controls over items sold for fundraisers. As is the case with all internal controls, the potential benefit of any contemplated procedural modifications in this area should be weighed against the cost.

**Corrective Action Plan**

**Actions Planned** – The District's Director of Finance regularly reviews and communicates internal controls over extracurricular student activity account transactions along with the personnel at the District's school sites that maintain such accounts. The District will continue this process, and will evaluate whether implementing additional control procedures over the recording of cash receipts is cost beneficial and practical within the limitations of the staffing available at the school sites.

**Official Responsible** – The District's Director of Finance.

**Planned Completion Date** – June 30, 2019.

**Disagreement With or Explanation of Finding** – The District is in agreement with this finding.

**Plan to Monitor** – The District's Director of Finance will oversee the continued review, training, and evaluation of internal controls over the recording of extracurricular student activity account receipts at the District's school sites, and the implementation of any control procedure modification.

INDEPENDENT SCHOOL DISTRICT NO. 272

Extracurricular Student Activity Accounts  
Schedule of Findings and Corrective Action (continued)  
June 30, 2018

**FINDINGS AND CORRECTIVE ACTION (CONTINUED)**

**2018-002 DOCUMENTATION OF RECEIPT TRANSACTIONS**

**Criteria** – *Manual for Activity Fund Accounting.*

**Condition** – We noted that for 2 of 25 student activity receipts selected for testing, the receipt summary form lacked the signature of the student treasurer as required by *Manual for Activity Fund Accounting.*

**Type of Finding** – Current year finding.

**Recommendation** – It is our recommendation that the individuals responsible for overseeing these accounts review the guidelines for proper documentation of receipts per the *Manual for Activity Fund Accounting.*

**Corrective Action Plan**

**Actions Planned** – The District will work with the individuals responsible for overseeing student activities to improve controls and correct findings identified during the audit.

**Official Responsible** – The District's Director of Finance and Student Activity Advisors.

**Planned Completion Date** – June 30, 2019.

**Disagreement With or Explanation of Finding** – The District is in agreement with this finding.

**Plan to Monitor** – The District's Director of Finance and Student Activity Advisors will review the procedures and internal controls over student activity funds at each site where student activity accounts are maintained, in order to comply with requirements of the *Manual for Activity Fund Accounting.*

## Eden Prairie School District 272 Superintendent Monitoring Report

Policy Name: <b>EL 2.9 Communication and Support to the School Board</b>	Monitoring Timeframe: <del>July 2017 – November 2017</del> <b>July 2018 - November 2018</b>	<b>Policy Monitoring Column FOR BOARD USE ONLY</b> Compliance rating: <ul style="list-style-type: none"> <li>• OI is/is not reasonable</li> <li>• Data does/does not provide adequate evidence of compliance</li> </ul> <b><i>Include specific evidence for rating conclusion and recommendations.</i></b>
Policy Quadrant: <b>Executive Limitations</b>	Date of School Board Monitoring: <del>November 27, 2017</del> <b>November 19, 2018</b>	
		Board member name:
<b><u>Global Constraint:</u></b> <b>The Superintendent shall not cause or allow the School Board to be uninformed or unsupported in its work.</b>		<i>(enter rating and reasoning when appropriate)</i>
<u>Operational Interpretation:</u> I interpret this policy to mean that I am ultimately responsible for arranging the logistical, informational and organizational systems necessary for the School Board to be an effective governing body with the support of the Superintendent's Cabinet and Office Staff.  I believe the Board's subsequent policies 2.9.1 – 2.9.11 succinctly cover all areas of further interpretation of this global ("parent level") policy leaving no other areas of concern to be addressed in this interpretation.		
<u>Justification:</u> This was developed through reflection and a study of operational interpretations of similar organizations that approached it in a similar fashion.		
<u>Measurement Plan:</u> The organization will be in compliance with EL 2.9 if the Board finds the organization to be in compliance with policies 2.9.1 – 2.9.11.		

<p><u>Evidence:</u> Evidence of compliance is demonstrated by supporting data presented throughout EL Policies 2.9.1-2.9.11.</p>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.9.1 Further, the Superintendent shall not: Neglect to submit monitoring reports required by the School Board in a timely, accurate, and understandable fashion.</b></p>	
<p><u>Operational Interpretation:</u> Our governance process dictates that the superintendent periodically report on whether the organization has (1) avoided conditions the Board has indicated as unacceptable, and (2) achieved certain end results. This policy requires that those reports, defined by Policy Governance as internal monitoring reports for Executive Limitation and Ends policies, be submitted with the following qualities:</p> <ol style="list-style-type: none"> <li>1. <b>Timeliness</b> – Timely information is information that is available when it is needed. I interpret this to mean that the reports will be made available to the Board twelve (12) days prior to the Board meeting at which the report will be monitored.</li> <li>2. <b>Accuracy</b> – Accurate information provides a reliable and valid representation of reality. I interpret this to mean that all data provided will be fact-based and known to be true to the best of our ability.</li> <li>3. <b>Understandable</b> – I interpret this to mean that the actual reports must be: <ol style="list-style-type: none"> <li>a. Presented in a standardized format that clearly delineates each element of the report (Operational Interpretation, Justification, Measurement, Data, Statement of Compliance);</li> <li>b. Free of unnecessary material not directly related to demonstrating compliance with the policy interpretation;</li> <li>c. Carefully designed to express vast quantities of data that can be assimilated and absorbed by the reader quickly.</li> </ol> </li> </ol>	
<p><u>Justification:</u> <b>My interpretation of monitoring reports</b> is guided by our understanding of the Policy Governance model as learned during joint training sessions, documentation reviewed, and shared experience since 2013. <b>My interpretation of timeliness</b> being twelve (12) days prior to monitoring. <b>My interpretation of accuracy and understandable</b> is guided by our joint understanding of the Policy Governance model.</p>	
<p><u>Measurement Plan:</u> Compliance with this policy will be demonstrated by:</p> <ol style="list-style-type: none"> <li>1. Compliance is achieved when at least 90% of all reports are submitted no less than twelve (12) days before monitoring.</li> <li>2. The operational interpretations, justifications and data provided are timely, accurate, and provide credibility to my assertions of compliance.</li> <li>3. The format and content is not unnecessarily complicated as demonstrated by final board action on the report.</li> </ol>	

**Evidence:**

All monitoring reports have been submitted twelve or more days prior to monitoring. The following table documents submission or board action for each monitoring report from July 2018- November 2018.

**Record of Board Policy Monitoring  
Ends and Executive Limitations  
July 1,2018-June 30,2019  
Monitoring 2017-2018 School Year Data**

The purpose of this document is to demonstrate to the owners that the board holds the superintendent accountable to our Ends and ELs.

Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – demonstrates expected progress?		Date to bring back the district’s plan to demonstrate expected progress in the future	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
ENDS							
1.1 Each student graduates and is academically prepared to progress to multiple opportunities after high school	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			No	No	TBD	No
	06/24/19 OI						
1.1.1. Each student is reading at grade level by the end of third grade	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			Yes	Yes		Yes
	06/24/19 OI						
1.1.2 Each student achieves individual growth expectations and proficiency annually in, but not limited to, Language Arts, Math and Science	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			No	No	TBD	No
	06/24/19 OI						

250

Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – demonstrates expected progress?		Date to bring back the district’s plan to demonstrate expected progress in the future	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
ENDS							
<b>1.1.3</b> Each student receives a broad-based education that exceeds the Minnesota State Graduation Requirements	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			Yes	Yes		Yes
	06/24/19 OI						
<b>1.2</b> Each student demonstrates the 21 <sup>st</sup> century skills needed to succeed in the global economy	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			Yes	Yes		Yes
	06/24/19 OI						
<b>1.3</b> Each student demonstrates the knowledge that citizens and residents of the United States need to contribute positively to society	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			No	No	TBD	No
	06/24/19 OI						

251

Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – supports Operational Interpretation or not?		Date to re-monitor if either the OI is Not Reasonable or if Evidence doesn’t support OI	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
EXECUTIVE LIMITATIONS							
EL 2.0 Global Executive Constraint	12/10/18						
EL 2.1 Emergency Superintendent Succession	08/27/18	Yes	Yes	Yes	Yes		Yes
EL 2.2 Treatment of Students	08/27/18	Yes	Yes	Yes	Yes, with the exception of EL 2.2.1	Re-monitor EL 2.2.1 Date: 2/25/19	
EL 2.3 Treatment of Parents	09/24/18	Yes	Yes	Yes	Yes		Yes
EL 2.4 Treatment of Staff	10/22/18	Yes	Yes	Yes	Yes		Yes
EL 2.5 Financial Planning and Budgeting	12/10/18						
EL 2.6 Financial Management and Operations	09/24/18	Yes	Yes	Yes	Yes		Yes
EL 2.7 Asset Protection	08/27/18	Yes	Yes	Yes	Yes		Yes
EL 2.8 Compensation and Benefits	10/22/18	Yes	Yes	Yes	Yes		Yes

252

Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – supports Operational Interpretation or not?		Date to re-monitor if either the OI is Not Reasonable or if Evidence doesn't support OI	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
EXECUTIVE LIMITATIONS							
EL 2.9 Communication and Support to the School Board	06/18/18 (Semi-annual)	Yes	Yes	Yes	Yes	Yes	Yes
	11/19/18						
	06/24/19 (Semi-annual)						
<u>Statement of Assertion:</u> Report is Reasonable and Evidence supports the Operational Interpretation							
2.9.2 Further, the Superintendent shall not: Be untimely in reporting any actual or anticipated noncompliance with any policy of the School Board.							
<u>Operational Interpretation:</u> I interpret this policy to mean that it is my responsibility to inform the Board if the organization swings significantly out of compliance or is likely to go out of compliance with any Executive Limitation or Ends policy independent of the timing for internal monitoring report. In other words, I will not wait until a monitoring report is due to inform the Board of a compliance issue but will alert the Board as soon as is prudent and possible.  I interpret “any policy” to include Executive Limitation and Ends policies.							
<u>Justification:</u> I submit this as a reasonable interpretation on the merit of its common sense approach. In a crisis, I must first “secure the situation” and then communicate. Therefore, alerting the Board at my first possible convenience is a logical approach.							



253

<p><u>Measurement Plan:</u></p> <ol style="list-style-type: none"> <li>1. Compliance will be measured using three (3) benchmarks: <ol style="list-style-type: none"> <li>a. Administration’s timely notification to the Board of any unanticipated non-compliance with any Board policy prior to the scheduled date of monitoring report review.</li> <li>b. Administration’s adherence to the Monitoring Schedule per the Board Work Plan.</li> <li>c. The Board’s request for additional monitoring.</li> </ol> </li> </ol>	
<p><u>Evidence:</u></p> <ol style="list-style-type: none"> <li>1. There were no instances of unanticipated non-compliance with any Board policy prior to the scheduled date of monitoring report review.</li> <li>2. See evidence presented for EL 2.9.1.</li> <li>3. See evidence presented for EL 2.9.1.</li> </ol>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.9.3 Further, the Superintendent shall not: Neglect to submit unbiased information required by the School Board or let the School Board be unaware of relevant trends.</b></p>	
<p><u>Operational Interpretation:</u> I interpret “unbiased information required by the School Board” to be data that:</p> <ol style="list-style-type: none"> <li>1. Seeks to provide facts, multiple perspectives, and the positive and/or negative consequences of any proposed action when the School Board requests such information for their deliberations (e.g. considering a new EL or Ends policy;</li> <li>2. Neither promotes nor suppresses the true nature or logical outcomes that may result from the review of said data</li> </ol> <p>“Relevant trends” are interpreted as information that provides the School Board with key insights into emerging educational trends that might better inform the Board as they approach their governance responsibilities.</p>	
<p><u>Justification:</u> The reasonableness of this interpretation is based on my past experience supporting School Board process and an awareness of the key issues facing the School Board and organization.</p>	
<p><u>Measurement Plan:</u> Compliance shall be evidenced by:</p> <ol style="list-style-type: none"> <li>1. The operational interpretations, justifications and data provided are timely, accurate, and provide credibility to my assertions of compliance as evidenced by final board action on the report.</li> <li>2. The Superintendent shall provide “Incidental Information” reports at the monthly business meetings and assist the Board and Board Development Committee as they develop future focused workshop topics.</li> </ol>	

