

Business Committee
 Duluth Public Schools, ISD 709
 Agenda
 Tuesday, January 15, 2019
 District Services Center
 709 Portia Johnson Dr.
 Duluth, MN 55811
 4:30 PM

1. Financial Report

A. Financial Report

1) The final audit of the financial report for fiscal year ending June 30, 2018 will be presented by a representative of Wipfli at the January 15, 2019 Business Committee meeting. 4

2) Regular financial report is also attached. 96

B. Approval of Payment of Claims - Attached as an "extra"

C. Budget Revisions 106

D. Wire Transfers 108

E. Investment Transactions 110

F. APU Projections 111

G. Fundraisers 114

2. Bids, R.F.P.s and Quotes Reports

A. Bid - None

B. RFPs - None

C. Quotes - None

3. Policies and Regulations

A. New Policy 714 - Fund Balances 115

Attached is the MSBA Model Policy 714 - Fund Balances for the second reading. This policy would replace current policy 3017.

Recommendation: It is recommended that the Duluth School Board approve Policy 714 - second reading.

B. Delete Policy 3017 - General Fund Reserve Balance 118

In moving to MSBA Model Policies, administration is recommending the deletion of Policy 3017 which will be replaced with MSBA Policy 714 - second reading.

Recommendation: It is recommended that the Duluth School Board approve the deletion of Policy 3017 - second reading.

C. New Policy 307 - Conflict of Interest and Fiduciary Duty 119

Attached is new Policy 307 - Conflict of Interest and Fiduciary Duty for the first reading. There is no corresponding District or MSBA Model Policy.

Recommendation: It is Recommended that the Duluth School Board approve Policy 307 - first reading.

D. Annual Review of Policy 250 - School Board Compensation 126

This policy shall be reviewed in January of odd numbered years - first reading. If there are no changes, it will not go for a second read.

Recommendation: It is recommended that the Duluth School Board review this policy and determine if updates are needed - first reading.

4. Contracts, Change Orders, and Leases

A. Contracts - None

B. Change Orders

1) **PLACEHOLDER - Other Change Orders**

C. Leases

1) The Welch Center, Inc., dba Valley Youth Center 128

Attached is a five year lease with the Valley Youth Center, which is located within the Memorial Park Community Center within Laura MacArthur Elementary School. The cost of this lease is \$5.00 for the five year term from July 1, 2017 through June 30, 2022.

Recommendation: It is recommended that the Duluth School Board approve this lease.

5. Resolutions

A. B-1-19-XXXX - Acceptance of Donations 142

Recommendation: It is recommended that the Duluth School Board approve Resolution 1-19-XXXX.

B. B-1-19-XXXX - Authorized Bank Account Signer 148

Recommendation: It is recommended that the Duluth school Board approve Resolution B-1-19-XXXX.

C. **PLACEHOLDER - 2019 Legislative Platform**

D. **PLACEHOLDER - Sale of Property**

6. **Informational - These items are provided for informational purposes only; no action is required.**

A. Expenditure Contracts 149

The Superintendent or CFO/Executive Director of Business has signed these contracts during the month of December 2018.

B. Extension or Renewal Contracts - None

C. No Cost Contracts 192

The Superintendent or CFO/Executive Director of Business has signed these contracts during the month of December 2018.

D. Revenue Contracts 196

The Superintendent or CFO/Executive Director of Business has signed these contracts during the month of December 2018.

E. Change Orders Signed - None

| | |
|---|------------|
| F. <u>Facilities Management & Capital Project Status Report</u> | <u>202</u> |
| G. <u>Property Sale Updates</u> | <u>203</u> |
| H. <u>Compensatory Revenue Expenditures Update</u> | <u>204</u> |
| 7. <u>Future Items</u> | |
| A. Policy Updates | |
| B. Audit Engagement Letter (February 2019) | |

Independent School
District No. 709
Duluth, Minnesota

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018
And Independent Auditors' Report

Prepared by the Finance Department



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

DULUTH
INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

215 North First Avenue East
Duluth, MN 55802

Prepared by the
Finance Department

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

TABLE OF CONTENTS

| | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| <u>Introductory Section</u> | | |
| Board of Education and Administration | | 1 |
| <u>Financial Section</u> | | |
| Independent Auditor's Report | | 2 |
| Required Supplementary Information Management's Discussion and Analysis | | 5 |
| Basic Financial Statements | | |
| District-wide Financial Statements | | |
| Statement of Net Position (Deficit) | Exhibit 1 | 17 |
| Statement of Activities | Exhibit 2 | 18 |
| Fund Financial Statements | | |
| Governmental Funds | | |
| Balance Sheet | Exhibit 3 | 20 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | Exhibit 4 | 26 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | Exhibit 5 | 28 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities | Exhibit 6 | 30 |
| Proprietary Fund | | |
| Statement of Net Position | Exhibit 7 | 31 |
| Statement of Revenues, Expenses, and Changes In Net Postion | Exhibit 8 | 32 |
| Statement Cash Flows | Exhibit 9 | 33 |
| Fiduciary Funds | | |
| Statement of Fiduciary Net Position | Exhibit 10 | 34 |
| Statement of Changes in Fiduciary Net Position | Exhibit 11 | 35 |
| Notes to the Financial Statements | | 36 |

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**TABLE OF CONTENTS
(Continued)**

| | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| Required Supplementary Information | | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund | Statement A-1 | 74 |
| Information about the District’s Other Postemployment Health Care Plan | Statement A-2 | 75 |
| Information about the District’s Net Pension Liability | Statement A-3 | 76 |
| Supplementary Information | | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual Capital Projects Fund | Statement B-1 | 77 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual Debt Service Fund | Statement C-1 | 78 |
| Other Funds | | |
| Combining Balance Sheet | Statement D-1 | 79 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance | Statement D-2 | 80 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual Food Service Fund | Schedule E-1 | 81 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual Community Service Fund | Schedule F-1 | 82 |
| Student Activities | | |
| Combined Schedule of Cash Receipts, Cash Disbursements, and Cash Balances | Schedule G-1 | 83 |
| Uniform Financial Accounting and Reporting Standards Compliance Table | Schedule 1 | 84 |
| Independent Auditor’s Report on Legal Compliance for the State of Minnesota | Schedule 2 | 85 |

INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

ORGANIZATION
JUNE 30, 2018

School Board Directors

Term Expires

| | | |
|---------------------|--------------------|------------|
| David Kirby | Chairperson | 01/08/2020 |
| Rosie Loeffler-Kemp | Vice Chairperson | 01/03/2022 |
| Nora Sandstad | Clerk of the Board | 01/06/2020 |
| Josh Gorham | Treasurer | 01/03/2022 |
| Jill Lofald | | 01/03/2022 |
| Alanna Oswald | | 01/06/2020 |
| Sally Trnka | | 01/03/2022 |

Ex Officio Members

Superintendent
William Gronseth, Appointed February, 2012

Deputy Clerk
Douglas Hasler, November, 2016-June, 2018

FINANCIAL SECTION

**REQUIRED SUPPLEMENTARY
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709 – DULUTH PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

As management of Independent School District No. 709 (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The District’s total net position (deficit) of governmental activities decreased approximately \$34 million versus 2017 to \$(61,756,909) primarily due to an increase in deferred outflows of resources related to our financial presentation of pension expenses and a restatement of beginning net position (deficit) due to the implementation of GASB 75 in valuing other postemployment benefits.
- Overall program and general revenues were \$138.1 million, \$2.5 million less than related expenses of \$140.5 million.
- General revenues accounted for \$100.7 million, or 73% of all fiscal year 2018 revenues. This amount is approximately the same percentage of total revenues as the prior year. Program specific revenues of \$37.4 million (related to services, grants and contributions) accounted for 27% of total fiscal 2018 revenues. This represents an increase of \$1.7 million versus the prior year.
- The District spent approximately \$160.4 million on governmental activities that includes \$38.8 million in pension expense. Excluding the pension expense, this represents a decrease of \$18 million (equal to 10%) versus prior year. Decreases of \$10 million in sites and buildings, interest and fiscal charges, and a reduction in regular and secondary instruction related to changes in pension related expenses, had the primary impact on this change.
- Among major funds, the General fund had \$104.9 million in revenues, consisting mainly of state aids and local property taxes, \$.7 million in other financing sources (uses), and \$104.3 million in expenditures. This resulted in a surplus of \$1.3 million. As a result, the fund balance was increased to \$1.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, Required Supplementary Information which includes the Management’s Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private sector business.

The *statement of net position (deficit)* presents information on all of the District’s assets and deferred outflows of resources and liabilities and deferred inflow of resources, with the difference between the two reported as *net position (deficit)*. Over time, increases or decreases in net position (deficit) may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District’s net position (deficit) changed during the most recent fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary Funds. The District uses an internal service fund to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for self-insured dental benefits.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for the General fund as required supplementary information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the major budgetary comparisons.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position (Deficit)

Net position (deficit) may serve over time as a useful indicator of a government's financial position. This presentation has been impacted significantly recently as the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, and GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*.

| Duluth Public Schools | | | |
|--|------------------------|------------------------|----------------------------|
| Statement of Net Position (Deficit) | | | |
| As of June 30, | | | |
| | 2018 | 2017 | Total Percentage Change |
| Current and Other Assets | \$136,122,879 | \$188,206,821 | -28% |
| Capital Assets | <u>\$294,363,164</u> | <u>\$294,153,700</u> | 0 |
| Total Assets | \$430,486,043 | \$171,890,098 | -11% |
| Total Deferred Outflows of Resources | \$100,803,701 | \$171,890,098 | -42% |
| Total Assets and Deferred Outflows of Resources | \$531,289,744 | \$654,250,620 | -19% |
| Long-term Liabilities | \$535,852,037 | \$625,210,115 | -14% |
| Other Liabilities | <u>\$23,675,376</u> | <u>\$24,050,467</u> | -2% |
| Total Liabilities | \$559,527,413 | \$649,260,582 | -14% |
| Total Deferred Inflows of Resources | \$33,519,240 | \$32,714,316 | 2% |
| Net Position (deficit) | | | |
| Net investment in capital assets | \$104,374,986 | \$62,473,463 | 88% |
| Restricted | 39,006,692 | \$80,609,731 | -52% |
| Unrestricted (deficit) | <u>\$(205,138,587)</u> | <u>\$(170,807,473)</u> | 28% |
| Total Net Position (Deficit) | <u>\$(61,756,909)</u> | <u>\$(27,724,279)</u> | 127% |

District assets of \$430.4 million include, \$23 million in unrestricted cash, receivables of \$31 million, nearly all of which is made up of property tax and state aid receivables, capital assets being depreciated of \$283.5 million, \$81.7 million in restricted cash (for debt service and capital projects), \$10.9 million in capital assets not being depreciated, and \$0.3 million in other assets.

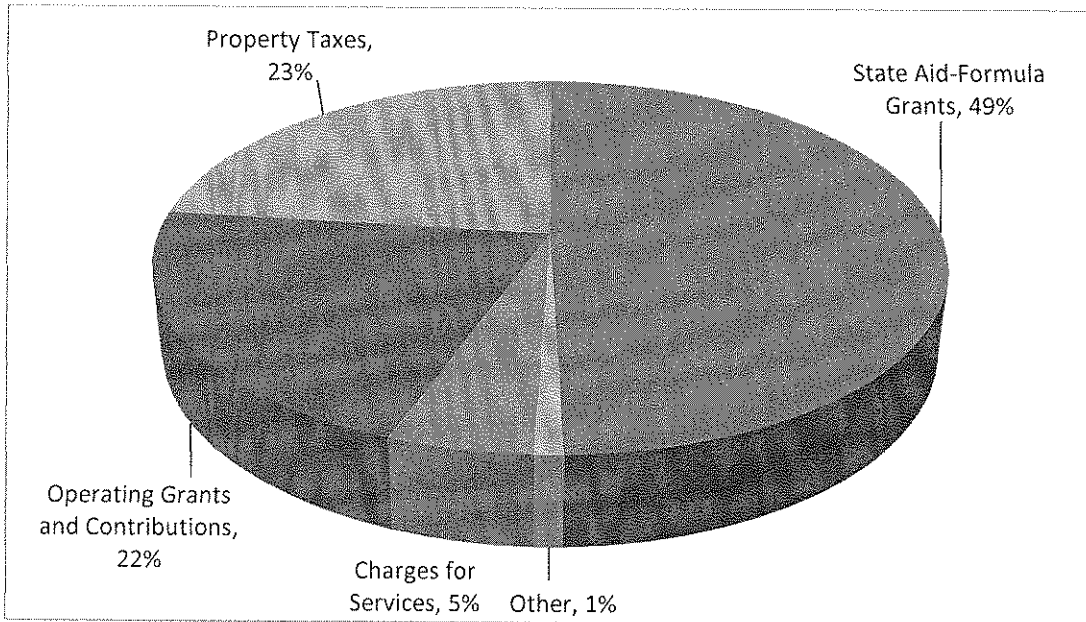
Deferred outflows of resources includes approximately \$99.5 million for pension related items and \$1.3 million for OPEB related items.

District liabilities of \$559.5 million include \$522.8 million in Long-term obligations (facilities plan, OPEB, severance, and future pension liabilities), \$22.6 million due to employees and vendors for expenditures incurred but not paid as of fiscal year-end, and \$14.1 million in other liabilities.

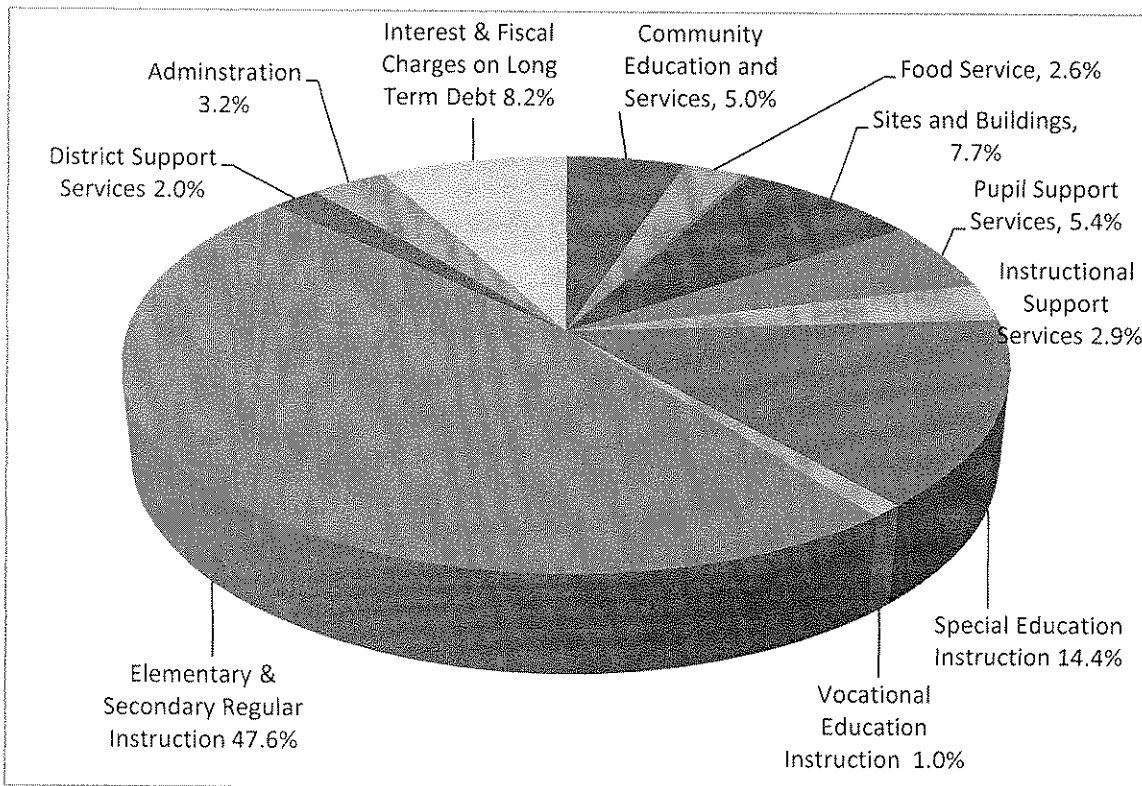
Deferred Inflows of Resources of \$33.5 million includes \$30.5 million of property taxes levied for subsequent years' expenditures and \$3 million for pension and OPEB related items.

INDEPENDENT SCHOOL DISTRICT NO. 709
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Source of Revenues for Fiscal Year 2018



Expenses for Fiscal Year 2018



Changes in Net Position (Deficit)

In the following table, the change in net position and operations are reported on a government-wide basis with no reference to funds.

| Duluth Public Schools | | | |
|--|-----------------------|-----------------------|---------------------------|
| Change in Net Position (Deficit) | | | |
| For the Year ended June 30, | | | |
| | 2018 | 2017 | Total % Change |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for Services | \$7,196,302 | \$6,952,313 | 3.5% |
| Operating grants and contributions | \$30,247,880 | \$28,757,404 | 5.2% |
| General revenues: | | | |
| Property taxes | \$30,752,432 | \$31,724,863 | -3.1% |
| State aids | \$68,022,872 | \$66,232,983 | 2.7% |
| Other | \$1,891,811 | \$1,769,441 | 6.9% |
| Total Revenues | \$138,111,297 | \$135,437,004 | 2.0% |
| Expenses: | | | |
| Administration | \$5,127,921 | \$5,026,374 | 2.0% |
| District support services | \$3,122,948 | \$3,340,170 | -6.5% |
| Elementary and secondary regular instruction | \$76,357,900 | \$85,009,159 | -10.2% |
| Vocational education instruction | \$1,585,531 | \$1,466,868 | 8.1% |
| Special education instruction | \$23,143,086 | \$23,221,114 | -0.3% |
| Instructional support services | \$4,632,083 | \$5,328,829 | -13.1% |
| Pupil support services | \$8,612,179 | \$8,373,414 | 2.9% |
| Sites and buildings | \$12,379,545 | \$19,294,425 | -35.8% |
| Fiscal and other fixed program costs | \$436,404 | \$299,573 | 45.7% |
| Food service | \$4,197,291 | \$4,030,346 | 4.1% |
| Community Service | \$8,045,536 | \$7,561,786 | 6.4% |
| Interest and fiscal charges on long-term debt | \$12,742,182 | \$15,424,000 | -17.4% |
| Total Expenses | \$160,382,606 | \$178,376,058 | -10.1% |
| Change in net position(deficit) | \$(22,271,309) | \$(42,939,054) | -48.1% |
| Beginning of year net position (deficit) | \$(27,724,279) | \$(27,724,279) | 0.0% |
| Implementation of New Standard-Note 1 | \$(11,761,321) | | |
| Beginning of year net position (deficit) restated | \$(39,485,600) | | |
| End of year net position (deficit) | \$(61,756,909) | \$(27,724,279) | 122.8% |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

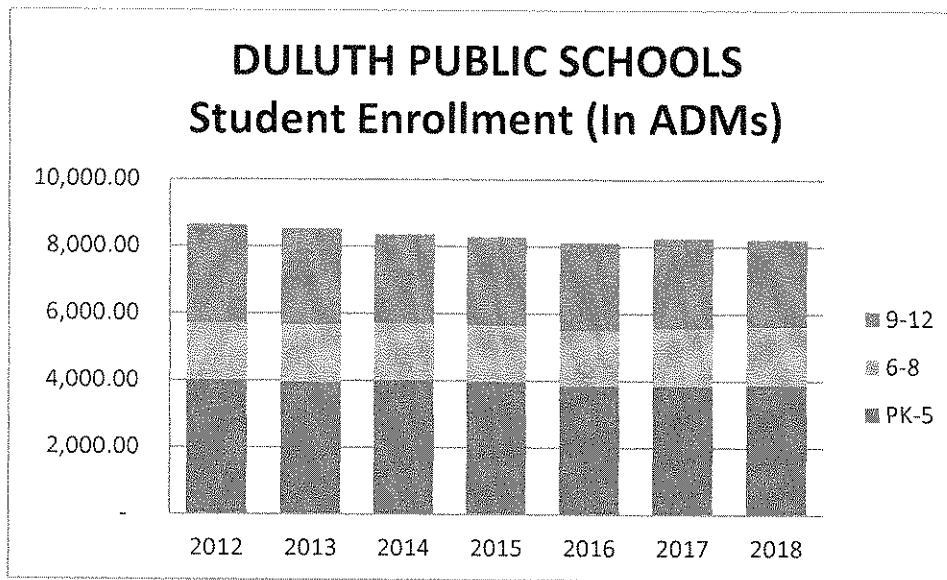
At the end of the 2017-18 fiscal year, the District’s governmental funds reported a combined fund balance of \$89 million, a decrease of \$51.9 million from the prior year combined fund balance of \$140.9 million. This resulted from the use of escrow funds to pay off the General Obligation Bond Series 2008A on the February 1, 2018 call date.

General Fund

The General Fund is used to account for all revenues and expenditures of the school district not accounted for elsewhere. The General Fund is used to account for: PK-12 educational activities; district instructional and student support programs; expenditures for the superintendent; district administration; normal operations and maintenance; pupil transportation; capital expenditures; and legal school district expenditures not specifically designated to be accounted for in any other fund.

Enrollment is a critical factor in determining revenue. Like most Minnesota school districts, the District is facing declining enrollment. These declines have largely stabilized at the Elementary and Middle School levels. The following chart reflects that the number of students has decreased over the last five years with a small increase in 2017 and a small decrease in 2018.

**Student Enrollment
Average Daily Membership (ADM)**



General Fund Budgetary Highlights

The General fund adopted revenue budget of \$104.2 million was virtually unchanged after a \$.3 million increase for grants and donations related to student and curriculum support, a \$.5 million decrease from state aids, and \$.2 million in miscellaneous revenues.

The General fund adopted expenditure budget of \$105 million was decreased slightly to reflect changes from above. This resulted in a balanced budget with the changes in other financing sources (uses).

General fund revenues were \$.7 million more than the revised budget (a difference of .6%). This was in part due to a reduction in enrollment and underspent Title funds. There were other sources of financing in the amount of \$.6 million.

General fund spending was \$.7 million less than the revised budget, a difference of .6%. Spending was reduced to try to offset the reduction in revenues and reflects the Title spending level.

The General Fund balance increased \$1.3 million to a total of \$1.4 million as follows:

- Unassigned fund balance increased by \$.9 million.
- Restricted fund balances increased by \$304,363 to a total of \$773,236.
- Non-spendable fund balances increased by \$108,138 to a total of \$236,547.

Food Service Fund

The Food Service Fund revenues for 2017-18 totaled \$4,268,962 or \$482,562 more than the final budget. Expenditures were \$4,197,291 or \$18,687 more than the final budget. The resulting surplus of \$71,671 increased the year-end fund balance to \$973,719.

Community Services Fund

The Community Services Fund revenues for 2017-18 totaled \$7,892,232 or \$195,739 more than the final budget. Expenditures were \$7,952,742 or \$5,636 less than the final budget. The resulting deficit of \$60,510 decreased the year-end fund balance to \$1,227,352.

Capital Projects Fund

The Capital Projects Fund revenues for 2017-18 totaled \$20,271 or \$20,271 more than the final budget. Expenditures totaled \$3,030,698 or \$569,302 less than the final budget. There were other sources and uses of financing totaling \$3,652,955 that contributed to the fund balance. This resulted in the fund balance increasing by \$642,528 to \$642,715.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction or operating capital acquired through either initial or refunding bonds. Revenues for 2017-18 totaled \$20,922,753 or \$1,763,946 less than the final budget. Expenditures totaled \$21,068,466 or \$9,205 less than the final budget. Other Financing Sources and Uses included bond refunding payments from escrow accounts as a use of \$53,880,263. The resulting deficit of \$53,882,509 decreased the fund balance to \$84,715,346.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2018, the District had over \$362 million invested in a broad range of capital assets, reflecting the impact of our Long Range Facilities Plan. Depreciation of \$67.7 million has been taken on existing items. As of June 30, 2018, the District had capital items, which had a depreciated value of \$294.3 million. Most of the capital investment is in buildings and equipment.

| ISD 709 CAPITAL ASSETS | | | |
|--------------------------------|----------------------|----------------------|-----------------|
| | 2018 | 2017 | % Change |
| Land | \$9,977,536 | \$10,021,409 | -4% |
| Construction Work in Process | \$893,285 | \$0 | 100% |
| Land Improvement | \$2,496,033 | \$2,496,359 | 0% |
| Buildings and Improvements | \$340,939,760 | \$335,178,419 | 2% |
| Equipment | \$7,747,809 | \$7,364,660 | 5% |
| Less: Accumulated Depreciation | \$(67,691,259) | \$(60,907,147) | 100% |
| TOTAL | \$294,363,164 | \$294,153,700 | 0% |

Long-Term Liabilities

At year-end, the District had \$294.5 million of outstanding bonds payable and certificates of participation. This reflects a decrease of \$59 million versus the principal amount of \$353.5 million outstanding at June 30, 2017. State statute limits the District's debt to 15% of the fair market value of property in the District. This sets the District debt limit at approximately \$965.5 million as of June 30, 2018.

The remainder of long-term liabilities is the \$34.5 million recognized for capital lease, severance benefits, and other post-employment benefits (OPEB). During 2018, the District adopted GASB 75 in the valuation of other post-employment benefits. This resulted in a restatement of beginning OPEB as an increase of \$11,761,321. After restatement, the change from 2017 to 2018 was a decrease of \$.5 million. The final item represents the net pension liability of \$193.7 million, a decrease of \$34 million versus 2017 due to a change in proportionate share for TRA.

| ISD 709 LONG-TERM LIABILITIES | | | |
|--------------------------------------|----------------------|----------------------|-----------------|
| | 2018 | 2017 | % Change |
| Certificates of Participation | \$247,430,425 | \$263,135,425 | -6% |
| General Obligation Bonds | \$47,100,000 | \$90,445,000 | -48% |
| Capital Lease | \$18,449 | \$0 | 100% |
| Other Postemployment Benefits | \$16,985,845 | \$17,479,620 | -3% |
| Severance Obligation | \$17,567,541 | \$24,803,441 | -29% |
| Net Pension Liability | \$193,662,758 | \$227,742,940 | -15% |
| TOTAL | \$522,765,018 | \$623,606,426 | -16% |
| Long-Term Liabilities | | | |
| Due within one year | \$94,179,343 | \$20,509,926 | 359% |
| Due in more than one year | \$428,585,675 | \$589,827,555 | -27% |
| TOTAL | \$522,765,018 | \$610,337,481 | -14% |

ECONOMIC AND BUDGETARY FACTORS BEARING ON THE DISTRICT'S FUTURE

In November, 2013, the District presented two operating referendum questions for the consideration of the voters. Both referendum questions passed, and will be in place through FY19. As a result, the District will realize approximately \$1.8 million annually in new tax revenues, along with \$1.1 million annually in new equalization aid from the State of Minnesota. In November, 2018, the referendum was renewed for a period of ten (10) years along with an increase of approximately \$5 million annually.