<p><u>Evidence:</u></p> <ol style="list-style-type: none"> <li>1. See evidence for 2.9.1.</li> <li>2. See evidence for 2.9.4.</li> <li>3. Future Focused Topics Presented               <ol style="list-style-type: none"> <li>a. Budget Preparation for <del>18-19</del> 19-20</li> <li>b. <a href="#">Morris Leatherman Survey Results</a></li> <li><del>c. Designing Pathways – Additional Information</del></li> <li>d. <a href="#">Designing Pathways Choice for Each Options</a></li> <li>e. <a href="#">Designing Pathways Facilities, Safety Security, and Personalized Learning Information</a></li> <li>f. <a href="#">Designing Pathways Financials</a></li> <li>g. <a href="#">Superintendent Recommendation on Designing Pathways for Facilities, Security, Personalized Learning, and Choice</a></li> <li><del>h. Enrollment Update and Discussion Regarding Resident Engagement Plan</del></li> </ol> </li> </ol>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	
<p><b>2.9.4 Further, the Superintendent shall not: Let the School Board be unaware of any significant incidental information it requires, including district press releases, anticipated media coverage, threatened or pending lawsuits, and material internal and external changes.</b></p>	
<p><u>Operational Interpretation:</u> I interpret this policy to mean that I must inform the School Board of:</p> <ol style="list-style-type: none"> <li>1. Incidental Information is interpreted as information that is significant to the organization but not information considered by the School Board to be educational or monitoring in nature. I think of it as “nice to know” items. Examples of this might range from the retirement of a staff member to an update on management’s strategic planning process.</li> <li>2. A threatened or pending lawsuit will be interpreted as a situation where the District has been notified in writing that an individual or group has retained legal representation for purposes of legally challenging the District.</li> <li>3. Material internal or external changes are interpreted to be situations or decisions that a reasonable person would consider to have a significant impact on the district. Examples might include potential changes in state funding, organizational restructuring or process changes, etc.</li> <li>4. The Superintendent is responsible for determining whether the change rises to the level of School Board notification. When in doubt, the Superintendent will consult with the School Board Chair to determine whether an issue is worthy of School Board notification and the proper course of notification.</li> </ol>	

<p><u>Justification:</u> The reasonableness of this interpretation is based on my past experience supporting the School Board process.</p>	
<p><u>Measurement Plan:</u> Compliance shall be evidenced by:</p> <ol style="list-style-type: none"> <li>1. The Superintendent shall provide “Incidental Information” reports at their monthly business meeting.</li> <li>2. The School Board’s comparison of my notifications of any real or threatened lawsuits against actuals during the period being monitored.</li> <li>3. The Superintendent adequately informed the Board of material changes during the period being monitored.</li> </ol>	
<p><u>Evidence:</u></p> <ol style="list-style-type: none"> <li>1. Incidental Information Reports               <ol style="list-style-type: none"> <li>a. <a href="#">Online Learning</a></li> <li>b. <a href="#">Preliminary</a> Enrollment Update</li> <li>c. Unaudited Financials</li> <li>d. October 1 Enrollment Summary with Capture Rate, History and Projection <a href="#">by grade level and site</a></li> <li>e. <a href="#">World’s Best Workforce</a></li> <li>f. <a href="#">Achievement Integration Summary</a></li> <li>g. <del>EL 2.2 Report</del></li> </ol> </li> <li>2. The Superintendent notified the Board as needed during the period being monitored.</li> <li>3. The Superintendent notified the Board as needed during the period being monitored.</li> </ol>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence supports the Operational Interpretation</p>	
<p><b>2.9.5 Further, the Superintendent shall not: Fail to advise the School Board if, in the Superintendent's opinion, the School Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of School Board behavior that is detrimental to the working relationship between the School Board and the Superintendent.</b></p>	
<p><u>Operational Interpretation:</u> The Superintendent, while subordinate to the School Board, is empowered to manage the business of the District (otherwise known as the Means) unless specifically directed to do otherwise via the Executive Limitations policies. This policy directs me to</p>	

<p>advise the School Board if the School Board attempts to guide or influence any management function not specifically entrusted to the School Board. The Policy Governance model will only be successful if both the School Board and Superintendent adhere to its policies and tenants.</p> <p>There is an inherent risk for the Superintendent in advising the School Board it is out of compliance. The Superintendent should be confident that any alleged violation of this policy can be brought forth without fear of retaliation or retribution from the School Board or one of its members.</p>	
<p><u>Justification:</u> In order for Policy Governance to function effectively, both the Superintendent and School Board must understand their roles and practice good governance.</p>	
<p><u>Measurement Plan:</u> Compliance is measured by instances when the Superintendent is compelled to notify the School Board Chair and Vice Chair that one or more School Board members allegedly violated this policy. The Chair and Vice Chair will inform the School Board of any unresolved issues.</p>	
<p><u>Evidence:</u> The Superintendent notified the Board Chair and Vice Chair as needed and appropriate during the period being monitored.</p>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	
<p><b>2.9.6 Further, the Superintendent shall not: Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and incidental.</b></p>	
<p><u>Operational Interpretation:</u></p> <ol style="list-style-type: none"> <li>1. Information that is unnecessarily complex and/or lengthy is characterized by a reporting style that provides more information than is required, or contains irrelevant information that hinders effective Board deliberation and decision-making.</li> <li>2. Information provided to the School Board using the principles of Policy Governance should conform and be labeled per the three types indicated in this policy.</li> <li>3. The following defines the three types of information:</li> </ol>	

<ul style="list-style-type: none"> <li>a. Monitoring information. This category includes internal monitoring reports, external monitoring reports (e.g. annual audit), and data and interpretations collected for direct inspections.</li> <li>b. Decision Preparation. This category is composed of information the School Board requests or the Superintendent proactively supplies (see 2.9.3) to support the School Board in its work.</li> <li>c. Incidental Information. This information covers the gamut...from the “nice to know” events that occur in an organization to updates on management processes. Its purpose is to inform the School Board and is not presented for discussion or input.</li> </ul>	
<p><u>Justification:</u> The interpretations for the types of information were provided during School Board training.</p>	
<p><u>Measurement Plan:</u></p> <ul style="list-style-type: none"> <li>1. Compliance regarding complexity or length of the information format is measured by compliance with EL 2.9.1.</li> <li>2. The appropriate placement, discussion, and action (if appropriate) of informational items on the board business meeting and workshop agendas each month.</li> </ul>	
<p><u>Evidence:</u></p> <ul style="list-style-type: none"> <li>1. See evidence presented for EL 2.9.1.</li> <li>2. Evidence of compliance is demonstrated by Board action to approve meeting agendas during the period being monitored.</li> </ul>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	
<p><b>2.9.7 Further, the Superintendent shall not: Provide a mechanism for official School Board, officer, or committee communications that is ineffective.</b></p>	
<p><u>Operational Interpretation:</u></p> <ul style="list-style-type: none"> <li>1. An ineffective communication mechanism is interpreted as: <ul style="list-style-type: none"> <li>a. Inefficient in reaching School Board members in a timely manner</li> <li>b. Unproductive in assisting School Board members in carrying out their duties</li> <li>c. Unsuccessful in clearly relaying the desired information and resulting actions for official School Board, officer, or committee communications are those defined as those mechanisms that provide timely, accurate, and understandable information that assists School Board members in carrying out their duties.</li> </ul> </li> </ul>	

Therefore, I interpret this policy to mean that I must provide the School Board a system for connecting effectively to the organization and to necessary governing information (e.g. School Board meeting materials, past documents).	
<u>Justification:</u> The operational interpretation is justified by the School Board’s own selection of BoardBook and MS Outlook as technology solutions and the District website as the repository for official public documents.	
<u>Measurement Plan:</u> Compliance will be measured by the School Board’s use of BoardBook, MS Outlook, and the District website and feedback regarding their user experience.	
<u>Evidence:</u> The Board has continued to use BoardBook, MS Outlook, and the District website as its main communication and information solutions.	
<u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation	
<b>2.9.8 Further, the Superintendent shall not: Communicate with individual School Board members in addressing official School Board business except when responding to officers or committees duly charged by the School Board.</b>	
<u>Operational Interpretation:</u> Elected members of the School Board have binding authority only when acting as a School Board legally in session except where specific authority is provided to School Board members or officers individually. Generally, the School Board is not bound by an action or statement on the part of an individual School Board member unless the action is specifically directed or authorized by the School Board.	
<u>Justification:</u> Minnesota Law provides for the specific powers and function of elected School Board members. Minnesota Statute §123.33 School Board Powers Minnesota Statute §123.34 School District Officers Minnesota Statute §123.35 General Powers  BMD 3.1.2 provides guidance and instruction outlining the authority that an individual School Board member can exert upon the Superintendent.	

259

<p><u>Measurement Plan:</u> Compliance is measured by the number of instances when the Superintendent is compelled to report to the School Board Chair and Vice Chair, School Board member non-compliance of BMD 3.1.1. The Chair and Vice Chair will inform the School Board of any unresolved issues.</p>	
<p><u>Evidence:</u> The Superintendent notified the Board Chair and Vice Chair as needed and appropriate during the period being monitored.</p>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	
<p><b>2.9.9 Further, the Superintendent shall not: Neglect to supply for the School Board’s consent agenda, along with applicable supporting information, all decisions delegated to the Superintendent yet required by law, regulation, or contract to be School Board-approved.</b></p>	
<p><u>Operational Interpretation:</u> I interpret this policy to mean that the new School Board agenda template developed through our current governance process transition will include one “consent agenda” area and that I am responsible for bringing any items onto the agenda in this section. Items listed will include reference as to the reason School Board approval is required and any governance policies the item might reference. I interpret “consent agenda” items differently from “Required School Board Decision” items on the agenda template. “Required School Board Decisions” are items requiring School Board approval AND their deliberative involvement.</p>	
<p><u>Justification:</u> My interpretation of this policy is based on the Policy Governance model.</p>	
<p><u>Measurement Plan:</u> Compliance with this policy shall be evidenced by the proper identification and placement of the items described in this policy on School Board agendas during the period being monitored.</p>	
<p><u>Evidence:</u> 1. Evidence of compliance is demonstrated by Board action to approve meeting agendas during the period being monitored.</p>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	

<b>2.9.10 Further, the Superintendent shall not: Allow the School Board to be unaware of potential consequences to the district posed by pending legislation or regulation.</b>	
<p><u>Operational Interpretation:</u> I interpret this policy to mean that potential consequences of pending or realized legislation can be positive or negative and are the result of actions of the state and/or federal government. Pending legislation are those items that are introduced to the legislature in the form of new bills or modification to existing legislation. Regulations are the interpretation of enacted legislation by government entities charged with the responsibility of operationalizing approved legislation. Legislation and regulations are imposed upon the District as a political entity. The District is a political entity that is responsible to the State of Minnesota and the Federal government, and therefore is required to conform to and implement either direct legislation or the interpretation of legislation by government agencies. Pending legislation and resulting changes to expectations or established practices at the local level need to be communicated to the Board of Education.</p> <p>Therefore, my job related to this policy is to make sure the School Board is made aware of legislative impact to this district. I will normally use my “Incidental Report” to make the School Board aware of such situations unless the legislation causes the organization to go out of compliance. In such cases, the School Board may be informed via an Out of Compliance Email Alert.</p>	
<p><u>Justification:</u> I consider my interpretation to be justified based on a common understanding of public education regulation and legislation.</p>	
<p><u>Measurement Plan:</u> Compliance with this policy is evidenced by the multiple means by which the Board is kept apprised of proposed state and federal legislation or regulation, as well as inquiries from individual board members seeking further understanding or clarification of pending legislation.</p>	
<p><u>Evidence:</u> The Board is copied in on email updates from AMSD and MSBA on a regular basis. The Superintendent also forwards additional information from MASA and AASA as needed and appropriate.</p>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	

260



<b>2.9.11 Further, the Superintendent shall not: Send letters or surveys under the School Board’s name or on behalf of the School Board without School Board approval.</b>	
<p><u>Operational Interpretation:</u> It is not uncommon for information to be disseminated or gathered on behalf of the District as a whole or “on behalf of” the School Board. Due to the separation of duties as evidenced by School Board Policy, it is inherent upon Administration to clearly identify the source of the request and to whom the information will be divulged when sharing, communicating, or collecting data.</p> <ol style="list-style-type: none"> <li>1. Neither Superintendent nor any school employee may represent the “School Board” in any letter sent to stakeholders without the express approval of the School Board via official School Board approval.</li> <li>2. The Superintendent and designees shall clearly declare the origin and potential use of any survey seeking input from owners, and under no circumstance represent the request for information on behalf of the School Board without School Board approval.</li> </ol>	
<p><u>Justification:</u> Policy Governance theory and policy clearly indicates the roles of the School Board and Superintendent which is the driving rationale for this interpretation.</p>	
<p><u>Measurement Plan:</u> Compliance with this policy will be evidenced by:</p> <ol style="list-style-type: none"> <li>1. The existence of any formal requests by the Superintendent for School Board signoff of letters, etc. during the monitoring period.</li> <li>2. Surveys undertaken by the Administration do not attribute the Board as requesters or recipients of the collected data.</li> </ol>	
<p><u>Evidence:</u></p> <ol style="list-style-type: none"> <li>1. There were no requests by the Superintendent to have the Board sign off on any letters.</li> <li>2. There were no surveys undertaken that were attributed to the Board as requestors.</li> </ol>	
<p><u>Statement of Assertion:</u> Report is Reasonable and Evidence support the Operational Interpretation</p>	
School Board member’s summarizing comments:	

261

**EL 2.2**

<b>Policy Type:</b>	<b>Executive Limitations</b>
<b>Policy Title:</b>	<b>2.2 Treatment of Students</b>

The Superintendent shall not cause or allow an educational environment that is unsafe, unwelcoming, inequitable, disrespectful, unnecessarily intrusive, or that otherwise inhibits the effective learning needs of each student. Furthermore, the Superintendent shall not:

- 2.2.1 Allow students to be unprotected against violence or harassment.
- 2.2.2 Allow private student data to be unprotected.
- 2.2.3 Unfairly or inequitably identify and address student behavior violations.
- 2.2.4 Hire paid personnel without first completing an appropriate background check.
- 2.2.5 Allow any volunteer unsupervised time with students without first completing an appropriate background check.
- 2.2.6 Neglect to assure an equitable system for access to academic programming.
- 2.2.7 Allow students to be uninformed of their protections under this policy.
- 2.2.8 Neglect to assure that all allegations of student maltreatment are handled in a timely manner.
- 2.2.9 Neglect to provide adequate minimum time and access to school meals for students.**
- 2.2.10 Neglect to provide adequate minimum time and access to recess for elementary students.**

**GP 4.5**

<b>Policy Type:</b>	<b>Governance Process</b>
<b>Policy Title:</b>	<b>4.5 School Board Members' Code of Conduct</b>

The School Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as School Board members.

- 4.5.1 Members will demonstrate loyalty to the owners, not conflicted by loyalties to staff, other organizations, or any personal interests as consumers.
- 4.5.2 Members will avoid conflict of interest with respect to their fiduciary responsibility.
  - 4.5.2.1 There will be no self-dealing or business by a member with the district. Members will annually disclose their involvements with other organizations or with vendors and any associations that might be reasonably seen as representing a conflict of interest.
  - 4.5.2.2 When the School Board is to decide on an issue about which a member has an unavoidable conflict of interest, that member will absent herself or himself without comment not only from the vote but also from the deliberation.
  - 4.5.2.3 School Board members will not use their School Board position to obtain employment in the district for themselves, family members, or close associates. A School Board member who applies for employment will first resign from the School Board.
- 4.5.3 School Board members will not attempt to exercise individual authority over the school district or attempt to cause division between School Board members or the School Board and members of the district.
  - 4.5.3.1 Members' interaction with the Superintendent or with staff will recognize the lack of authority vested in individuals except when explicitly authorized by the School Board.
  - 4.5.3.2 Members' interactions with the public, the press, or other entities will recognize the same limitation and the inability of any School Board member to speak for the School Board except to repeat explicitly stated School Board decisions.

Adopted: 10/23/12  
Revised: 10/22/13; 02/25/14; 03/24/15; 04/28/15, 11/19/18

Eden Prairie School Board

**GP 4.5**

4.5.4 Members will respect the confidentiality appropriate to issues of a sensitive nature.

**4.5.5** Members will be prompt and attend all Board Business Meetings and Board Workshops, and all meetings of Board Committees and other outside assignments. Absences must be communicated to the Board Chair or Committee Chair at least seventy-two hours prior to the affected meeting. In the case of an unforeseen conflict, the Board Chair or Committee Chair must be notified as soon as possible.

**4.5.6** Members will be properly prepared for School Board deliberation.

**4.5.7** Members will support the legitimacy and authority of the final determination of the School Board on any matter, irrespective of the member's personal position on the issue.

**4.5.78** For an effective School Board, School Board Members will attend a series of training courses that familiarize them with the operation of School Boards within the State of Minnesota as well as the Eden Prairie School District. School Board Member training will consist of the following:

**4.5.78.1** Introduction to Policy Governance – School Board members will take this course as soon as possible upon election to the School Board and no later than six months from taking office. Course content to be determined by the Board Development Committee.

The following training sessions are conducted by the Minnesota School Boards Association (MSBA):

**4.5.7.2** Phase I Orientation (New School Board Members) – School Board members will take this course as soon as possible upon election to the School Board and no later than six months from taking office.

**4.5.7.3** Phase II Orientation (New School Board Members) – School Board members will take this course as soon as possible upon election to the School Board and no later than six months from taking office.

**4.5.7.4** Phase III Orientation (Building a High Performance School Board) – School Board members will take this course (or an alternate course of similar training as approved by the School Board Chair) within the first two years of taking office.

**4.5.7.5** Phase IV Orientation (Community Engagement) – School Board members will take this course (or an alternate course of similar training as approved by the School Board Chair) within the first two years of taking office.

**4.5.7.6** Officer Training – any School Board member elected to be an officer will attend this course within six months of election.

Adopted: 10/23/12

Revised: 10/22/13; 02/25/14; 03/24/15; 04/28/15, **11/19/18**

Eden Prairie School Board

**GP 4.5**

4.5.7.7 Annual Leadership Conference – each School Board member will attend this conference no less than once every three years.

A School Board Training Attendance Report will be maintained for compliance purposes.

Adopted: 10/23/12

Revised: 10/22/13; 02/25/14; 03/24/15; 04/28/15, 11/19/18

Eden Prairie School Board

**Record of Board Policy Monitoring  
Ends and Executive Limitations  
July 1,2018-June 30,2019**

**Monitoring 2017-2018 School Year Data**

**The purpose of this document is to demonstrate to the owners that the board holds the superintendent accountable to our Ends and ELs.**

Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – demonstrates expected progress?		Date to bring back the district’s plan to demonstrate expected progress in the future	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
ENDS							
1.1 Each student graduates and is academically prepared to progress to multiple opportunities after high school	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			No	No	TBD	No
	06/24/19 OI						
1.1.1. Each student is reading at grade level by the end of third grade	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			Yes	Yes		Yes
	06/24/19 OI						
1.1.2 Each student achieves individual growth expectations and proficiency annually in, but not limited to, Language Arts, Math and Science	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			No	No	TBD	No
	06/24/19 OI						

Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – demonstrates expected progress?		Date to bring back the district’s plan to demonstrate expected progress in the future	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
ENDS							
<b>1.1.3</b> Each student receives a broad-based education that exceeds the Minnesota State Graduation Requirements	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			Yes	Yes		Yes
	06/24/19 OI						
<b>1.2</b> Each student <del>has</del> demonstrates the 21 <sup>st</sup> century skills needed to succeed in the global economy	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			Yes	Yes		Yes
	06/24/19 OI						
<b>1.3</b> Each student <del>has</del> demonstrates the knowledge that citizens and residents of the United States need to contribute positively to society	06/18/18 OI	Yes	Yes				
	10/22/18 Evidence			No	No	TBD	No
	06/24/19 OI						

Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – supports Operational Interpretation or not?		Date to re-monitor if either the OI is Not Reasonable or if Evidence doesn’t support OI	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
EXECUTIVE LIMITATIONS							
EL 2.0 Global Executive Constraint	12/10/18						
EL 2.1 Emergency Superintendent Succession	08/27/18	Yes	Yes	Yes	Yes		Yes
EL 2.2 Treatment of Students	08/27/18	Yes	Yes	Yes	Yes, with the exception of EL 2.2.1	Re-monitor EL 2.2.1 Date: 2/25/19	
EL 2.3 Treatment of Parents	09/24/18	Yes	Yes	Yes	Yes		Yes
EL 2.4 Treatment of Staff	10/22/18	Yes	Yes	Yes	Yes		Yes
EL 2.5 Financial Planning and Budgeting	12/10/18						
EL 2.6 Financial Management and Operations	09/24/18	Yes	Yes	Yes	Yes		Yes
EL 2.7 Asset Protection	08/27/18	Yes	Yes	Yes	Yes		Yes
EL 2.8 Compensation and Benefits	10/22/18	Yes	Yes	Yes	Yes		Yes



Policy	Date	Operational Interpretation – Reasonable or not?		Evidence – supports Operational Interpretation or not?		Date to re-monitor if either the OI is Not Reasonable or if Evidence doesn’t support OI	Completed
		Superintendent Assertion	Board Finding	Superintendent Assertion	Board Finding		
EXECUTIVE LIMITATIONS							
EL 2.9 Communication and Support to the School Board	06/18/18 (Semi-annual)	Yes	Yes	Yes	Yes	Yes	Yes
	11/19/18						
	06/24/19 (Semi-annual)						

**Record of Board Self-Evaluation  
Governance Policies  
(July 1, 2018 – June 30, 2019)**

**Monitoring July 1, 2017 – June 30, 2018 School Year Data**

**The purpose of this document is to demonstrate to the owners that the Board is accountable to our  
Board Management Delegation and Governance Process policies.**

Policy	Date of Self-Evaluation	Board Behavior Fully Compliant? Y/N	Board behavior needing improvement or opportunity for continuous improvement	Commitment Made/Action Taken	Completed
--------	-------------------------	-------------------------------------	--	------------------------------	-----------

**BOARD-MANAGEMENT DELEGATION (BMD) POLICIES**

<b>3.0 Single Point of Connection</b>	09/24/2018	Yes			Yes
<b>3.1 Unity of Control</b>	09/24/2018	Yes			Yes
3.1.1	09/24/2018	Yes			Yes
3.1.2	09/24/2018	Yes			Yes
3.1.3	09/24/2018	Yes			Yes
<b>3.2 Delegation to the Superintendent</b>	09/24/2018	Yes			Yes
3.2.1	09/24/2018	Yes			Yes
3.2.2	09/24/2018	Yes			Yes
3.2.3	09/24/2018	Yes			Yes
3.2.4	09/24/2018	Yes			Yes
<b>3.3 Superintendent Accountability and Performance</b>	09/24/2018	Yes			Yes
3.3.1	09/24/2018	Yes			Yes
3.3.2	09/24/2018	Yes			Yes
3.3.3	09/24/2018	Yes			Yes
3.3.4	09/24/2018	Yes			Yes
3.3.5	09/24/2018	Yes			Yes

**Record of Board Self-Evaluation  
Governance Policies  
(July 1, 2018 – June 30, 2019)**

**Monitoring July 1, 2017 – June 30, 2018 School Year Data**

**The purpose of this document is to demonstrate to the owners that the Board is accountable to our  
Board Management Delegation and Governance Process policies.**

Policy	Date of Self-Evaluation	Board Behavior Fully Compliant? Y/N	Board behavior needing improvement or opportunity for continuous improvement	Commitment Made/Action Taken	Completed
--------	-------------------------	-------------------------------------	--	------------------------------	-----------

GOVERNANCE PROCESS (GP) POLICIES					
<b>4.0 Global Governance Commitment</b>	12/10/2018				
4.0.1	12/10/2018				
4.0.2	12/10/2018				
<b>4.1 Governing Style</b>	10/22/2018	Yes			Yes
4.1.1	10/22/2018	Yes			Yes
4.1.2	10/22/2018	Yes			Yes
4.1.3	10/22/2018	No	Attendance and respect for the fulfillment of roles		No
4.1.4	10/22/2018	Yes	<del>Improve measurement by establishing an evaluation system and developing a self-assessment tool.</del>		Yes
4.1.5	10/22/2018	Yes			Yes
4.1.6	10/22/2018	Yes			Yes
<b>4.2 School Board Job Products</b>	10/22/2018	Yes			Yes
4.2.1	10/22/2018	No	To conduct a more robust Community Linkage		No
4.2.2	10/22/2018	Yes			Yes
4.2.2 - A	10/22/2018	Yes			Yes
4.2.2 - B	10/22/2018	Yes			Yes

**Record of Board Self-Evaluation  
Governance Policies  
(July 1, 2018 – June 30, 2019)**

**Monitoring July 1, 2017 – June 30, 2018 School Year Data**

**The purpose of this document is to demonstrate to the owners that the Board is accountable to our  
Board Management Delegation and Governance Process policies.**