In addition to the revenue noted above, the state legislature approved increases to the basic formula allowance, and funding for early childhood education as part of the 2015 session. These increases are spread between FY16, FY17, FY18 and FY19.

Other factors affecting the District's future financial condition include the following:

Declining enrollment – as the population of school-age children residing in the District declines, District revenues decline, as most of our funding is based on the number of pupils served in the District. A demographic study completed in 2017 projects slight declines in enrollment for the next five years.

School choice – in addition to population decline, more residents have chosen educational options other than the District. Increases in charter schools, home schooling and private school enrollment has contributed to pupil and corresponding revenue loss.

State Budget – Since K-12 education makes up over 40% of state spending and because State revenues account for over 76% of the District's General revenues, the District will be impacted by decisions made relative to education spending.

Medical Insurance – premium increases have been reduced through a plan change to a high-deductible statewide insurance plan. The District continues to work with employees to reduce the utilization of prescription drugs and medical services. As a result of these efforts, the District has realized a reduction of 8% in premiums for FY12, and an additional reduction of 5% for FY 13 with subsequent increases being reasonable at 5.4%, 1.7% and 0.7% from FY14 through FY16. The increase for FY17 was 6.8%. The increase for FY18 was 4.8%.

Retiree benefits (severance) – this large liability exceeds the amounts currently set aside to pay these benefits upon retirements. This may impact the General fund, as interest earned on any invested funds will accrue to the trust for severance and not be available as General fund revenue.

DISTRICT FINANCIAL CONTACT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about this report, or need additional information, please contact:

Office of Business Services, ISD #709
215 N. 1st Avenue East, Duluth, MN 55802
or call 218-336-8704

Financial and other district information is also available on the District website at
www.isd709.org

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 1

Statement of Net Position (Deficit)
June 30, 2018

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and temporary investments | \$ 22,913,479 |
| Receivables | |
| Taxes and credits | 19,192,551 |
| Accounts and interest receivable | 352,555 |
| Due from other governmental units | 11,534,804 |
| Inventory | 159,429 |
| Prepayments | 194,183 |
| Restricted assets | |
| Cash and investments for debt service | 80,069,866 |
| Cash and investments for capital projects | 1,706,012 |
| Capital assets, net of depreciation | |
| Capital assets not being depreciated | 10,870,821 |
| Capital assets being depreciated | 283,492,343 |
| Total assets | \$ 430,486,043 |
| Deferred Outflows of Resources | |
| Pension related items | 99,476,041 |
| OPEB related items | 1,327,660 |
| Total deferred outflows of resources | \$ 100,803,701 |
| Total assets and deferred outflows of resources | \$ 531,289,744 |
| Liabilities | |
| Salaries payable | \$ 10,912,686 |
| Accounts and contracts payable | 3,304,359 |
| Accrued interest payable | 8,415,027 |
| Due to fiduciary funds | 243,489 |
| Due to other governmental units | 116,835 |
| Compensated absences | 426,238 |
| Unearned revenue | 256,742 |
| Long term liabilities | |
| Due within one year | 94,179,343 |
| Due in more than one year | 428,585,675 |
| Unamortized premium and discount, net | 13,087,019 |
| Total liabilities | \$ 559,527,413 |
| Deferred inflows of resources | |
| Property taxes levied for subsequent years' expenditures | 30,533,601 |
| OPEB related items | 466,205 |
| Pension related items | 2,519,434 |
| Total deferred inflows of resources | \$ 33,519,240 |
| Net Position (Deficit) | |
| Net investment in capital assets | \$ 104,374,986 |
| Restricted for: | |
| State Restrictions | 773,236 |
| Food Service | 973,719 |
| Community Service | 1,295,406 |
| Debt Service | 35,964,331 |
| Unrestricted (Deficit) | (205,138,587) |
| Total net position (deficit) | \$ (61,756,909) |
| Total liabilities, deferred inflows of resources and net position (deficit) | \$ 531,289,744 |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement of Activities
For the Year Ended June 30, 2018

| Functions/Programs | Expenses |
|---|-----------------------|
| Governmental Activities | |
| Administration | \$ 5,127,921 |
| District Support Services | 3,122,948 |
| Regular Instruction | 76,357,900 |
| Vocational Education Instruction | 1,585,531 |
| Special Education Instruction | 23,143,086 |
| Instructional Support Services | 4,632,083 |
| Pupil Support Services | 8,612,179 |
| Sites and Buildings | 12,379,545 |
| Fiscal and Other Fixed Cost Programs | 436,404 |
| Food Service | 4,197,291 |
| Community Service | 8,045,536 |
| Interest and Fiscal Charges on Long Term Debt | 12,742,182 |
| Total Governmental Activities | <u>\$ 160,382,606</u> |

Exhibit 2

| Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position |
|--|--|--|---|
| Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| \$ | \$ 491,814 | \$ | \$ (4,636,107) |
| | 143,152 | | (2,979,796) |
| 2,996,016 | 3,164,752 | | (70,197,132) |
| | 137,502 | | (1,448,029) |
| 700,195 | 12,442,232 | | (10,000,659) |
| 21,408 | 1,790,114 | | (2,820,561) |
| | 2,621,515 | | (5,990,664) |
| 177,476 | | | (12,202,069) |
| | | | (436,404) |
| 1,378,836 | 2,882,218 | | 63,763 |
| 1,922,371 | 4,896,338 | | (1,226,827) |
| | 1,678,243 | | (11,063,939) |
| <u>\$ 7,196,302</u> | <u>\$ 30,247,880</u> | <u>\$</u> | <u>\$ (122,938,424)</u> |
| General Revenues | | | |
| Taxes | | | |
| Property Taxes, levied for General Purposes | | \$ | 12,798,710 |
| Property Taxes, levied for Community Service | | | 944,944 |
| Property Taxes, levied for Debt Service | | | 17,008,778 |
| State aid-formula grants | | | 68,022,872 |
| Other general revenues | | | 936,483 |
| Investments Earnings | | | 955,328 |
| Total General Revenues | | \$ | <u>100,667,115</u> |
| Change in net position (deficit) | | \$ | (22,271,309) |
| Net position (deficit) - beginning | | | (27,724,279) |
| Implementation of New Standard - Note 1 | | | (11,761,321) |
| Restated net position (deficit) - beginning | | \$ | <u>(39,485,600)</u> |
| Net position (deficit) - ending | | \$ | <u>(61,756,909)</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2018

| | General Fund | Capital Projects Fund |
|---|-----------------|-----------------------------|
| Assets | | |
| Cash and temporary investments | \$ 6,608,907 | \$ 1,706,012 |
| Cash and investments with fiscal agent | | |
| Taxes and credits receivable | 8,478,195 | |
| Accounts and interest receivable | 103,419 | |
| Due from | | |
| Other funds | 13,998 | |
| Other Minnesota school districts | 1,233,038 | |
| Department of Education | 8,019,857 | |
| Federal through Department of Education | 1,223,642 | |
| Federal - direct | 9,885 | |
| Other governmental units | 43,424 | |
| Inventory | 57,652 | |
| Prepayments | 178,895 | |
| | \$ 25,970,912 | \$ 1,706,012 |
| Total Assets | \$ 25,970,912 | \$ 1,706,012 |

Exhibit 3

| Debt Service Fund | Other Funds | Total Governmental Funds |
|-------------------------|---------------------|--------------------------------|
| \$ 13,304,482 | \$ 2,573,751 | \$ 24,193,152 |
| 80,069,866 | | 80,069,866 |
| 10,123,387 | 590,969 | 19,192,551 |
| 241,461 | 6,287 | 351,167 |
| | | 13,998 |
| | | 1,233,038 |
| 219,187 | 290,002 | 8,529,046 |
| | 80,916 | 1,304,558 |
| | 414,853 | 424,738 |
| | | 43,424 |
| | 101,777 | 159,429 |
| | 15,288 | 194,183 |
| <u>\$ 103,958,383</u> | <u>\$ 4,073,843</u> | <u>\$ 135,709,150</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2018

| | General Fund | Capital Projects Fund |
|--|----------------------|-----------------------------|
| Liabilities | | |
| Salaries payable | \$ 10,509,409 | \$ |
| Accounts payable | 1,587,109 | 893,284 |
| Due to | | |
| Other funds | 154,662 | |
| Other governmental units | 116,835 | |
| Claims payable | 129,717 | |
| Construction contracts | 48,075 | 170,013 |
| Unearned revenue | 133,117 | |
| | <u>\$ 12,678,924</u> | <u>\$ 1,063,297</u> |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year's expenditures | \$ 11,218,170 | |
| Unavailable revenue - delinquent property taxes | 664,869 | |
| | <u>\$ 11,883,039</u> | <u>\$</u> |

**Exhibit 3
(Continued)**

| <u>Debt Service Fund</u> | <u>Other Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------------|------------------------|---|
| \$ | \$ 403,277 | \$ 10,912,686 |
| | 245,081 | 2,725,474 |
| | 102,825 | 257,487 |
| | | 116,835 |
| | | 129,717 |
| | | 218,088 |
| | 5,735 | 138,852 |
| <u>\$</u> | <u>\$ 756,918</u> | <u>\$ 14,499,139</u> |
| \$ 18,267,631 | \$ 1,047,800 | \$ 30,533,601 |
| 975,406 | 68,054 | 1,708,329 |
| <u>\$ 19,243,037</u> | <u>\$ 1,115,854</u> | <u>\$ 32,241,930</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2018

| | General Fund | Capital Projects Fund |
|---|-------------------|-----------------------------|
| Fund Balances | | |
| NonSpendable: | | |
| Inventory | \$ 57,652 | \$ |
| Prepayments | 178,895 | |
| Restricted for: | | |
| Bond refunding | | |
| Staff development | 12,479 | |
| Teacher Development & Evaluation | 75,636 | |
| Long Term Facilities Maintenance | 343,062 | 642,690 |
| Projects funded by COP | | 25 |
| ALC | 342,059 | |
| Debt service | | |
| Food service | | |
| Community education | | |
| Early childhood family education | | |
| School readiness | | |
| Adult basic education | | |
| Community service | | |
| Unassigned | | |
| General | 399,166 | |
| Total Fund Balance | \$ 1,408,949 | \$ 642,715 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 25,970,912 | \$ 1,706,012 |

Exhibit 3
(Continued)

| Debt Service Fund | Other Funds | Total Governmental Funds |
|-------------------------|---------------------|--------------------------------|
| \$ | \$ 101,777 | \$ 159,429 |
| | 15,288 | 194,183 |
| 80,069,866 | | 80,069,866 |
| | | 12,479 |
| | | 75,636 |
| | | 985,752 |
| | | 25 |
| | | 342,059 |
| 4,645,480 | | 4,645,480 |
| | 870,127 | 870,127 |
| | 873,996 | 873,996 |
| | 100,048 | 100,048 |
| | 124,391 | 124,391 |
| | 85,439 | 85,439 |
| | 30,005 | 30,005 |
| | | 399,166 |
| <u>\$ 84,715,346</u> | <u>\$ 2,201,071</u> | <u>\$ 88,968,081</u> |
| <u>\$ 103,958,383</u> | <u>\$ 4,073,843</u> | <u>\$ 135,709,150</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 4

**Reconciliation of the Balance Sheet to the
Statement of Net Position (Deficit)
Governmental Activities
June 30, 2018**

| | |
|---|------------------------|
| Total fund balances - governmental funds | \$ 88,968,081 |
| Amounts reported for governmental activities in the statement of net position (deficit) are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | |
| Cost of capital assets | 362,054,423 |
| Less: accumulated depreciation | (67,691,259) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | |
| Long-term liabilities at year-end consist of: | |
| Bond principal payable | (47,100,000) |
| Certificates of participation | (247,430,425) |
| Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | |
| | (18,449) |
| Long-term liabilities, including severance benefits, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | |
| | (17,567,541) |
| Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | |
| | (426,238) |
| Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | |
| | 1,708,329 |
| Governmental funds do not report a liability for accrued interest until due and payable | |
| | (8,415,027) |
| The net pension liability and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position. | |
| Net pension liability | (193,662,758) |
| Deferred inflows of resources related to pensions | (2,519,434) |
| Deferred outflows of resources related to pensions | 99,476,041 |
| Other post-employment benefits, deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the statement of net position. | |
| Total OPEB liability | (16,985,845) |
| Deferred inflows of resources related to OPEB | (466,205) |
| Deferred outflows of resources related to OPEB | 1,327,660 |
| Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance, whereas, these amounts are deferred and amortized in the statement of net position. | |
| | (13,087,019) |
| An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | |
| | 78,757 |
| Total net position (deficit) - governmental activities | <u>\$ (61,756,909)</u> |
| The notes to the financial statements are an integral part of this statement. | |
| | Page 26 |

This page left blank intentionally

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

| | General Fund | Capital Projects Fund |
|--|-----------------|-----------------------------|
| Revenues | | |
| Local property tax levies | \$ 12,829,419 | \$ |
| Interest income | 186,902 | 20,271 |
| Other local and county | 3,863,690 | |
| State sources | 81,532,066 | |
| Federal sources | 5,840,535 | |
| Insurance/Judgement recovery | 80 | |
| Sales and other conversions of assets | 675,155 | |
| Total Revenues | \$ 104,927,847 | \$ 20,271 |
| Expenditures | | |
| Administration | \$ 5,091,704 | \$ |
| District support services | 2,801,448 | |
| Regular instruction | 44,634,867 | |
| Vocational instruction | 1,541,147 | |
| Special education instruction | 23,128,596 | |
| Community education and services | 58,829 | |
| Instructional support services | 4,578,607 | |
| Pupil support services | 8,184,343 | |
| Sites, buildings and equipment | 7,785,096 | |
| Fiscal and other fixed cost programs | 349,086 | |
| Debt service | | |
| Principal | 1,900,000 | |
| Interest and fiscal charges | 1,471,085 | |
| Capital outlay | 2,763,620 | 3,030,698 |
| Total Expenditures | \$ 104,288,428 | \$ 3,030,698 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 639,419 | \$ (3,010,427) |
| Other Financing Sources (Uses) | | |
| Sale of property | \$ 157,571 | \$ |
| Issuance of bonds | 615,000 | 3,640,000 |
| Transfer In | | |
| Transfer Out | (139,467) | (4,000) |
| Principal refunding payments from escrow | | |
| Interest refunding payments from escrow | | |
| Premium on bonds | 2,870 | 16,955 |
| Issuance of capital lease | 22,138 | |
| Total Other Financing Sources (Uses) | \$ 658,112 | \$ 3,652,955 |
| Net change in fund balances | \$ 1,297,531 | \$ 642,528 |
| Fund Balances | | |
| Beginning of Year | 111,418 | 187 |
| End of Year | \$ 1,408,949 | \$ 642,715 |

The notes to the financial statements are an integral part of this statement.

| Debt Service Fund | Other Funds | Total Governmental Funds |
|-------------------------|----------------------|--------------------------------|
| \$ 17,073,780 | \$ 947,397 | \$ 30,850,596 |
| 748,155 | | 955,328 |
| | 2,037,630 | 5,901,320 |
| 2,215,181 | 2,798,803 | 86,546,050 |
| 885,637 | 4,998,528 | 11,724,700 |
| | - | 80 |
| | 1,378,836 | 2,053,991 |
| <u>\$ 20,922,753</u> | <u>\$ 12,161,194</u> | <u>\$ 138,032,065</u> |
| \$ | \$ | \$ 5,091,704 |
| | | 2,801,448 |
| | | 44,634,867 |
| | | 1,541,147 |
| | | 23,128,596 |
| | 7,937,058 | 7,995,887 |
| | | 4,578,607 |
| | 4,187,218 | 12,371,561 |
| | | 7,785,096 |
| | | 349,086 |
| 13,100,000 | | 15,000,000 |
| 7,968,466 | | 9,439,551 |
| | 25,757 | 5,820,075 |
| <u>\$ 21,068,466</u> | <u>\$ 12,150,033</u> | <u>\$ 140,537,625</u> |
| <u>\$ (145,713)</u> | <u>\$ 11,161</u> | <u>\$ (2,505,560)</u> |
| \$ | \$ | \$ 157,571 |
| | | 4,255,000 |
| 143,467 | | 143,467 |
| | | (143,467) |
| (48,305,000) | | (48,305,000) |
| (5,575,263) | | (5,575,263) |
| | | 19,825 |
| | | 22,138 |
| <u>\$ (53,736,796)</u> | <u>\$</u> | <u>\$ (49,425,729)</u> |
| \$ (53,882,509) | \$ 11,161 | \$ (51,931,289) |
| 138,597,855 | 2,189,910 | 140,899,370 |
| <u>\$ 84,715,346</u> | <u>\$ 2,201,071</u> | <u>\$ 88,968,081</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 6

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2018

Net changes in fund balances - governmental funds \$ (51,931,289)

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

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

| | |
|----------------------------|-------------|
| Capital outlays | 7,503,828 |
| Disposal of capital assets | (47,021) |
| Depreciation expense | (7,247,343) |

The issuance of capital leases is reported in the governmental funds as a source of financing.

Capital leases are not revenues in the Statement of Activities, but constitute a long-term liability. (22,138)

The amount of Bond proceeds are reported in the governmental funds as a source of financing.

Bond proceeds are not revenues in the statement of activities, but rather constitute long-term liabilities.

(4,255,000)

Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (deficit).

63,308,689

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues regardless of when it is due.

487,017

Net amortization of premiums and discounts.

1,785,615

Change in severance benefits and post-employment benefits is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.

| | |
|---|-----------|
| Change in severance benefits | 7,235,900 |
| Change in total OPEB liability | 493,775 |
| Change in deferred inflows related to OPEB | (466,205) |
| Change in deferred outflows related to OPEB | (179,964) |

Payment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

20,852

Pension expense is reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

| | |
|--|--------------|
| Change in deferred outflows of resources related to pensions | (72,414,057) |
| Change in deferred inflows of resources related to pensions | (440,882) |
| Change in net pension liability | 34,080,182 |

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditure and therefore are deferred in the funds.

(98,164)

The change in net position of the internal service fund is reported with governmental activities.

(85,104)

Change in net position (deficit) - governmental activities

\$ (22,271,309)

The notes to the financial statements are an integral part of this statement.

Page 30

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 7

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND - DENTAL PLAN
PROPRIETARY FUND
JUNE 30, 2018

Assets

Current Assets

| | |
|----------------------------------|------------|
| Cash and Cash Equivalents | \$ 426,339 |
| Accounts and interest receivable | 1,388 |

| | |
|--------------|------------|
| Total Assets | \$ 427,727 |
|--------------|------------|

Liabilities

Current Liabilities

| | |
|------------------|------------|
| Claims payable | \$ 231,080 |
| Unearned revenue | 117,890 |

| | |
|-------------------|------------|
| Total Liabilities | \$ 348,970 |
|-------------------|------------|

Net Position

| | |
|--------------|-----------|
| Unrestricted | \$ 78,757 |
|--------------|-----------|

| | |
|--------------------|-----------|
| Total Net Position | \$ 78,757 |
|--------------------|-----------|

| | |
|------------------------------------|------------|
| Total Liabilities and Net Position | \$ 427,727 |
|------------------------------------|------------|

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND - DENTAL PLAN
PROPRIETARY FUND
For the Year Ended June 30, 2018

| | |
|--------------------------------------|-------------------------|
| Operating revenues | |
| Charges for Premiums, Net of Refunds | \$ 853,031 |
| Operating expenses | |
| Employee benefits | \$ 880,580 |
| Services, supplies, and fees | <u>57,555</u> |
| Total Operating Expenses | <u>\$ 938,135</u> |
| Operating loss | \$ (85,104) |
| Total Net Position - Beginning | <u>163,861</u> |
| Total Net Position - Ending | <u><u>\$ 78,757</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 9

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND - DENTAL PLAN
PROPRIETARY FUND
For the Year Ended June 30, 2018

| | |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Interfund Services Provided | \$ 527,595 |
| Receipts from retirees | 329,719 |
| Payments for administrative costs | (57,555) |
| Payments for claims | <u>(752,375)</u> |
| Net Cash Provided by Operating Activities | \$ 47,384 |
| Cash and Cash Equivalents - Beginning | <u>378,955</u> |
| Cash and Cash Equivalents - Ending | <u><u>\$ 426,339</u></u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | |
| Operating loss | <u>\$ (85,104)</u> |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| (Increase) in Account Receivable | \$ (29) |
| Increase in Claims Payable | 128,205 |
| Increase in Unearned Revenue | <u>4,312</u> |
| Total Adjustments | <u>\$ 132,488</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 47,384</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 10

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

| | Federal Employee Benefit Trust Fund | Private- Purpose Funds |
|------------------------------------|---|------------------------------|
| | <u> </u> | <u> </u> |
| Assets | | |
| Cash and temporary investments | \$ 1,623,070 | \$ 151,612 |
| Due from other funds | 257,487 | |
| | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 1,880,557</u> | <u>\$ 151,612</u> |
| Liabilities | | |
| Due to other funds | \$ <u> </u> | \$ 13,998 |
| Net Position | | |
| Restricted for endowment | \$ | \$ 118,528 |
| Restricted for clock tower | | 19,086 |
| Restricted for retirees | 1,880,557 | |
| | <u> </u> | <u> </u> |
| Total Net Position | <u>\$ 1,880,557</u> | <u>\$ 137,614</u> |
| Total Liabilities and Net Position | <u>\$ 1,880,557</u> | <u>\$ 151,612</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 11

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

| | Federal Employee Benefit Trust Fund | Private- Purpose Funds |
|--------------------------|---|------------------------------|
| | <u> </u> | <u> </u> |
| Additions | | |
| Interfund contribution | \$ 257,487 | \$ |
| Interest | 21,005 | 574 |
| | <u> </u> | <u> </u> |
| Total Additions | \$ 278,492 | \$ 574 |
| | <u> </u> | <u> </u> |
| Deductions | | |
| Benefits paid | \$ 250,000 | \$ |
| Pupil support services | | 13,998 |
| | <u> </u> | <u> </u> |
| Total Deductions | \$ 250,000 | \$ 13,998 |
| | <u> </u> | <u> </u> |
| Change in Net Position | \$ 28,492 | \$ (13,424) |
| Net Position - Beginning | <u>1,852,065</u> | <u>151,038</u> |
| Net Position - Ending | <u><u>\$ 1,880,557</u></u> | <u><u>\$ 137,614</u></u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Independent School District No. 709 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The Board of Education consists of elected officials and is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board of Education and is responsible for administrative control of the District.

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

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

The financial transactions of student activities are included in the financial statements. Student activities are established by various student organizations (which have District employees as advisors). Amounts are usually generated and spent at the discretion of the student organizations and faculty advisors. The School Board has chosen to directly control the activities.

Basic Financial Statement Presentation

The district-wide financial statements (i.e., the Statement of Net position (deficit) and the 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. The Fiduciary Funds are only reported in the Statements of Fiduciary Net position at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate Fund financial statements are provided for governmental, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the governmental-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenues of the District's internal service fund are charges to customers for service. Operating expenses for the internal service fund include claims paid and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Aggregate information for the remaining non-major governmental funds is reported in a single column in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type (pension and private purpose trust funds). Since, by definition, these assets are being held for the benefit of a third party (private parties, severance obligations, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the district-wide statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary and fiduciary fund financial statements.

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". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenues of the Internal Service Fund are employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Basis of Presentation

The District has established funds to account for and segregate the financial consequences of its various activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, equity, revenues, and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by how such activities are controlled. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The General Fund accounts for administration, kindergarten through 12th grade instruction, transporting students to and from school, purchases of land, buildings, improvements, equipment, and textbooks, major repairs, activities and other costs to the District and related revenues.

The Capital Projects Fund accounts for construction of facility additions financed by levy or bonds.

The Debt Service Fund accounts for the retirement of bonds issued for kindergarten through 12th grade projects and payments of related interest. The assets of this fund are legally restricted to the aforementioned purpose.

Non-major Governmental Funds

The Food Service Fund accounts for meals provided to students. Revenues consist of state and federal aids and grants and sales to pupils and adults.

The Community Services Fund accounts for instruction of persons not in kindergarten through 12th grades. Revenues consist of state and federal aids and grants and participation fees.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The District's internal service fund is used to account for dental benefits for employees who are covered by the dental self-insured plan of the District.

Fiduciary Funds

The Private Purpose Funds account for principal and unexpended earnings of the Miller Memorial Playground endowment and the Clock Tower endowment.

Federal Employee Benefit Trust Fund accounts for employees' severance for federally funded programs.

Budget Policies and Basis

The School Board is responsible for the budget and for the District's financial performance against the budget. District employees prepare a proposed budget on the modified accrual basis of accounting. The budget is amended and approved by the Board before the beginning of the fiscal year as required by Minn. Stat. § 123.B.77, subd. 4. The Board reviews the District's financial progress against the budget regularly throughout the year.

Budget and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds of the District. For each fund for which a formal budget is adopted the same basis of accounting is used to reflect actual revenues and expenditures recognized on the same basis of accounting as the fund financial statements.

Reported budget amounts represent the originally adopted budget as amended. Expenditures in excess of the budget require approval of the School Board. Employees report significant deviations from budget line amounts to the Board as they are recognized throughout the year. The annual budget is not legally binding on the District unless the District has a total deficit in its K-12 general and operating funds that exceed 2.5 percent of expenditures. The budget is adopted through passage of a resolution. The School Board must approve revisions that alter total expenditures of any fund without offsetting revenues.

Cash and Temporary Investments

Cash and investments of the individual funds are combined to form a pool, except for the fiduciary funds, and are invested, to the extent available, in securities as authorized by state law. Investment income is reported in the General, Capital, and Fiduciary Funds. Funds with negative cash balances are not charged interest. Certificates of deposits and securities of the U.S. government and its agencies are recorded at fair value, based on quoted market price. External investment pools and money market funds are recorded at fair value, based on the fair value of the position in the pool.