Policy	Date of Self-Evaluation	Board Behavior Fully Compliant? Y/N	Board behavior needing improvement or opportunity for continuous improvement	Commitment Made/Action Taken	Completed
4.2.2 - C	10/22/2018	Yes			Yes
4.2.2 - D	10/22/2018	Yes			Yes
4.2.3	10/22/2018	Yes			Yes
<b>4.3 Annual Work Plan</b>	10/22/2018	Yes	To conduct a more robust Community Linkage		Yes
4.3.1	10/22/2018	Yes			Yes
4.3.2	10/22/2018	Yes			Yes
4.3.3	10/22/2018	Yes			Yes
<b>4.4 Officer Roles</b>	09/24/2018	Yes			Yes
4.4.1	09/24/2018	Yes			Yes
4.4.1.1	09/24/2018	Yes			Yes
4.4.1.2	09/24/2018	Yes			Yes
4.4.1.3	09/24/2018	Yes			Yes
4.4.1.4	09/24/2018	Yes			Yes
4.4.1.5	09/24/2018	Yes			Yes
4.4.1.6	09/24/2018	Yes			Yes
4.4.1.7	09/24/2018	Yes			Yes
4.4.1.8	09/24/2018	Yes			Yes
4.4.1.9	09/24/2018	Yes			Yes
4.4.2	09/24/2018	Yes			Yes
4.4.3	09/24/2018	Yes			Yes
4.4.4	09/24/2018	Yes			Yes

**Record of Board Self-Evaluation  
Governance Policies  
(July 1, 2018 – June 30, 2019)**

**Monitoring July 1, 2017 – June 30, 2018 School Year Data**

**The purpose of this document is to demonstrate to the owners that the Board is accountable to our  
Board Management Delegation and Governance Process policies.**

Policy	Date of Self-Evaluation	Board Behavior Fully Compliant? Y/N	Board behavior needing improvement or opportunity for continuous improvement	Commitment Made/Action Taken	Completed
--------	-------------------------	-------------------------------------	--	------------------------------	-----------

<b>4.5 School Board Members' Code of Conduct</b>	09/24/2018	Yes			Yes
4.5.1	09/24/2018	Yes			Yes
4.5.2	09/24/2018	Yes			Yes
4.5.2.1	09/24/2018	Yes			Yes
4.5.2.2	09/24/2018	Yes			Yes
4.5.2.3	09/24/2018	Yes			Yes
4.5.3	09/24/2018	Yes			Yes
4.5.3.1	09/24/2018	Yes			Yes
4.5.3.2	09/24/2018	Yes			Yes
4.5.4	09/24/2018	Yes			Yes
4.5.5	09/24/2018	Yes			Yes
4.5.6	09/24/2018	Yes			Yes
4.5.7	09/24/2018	No		Board Member Seidel intends to propose a policy change	No
4.5.7.1	09/24/2018	Yes			Yes
4.5.7.2	09/24/2018	Yes			Yes
4.5.7.3	09/24/2018	Yes			Yes
4.5.7.4	09/24/2018	No		Board Member Seidel intends to propose a policy change	No
4.5.7.5	09/24/2018	Yes			Yes

**Record of Board Self-Evaluation  
Governance Policies  
(July 1, 2018 – June 30, 2019)**

**Monitoring July 1, 2017 – June 30, 2018 School Year Data**

**The purpose of this document is to demonstrate to the owners that the Board is accountable to our  
Board Management Delegation and Governance Process policies.**

Policy	Date of Self-Evaluation	Board Behavior Fully Compliant? Y/N	Board behavior needing improvement or opportunity for continuous improvement	Commitment Made/Action Taken	Completed
4.5.7.6	09/24/2018	Yes			Yes
4.5.7.7	09/24/2018	No		Board Member Seidel has intentions to attend the next meeting	No
<b>4.6 Process for Addressing School Board Member Violations</b>	09/24/2018	Yes			Yes
4.6.1	09/24/2018	Yes			Yes
4.6.2	09/24/2018	Yes			Yes
4.6.3	09/24/2018	Yes			Yes
4.6.4	09/24/2018	Yes			Yes
4.6.4.1	09/24/2018	Yes			Yes
4.6.4.2	09/24/2018	Yes			Yes
<b>4.7 School Board Committee Principles</b>	09/24/2018	Yes			Yes
4.7.1	09/24/2018	Yes			Yes
4.7.2	09/24/2018	Yes			Yes
4.7.3	09/24/2018	Yes			Yes
4.7.4	09/24/2018	Yes			Yes
<b>4.8 School Board Committee Structure</b>	09/24/2018	Yes			Yes

**Record of Board Self-Evaluation  
Governance Policies  
(July 1, 2018 – June 30, 2019)**

**Monitoring July 1, 2017 – June 30, 2018 School Year Data**

**The purpose of this document is to demonstrate to the owners that the Board is accountable to our  
Board Management Delegation and Governance Process policies.**

Policy	Date of Self-Evaluation	Board Behavior Fully Compliant? Y/N	Board behavior needing improvement or opportunity for continuous improvement	Commitment Made/Action Taken	Completed
4.8.1	09/24/2018	Yes			Yes
4.8.2	09/24/2018	Yes			Yes
4.8.3	09/24/2018	Yes			Yes
4.8.4	09/24/2018	Yes			Yes
<b>4.9 Governance Investment</b>	10/22/2018	Yes			Yes
4.9.1	10/22/2018	Yes			Yes
4.9.1.1	10/22/2018	Yes			Yes
4.9.1.2	10/22/2018	Yes			Yes
4.9.1.3	10/22/2018	Yes			Yes
4.9.2	10/22/2018	Yes			Yes
4.9.3	10/22/2018	Yes			Yes
<b>4.10 Operation of the School Board Governing Rules</b>	09/24/2018	Yes			Yes
4.10.1	09/24/2018	Yes			Yes
4.10.1.1	09/24/2018	Yes			Yes
4.10.1.2	09/24/2018	Yes			Yes
4.10.1.3	09/24/2018	Yes			Yes

## **Designing Pathways**

I make a motion to accept the recommendations for Designing Pathways as articulated by Superintendent Swanson in regards to grade level configuration, facilities, safety and security, and personalized learning spaces; to direct the superintendent to bring the board future ballot language options for a bond referendum totaling 39.9 million dollars; and support Superintendent Swanson continuing to develop choices for EACH student that will be brought to the board in the future.



## **Proposed Performance Plan Goals 2018-2019**

The following objective and subjective goals and tasks will be assessed by the board in November 2019 per the contract. The goals address the areas of student achievement, strategic leadership tasks, and fiscal health of the district. The board will evaluate the achievement or completion of the goals and tasks during the superintendent's annual review.

### **1. Student Achievement Goal: 25% of the Plan**

- a) The 2018 3rd Grade Reading, as measured by the triangulated metric used within Ends 1.1.1, will increase from 78.2% to 80%.
- b) The 2018 graduation rate, excluding students who require 18-21 transition programming or ELL services, will increase through a reduction in the percentage continuing credit recovery or unknown from 4.9% to 3% as measured by End 1.1.

### **2. Strategic Task: 25% of the Plan**

Goal: Bring the Designing Pathways phase II facilities process to a close and begin to implement a plan, which supports our mission and achievement of our ends through personalized learning, provides appropriate space for EC-12 learners, increases facility physical safety and security, and strategically positions the district for the future. The goal will be measured through designing and implementing a plan to inform the public about a bond referendum or through the development of a process and plan to achieve the stated goals.

### **3. Strategic Task: 25% of the Plan**

Goal: Expand the initial set of online learning courses with supplemental status as approved by MDE from 2 to 12, as measured by a list of Eden Prairie Schools online courses with MDE approval.

### **4. Fiscal Health: 25% of the Plan**

Goal: Implement recommendations of our research based EC-12 engagement plan, which includes strategies that impact enrollment infrastructure, brand loyalty, communication channels, and engagement events. This will be measured by evidence of task completion that supports the implementation of the comprehensive strategies.

## **Resolution of Acceptance of Donations**

BE IT RESOLVED by the School Board of Independent School District No. 272 that the School Board accepts with appreciation the following contributions and permits their use as designated by the donors:

---

### **Prairie View Elementary School:**

- Donation of \$500.00 – The GAP Foundation (Katie Bishoff): Funds used for years to come by present and forthcoming students.
- Donation of \$600.00 – Senior Care Communities INC. (Milton Harrison): Funds used for years to come by present and forthcoming students.
- Donation of \$315.00 – Best Buy Employee Giving Program (Justin Fletcher): Funds used for to support curriculum.

### **Oak Point Elementary School:**

- Donation of \$5,500.00 – Donor wishes to remain anonymous: Funds will be used to provide musical scholarships to the school band and orchestra programs.
- Donation of \$60.00 – Wells Fargo Foundation/Educational Matching Gifts Program-Molly Miller: Funds will be used to support school programs.

### **Cedar Ridge Elementary School:**

- Donation of \$120.00 - Wells Fargo Foundation/Educational Matching Gifts Program (1000134891): Funds to be used for educational supplies.
- Donation of \$120.00 - Wells Fargo Foundation/Educational Matching Gifts Program (1000138920): Funds to be used for educational supplies.

### **Eden Prairie School District:**

- Donation of \$135.00 – Wells Fargo Community Support Campaign/ Educational Matching Gifts Program (Dorsey/Twedt #1000148914): Funds used for the General Fund
- Donation of \$135.00 – Wells Fargo Community Support Campaign/ Educational Matching Gifts Program (Dorsey/Twedt #1000130430): Funds used for the General Fund

### **Forest Hills & Eden Lake Elementary Schools:**

- Donation of \$8,000.00 – Donor wishes to remain anonymous: Funds will be used to purchase instruments that will be used by Forest Hill and Eden Lake Elementary Schools.

## SUPERINTENDENT CONSENT AGENDA

### A. Semi-Monthly Reports

#### HUMAN RESOURCES

##### 1. Human Resources – Cabinet

###### a. Resignation/Retirements

Swords, Jaclyn – Director of Communications and Community Relations, Administrative Services Center, effective 12/14/2018.

##### 2. Human Resources – Eden Prairie Supervisors & Specialists (EPSS)

###### a. Resignation/Retirements

Foley, Thomas – Maintenance Operations Coordinator, Forest Hills Elementary and Prairie View Elementary, effective 12/31/2018.

##### 3. Human Resources - Licensed Staff

###### a. New Hires

Gillis, Brittan – Early Childhood Special Education Teacher, Lower Campus, 1.0 FTE, effective 1/3/2019.

Nielsen, Katelyn – Early Childhood Special Education Teacher, Education Center, 1.0 FTE, effective 11/26/18.

Pena, Maria – Kindergarten Teacher, 1.0 FTE, Eagle Heights Spanish Immersion, effective 11/12/2018.

Twomey, Catherine – Title 1 Teacher, 0.40 FTE, Prairie View Elementary, effective 10/31/2018.

###### b. Leave of Absence

Kreie, Christopher – EL Teacher, 1.0 FTE, Oak Point Elementary, effective 19-20 and 20-21 school years.

##### 4. Human Resources - Classified Staff

###### a. New Hires

###### BUILDING SERVICES

Pinzon, Antonio – Custodian (Night, Non-Licensed), Education Center, 8 hours/day, 5 days/week, 260 days/year, effective 10/29/2018.

###### CLASS

Bayer, James – Activities Facilities Monitor, Eden Prairie High School, effective 11/12/2018.

Dulek, Cassandra – Office Professional – Media, Eagle Heights Spanish Immersion, 8 hours/day, 5 days/week, 185 days/year, effective 11/5/2018.

Laubach, Melissa – Office Professional – Youth/Volunteer Programs, Community Education, 8 hours/day, 5 days/week, 260 days/year, effective 11/14/2018.

Storch, Katelyn – CE Building Supervisor, Community Education, District Wide, 2 hours/day, 172 days/year, effective 10/22/2018.

Williams, Shanisa – Receptionist, Prairie View Elementary, 8 hours/day, 5 days/week, 35 days/year, effective 11/5/2018 through 12/21/2018.

###### FOOD SERVICE

Lien, Jessica – Food Service Assistant I – Job Share, Prairie View Elementary, 4.75 hours/day, 2-3 days/week, 89 days/year, effective 10/22/2018.

###### MSEA

Anderson-Russell, Ida – Little Eagles Preschool Paraprofessional, Community Education, 6.5 hours/day, 5 days/week, 185 days/year, effective 11/5/2018.