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

48

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Amounts due from individuals and organizations are recorded as receivables at year-end. Receivables are shown net of an allowance for uncollectible accounts. At June 30, 2018, the allowance for uncollectible accounts was \$6,018. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

Inventory

General Fund inventory includes instructional and other materials held in the central storeroom. Inventory in the Food Service Fund consists of food and supplies. The General Fund central storeroom inventory is priced using the weighted average method. All inventories are accounted for using the consumption method. Under the consumption method, expenditures are recognized when inventory is used rather than when purchased. Food and supplies are valued at cost on a first-in, first-out basis.

Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as expenditure at the time of consumption.

Property Taxes

Property tax levies are established by the School Board in December of each year and are certified to the County for collection 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 January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General, Community Service Special Revenue Fund, and Debt Service Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift".

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the district in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets are cash and temporary cash investments whose use is limited by legal requirements such as a bond indenture.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives, ranging from five to fifty years.

Capital assets not being depreciated include land and construction work in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans and the postemployment healthcare plan subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has reported unavailable revenue from delinquent property taxes, which arises only under a modified accrual basis of accounting, in the governmental funds balance sheet. The District has also reported property taxes levied for subsequent year's expenditures as Deferred inflow of resources in both the governmental funds balance sheet and the statement of net position (deficit). The District reports deferred inflows of resources for its proportionate share of collective deferred inflows of resources related to pensions. The District also reports deferred inflows of resources related to OPEB for changes in assumptions related to the postemployment healthcare plan.

Compensated Absences

The District records a liability for earned but unpaid vacation. Unpaid sick leave does not vest and therefore is not accrued. Sick pay is recognized when paid and unused balances are used in severance calculations.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA) and additions to/deductions from TRA and PERA's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

Long-Term Liabilities

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are included in expenditures/expenses when incurred.

Fund Balances

In the fund financial statements, governmental funds report fund balance amounts within one of the following fund balance categories:

1. Non-spendable Fund Balances are either (a) not in spendable form, or (b) legally contractually required to remain intact.
2. Restricted Fund Balances are amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
3. Committed Fund Balances include amounts that can be used only for the specific purposes determined by a formal action of the School Board.
4. Assigned Fund Balances include amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned Fund Balance represents fund balance that has not been restricted, committed, or assigned to a specific purpose.

The District applies restricted resources first when an expense is incurred for the purpose which both restricted and unrestricted fund balance is available. If resources from more than one fund balance classification could be spent, the district will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with the District's fund balance policy, formal board action is required to establish, modify or rescind a fund balance commitment and the District's management is authorized to assign fund balance to a specific purpose.

To ensure financial stability, the board adopted a fund balance policy that shall establish and maintain an amount in the general fund unassigned amount, and/or the severance-insurance restricted amount, equal to ten percent of the combined budgetary unrestricted expenditures from the general fund, food service fund, community services fund, capital projects fund, and debt service fund. The minimum fund balance was not achieved at June 30, 2018.

Net Position (Deficit)

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

Implementation of New Standards

During fiscal year 2018, the District adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The adoption resulted in the restatement of governmental activities net position at July 1, 2017 as follows:

| | | |
|---|----|--------------|
| Net Position (Deficit), as previously reported, at July 1, 2017 | \$ | (27,724,278) |
| Net OPEB liability previously reported under GASB Statement No. 45 | | 4,210,675 |
| Total OPEB liability reported under GASB Statement No. 75 | | (17,479,620) |
| Deferred outflows of resources related OPEB under GASB Statement No. 75 | | 1,507,623 |
| | | 1,507,623 |
| Net Position (Deficit), as restated, at July 1, 2017 | \$ | (39,485,600) |

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Minn. Stat. § 118A.04 authorizes the District to deposit its cash and to invest in financial institutions designated by the District's Board. Minnesota Statutes require that all District deposits be covered 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.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

52

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District requires collateral for deposits over FDIC insurance amounts. At June 30, 2018, the District's deposits were not exposed to custodial credit risk.

Investments

Minn. Stat. § 118A.04 and 118A.05 generally authorizes the following types of investments as available to the District:

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by subd. 6;
2. Shares of a Minnesota joint powers investment trust or shares of an investment company that is registered under the Federal Investment Company Act of 1940 pursuant to the restrictions of Minn. Stat § 118A.05 subd. 4;
3. General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota or other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;
5. Commercial paper issued by United States corporations, or their Canadian subsidiaries, that is of the highest quality and matures in 270 days or less;
6. Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks, or domestic branches of foreign banks, or United States insurance companies, if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories;
7. Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers; and
8. Securities lending agents under the provisions of Minn. Stat. § 118A.05 subd.3.

The Minnesota School District Liquid Asset Fund (MSDLAF) and MNTrust are external investment pools not registered with the Securities and Exchange Commission (SEC). The fair value of the position on the pool is the same as the value of the pool shares. The District's investment in MSDLAF and MN Trust Investment Shares Portfolio are measured at net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. MSDLAF and MN Trust are short-term money market portfolios. The portfolios are managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seek to maintain a constant net asset value (NAV) per share of \$1.00.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District has the following investments at June 30, 2018:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less than 1 Yr</u> | <u>1-3 Years</u> | <u>Over 3 Years</u> |
|---------------------------|---------------------------|---------------------------|------------------|---------------------|
| US Government Securities | \$ 81,063,859 | \$ 81,063,859 | \$ | \$ |
| External Investment Pools | 20,896,816 | 20,896,816 | | |
| Negotiable CD's | 2,872,479 | 2,872,479 | | |
| Total Investments | <u>\$ 104,833,154</u> | <u>\$ 104,833,154</u> | <u>\$</u> | <u>\$</u> |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute.

The District's exposure to credit risk as of June 30, 2018 is as follows:

| <u>S & P or Moody's Rating</u> | <u>Fair Value</u> |
|------------------------------------|---------------------------|
| AAAm | \$ 17,896,816 |
| AA+ | 994,414 |
| Not Rated | 85,941,924 |
| Total Investments | <u>\$ 104,833,154</u> |

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2018, none of the District's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount the District may invest in one issuer. At June 30, 2018 the District did not hold investments in any one issuer (excluding mutual funds and external investment pools) that represents five percent or more of the District's investments.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The District has the following investments valued at recurring fair value measurements at June 30, 2018:

| Investments by fair value level | Total | Active Markets of identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|--|-----------------------|---|--|-------------------------------------|
| Negotiable certificates of deposit | \$ 2,872,479 | \$ | \$ 2,872,479 | \$ |
| U.S. Gov Securities | 81,063,859 | | 81,063,859 | |
| | <u>83,936,338</u> | <u>\$</u> | <u>\$ 83,936,338</u> | <u>\$</u> |
| Investments measured at the net asset value (NAV) | | | | |
| External investment pools | 20,896,816 | | | |
| | <u>\$ 104,833,154</u> | | | |

The following table sets forth additional disclosures about the District's investments whose values are estimated using net asset value (NAV) as of June 30, 2018:

| | Amount | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|------------------------------------|----------------------|-------------------------|-------------------------|--------------------------------|
| External Investment Pool - MSDLAF | \$ 1,794,625 | \$ | 14 days* | 24-hour notice |
| External Investment Pool - MNTrust | 19,102,191 | \$ | None | None |
| | <u>\$ 20,896,816</u> | | | |

*With the exception of direct investments of funds distributed by the State of Minnesota

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The District's total cash and investments as of June 30, 2018 are as follows:

| | | |
|-------------|----|---------------------------|
| Petty Cash | \$ | 2,605 |
| Deposits | | 1,628,280 |
| Investments | | <u>104,833,154</u> |
| | \$ | <u><u>106,464,039</u></u> |

The District's total cash and investments as of June 30, 2018 are presented in the basic financial statements as follows:

| | | |
|---|----|---------------------------|
| Statement of Net Position (Deficit) | | |
| Cash and Temporary Investments | \$ | 22,913,479 |
| Restricted Assets | | |
| Cash and Investments for Debt Service | | 80,069,866 |
| Cash and Investments for Capital Projects | | 1,706,012 |
| Statement of Fiduciary Net Position | | |
| Cash and Temporary Investments | | |
| Federal Employee Benefit Trust Fund | | 1,623,070 |
| Private Purpose Funds | | <u>151,612</u> |
| Total Cash and Investments | \$ | <u><u>106,464,039</u></u> |

NOTE 3 – TAXES AND CREDITS RECEIVABLE

Current taxes and credits receivable represent the uncollected balance of the 2017 levy, collectible in 2018, including related state property tax relief aid. Delinquent taxes receivable represent taxes due from levies of the prior six years. At June 30, 2018, property taxes and credits receivable consisted of:

| <u>Fund</u> | <u>Current</u> | <u>Delinquent</u> | <u>Total</u> |
|-------------------------|-----------------------------|----------------------------|-----------------------------|
| General Fund | \$ 7,813,326 | \$ 664,869 | \$ 8,478,195 |
| Community Services Fund | 522,915 | 68,054 | 590,969 |
| Debt Services Fund | <u>9,147,981</u> | <u>975,406</u> | <u>10,123,387</u> |
| Total | <u><u>\$ 17,484,222</u></u> | <u><u>\$ 1,708,329</u></u> | <u><u>\$ 19,192,551</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - INVENTORY

Inventory at June 30, 2018, consisted of:

| | |
|--------------------------|-------------------|
| General Fund - Supplies | \$ 57,652 |
| Food Service Fund - Food | <u>101,777</u> |
| Total | <u>\$ 159,429</u> |

NOTE 5 - LEASE OBLIGATIONS

Operating Leases

The District is committed under various operating leases for building space, parking facilities, and equipment. Rent expense for the year ended June 30, 2018, was \$444,155.

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at June 30, 2018:

Year Ending June 30

| | |
|-------|-------------------|
| 2019 | \$ 311,029 |
| 2020 | 299,498 |
| 2021 | 132,231 |
| 2022 | <u>45,311</u> |
| Total | <u>\$ 788,069</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS

A summary of the changes in capital assets in fiscal year 2018 is as follows:

| Capital Assets Not Depreciated | Balance 6/30/2017 | Additions | Disposals | Balance 6/30/2018 |
|---|------------------------------|--------------------|--------------------|------------------------------|
| Land | \$ 10,021,409 | | \$ (43,873) | \$ 9,977,536 |
| Construction Work in Process | | 893,285 | | \$ 893,285 |
| Total Capital Assets Not Depreciated | <u>\$ 10,021,409</u> | <u>\$ 893,285</u> | <u>\$ (43,873)</u> | <u>\$ 10,870,821</u> |
| Capital Assets | | | | |
| Depreciated | | | | |
| Land Improvements | \$ 2,496,359 | \$ 7,465 | \$ (7,791) | \$ 2,496,033 |
| Buildings | 335,178,419 | 6,050,992 | (289,651) | 340,939,760 |
| Furniture & Equipment | 7,364,660 | 552,086 | (168,937) | 7,747,809 |
| Total Capital Assets Depreciated | \$ 345,039,438 | \$ 6,610,543 | \$ (466,379) | \$ 351,183,602 |
| Less Accumulated Depreciation | <u>(60,907,147)</u> | <u>(7,247,343)</u> | <u>463,231</u> | <u>(67,691,259)</u> |
| Capital assets, being depreciated, net | \$ 284,132,291 | \$ (636,800) | \$ (3,148) | \$ 283,492,343 |
| Total capital assts, net of depreciation | <u>\$ 294,153,700</u> | <u>\$ 256,485</u> | <u>\$ (47,021)</u> | <u>\$ 294,363,164</u> |

Depreciation expense was charged to governmental functions as follows:

| Program | 2018 Depreciation |
|----------------------------------|------------------------------|
| Administration | \$ 10,255 |
| District Support Service | 90,227 |
| Elem/Sec Regular Instruction | 13,889 |
| Vocational Education Instruction | 22,320 |
| Special Education Instruction | 4,712 |
| Community Education and Service | 32,125 |
| Instructional Support Services | 1,387 |
| Pupil Support Services | 187,454 |
| Sites and Buildings | 6,884,974 |
| Total | <u>\$ 7,247,343</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Included in amounts reported for capital assets are land, buildings, and equipment related to closure hearings conducted by the School Board. The closure hearings included Central High School, Secondary Technical Center, and Nettleton Elementary. Nettleton Elementary was sold in June, 2018. The net book value of the remaining assets total \$3,222,308.

NOTE 7 – LONG-TERM LIABILITIES

Certificates of Participation

| | |
|---|-----------------------|
| \$111,440,000 Full Term Refunding Certificates of Participation, Series 2008B due in annual installments of \$2,440,000 to \$10,385,000 plus 3.50 to 5.00 percent interest from February 1, 2009 through February 1, 2028. | \$ 77,165,000 |
| \$71,170,000 Taxable Full Term Certificates of Participation, Series 2009A (Build America Bonds - Direct Pay) due in annual installments of \$2,675,000 to \$6,265,000 plus 2.250 to 5.600 percent interest from February 1, 2010 through February 1, 2028. | 49,400,000 |
| \$35,400,000 Certificates of Participation, Series 2009B due in annual installments of \$1,300,000 to \$2,770,000 plus 4.00 to 5.00 percent interest from March 1, 2012 through March 1, 2030. | 25,520,000 |
| \$5,000,000 Full Term Refunding Certificates of Participation, Series 2010C due in annual installments of \$210,000 to \$370,000 plus 2.00 to 4.00 percent interest from August 1, 2011 through February 1, 2028. | 3,215,000 |
| \$1,605,000 Certificates of Participation, Series 2010D due in annual installments of \$90,000 to \$110,000 plus 2.50 to 4.65 percent interest from March 1, 2011 through March 1, 2030. | 1,055,000 |
| \$12,800,424.50 Full Term Capital Appreciation Certificates of Participation, Series 2012A due in annual installments of \$536,344 to \$2,304,404 plus 3.70 to 4.25 percent interest from February 1, 2021 through February 1, 2028. | 12,800,425 |
| \$6,340,000 Certificates of Participation, Series 2012B due in annual installments of \$260,000 to \$460,000 plus 3.00 to 5.25 percent interest from March 1, 2013 through March 1, 2032. | 5,000,000 |
| \$82,605,000 Full Term Refunding Certificates of Participation, Series 2016A due in annual installments of \$4,470,000 to \$9,900,000 plus 3.00 to 5.00 percent interest from February 1, 2017 through February 1, 2028. | 73,275,000 |
| Total | <u>\$ 247,430,425</u> |

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize the principal and interest are:

| Year Ended June 30 | Total | Principal | Interest |
|-----------------------|-----------------------|-----------------------|----------------------|
| 2019 | \$ 99,102,480 | \$ 88,430,000 | \$ 10,672,480 |
| 2020 | 18,686,893 | 11,920,000 | 6,766,893 |
| 2021 | 19,674,422 | 13,151,344 | 6,523,078 |
| 2022 | 20,995,285 | 14,603,895 | 6,391,390 |
| 2023 | 21,458,283 | 15,583,340 | 5,874,943 |
| 2024-2028 | 118,480,480 | 96,416,846 | 22,063,634 |
| 2029-2032 | 7,978,075 | 7,325,000 | 653,075 |
| Total | <u>\$ 306,375,918</u> | <u>\$ 247,430,425</u> | <u>\$ 58,945,493</u> |

On August 17, 2016, the District issued \$82,605,000 in Full Term Refunding Certificates of Participation, Series 2016A, to refund the Full Term Certificates of Participation, Series 2008B. The proceeds were placed in escrow and invested in U. S. government securities. The proceeds plus interest earned will be sufficient to pay the 2018 through 2028 payments of the Full Term Certificates of Participation, Series 2008B callable on February 1, 2019. The refunding was undertaken to reduce total debt service payments in an average amount annually of \$571,686 over twelve years.

Bonds Payable

| | |
|---|----------------------|
| \$44,320,000 General Obligation School Building Refunding Bonds (Series 2015B) due in annual installments of \$525,000 to \$5,135,000 plus 3.50 to 4.00 percent interest from August 1, 2015 to February 1, 2028. | \$ 43,730,000 |
| \$3,640,000 Taxable General Obligation Facilities Maintenance Bonds (Series 2017A) due in annual installments of \$690,000 to \$755,000 plus 2.00 to 3.00 percent interest from February 1, 2018 through February 1, 2022. | 2,885,000 |
| \$615,000 Taxable General Obligation School Capital Facilities Bonds (Series 2017B) due in annual installments of \$115,000 to \$130,000 plus 2.00 to 3.00 percent interest from February 1, 2018 through February 1, 2022. | <u>485,000</u> |
| Total | <u>\$ 47,100,000</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize the principal and interest are:

| Year Ended June 30 | Total | Principal | Interest |
|-----------------------|----------------------|----------------------|---------------------|
| 2019 | \$ 6,203,067 | \$ 4,410,000 | \$ 1,793,067 |
| 2020 | 6,194,950 | 4,565,000 | 1,629,950 |
| 2021 | 6,190,650 | 4,735,000 | 1,455,650 |
| 2022 | 6,191,000 | 4,955,000 | 1,236,000 |
| 2023 | 5,280,850 | 4,275,000 | 1,005,850 |
| 2024-2028 | 26,447,900 | 24,160,000 | 2,287,900 |
| Total | <u>\$ 56,508,417</u> | <u>\$ 47,100,000</u> | <u>\$ 9,408,417</u> |

Capital Leases

The District is committed under a capital lease for three (3) copiers. The term of the lease is for 60 months beginning September 1, 2017. At the end of the lease the District will purchase the copiers for one dollar.

Furniture and equipment includes the following amounts for the copiers that have been capitalized:

| | |
|--------------------------------|------------------|
| Furniture and equipment | \$ 22,138 |
| Less: Accumulated amortization | <u>2,214</u> |
| Total | <u>\$ 19,924</u> |

Lease amortization is included in depreciation expense.

Future minimum lease payments by year and in the aggregate under the capital lease consist of the following at June 30, 2018:

| <u>Year Ending June 30</u> | |
|----------------------------|------------------|
| 2019 | \$ 4,428 |
| 2020 | 4,428 |
| 2021 | 4,428 |
| 2022 | 4,428 |
| 2023 | <u>737</u> |
| | <u>\$ 18,449</u> |

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Changes in long-term debt for the year ended June 30, 2018 are:

| | Balance June 30, 2017 | Increase | Payments/ Adjustments | Balance June 30, 2018 |
|-------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|
| Certificates of participation | \$ 263,135,425 | \$ | \$ 15,705,000 | \$ 247,430,425 |
| Bonds payable | 90,445,000 | 4,255,000 | 47,600,000 | 47,100,000 |
| Capital lease | | 22,138 | 3,689 | 18,449 |
| OPEB, restated | 17,479,620 | 1,545,257 | 2,039,032 | 16,985,845 |
| Severance obligation | 24,803,441 | 2,250,979 | 9,486,879 | 17,567,541 |
| Net pension liability | <u>227,742,940</u> | <u>4,943,435</u> | <u>39,023,617</u> | <u>193,662,758</u> |
| Total | <u>\$ 623,606,426</u> | <u>\$ 13,016,809</u> | <u>\$ 113,858,217</u> | <u>\$ 522,765,018</u> |

Certificates of Participation and bonds are paid from the General and Debt Service Funds. OPEB, severance obligations, and net pension liability are paid from the General, Food Service, Community Service, or the Federal Employee Benefit Trust funds.

The American Recovery and Reinvestment Act of 2009 (ARRA) created build America bonds and recovery zone economic development bonds. As a result of this act, the District receives direct payments from the Federal Government equal to 35 percent of the interest payments due on bond Series 2009A. During the year the District received an interest subsidy from the Federal Government totaling \$885,638.

The following is a summary of the current (due in one year or less) and the long-term portion (due in more than one year) of long-term debt as of June 30, 2018:

| | Current Portion | Long-term Portion | Total |
|-------------------------------|-----------------------------|------------------------------|------------------------------|
| Certificates of participation | \$ 88,430,000 | \$ 159,000,425 | \$ 247,430,425 |
| Bonds payable | 4,410,000 | 42,690,000 | 47,100,000 |
| Capital lease | 4,428 | 14,021 | 18,449 |
| OPEB | | 16,985,845 | 16,985,845 |
| Severance obligation | 1,334,915 | 16,232,626 | 17,567,541 |
| Net pension liability | | <u>193,662,758</u> | <u>193,662,758</u> |
| Total | <u>\$ 94,179,343</u> | <u>\$ 428,585,675</u> | <u>\$ 522,765,018</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Legal Debt Margin

The District's legal debt limit is 15% of the fair market value of the property within the District. The District's legal debt margin at June 30, 2018 is approximately \$965,530,760.

NOTE 8 - COMPENSATED ABSENCES

Vacation and sick leave are earned based on various bargaining unit contracts and length of service as follows:

| | <u>Vacation</u> | <u>Sick Leave</u> |
|----------------|-----------------------|-----------------------|
| Teachers | None | 10 days per year |
| Administrative | 10 - 25 days per year | 10 - 13 days per year |
| Maintenance | 2 - 5 weeks per year | 18 days per year |
| Non-certified | 0 - 6 weeks per year | 13 - 18 days per year |

At June 30, 2018, \$426,238 has been included in the district-wide financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - SEVERANCE OBLIGATIONS

Upon retirement, most District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at date of retirement, as established by contracts with bargaining units or other employment contracts. These contracts establish the terms and amounts each retiree is eligible to receive, and establish when these severance benefits vest, all of which may differ between each bargaining unit and employee group.

For some bargaining units, the District remits either a lump sum or one third of the calculated severance benefit to the Minnesota State Retirement System Health Care Savings Plan (HCSP) upon retirement of the employee. The remaining two thirds of the calculated amount due the employee are paid over a two year period. These funds will be disbursed in accordance with the HCSP account agreement, which is a separate agreement between the HCSP and the retiree.

For the remaining employees, the District pays a portion of the severance benefit to the state HCSP and retains a portion for the employees to use to pay future health insurance premiums. Severance is recorded as expenditure when paid. The retained severance obligation for this benefit is for future health insurance benefits and amounts due to the state HCSP.

During 2018, 118 retirees received a total benefit of \$2,468,190. The District funds these expenditures as paid except for the severance for employees of federal programs, which is funded through the Federal Employee Benefit Trust.

| | | |
|--|--|---------------------------------|
| Retained severance benefit obligations for retirees | | \$ 751,249 |
| Retained severance benefit obligations for qualified employees | | <u>18,696,849</u> |
| Total termination benefits payable | | \$ 19,448,098 |
| Amount available in Federal Employee Benefit Trust Fund | | <u>(1,880,557)</u> |
| Total | | <u><u>\$ 17,567,541</u></u> |

NOTE 10 – INTERFUND TRANSACTIONS

Individual fund receivable and payable balances at June 30, 2018:

| | Receivable | Payable |
|-------------------------------------|-------------------|-------------------|
| General Fund | \$ 13,998 | \$ 154,662 |
| Community Service Fund | | 102,825 |
| Fiduciary Funds | | |
| Federal Employee Benefit Trust Fund | \$ 257,487 | |
| Private Purpose Funds | | 13,998 |
| Total Funds | <u>\$ 271,485</u> | <u>\$ 271,485</u> |

These amounts represent federal severance calculation and a donation match from an endowment, and are expected to be paid within one year.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – FUND BALANCE

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

Restricted fund balances at June 30, 2018 are as follows:

1. Restricted for Teacher Development & Evaluations – This represents amounts available for development and evaluations for teachers and principals.
2. Restricted for Projects funded by Certificates of Participation (COP) – Represents unspent COP bond issue proceeds available for construction projects identified in the District's Long-Range Facility Plan.
3. Restricted for Area Learning Center - Represents available resources for students attending the Area Learning Center. Revenue is derived by state aid and expenditures are for salaries, benefits, and supplies.
4. Restricted for Debt Service - This amount represents available resources for the payment of long-term debt. Revenues are derived from local tax levies, state aids, and federal sources and expenditures are for principal and interest costs.
5. Restricted for Food Service - This amount represents available resources for food service programs. Revenues are derived from local, state, and federal sources and expenditures are for salaries, benefits and supplies.
6. Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.
7. Restricted for Early Childhood and Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.
8. Restricted for School Readiness - This amount represents available resources to provide services for learning readiness programs.
9. Restricted for Adult Basic Education – This amount represents the balance of carryover monies for all activity involving Adult Basic Education
10. Restricted for Community Service - This amount represents available resources to provide services for community service.
11. Restricted for Long-Term Facilities Maintenance (LTFM) - This amount represents available resources to be used for LTFM projects in accordance with the 10 Year Plan.
12. Restricted for Bond Refunding - This amount represents amounts held in escrow on Refunding Bond Series 2016A. The amounts in escrow are used for future payments of principal and interest on Bond Series 2008B until the bond callable date.
13. Restricted for Staff Development – This amount represents funds available for staff development expenses consisting of substitute costs, registrations, trainings, etc.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – FUND BALANCE (CONTINUED)

Below is a detail description of the restricted fund balance amount reported on the Government's Balance Sheet on June 30, 2018.

| | |
|----------------------------------|----------------------|
| Teacher Development & Eval | \$ 75,636 |
| Staff Development | 12,479 |
| Bond Refunding | 80,069,866 |
| LTFM | 985,752 |
| Projects Funded by COP | 25 |
| Area Learning Center | 342,059 |
| Debt Service | 4,645,480 |
| Food Service | 870,127 |
| Community Education | 873,996 |
| Early Childhood Family Education | 100,048 |
| School Readiness | 124,391 |
| Adult Basic Education | 85,439 |
| Community Service | <u>30,005</u> |
| Total Restricted Fund Balance | <u>\$ 88,215,303</u> |

NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN

The cost of post-employment benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 75, the District recognizes the costs of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. The plan does not issue a standalone financial report, but is included in this report of the District.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Plan Description

Duluth Public Schools administers a single-employer defined benefit OPEB plan which provides medical benefits to eligible retired employees and their dependents in accordance with the terms of the plan. The District has not established a trust fund to account for the plan.