Chizek, Thomas – Special Education Bus Paraprofessional, Transportation, 8

hours/day, 5 days/week, 178 days/year, effective 11/7/2018.

Connelly, Kristen – Paraprofessional, Little Eagles Preschool, Community Education, 6.75 hours/day, 5 days/week, 185 days/year, effective 10/22/2018.

Cotter, Nancy – Playground Paraprofessional, Cedar Ridge Elementary, 2.5 hours/day, 5 days/week, 52 days/year, effective 10/29/2018 through 1/28/2019.

Fischer, Melissa – Special Education Paraprofessional, TASSEL, 6 hours/day, 5 days/week, 178 days/year, effective 10/22/2018.

Hancock, Nicole – Eagle Zone Program Assistant, Community Education, 5.15 hours/day, 5 days/week, 185 days/year, effective 10/29/2018.

Neils, Madelline – Eagle Zone Program Assistant, Community Education, 5.5 hours/day, 5 days/week, 185 days/year, effective 10/25/2018.

Osman, Nimo – Playground Paraprofessional, Prairie View Elementary, 2 hours/day, 4 days/week, 140 days/year, effective 10/31/2018.

Robertson, Dedra – Special Education Paraprofessional, Cedar Ridge Elementary, 5 hours/day, 5 days/week, 178 days/year, effective 10/26/2018.

Robinson, Julia – Eagle Zone Program Assistant, Community Education, 4.9 hours/day, 5 days/week, 185 days/year, effective 11/13/2018.

Schmit, Deborah – Special Education Paraprofessional, Oak Point Elementary, 5 hours/day, 5 days/week, 26 days/year, effective 10/25/2018 through 11/30/2018.

Winegarden, Denise – Playground Paraprofessional, Cedar Ridge Elementary, 2.5 hours/day, 5 days/week, 178 days/year, effective 11/13/2018.

#### TRANSPORTATION

Wright, Guy – Bus Driver, Transportation, 5.83 hours/day, 5 days/week, 178 days/year, effective 10/11/2018.

#### b. Change in Assignment

##### MSEA

Oviguian, Nancy – Early Childhood Special Education Paraprofessional, Little Eagles Preschool, Education Center, 8 hours/day, 5 days/week, 185 days/year, effective 10/22/2018.

#### TRANSPORTATION

#### c. Resignations/Retirements

##### BUILDING SERVICES

Bretto, Zachary – Custodian, Oak Point Elementary, effective 10/31/2018.

##### FOOD SERVICE

Penners, Kelly – Food Service Assistant I, Eden Lake Elementary, effective 10/8/2018.

##### MSEA

Adams, Tiesha – Playground Paraprofessional, Cedar Ridge Elementary, effective 10/12/2018.

Rumon, Janet – Little Eagles Preschool Paraprofessional, Community Education, effective 10/12/2018.

Thorpe, Kante – Special Education Paraprofessional, Central Middle School, effective 11/14/2018.

Vaughn, Sam – Special Education Paraprofessional, Eden Prairie High School, effective 10/29/2018.

#### TRANSPORTATION

Ewald, Renee – Bus Driver, Transportation, effective 12/21/2018.

## Board Business

### General Consent Agenda

#### **Approval of Payments, all funds, October 2018**

Check #400751-401030	\$1,732,064.87
Electronic Disbursements	\$5,408,583.89
<b>TOTAL</b>	<b>\$7,140,648.76</b>

#### **Acknowledgment of Electronic Transfers September 2018**

INVEST DATE	FROM	TO	INTEREST RATE	MATURITY DATE	PRINCIPAL
09/25/18	PMA Financial	MNTrust	2.120%	10/25/18	\$5,008,712.33

**EDEN PRAIRIE SCHOOLS**  
**GENERAL FUNDS**  
**MONTHLY REVENUE/EXPENDITURE REPORT**  
**FOR THE MONTH ENDING: Oct-18**

REVENUES/TRANSFERS IN (BY SOURCE CODE)					
SOURCE	DESCRIPTION	YEAR TO DATE RECEIVED	CURRENT FULL YEAR PROJECTION	THIS YEAR % RECEIVED	LAST YEAR % RECEIVED
001-020	TAXES	\$ 6,687,215	\$ 25,236,066	26.50%	30.70%
021-040	TUITION	8,285	66,000	12.55%	60.17%
041-089	FEES & ADMISSIONS	510,803	872,000	58.58%	57.38%
090-199	MISC REVENUE	384,567	1,125,500	34.17%	21.96%
200-399	STATE AID	22,835,133	78,092,426	29.24%	19.59%
400-499	FEDERAL PROGRAMS	4,200	2,877,000	0.15%	0.00%
600-649	SALES	68,216	56,100	121.60%	84.03%
		<b>\$ 30,498,420</b>	<b>\$ 108,325,092</b>	<b>28.15%</b>	<b>22.11%</b>
	CAPITAL OUTLAY	91,420	10,377,963	0.88%	2.48%
	STUDENT ACTIVITIES	1,166,871	2,000,000	58.34%	32.45%
<b>Revenue Notes:</b>					

EXPENDITURES/TRANSFERS OUT (BY OBJECT CODE)					
OBJECT	DESCRIPTION	YEAR TO DATE EXPENDED	CURRENT FULL YEAR PROJECTION	THIS YEAR % EXPENDED	LAST YEAR % EXPENDED
100	SALARIES	\$ 14,734,860	\$ 74,891,537	19.67%	19.31%
200	BENEFITS	4,918,388	22,521,476	21.84%	21.46%
300	PURCHASED SVCS	2,024,341	6,895,610	29.36%	40.93%
400	SUPPLIES & EQUIPMENT	1,094,767	3,399,563	32.20%	29.92%
800	OTHER EXPENSES	104,371	210,193	49.65%	43.28%
900	TRANSFERS & CONTINGENCY	-	250,000	0.00%	0.00%
		<b>\$ 22,876,726</b>	<b>\$ 108,175,129</b>	<b>21.15%</b>	<b>21.74%</b>
	CAPITAL OUTLAY	7,122,570	10,688,775	66.64%	54.14%
	STUDENT ACTIVITIES	516,879	2,000,000	25.84%	21.64%
<b>Expenditure Notes:</b>					



November 12, 2018

To: Dr. Josh Swanson, Superintendent  
From: Jason Mutzenberger, Executive Director of Business Services  
Re: Metro South Consortium Agreement

Eden Prairie Schools currently participates with Edina, Bloomington and Richfield School Districts in the Metro South Consortium to provide adult basic education services to district residents over the age of 16 who are not currently enrolled in a public school system. Services provided by this consortium are General Educational Development (GED) test preparation, high school diploma programs, English as a Second Language (ESL) and basic skills such as reading, writing, and mathematics. Metro South rents space at Hennepin Technical College to provide ESL classes to Eden Prairie residents.

This program is funded through local levies of the four school districts and state aid based on student attendance. Bloomington Public Schools act as the fiscal agent for the consortium. The joint powers agreement is included for your review and signature and extends the agreement to June 30, 2020.

## School Board Ends Policy Monitoring Protocol

The Board is accountable to the state and taxpayers for the District's performance. The Board is responsible for setting **Ends Policies** which state the results the Board expects to see accomplished for the District. These policies state what "good" is to be accomplished, for whom, at what cost.

The Superintendent is responsible for implementing the Ends Policies within specified Executive Limitations. One way the Board monitors district performance is by monitoring the **expected progress** toward achievement of the Ends Policies.

The Board monitors the Ends Policies in two phases, in accordance with Governance Process 4.2.3:

**In June**, prior to the upcoming school year, the Board monitors the Superintendent's **Operational Interpretation (OI)** of the Ends Policies, and whether the **evidence supports the OI**. (See below.)

**In October**, following the prior school year (Sept-June), the Board monitors the Superintendent's **assertion** of making **expected progress** toward achievement of the Ends Policies for that **prior** school year. (See below.)

### Prior to the Upcoming School Year

#### **Operational Interpretation (OI):**

In June, prior to the upcoming school year, the Superintendent is responsible for drafting/editing an **Operational Interpretation (OI)** for each of the Ends Policies.

This OI includes the Superintendent's

*Interpretation* of the policy, with an explicit explanation  
*Justification* for the reasonableness of the interpretation, and a  
*Measurement plan* which supports the interpretation.

Following a motion, second and discussion, the Board votes whether the Superintendent's Operational Interpretation is **reasonable** or **not reasonable**.



### School Board Ends Policy Monitoring Protocol (cont'd.)

If the OI is voted **reasonable**, the OI constitutes the basis for the Superintendent's assertion of **expected progress** toward achievement of the Ends.

If the entire OI, or a portion of it, is voted **not reasonable**, further monitoring of the policy ceases, there is no vote on the evidence, and the Superintendent commits to bring back a revised OI for a revote, within a time period acceptable to the Board.

#### Sample Motions for the reasonableness of the Operational Interpretation:

"I move that the Operational Interpretation is **reasonable**" or

"I move that the Operational Interpretation is **reasonable with the exception of...**" or

"I move that the Operational Interpretation is **not reasonable**"

---

**Evidence:** data that justifies the Superintendent's assertion of expected progress

If the Board votes that the Operational Interpretation is **reasonable**, the Board makes a motion, seconds, discusses and votes whether the measurement plan provides **evidence** which **supports** or does **not support** the Operational Interpretation.

If the evidence is voted as **supporting** the OI, it constitutes the data that justifies the Superintendent's **assertion of expected progress** toward achievement.

If the entire evidence, or a portion of it, is voted as **not supporting** the OI, the Superintendent commits to bring back revised evidence, within a time period acceptable to the Board, for a revote.

#### Sample Motions for the Evidence supporting the Operational Interpretation:

"I move that the Evidence **supports** the Operational Interpretation" or

"I move that the Evidence **supports** the Operational Interpretation **with the exception of...**" or

"I move that the Evidence **does not support** the Operational Interpretation"

## School Board Ends Policy Monitoring Protocol (cont'd.)

### Following the End of the Prior School Year

#### **Superintendent's assertion:**

Following the end of the prior school year, the Superintendent drafts Ends Policies Monitoring Reports, and presents them to the Board in October of the current school year.

The Superintendent asserts that the evidence either **demonstrates expected progress** or **does not demonstrate expected progress** toward achievement of the Ends.

If the Superintendent asserts that the report **does not** demonstrate expected progress, the report should include a commitment as to when in the future the Board can expect the evidence to demonstrate expected progress. This may include a brief plan showing the Superintendent has a process in place. The Board does not "approve" the plan.

#### **Board acceptance of Ends Policies Monitoring Reports:**

Prior to a Board Meeting at which an Ends Policy will be monitored, the Superintendent sends his Monitoring Report with assertion to the Board. The Board may then ask **clarifying questions of the Superintendent**, but not offer an opinion, regarding the Superintendent's Ends Reports assertion.

Following a time for questions at the Board table, a motion is made, seconded and discussed, the Board votes to accept or not accept the Superintendent's monitoring report, with the assertion that the evidence either **demonstrates** or **does not demonstrate** expected progress toward achievement of the Ends Policy.

#### **Sample Motions for Ends Policies Monitoring Reports:**

"I move to **accept** the Superintendent's Report for Policy xx.xx with the assertion that the evidence **demonstrates** expected progress" or

"I move to **NOT accept** the Superintendent's Report for Policy xx.xx with the assertion that the evidence **demonstrates** expected progress" or

"I move to **accept** the Superintendent's Report for Policy xx.xx with the assertion that the evidence **does not demonstrate** expected progress"

#### **Board Member tips for monitoring an Ends Policy Monitoring Report:**

In the Operational Interpretation for a long-term End, look for what reasonableness will look like in stages.

Board Ends/ELs Policy Monitoring Protocol

Adopted:

Reference Policy: GP 4.2.3 Monitor district performance through its Ends and Executive Limitations Policies.

Adopted: Revised:

Look for the use of rates, ratios, percentages, comparisons and trends over time.

Look for **verifiable evidence** of expected progress towards the achievement of Ends rather than the Superintendent's opinion or belief.

Look for evidence that the End is **actually being achieved**, rather than what is being done to try to achieve it.

If the Board votes that a policy did not demonstrate expected progress, the board should expect, within an agreed upon timeframe, the Superintendent to share the District's plan to achieve progress in the future

**Superintendent tips for drafting Ends Policies Monitoring Reports:**

Place raw numbers in context.

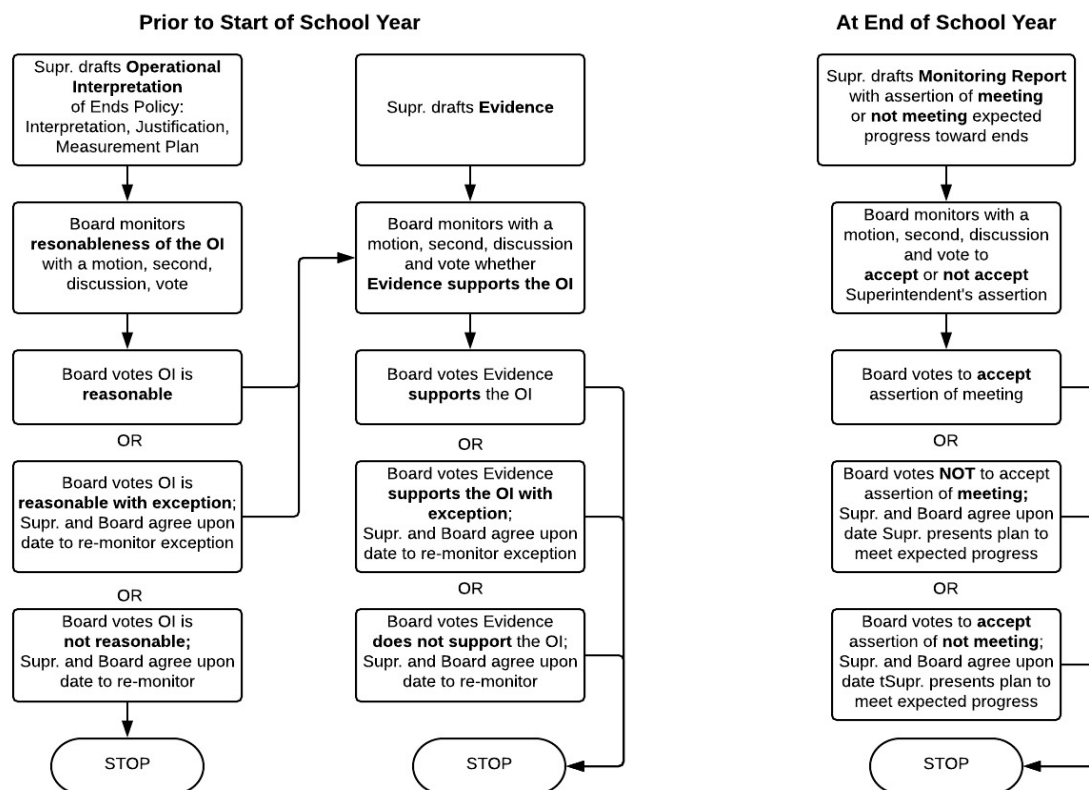
Provide the best evidence you have, even if not perfect, and discuss limitations. Identify a date by which better evidence will be available.

Summarize relevant evidence in key categories to provide "governance-friendly" information that gives evidence of expected progress and trends.

Make sure assertions are clearly visible in the report.

When asserting **not meeting expected progress toward achievement**, include a commitment as to when in the future the Board can expect the evidence to demonstrate expected progress, and a brief plan showing there is has a process in place.

### Ends Policy Monitoring Process



Board Ends/ELs Policy Monitoring Protocol

Adopted:

Reference Policy: GP 4.2.3 Monitor district performance through its Ends and Executive Limitations Policies.

Adopted: Revised:

## School Board Executive Limitations Policy Monitoring Protocol

The Board is accountable to the state and taxpayers for district performance. The Board is responsible to set **Executive Limitations Policies** which define parameters within which the Superintendent may act to accomplish the Board's Ends Policies. One way the Board monitors district performance is by monitoring the Executive Limitations Policies and the Superintendent's **compliance** with them. In accordance with Governance Process 4.2.3, ELs monitoring is done in two phases:

**Prior to** the beginning of the monitoring cycle (which runs from Aug-Dec), the Board monitors the Superintendent's **Operational Interpretation (OI) of the ELs Policies**, and whether the **evidence supports the OI**. (See below.) The only exception to this cycle is EL 2.9 which is monitored biannually in June.

**Following** the completion of the monitoring cycle, the Board monitors the Superintendent's **assertion of compliance/noncompliance** with the policies. (See below.)

### Prior to the Beginning of the Monitoring Cycle

#### **Operational Interpretation (OI):**

Prior to the beginning of the Executive Limitations (ELs) policy monitoring cycle, the Superintendent is responsible for drafting/editing an **Operational Interpretation (OI)** for each of the ELs Policies. This OI includes the Superintendent's *interpretation* of the policy, *justification* for that interpretation, and a *measurement plan* which supports the interpretation.

The Board makes a motion, seconds, discusses and votes whether the Superintendent's Operational Interpretation is reasonable or not reasonable. If the OI is voted **reasonable**, the OI constitutes the basis for the Superintendent's assertion of compliance with the policy at the end of the monitoring cycle.

If the entire OI, or a portion of it, is voted **not reasonable**, monitoring of the policy ceases, there is no vote on the evidence, and the Superintendent commits to bring back a revised OI, within a time period acceptable to the Board, for a revote.

#### **Sample Motions for reasonableness of the OI:**

"I move that the Operational Interpretation **is reasonable**" *or*

"I move that the Operational Interpretation **is reasonable with the exception of...**" *or*

"I move that the Operational Interpretation **is not reasonable**"

### School Board Executive Limitations Policy Monitoring Protocol (cont'd.)

#### Evidence:

If the Board votes that the Operational Interpretation is **reasonable**, the Board makes a motion, seconds, discusses and votes whether the measurement plan provides evidence which **supports** or does **not support** the Operational Interpretation.

If the evidence is voted as **supporting** the OI, it constitutes the measurement by which the policy is monitored for compliance.

If the entire evidence, or a portion of it, is voted as **not supporting** the OI, the Superintendent commits to bring back revised evidence, within a time period acceptable to the Board, for a revote.

#### **Sample Motions for the Evidence supporting the Operational Interpretation:**

"I move that the Evidence **supports** the Operational Interpretation" *or*

"I move that the Evidence **supports** the Operational Interpretation **with the exception of...**" *or*

"I move that the Evidence **does not support** the Operational Interpretation"

#### **Following the end of a monitoring cycle for the past year**

#### **Board acceptance of Executive Limitations Monitoring Reports:**

At the end of the ELs policies monitoring cycle, the Superintendent drafts a monitoring report for each EL and presents it to the Board with an assertion of **compliance** or **non-compliance**.

The Board may ask **clarifying** questions of the Superintendent regarding his assertion for ELs reports, preferably prior to the Board Business Meeting. (This is not an opportunity for a Board member to offer their opinion regarding the reasonableness of the Superintendent's assertion.)

Following a time for questions at the Board table, a motion is made, seconded, discussed and voted upon to **accept** or **not accept** the Superintendent's assertion of **compliance** or **non-compliance** with the Executive Limitation.

If the Board finds that the Superintendent is **not in compliance** with the EL, the Superintendent and Board agree to a date by which the Superintendent will bring forward evidence of compliance for re-monitoring.

## School Board Executive Limitations Policy Monitoring Protocol (cont'd.)

### Sample motions for monitoring the assertion of compliance or non-compliance:

"I move to accept the Superintendent's assertion of **compliance** with EL policy xx.xx."

"I move to **NOT** accept the Superintendent's assertion of **compliance** with EL policy xx.xx."

"I move to accept the Superintendent's assert of **non-compliance** with EL policy xx.xx."

### Board Member tips for monitoring an EL Policy Monitoring Report:

Look for the use of rates, ratios, percentages, comparisons and trends over time.

Look for **verifiable evidence** of **compliance** with Executive Limitations rather than the Superintendent's opinion or belief.

If the Board votes that the Superintendent is not in compliance with an EL, the board should expect, within an agreed upon timeframe, that the Superintendent will bring forward evidence of compliance.

### Superintendent tips for drafting ELs Policies Monitoring Reports:

Place raw numbers in context.

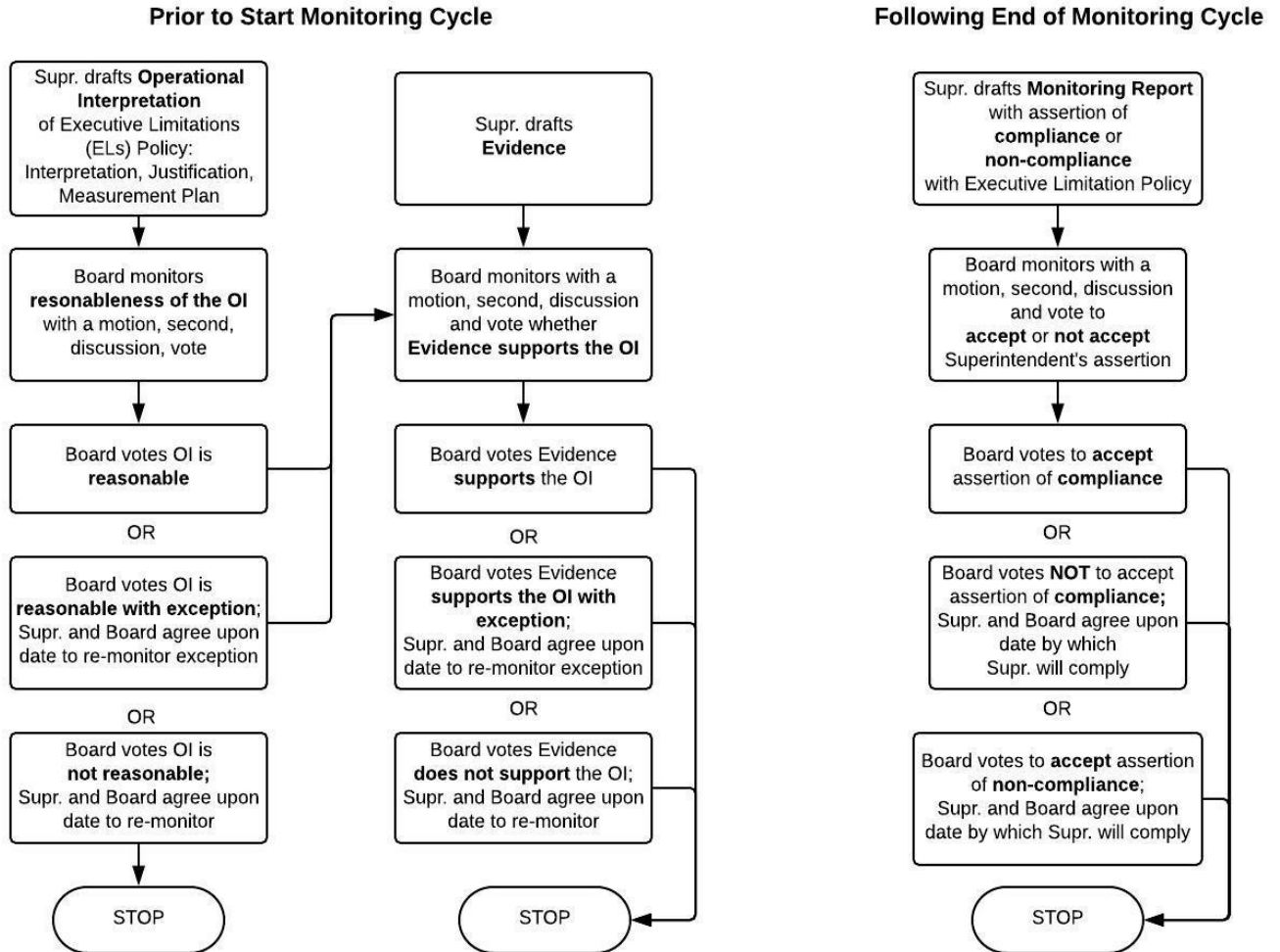
Provide the best evidence you have, even if not perfect, and discuss limitations. Identify a date by which better evidence will be available.

Summarize relevant evidence in key categories to provide "governance-friendly" information that gives evidence of compliance.

Make sure assertions are clearly visible in the report.

When asserting **non-compliance** with an EL, include a commitment as to when in the future the Board can expect the evidence that demonstrates compliance.

## Executive Limitations Policy Monitoring Process



School Board Ends/ELs Policy Monitoring Protocol

Adopted:

Reference Policy: GP 4.2.3 Monitor district performance through its Ends and Executive Limitations Policies.