Employees covered by benefit terms

At June 30, 2017, the following employees were covered by the benefit terms:

| | |
|------------------------------------|-------|
| Active employees electing coverage | 1,036 |
| Active employees waiving coverage | 53 |
| Retirees electing coverage | 801 |
| | 1,890 |

The District's total OPEB liability of \$16,985,845 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | | | | | | | | | | | | | | | | | | | | | |
|------------------------|--|-------------|---------|------|-------|------|-------|------|-------|------|-------|-----------|-------|--|------------|--|----------|-----------|------|------|-------|
| Inflation rate | 2.75% | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 3.56% | | | | | | | | | | | | | | | | | | | | |
| Healthcare trend rates | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">Fiscal Year</td> <td style="text-align: center; border-bottom: 1px solid black;">Medical</td> </tr> <tr> <td style="text-align: center;">2017</td> <td style="text-align: center;">6.80%</td> </tr> <tr> <td style="text-align: center;">2018</td> <td style="text-align: center;">6.90%</td> </tr> <tr> <td style="text-align: center;">2019</td> <td style="text-align: center;">6.30%</td> </tr> <tr> <td style="text-align: center;">2020</td> <td style="text-align: center;">5.80%</td> </tr> <tr> <td style="text-align: center;">2021-2054</td> <td style="text-align: center;">5.20%</td> </tr> <tr> <td></td> <td style="text-align: center;">Transition</td> </tr> <tr> <td></td> <td style="text-align: center;">ultimate</td> </tr> <tr> <td style="text-align: center;">2055-2073</td> <td style="text-align: center;">rate</td> </tr> <tr> <td style="text-align: center;">2074</td> <td style="text-align: center;">4.40%</td> </tr> </table> | Fiscal Year | Medical | 2017 | 6.80% | 2018 | 6.90% | 2019 | 6.30% | 2020 | 5.80% | 2021-2054 | 5.20% | | Transition | | ultimate | 2055-2073 | rate | 2074 | 4.40% |
| Fiscal Year | Medical | | | | | | | | | | | | | | | | | | | | |
| 2017 | 6.80% | | | | | | | | | | | | | | | | | | | | |
| 2018 | 6.90% | | | | | | | | | | | | | | | | | | | | |
| 2019 | 6.30% | | | | | | | | | | | | | | | | | | | | |
| 2020 | 5.80% | | | | | | | | | | | | | | | | | | | | |
| 2021-2054 | 5.20% | | | | | | | | | | | | | | | | | | | | |
| | Transition | | | | | | | | | | | | | | | | | | | | |
| | ultimate | | | | | | | | | | | | | | | | | | | | |
| 2055-2073 | rate | | | | | | | | | | | | | | | | | | | | |
| 2074 | 4.40% | | | | | | | | | | | | | | | | | | | | |

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The discount rate was determined using the index rate for 20-Year, tax-exempt, municipal bonds (Fidelity 20-Year Municipal GO AA Index).

Mortality rates were based on the rates used in the July 1, 2017 Teachers Retirement Association of Minnesota and PERA of Minnesota General Employees Retirement Plan actuarial valuations.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|------------------------------------|-------------------------|
| Balances at 6/30/2017, as restated | \$ 17,479,620 |
| Changes for the year: | |
| Service cost | 1,026,879 |
| Interest | 518,378 |
| Changes of assumptions | (531,408) |
| Benefit payments | <u>(1,507,624)</u> |
| Net changes | <u>(493,775)</u> |
| Balances at 6/30/2018 | <u>\$ 16,985,845</u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as that the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.6%) than the current discount rate:

| | 1% Decrease 2.56% | Discount Rate 3.56% | 1% Increase 4.56% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB Liability | \$ 17,819,696 | \$ 16,985,845 | \$ 16,174,127 |

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates

The following presents the total OPEB Liability of the District, as well as what the District's total OPEB liability would be if calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current healthcare trend rates:

| | 1% Decrease | Discount Rate | 1% Increase |
|----------------------|---------------|---------------|---------------|
| Total OPEB Liability | \$ 16,506,568 | \$ 16,985,845 | \$ 17,534,836 |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of \$1,480,054. 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 of assumptions | \$ | \$ 466,205 |
| Contribution subsequent to measurement date | 1,327,660 | |
| Total | \$ 1,327,660 | \$ 466,205 |

The amount of \$1,327,660 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

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

| Year ended June 30 | Pension Expense Amount |
|--------------------|---------------------------|
| 2019 | \$ (65,203) |
| 2020 | (65,203) |
| 2021 | (65,203) |
| 2022 | (65,203) |
| 2023 | (65,203) |
| Thereafter | (140,190) |
| Total | \$ (466,205) |

NOTE 13 – DEFINED BENEFIT PENSION PLANS

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers' Retirement Association of Minnesota

Plan Description

Certified employees of the District are covered by defined benefit plans administered by the Teachers' Retirement Association (TRA). 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. TRA is a separate statutory entity and administered by a Board of Trustees. The Board 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 cities of Duluth and 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 the Minnesota State College 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 (DCR) administered by MnSCU.

Benefits Provided

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 Statute 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 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.

| <u>Tier I Benefits</u> | <u>Step Rate Formula</u> | <u>Percentage</u> |
|------------------------|--|-------------------|
| Basic | First ten years of service | 2.2%/year |
| | All years after | 2.7%/year |
| Coordinated | First ten years if years up to 7/1/2006 | 1.2%/year |
| | First ten years if years 7/1/2006 or after | 1.4%/year |
| | All other years if years up to 7/1/2006 | 1.7%/year |
| | All other years if years 7/1/2006 or after | 1.9%/year |

Under Tier I benefits, normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service; 3 percent per year early retirement reduction factor for all years under normal retirement age; and unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. 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 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. 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.

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

Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal years ended June 30, 2016, June 30, 2017, and June 30, 2018, were:

| <u>Basic</u> | |
|--------------|--------|
| Employee | 11.00% |
| Employer | 11.50% |

| <u>Coordinated</u> | |
|--------------------|-------|
| Employee | 7.50% |
| Employer | 7.50% |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The following is a reconciliation of the employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

| | |
|--|-----------------------------|
| Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position | \$367,791,000 |
| Add employer contributions not related to future contribution efforts | 810,000 |
| Deduct TRA's contributions not included in allocation | <u>(456,000)</u> |
| Total employer contributions | \$368,145,000 |
| Total non-employer contributions | <u>35,588,000</u> |
| Total contributions reported in Schedule of Employer and Non-Employer Allocations | <u><u>\$403,733,000</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. TRA has rounded percentage amounts to the nearest ten thousandths.
Actuarial Assumptions

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

| | |
|---------------------------|--|
| Valuation Date | July 1, 2017 |
| Experience Study | June 5, 2015 |
| Actuarial Cost Method | November 6, 2017 (economic assumptions) |
| Investment Rate of Return | Entry Age Normal |
| Price inflation rate | 5.12%, from the Single Equivalent Interest Rate calculation |
| Wage growth rate | 2.50% |
| Projected salary increase | 2.85% for 10 years, 3.25% thereafter |
| Cost of living adjustment | 2.85% - 8.85% for 10 years and 3.25% to 9.25% thereafter |
| | 2.0% |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality Assumption:

Pre-retirement:

RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.

Post-retirement:

RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.

Post-disability:

RP-2014 disabled retiree mortality table, without adjustment.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Stocks | 39% | 5.10% |
| International Stocks | 19% | 5.30% |
| Bonds | 20% | 0.75% |
| Alternative Assets | 20% | 5.90% |
| Unallocated Cash | 2% | 0.00% |
| Total | <u>100%</u> | |

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

1. The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
2. The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

3. Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
4. The investment return assumption was changed from 8.0% to 7.5%.
5. The price inflation assumption was lowered from 2.75% to 2.50%.
6. The payroll growth assumption was lowered from 3.50% to 3.00%.
7. The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
8. The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Discount Rate

The discount rate used to measure the total pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 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%) was applied to all periods before 2053 and the Municipal Bond Index Rate of 3.56% 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%).

Net Pension Liability

At June 30, 2018, the District reported a liability of \$177,141,137 for its proportionate share of the 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 TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.8874% at the end of the measurement period and 0.8681% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to 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 proportional share of net pension liability | \$ 177,141,137 |
| State's proportional share of net pension liability associated with the District | \$ 17,123,980 |

For the year ended June 30, 2018, the District recognized pension expense of \$38,320,407. It also recognized \$328,425 as an increase to pension expense for the support provided by direct aid.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

At June 30, 2018, the District had deferred resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 1,219,323 |
| Net difference between projected and actual earnings on plan investments | 1,132,499 | |
| Changes in assumptions | 69,023,985 | |
| Contributions paid to TRA subsequent to the measurement period | 3,436,211 | |
| Changes in proportion | 23,654,437 | |
| Total | \$ 97,247,132 | \$ 1,219,323 |

\$3,436,211 reported as a deferred outflow resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Deferred outflows and inflows of resources will be recognized in pension expense as follows:

| Year Ended June 30 | Pension Expense Amount |
|--------------------|---------------------------|
| 2019 | \$ 29,202,881 |
| 2020 | \$ 29,202,883 |
| 2021 | \$ 20,989,569 |
| 2022 | \$ 17,639,762 |
| 2023 | \$ (4,443,497) |
| Total | \$ 92,591,598 |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.12%, as well as the liability measured 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 |
|---|---------------------------------|----------------|---------------------------------|
| Discount Rate | 4.12% | 5.12% | 6.12% |
| District's proportionate share of the TRA net pension liability | \$ 233,792,168 | \$ 177,141,137 | \$ 129,377,427 |

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

Pension Plan Fiduciary Net Position

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, or by writing to Teachers Retirement Association of Minnesota, 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000, or by calling 651-296-2409 or 800-657-3669.

Public Employees Retirement Association (PERA)

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Plan (accounted for in the General Employees Retirement Fund). General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute, and can only be modified by the state legislature.

The benefit provisions stated in the following paragraph 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.

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 services. Two methods are used to compute benefits for 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% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% 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 66.

Benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2018. The District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2018 were \$1,185,712. The District's contribution was equal to the contractually required contribution for the year as set by state statute.

Pension Costs

At June 30, 2018, the District reported a liability of \$16,521,621 for its proportionate share of General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$207,740.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 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 PERA's participating employers. At June 30, 2017, the District's proportion was 0.2588%, which was an increase of 0.0041% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$782,805 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$6,000 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2018, the District reported its proportionate share of the General Employees Plan'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 | \$ | \$ 504,585 |
| Net difference between projected and actual earnings on plan investments | | 793,618 |
| Changes in assumptions | 1,043,197 | |
| Contributions paid to PERA subsequent to the measurement period | 1,185,712 | |
| Changes in proportion | | 1,908 |
| Total | \$ 2,228,909 | \$ 1,300,111 |

\$1,185,712 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

| Year Ended June 30 | Pension Expense Amount |
|--------------------|---------------------------|
| 2019 | \$ (281,240) |
| 2020 | 967,311 |
| 2021 | (241,674) |
| 2022 | (701,311) |
| Total | \$ (256,914) |

Actuarial Assumptions

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

| | |
|------------------------------|----------------|
| Inflation | 2.50% per year |
| Active Member Payroll Growth | 3.25% per year |
| Investment Rate of Return | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retiree, 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 one percent per year for all future years.

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

The following changes in actuarial assumptions occurred in 2017:

1. The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
2. The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Stocks | 39% | 5.10% |
| International Stocks | 19% | 5.30% |
| Bonds | 20% | 0.75% |
| Alternative Assets | 20% | 5.90% |
| Cash | 2% | 0.00% |
| Total | <u>100%</u> | |

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

Pension Liability Sensitivity

The following 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:

| | <u>1% Decrease in Discount Rate</u> | <u>Deferred Inflows Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|--|---|---|---|
| Discount Rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the PERA net pension liability | \$ 25,626,262 | \$ 16,521,621 | \$ 9,067,819 |

Pension Plan Fiduciary Net Position

Detailed information about General Employees Fund fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DENTAL SELF-INSURANCE PLAN

The District established an Internal Service Fund to account for and finance its uninsured risk of loss for employee dental insurance plans. Under these plans, the Internal Service Fund provides coverage to participating employees and their dependents for various dental costs as described in the plan.

The District makes premium payments to the Internal Services Fund on behalf of the program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss 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 fiscal year 2018 were as follows:

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Claims and Changes in Estimates | Claims Payments | Balance of Fiscal Year End |
|------------------------------|--|---------------------------------------|--------------------|----------------------------------|
| 2017 | \$ 76,547 | \$ 816,625 | \$ 790,297 | \$ 102,875 |
| 2018 | 102,875 | 938,135 | 809,930 | 231,080 |

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee health and dental; and natural disasters. Risks of loss related to employee dental claims are self-insured. Risk of loss associated with workers' compensation claims were insured through participation in the Minnesota School Boards Association Insurance Trust and continue to cover claims arising during their period of coverage. The District currently carries commercial workers' compensation insurance. This policy provides coverage for up to a maximum liability limit of \$2,000,000 with a medical deductible of \$2,500 for each workers' compensation claim. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

NOTE 16 - COMMITMENTS

At June 30, 2018, the District had commitments under various construction and service contracts totaling \$128,609. The construction commitments will be paid by the Capital Projects Fund.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

81

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - CONTINGENT LIABILITIES

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect on the financial conditions of the District.