Adopted: Revised:



## 2017-2018 Eden Prairie School Board Year-end Treasurer Report

### July 1, 2017 - June 30, 2018

Budget Category	Description	Fiscal Year 2015-2016 Expenses	Fiscal Year 2016-2017 Expenses	Fiscal Year 2017-2018 Expenses	2017-2018 Board Budget	Underspend/ Overspend	Approved Budget 2018-2019
109	Board Member Compensation	\$ 35,400.00	\$ 35,400.00	\$ 34,850.00	\$ 35,400.00	\$ 550.00	\$ 36,300.00
210	FICA (Fed Ins Contrib Act)	\$ 1,517.70	\$ 1,270.94	\$ 1,111.69	\$ 2,708.00	\$ 1,596.31	\$ 2,000.00
214	PERA (Pub Emp Ret Assoc)	\$ 960.00	\$ 1,250.00	\$ 1,162.56	\$ 1,300.00	\$ 137.44	\$ 1,500.00
270	Workers Comp	\$ 261.00	\$ -	\$ 169.82	\$ 442.00	\$ 272.18	\$ 300.00
305	Service Fees/Consulting	\$ 4,408.04	\$ 5,598.98	\$ 2,695.44	\$ 15,000.00	\$ 12,304.56	\$ 13,600.00
329	Postge	\$ -	\$ 32.32	\$ -	\$ -	\$ -	\$ -
366	Travel/Conferences	\$ 3,640.87	\$ 3,181.67	\$ 3,890.00	\$ 5,750.00	\$ 1,860.00	\$ 7,000.00
398	Chargeback	\$ 56.95	\$ 654.37	\$ 2,083.17	\$ 500.00	\$ (1,583.17)	\$ 1,500.00
401	General Supplies	\$ 399.66	\$ 213.47	\$ 243.65	\$ 500.00	\$ 256.35	\$ 400.00
490	Food Cost	\$ 270.68	\$ 360.85	\$ 702.79	\$ 500.00	\$ (202.79)	\$ 600.00
820	Membership/Dues	\$ 15,677.00	\$ 15,754.00	\$ 16,067.00	\$ 16,400.00	\$ 333.00	\$ 16,400.00
	<b>TOTALS</b>	<b>\$ 62,591.90</b>	<b>\$ 63,716.60</b>	<b>\$ 62,976.12</b>	<b>\$ 78,500.00</b>	<b>\$ 15,523.88</b>	<b>\$ 79,600.00</b>



## Eden Prairie School Board Board Development Committee Meeting Minutes

*Charter per Board Policy GP 4.8: This committee will ensure ongoing Board development and oversee self-monitoring of the Board's performance related to Governance Process and Board Management Delegation policies.*

### October 26, 2018

Committee members present: H. Link and L. Crandall      Absent: None

1. 7:30 AM Approved meeting agenda
2. 7:30-8:30 AM Board assigned committee work: *Specific tasks assigned by the Board, and actions by the committee to complete those tasks*
  - a. Reviewed policies and procedures to be presented to Board 11/5/18.
  - b. Reviewed rebranded PPTs
  - c. Reviewed draft of [Board Effectiveness Survey](#); proposed completion by Board in November.
3. 8:30 AM Adjourned; next scheduled BDC meeting TBD @ 7:30 AM, Riley Creek Meeting Room, ASC.

#### Quarter 1, 2018 Jan-Mar

Onboard new members

#### Quarter 2, 2018 Apr-June

Develop Longitudinal Board Socialization (LBS) Plan

#### Quarter 3, July-Sept

July: School board candidate information session

July and Aug: Refine draft LBS Plan, update Processes and Procedures

Sept: GP and BMD Monitoring

#### Quarter 4, Oct-Dec

Oct: GP monitoring

Oct: Offer NSBA convention attendance opportunity

Nov: Review edited Policies & Procedures, rebranded candidate PPTs

Nov: Board effectiveness survey III (Completed by each member regarding whole Board and self)

Dec: Review board effectiveness survey results, identify 2018-2019 board effectiveness goals and strategies

Dec: Based on board input for criteria, vet and approve consultant for 1st quarter, 2019

#### Quarter 1, 2019 Jan-Mar

Jan: Advanced Policy Governance workshop (Whole Board Meeting with consultant)

Feb: First reading of Board Handbook

Mar: National School Board Association National Convention in PA 3/31-4/1, participants TBD

#### Quarter 2, 2019 Apr-June

Apr: Review NSBA national convention proceedings, takeaways

May: Review progress on 2018-2019 Board effectiveness goals as approved in December 2018



## Eden Prairie School Board Community Linkage Committee Meeting - Update

*Charter per Board Policy GP 4.8: This committee will facilitate multiple methods of School Board communication with owners that provide input and inform the School Board of ownership values as they relate to School Board policies, as well as provide valuable information to owners.*

### November 9, 2018

Attendees: T. Swartout, H. Link, D. Espe    Absent: None

1. Approved meeting agenda
2. Discussed article shared with Board on November 5, 2018.
  1. Board requested that we add additional information regarding the Racial Gap. In discussion, we decided that since our Reading End does not contain any language regarding the Racial Gap, it does not seem correct to add language to this article. It may make more sense when we develop a write-up on other ends. Recommendation is to leave the article exactly as we presented to the Board.
3. Continued development of School Board “Meet and Greet” session with the community
  1. Confirmed that the meeting will be a “Meet and Greet” on January 14, 2019 in the Admin Center from 6:00 – 8:00pm. We will plan to have coffee, hot water/tea, and cookies from our cafeteria services. We will have 3 stations in different corners of the Board Room, manned with 1-2 Board members. Planned stations include:
    1. Finance/budget – general budget questions, cost of financing Designing Pathways
    2. Designing Pathways – next steps, what it is, what it isn’t, timeframe, etc.
    3. Community Values – what is important to the community members
  2. We will have Josh join us for the Meet and Greet. We have no plans on including invitations for cabinet or district staff. This session is to focus on communication between the Board and the Owners.
  3. We will have a sign-in table for everyone to sign in with name, email and phone number.
  4. We will develop a “Feedback Card” so that all community members and Board members can capture all issues/comments/etc. We will compile all this data/information and develop another Community article to address each and every item discussed.
  5. We would like to have translators present for Spanish and Somali.
  6. We will request Jaclyn to provide a master list of all email lists to be used to send out our invitations, including name, purpose of list, and count of list members. If there is an area missing, we will utilize additional communications to close those gaps.
  7. We will post the meeting on the District website as well as in the EP News.
  8. We will have a sign in sheet, including name, phone and email. Also, would have name tags.
4. Terri is continuing to set up our school visits.
5. We continue to work on writing articles for publication (see previous minutes).
6. Our next committee meeting is TBD
7. Meeting adjourned.

**Eden Prairie School Board**  
**2018-2019 WORK PLAN CHANGES**  
**WORK PLAN CHANGES - November 19, 2018**

Date of Meeting/Workshop	Changes Requested
Monday, November 19, 2018	- <b>Add:</b> Ends & EL’s Policy Monitoring Processes (Board Work – 15 min.)
Monday, December 10, 2018	- <b>Add:</b> 1. Designing Pathways (Board Work) 2. New Member Orientation Presentation 3. Add/Amend an Agenda Process 4. Board Officer Election Process 5. Committee Business Process 6. “New” Policy Introduction Process (All under Board Work)
Monday, January 7, 2019 – <b>Annual Organizational Meeting &amp; Workshop</b>	
Monday, January 28, 2019	
Monday, February 11, 2019 – <b>Workshop</b>	- <b>Add:</b> School Board Survey Results
Monday, February 25, 2019	
Monday, March 11, 2019 – <b>Workshop</b>	
Monday, March 25, 2019	
Monday, April 8, 2019 – <b>Workshop</b>	
Monday, April 22, 2019	
Monday, May 6, 2019 – <b>Workshop</b>	
Monday, May 20, 2019	
Monday, June 10, 2019 – <b>Workshop</b>	
Monday, June 24, 2019	
<b>Placeholder – General Board Work</b>	
<ul style="list-style-type: none"> <li>Workshop Regarding: Post-Secondary Options (Possible presentation at the January or February 2019 Workshop)</li> <li>Table Discussion from 10/8/2018 Workshop: Discuss Appointment for Open Board Seat</li> </ul>	
<b>Placeholder – Policy Review</b>	

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
*****2018*****  Board Meeting Mon, July 23, 2018 8:00 AM			<ul style="list-style-type: none"> <li>Resolution: "Call the General Election"</li> <li>Schedule Candidate Information Sessions</li> </ul>		<ul style="list-style-type: none"> <li>Monthly Reports</li> <li>Student Handbooks:                             <ul style="list-style-type: none"> <li>- High School</li> <li>- Middle School</li> <li>- Elementary Schools (Summary Detail Included)</li> </ul> </li> </ul>		
School Board Candidate Information Session Thurs, Aug 9, 2018 6:30 p.m.							
Board Meeting Mon, Aug 27, 2018 6:00 PM	<ul style="list-style-type: none"> <li>EL 2.1 Emergency Supt. Succession</li> <li>EL 2.2 Treatment of Students</li> <li>EL 2.7 Asset Protection</li> </ul>	• <i>Designing Pathways Information</i>	•Record of Board Self-Evaluation		•Monthly Reports		
Post Meeting Board Workshop Mon, Aug 27, 2018							•School Board Mtg. Self-Assessment
Board Workshop Mon, Sept 10, 2018 6:00 PM							<ul style="list-style-type: none"> <li>Admin Proposals for FY 2018-19 Workshops</li> <li>Discussion: School Board Attendance at Community Events</li> <li>NEW Policy Development Discussion (Ends &amp; EL Policies)</li> <li>Policy Monitoring: All BMD Policies</li> </ul>

297

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
							<ul style="list-style-type: none"> <li>•Policy Monitoring: GP's: 4.4, 4.5, 4.6, 4.7, 4.8, &amp; 4.10</li> <li>•Designing Pathway Discussion</li> <li>•Confirm agenda for next Board Workshop</li> </ul>
<b>Board Meeting</b> <b>Mon, Sept 24, 2018</b> <b>6:00 PM</b>	<ul style="list-style-type: none"> <li>•EL 2.3 Treatment of Parents</li> <li>•EL 2.6 Financial Management &amp; Operations</li> </ul> <hr/> <ul style="list-style-type: none"> <li>•All BMD Policies</li> <li>•BMD 3.0 Single Point of Connection</li> <li>•BMD 3.1 Unity of Control</li> <li>•BMD 3.2 Delegation to the Superintendent</li> <li>•BMD 3.3 Superintendent Accountability &amp; Performance</li> </ul> <hr/> <ul style="list-style-type: none"> <li>•GP 4.4 Officer Roles</li> <li>•GP 4.5 School Board Members Code of Conduct</li> <li>•GP 4.6 Process for Addressing School Board Member Violations</li> <li>•GP 4.7 School Board Committee Principles</li> <li>•GP 4.8 School Board Committee Structure</li> </ul>	Designing Pathway	<ul style="list-style-type: none"> <li>•Approval of Preliminary FY 2019-20 Levy</li> <li>-Tax Levy Comparison</li> <li>- Tax Levy Presentation Pay 19</li> <li>• Resolution Authorizing the Sale of Refunding Bonds</li> <li>•<del>Resolution: Appointment of Election Judges</del></li> </ul> <hr/> <ul style="list-style-type: none"> <li>•Record of Board Self-Evaluation</li> </ul>		<ul style="list-style-type: none"> <li>•Monthly Reports</li> </ul>	<u>Superintendent Incidentals:</u> <ul style="list-style-type: none"> <li>• FY 2017-18 Year-end Preliminary Financial Report</li> <li>•FY 2018-19 Preliminary Enrollment Report</li> </ul>	

298

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
	<ul style="list-style-type: none"> <li>GP 4.10 Operation of the School Board Governing Rules</li> </ul>						
Post Meeting Board Workshop Mon, Sept 24, 2018							<ul style="list-style-type: none"> <li>School Board Mtg. Self-Assessment</li> </ul>
Board Workshop Mon, Oct 8, 2018 6:00 PM							<ul style="list-style-type: none"> <li>Community Linkage Committee Discussion: "Meet &amp; Greet"</li> <li><del>Board Development: Board Governance Processes Discussion (moved to 11/5/18)</del></li> <li>Administration: Setting Stage for FY 2019-20 Budget Guidelines</li> <li>Policy Monitoring: GP 4.1, 4.2, 4.3, 4.9</li> <li>Confirm agenda for next Board Workshop</li> </ul>
Board Meeting Mon, Oct 22, 2018 6:00 PM	<ul style="list-style-type: none"> <li>Ends 1.1, 1.2, 1.3 Evidence (FY 2017-18)</li> <li>EL 2.4 Treatment of Staff</li> <li>EL 2.8 Compensation and Benefits</li> </ul>	Designing Pathway	<ul style="list-style-type: none"> <li>Record of Board Self-Evaluation</li> <li>Resolution Awarding the Sale of Refunding Bonds</li> </ul>		<ul style="list-style-type: none"> <li>Monthly Reports</li> </ul>	<u>Superintendent Incidentals:</u> <ul style="list-style-type: none"> <li>Enrollment Report as of Oct. 1, 2018 -Exec. Summary</li> </ul>	

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
	<ul style="list-style-type: none"> <li>•GP 4.1 Governing Style</li> <li>•GP 4.2 School Board Job Products</li> <li>•GP 4.3 Annual Work Plan</li> <li>•GP 4.9 Governance Investment</li> </ul>					-Capture Rate -History & Projection Totals -Official October 1 Enrollment Count •World's Best Workforce Report •FY 2017-2018 Achievement Integration Progress Report	
Post Meeting Board Workshop Mon, Oct 22, 2018							•School Board Mtg. Self-Assessment
Board Workshop Mon, Nov 5, 2018 6:00 PM*							•FY 2018-2019 Superintendent Goal Setting Discussion •GP 4.0 Global Governance Commitment •"New Policy Introductions" •Policy Review: GP 4.5.5 and EL 2.2.9 •Board Development: Board Governance Processes Discussion •First Reading of Board Development's Handbook (Moved to February 11, 2019)

300



**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
							<ul style="list-style-type: none"> <li>• Designing Pathways Discussion</li> <li>• Confirm agenda for next Board Workshop</li> </ul>
<b>Special Business Meeting</b> Wed, Nov 14, 2018 7:30 AM			<ul style="list-style-type: none"> <li>• Resolution Approving Canvassing of Elections</li> </ul>				
<b>Board Meeting</b> <u>Mon, Nov 19 2018</u> 6:00 PM*	<ul style="list-style-type: none"> <li>• EL 2.9 Communication and Support to the School Board (Semi-annual)</li> </ul>	<ul style="list-style-type: none"> <li>• Designing Pathways</li> <li>• <i>Closed Session:</i> Review of FY 2017-18 Superintendent Goals -Minn. Stat. 13D.05, Subd. 3</li> </ul>	<ul style="list-style-type: none"> <li>• FY 2018-19 Superintendent Goal Setting</li> <li>• Record of Board Self-Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Treasurer's Report</li> <li>• <i>End &amp; EL's Policy Monitoring Process</i></li> </ul>	<ul style="list-style-type: none"> <li>• Monthly Reports</li> </ul>	<ul style="list-style-type: none"> <li>• FY 2017-18 Audited Financial Presentation</li> </ul>	
<b>Post Meeting Board Workshop</b> <u>Mon, Nov 19, 2018</u>							<ul style="list-style-type: none"> <li>• School Board Mtg. Self-Assessment</li> </ul>
<b>Board Meeting</b> Mon, Dec 10, 2018 6:00 PM	<ul style="list-style-type: none"> <li>• EL 2.5 Financial Planning and Budgeting</li> <li>• EL 2.0 Global Executive Constraint</li> <li>• GP 4.0 Global Governance Commitment</li> </ul>	<i>Designing Pathways</i>	<ul style="list-style-type: none"> <li>• Approval of Final FY 2019-20 Levy</li> <li>• Record of Board Self-Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• <i>New Board Member Orientation Presentation</i></li> <li>• <i>Add/Amend an Agenda Process</i></li> <li>• <i>Board Officer Election Process</i></li> <li>• <i>Committee Business Process</i></li> <li>• <i>"NEW" Policy Introduction Process</i></li> </ul>	<ul style="list-style-type: none"> <li>• Monthly Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Truth in Taxation Hearing</li> <li>• Resident Engagement Events</li> </ul>	

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
Post Meeting Board Workshop Mon, Dec 10, 2018							<ul style="list-style-type: none"> <li>School Board Mtg. Self-Assessment</li> </ul>

\*November Meeting dates changed due to Veteran's Day observed on Monday, November 12, 2018

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
<p>*****2019*****</p> <p>Annual Organizational Meeting Mon, Jan 7, 2019 6:00 PM</p>			<ul style="list-style-type: none"> <li>• 2018 Annual Organizational Mtg.               <ul style="list-style-type: none"> <li>- Election of Officers</li> <li>- School Board Compensation</li> <li>- School Board Calendar</li> </ul> </li> <li>• Approval of School Board Meeting Calendar: Jul 1, 2019 through Jun 30, 2020</li> <li>• Resolution for Combined Polling Places for the General Elections</li> <li>• Appointment of Intermediate District 287 Representative</li> </ul>		<ul style="list-style-type: none"> <li>• 2018 Annual School District Organizational Items:               <ul style="list-style-type: none"> <li>- School District Newspaper</li> <li>- School District Depository/Financial Institutions</li> <li>- Money Wire Transfers</li> <li>- Early Claims Payment</li> <li>- School District Legal Counsel</li> <li>- School District Responsible Authority</li> <li>- Deputy Clerk &amp; Deputy Treasurer</li> <li>- Facsimile Signature Authorization</li> <li>- Authorization for Superintendent to Sign Contracts</li> <li>- Local Education Agency (LEA) Representative</li> <li>- MDE Designation of Identified Official with Authority (IoWA)</li> </ul> </li> </ul>		
<p>Board Workshop Mon, Jan 7, 2019 6:15 PM Convene following the Annual Organizational Meeting</p>							<ul style="list-style-type: none"> <li>• 2019 Committees &amp; Outside Organization Discussion</li> <li>• 5-Year Financial Forecast</li> </ul>

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
							• Confirm agenda for next Board Workshop
<b>Board Meeting Mon, Jan 28, 2019 6:00 PM</b>		<ul style="list-style-type: none"> <li>•FY 2019-20 School Calendar (DRAFT)</li> <li>•FY 2020-21 School Calendar- Preliminary)</li> <li>•FY 2019-20 Budget Timelines – <i>First Reading</i></li> <li>•FY 2019-20 Budget Assumptions – <i>First Reading</i></li> </ul>	<ul style="list-style-type: none"> <li>•FY 2018-19 Mid-Year Budget Approval</li> <li>•Resolution Authorizing the Sale of Facility Maintenance Bonds</li> <li>•Record of Board Self-Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>•2019 School Board Committee &amp; Outside Organization Assignments</li> </ul>	<ul style="list-style-type: none"> <li>•Monthly Reports</li> <li>•FY 2019-20 Bus Purchase</li> </ul>		
<b>Post Meeting Board Workshop Mon, Jan 28, 2019</b>							•School Board Meeting Self-Assessment
<b>Joint Meeting: Eden Prairie School Board &amp; Eden Prairie City Council TBD</b>							
<b>Board Workshop Mon, Feb 11, 2019 6:00 PM</b>							<ul style="list-style-type: none"> <li>•First Reading of Board Development's Handbook (<i>Moved from 11/5/18</i>)</li> <li>•<b>School Board Survey Results</b></li> </ul>

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
							•Confirm agenda for next Board Workshop
<b>Board Meeting Mon, Feb 25, 2019 6:00 PM</b>	Re-Review EL 2.2.1 Policy		<ul style="list-style-type: none"> <li>•Resolution Awarding the Sale of Facility Maintenance Bonds</li> </ul> <hr/> <ul style="list-style-type: none"> <li>•Record of Board Self-Evaluation</li> </ul>		<ul style="list-style-type: none"> <li>• Monthly Reports</li> <li>• Approval of FY 2019-20 School Calendar-DRAFT</li> <li>• Approval of FY 2020-21 School Calendar – Preliminary</li> <li>• American Indian Education Resolution</li> </ul>		
<b>Post Meeting Board Workshop Mon, Feb 25, 2019</b>							•School Board Meeting Self-Assessment
<b>Board Workshop Mon, Mar 11, 2019 6:00 PM</b>							•Confirm agenda for next Board Workshop
<b>Board Meeting Mon, Mar 25, 2019 6:00 PM</b>		<ul style="list-style-type: none"> <li>• FY 2019-20 Capital Budget – <i>First Reading</i></li> <li>• Final FY 2019-20 Budget Assumptions</li> </ul>	<ul style="list-style-type: none"> <li>•Resolution to Release Probationary Teachers</li> </ul> <hr/> <ul style="list-style-type: none"> <li>•Record of Board Self-Evaluation</li> </ul>		•Monthly Reports		
<b>Post Meeting Board Workshop Mon, Mar 25, 2019</b>							•School Board Meeting Self-Assessment
<b>Board Workshop Mon, Apr 8, 2019 6:00 PM</b>							•Confirm agenda for next Board Workshop

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
<b>Board Meeting Mon, Apr 22, 2019 6:00 PM</b>		<ul style="list-style-type: none"> <li>FY 2019-20 School Board Work Plan – <i>First Reading</i></li> <li>FY 2019-20 School Board Budget – <i>First Reading</i></li> </ul>	<ul style="list-style-type: none"> <li>Approval of FY 2019-20 Capital Budget</li> <li>Approval of FY 2019-20 School Board Meeting Calendar</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Record of Board Self-Evaluation</li> </ul>		<ul style="list-style-type: none"> <li>Monthly Reports</li> </ul>		
<b>Post Meeting Board Workshop Mon, Apr 22, 2019</b>							<ul style="list-style-type: none"> <li>School Board Meeting Self-Assessment</li> </ul>
<b>Board Workshop <u>Mon, May 6, 2019</u> 6:00 PM*</b>							<ul style="list-style-type: none"> <li>Confirm agenda for next Board Workshop</li> </ul>
<b>Board Meeting <u>Mon, May 20, 2019</u> 6:00 PM*</b>		<ul style="list-style-type: none"> <li>FY 2019-20 Budget – <i>First Reading</i></li> </ul>	<ul style="list-style-type: none"> <li>Approval of FY 2019-20 School Board Work Plan</li> <li>Approval of FY 2019-20 School Board Budget</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Record of Board Self-Evaluation</li> </ul>		<ul style="list-style-type: none"> <li>Monthly Reports</li> <li>MSHSL Resolution for Membership</li> <li>Approval of FY 2019-20 School Meal Prices</li> </ul>		
<b>Post Meeting Board Workshop <u>Mon, May 20, 2019*</u></b>							<ul style="list-style-type: none"> <li>School Board Meeting Self-Assessment</li> </ul>
<b>Board Workshop <u>Mon, June 10, 2019</u> 6:00 PM</b>							<ul style="list-style-type: none"> <li>Confirm agenda for next Board Workshop</li> </ul>

**EDEN PRAIRIE SCHOOL BOARD  
2018-2019 ANNUAL WORK PLAN**

**Board Meetings**

**Board Workshops**

**Other Meetings**

**November 19, 2018**

Board Meeting or Board Workshop Type, Date and Time	Board Work				Supt Consent Agenda Items (Human Resources & Business Services Reports)	Board Education & Required Reporting	Workshop Topic(s)
	Policy Monitoring Ends, EL, BMD & GP Monitoring	Decision Preparation	Required Board Action	Board Action on Committee Reports & Minutes			
<b>Board Meeting</b> <b><u>Mon, June 24, 2019</u></b> <b>6:00 PM</b>	<ul style="list-style-type: none"> <li>• EL 2.9 Communication and Support to the School Board (Semi-annual)</li> <li>• Ends 1.1, 1.2, 1.3 OI (FY 2019-20)</li> </ul>		<ul style="list-style-type: none"> <li>• Approval of FY 2019-20 Budget</li> <li>• ISD 287 10-Year Facilities Maintenance Resolution</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Record of Board Self-Evaluation</li> </ul>		<ul style="list-style-type: none"> <li>• Monthly Reports</li> <li>• EPS 10-Year Facilities Maintenance Plan</li> <li>• Q-Comp Annual Report</li> <li>• Annual Review of District Mandated Policies</li> <li>• Approval of Updated District Policies</li> </ul>	<ul style="list-style-type: none"> <li>• FY 2018-19 Annual Overnight /Extended Trip Report</li> </ul>	
<b>Post Meeting Board Workshop</b> <b><u>Mon, Jun 24, 2019</u></b>							<ul style="list-style-type: none"> <li>• School Board Meeting Self-Assessment</li> </ul>

\*May Meeting dates changed due to Memorial Day