NOTE 18 - SUBSEQUENT EVENT

On October 31, 2018, the District sold some vacant land to the City of Duluth. The District realized property sale revenue of \$388,241. This will be reflected in Fiscal Year 2019 financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement A- 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL
Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

| | Budget | | Actual | Over (Under) | Prior Year Actual |
|---|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|
| | Original | Final | | Final Budget | |
| Revenues | | | | | |
| Local property tax levies | \$ 12,754,843 | \$ 12,754,843 | \$ 12,829,419 | \$ 74,576 | \$ 12,459,353 |
| Interest income | 51,734 | 51,734 | 186,902 | 135,168 | 108,910 |
| Other local and county | 3,340,866 | 3,580,920 | 3,863,690 | 282,770 | 4,085,377 |
| State sources | 81,357,215 | 81,064,075 | 81,532,066 | 467,991 | 78,037,330 |
| Federal sources | 5,866,551 | 5,953,682 | 5,840,535 | (113,147) | 6,524,445 |
| Insurance/Judgement recovery | | | 80 | 80 | 84,785 |
| Sales and other conversions of assets | 796,505 | 796,505 | 675,155 | (121,350) | 657,415 |
| Total Revenues | \$ 104,167,714 | \$ 104,201,759 | \$ 104,927,847 | \$ 726,088 | \$ 101,957,615 |
| Expenditures | | | | | |
| Administration | \$ 5,158,575 | \$ 4,970,544 | \$ 5,091,704 | \$ (121,160) | \$ 5,009,606 |
| District support services | 4,861,946 | 4,920,341 | 2,801,448 | 2,118,893 | 2,800,224 |
| Regular instruction | 40,990,602 | 41,230,273 | 44,634,867 | (3,404,594) | 45,613,382 |
| Vocational instruction | 1,766,278 | 1,764,422 | 1,541,147 | 223,275 | 1,420,996 |
| Special education instruction | 20,987,241 | 21,081,111 | 23,128,596 | (2,047,485) | 23,214,740 |
| Community education and services | - | 63,439 | 58,829 | 4,610 | 89,191 |
| Instructional support services | 3,823,918 | 4,165,534 | 4,578,607 | (413,073) | 5,279,209 |
| Pupil support services | 8,148,892 | 8,155,814 | 8,184,343 | (28,529) | 7,887,262 |
| Sites, buildings and equipment | 6,783,901 | 5,163,809 | 7,785,096 | (2,621,287) | 8,131,440 |
| Fiscal and other fixed cost programs | 3,980,000 | 3,785,000 | 349,086 | 3,435,914 | 330,174 |
| Debt Service | | | | | |
| Principal | 1,900,000 | 1,900,000 | 1,900,000 | | 1,830,000 |
| Interest | 1,471,085 | 1,471,085 | 1,471,085 | | 1,540,935 |
| Capital outlay | 5,156,366 | 6,293,708 | 2,763,620 | 3,530,088 | 1,796,687 |
| Total Expenditures | \$ 105,028,804 | \$ 104,965,080 | \$ 104,288,428 | \$ 676,652 | \$ 104,943,846 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (861,090.00) | \$ (763,321) | \$ 639,419 | \$ 1,402,740 | \$ (2,986,231) |
| Other Financing Sources (Uses) | | | | | |
| Sale of property | \$ | \$ 300,000 | \$ 157,571 | \$ (142,429) | \$ 1,001 |
| Issuance of bonds | 600,000 | 600,000 | 615,000 | 15,000 | |
| Premium on bonds | | | 2,870 | 2,870 | |
| Transfers out | | (136,272) | (139,467) | (3,195) | |
| Issuance of capital lease | | | 22,138 | 22,138 | |
| Total Other Financing Sources (Uses) | \$ 600,000 | \$ 763,728 | \$ 658,112 | \$ (105,616) | \$ 1,001 |
| Net change in fund balance | \$ (261,090) | \$ 407 | \$ 1,297,531 | \$ 1,297,124 | \$ (2,985,230) |
| Fund Balance | | | | | |
| Beginning of Year | | | \$ 111,418 | | \$ 3,096,648 |
| End of Year | | | \$ 1,408,949 | | \$ 111,418 |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

INFORMATION ABOUT THE DISTRICT'S OTHER POSTEMPLOYMENT
HEALTH CARE PLAN
June 30, 2018

Statement A- 2

Schedule of Changes in Total OPEB Liability and Related Ratios

| | 2018 |
|---|-------------------|
| Total OPEB Liability | |
| Service Cost | \$ 1,026,879 |
| Interest | 518,378 |
| Changes in assumptions | (531,408) |
| Benefit payments | (1,507,624) |
| Net change in total OPEB liability | \$ (493,775) |
| Total OPEB Liability - beginning of year | 17,479,620 |
| Total OPEB Liability - end of year | \$ 16,985,845 |
| Covered payroll | \$ 56,982,794 |
| Total OPEB liability as a percentage of covered payroll | 29.8% |

For Fiscal Year 2018, GASB 75 was followed which establishes uniform standards of financial reporting by state and local governmental entities for postemployment benefit plans other than pension benefits (OPEB plans). The District elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. The measurement date is June 30, 2017. There are no assets accumulated in a trust that meets the criteria of GASB No. 75, paragraph 4, to pay related benefits.

Since the last valuation the following other changes have been made:

- Withdrawal, retirement, and mortality rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2017 valuations.
- Healthcare cost trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost insurance plans.
- The discount rate was updated from 2.92% to 3.56% based on updated 20-year municipal bond rates.
- Medical per capita claims costs were updated to reflect recent experience.
- The actuarial cost method changed from using the Projected Unit Credit cost method the Entry Age Normal level percent of pay cost method due to new GASB 74/75 accounting rules.
- Salary scale increase assumption was updated from a flat \$.00% to rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations.
- The percent of future retirees assumed to elect coverage at retirement changed from 80% to 60% to reflect recent plan experience.
- The percent of retirees electing spouse coverage changed from 15% to 10% to reflect recent plan experience.

This schedule is intended to present information for the last 10 years. Additional information will be presented as it becomes available.

INFORMATION ABOUT THE DISTRICT'S NET PENSION LIABILITY
June 30, 2018

Statement A-3

Schedule of Employer Share of Net Pension Liability

Teacher's Retirement Association (TRA)

| Measurement Date | Employer's Proportion (%) of Net Pension Liability | Employer's Proportionate Share (Amt) of Net Pension Liability (a) | State's Proportionate Share of Net Pension Liability associated with District | Total | Employer's Covered Payroll (b) | Employer's Proportionate Share of Net Pension Liability (Asset) as a % of Covered Payroll (a/b) | Plan Fiduciary Net Position as a % of Total Pension Liability |
|------------------|--|---|---|----------------|--------------------------------|---|---|
| June 30, 2017 | 0.8674% | \$ 177,141,137 | \$ 17,123,980 | \$ 194,265,117 | \$ 47,767,591 | 370.8% | 51.57% |
| June 30, 2016 | 0.8581% | \$ 207,062,563 | \$ 20,782,926 | \$ 227,845,489 | \$ 45,155,373 | 458.6% | 44.88% |
| June 30, 2015 | 0.7225% | \$ 44,693,771 | \$ 5,481,972 | \$ 50,175,743 | \$ 36,668,947 | 121.9% | 76.80% |

Duluth Teacher's Retirement Fund Association (DTRFA)

| Measurement Date | Employer's Proportion (%) of Net Pension Liability | Employer's Proportionate Share (Amt) of Net Pension Liability (a) | State's Proportionate Share of Net Pension Liability associated with District | Total | Employer's Covered Payroll (b) | Employer's Proportionate Share of Net Pension Liability (Asset) as a % of Covered Payroll (a/b) | Plan Fiduciary Net Position as a % of Total Pension Liability |
|------------------|--|---|---|---------------|--------------------------------|---|---|
| June 30, 2014 | 31.6004% | \$ 81,187,076 | | \$ 81,187,076 | \$ 42,238,042 | 192.2% | 46.80% |

Public Employees Retirement Association (PERA)

| Measurement Date | Employer's Proportion (%) of Net Pension Liability | Employer's Proportionate Share (Amt) of Net Pension Liability (a) | State's Proportionate Share of Net Pension Liability associated with District | Total | Employer's Covered Payroll (b) | Employer's Proportionate Share of Net Pension Liability (Asset) as a % of Covered Payroll (a/b) | Plan Fiduciary Net Position as a % of Total Pension Liability |
|------------------|--|---|---|---------------|--------------------------------|---|---|
| June 30, 2017 | 0.2588% | \$ 16,521,621 | \$ 207,740 | \$ 16,729,361 | \$ 16,672,067 | 99.0% | 75.90% |
| June 30, 2016 | 0.2547% | \$ 20,680,377 | \$ 270,170 | \$ 20,950,547 | \$ 15,804,347 | 130.9% | 66.90% |
| June 30, 2015 | 0.2582% | \$ 13,381,264 | | \$ 13,381,264 | \$ 14,926,453 | 89.6% | 78.20% |
| June 30, 2014 | 0.2272% | \$ 12,772,500 | | \$ 12,772,500 | \$ 14,262,165 | 89.6% | 78.70% |

Schedule of Employer Contributions

Teacher's Retirement Association (TRA)

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|--------------------|---------------------------------------|--|--|---------------------|--|
| June 30, 2018 | \$ 3,436,211 | \$ 3,436,211 | \$ - | \$ 45,816,146 | 7.50% |
| June 30, 2017 | \$ 3,582,569 | \$ 3,582,569 | \$ - | \$ 47,767,591 | 7.50% |
| June 30, 2016 | \$ 3,386,653 | \$ 3,386,653 | \$ - | \$ 45,155,373 | 7.50% |

Duluth Teacher's Retirement Fund Association (DTRFA)

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|--------------------|---------------------------------------|--|--|---------------------|--|
| June 30, 2015 | \$ 2,750,171 | \$ 2,750,171 | \$ - | \$ 36,668,947 | 7.50% |

Public Employees Retirement Association (PERA)

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|--------------------|---------------------------------------|--|--|---------------------|--|
| June 30, 2018 | \$ 1,185,712 | \$ 1,185,712 | \$ - | \$ 16,809,497 | 7.50% |
| June 30, 2017 | \$ 1,250,405 | \$ 1,250,405 | \$ - | \$ 16,672,067 | 7.50% |
| June 30, 2016 | \$ 1,185,326 | \$ 1,185,326 | \$ - | \$ 15,804,347 | 7.50% |
| June 30, 2015 | \$ 1,119,484 | \$ 1,119,484 | \$ - | \$ 14,926,453 | 7.25% |

**SUPPLEMENTARY
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement B-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
BUDGET AND ACTUAL
Year Ended June 30, 2018

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

| | Budget | | Actual | Over (Under) Final Budget | Prior Year Actual |
|---|----------------|----------------|----------------|---------------------------------|----------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Interest income | \$ - | \$ - | \$ 20,271 | \$ 20,271 | \$ 1,432 |
| Expenditures | | | | | |
| Capital Outlay | \$ 3,600,000 | \$ 3,600,000 | \$ 3,030,698 | \$ (569,302) | \$ 3,129,913 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (3,600,000) | \$ (3,600,000) | \$ (3,010,427) | \$ (549,031) | \$ (3,128,481) |
| Other Financing Sources (Uses) | | | | | |
| Issuance of bonds | \$ 3,600,000 | \$ 3,600,000 | \$ 3,640,000 | \$ 40,000 | \$ |
| Premium on bonds | | | 16,955 | 16,955 | |
| Transfer Out | | | (4,000) | (4,000) | |
| Total Other Financing sources (Uses) | \$ 3,600,000 | \$ 3,600,000 | \$ 3,652,955 | \$ 52,955 | \$ - |
| Net change in fund balance | \$ - | \$ - | \$ 642,528 | \$ (496,076) | \$ (3,128,481) |
| Fund Balance | | | | | |
| Beginning of Year | | | 187 | | 3,128,668 |
| End of Year | | | \$ 642,715 | | \$ 187 |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement C-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
BUDGET AND ACTUAL
Year Ended June 30, 2018

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

| | Budget | | Actual | Over (Under) | Prior Year Actual |
|---|-----------------------|------------------------|------------------------|-----------------------|-----------------------|
| | Original | Final | | Final Budget | |
| Revenues | | | | | |
| Local property tax levies | \$ 18,559,220 | \$ 18,559,220 | \$ 17,073,780 | \$ (1,485,440) | \$ 18,407,310 |
| Interest income | 1,000,000 | 1,000,000 | 748,155 | (251,845) | 566,891 |
| State sources | 2,242,317 | 2,242,317 | 2,215,181 | (27,136) | 2,227,094 |
| Federal sources | 885,162 | 885,162 | 885,637 | 475 | 932,076 |
| Total Revenues | \$ 22,686,699 | \$ 22,686,699 | \$ 20,922,753 | \$ (1,763,946) | \$ 22,133,371 |
| Expenditures | | | | | |
| Principal | \$ 17,275,000 | \$ 13,100,000 | \$ 13,100,000 | \$ | \$ 11,495,000 |
| Interest and fiscal charges | 13,533,971 | 7,977,671 | 7,968,466 | (9,205) | 8,663,280 |
| Total Expenditures | \$ 30,808,971 | \$ 21,077,671 | \$ 21,068,466 | \$ (9,205) | \$ 20,158,280 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (8,122,272) | \$ 1,609,028 | \$ (145,713) | \$ (1,754,741) | \$ 1,975,091 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | \$ | \$ | \$ 143,467 | \$ 143,467 | \$ |
| Issuance of bonds | | | | | 82,605,000 |
| Principal refunding payments from escrow | | (48,305,000) | (48,305,000) | | (8,522,522) |
| Interest refunding payments from escrow | | (5,613,894) | (5,575,263) | (38,631) | |
| Premium on bonds | | | | | 11,521,782 |
| Total Other Financing Sources (Uses) | \$ - | \$ (53,918,894) | \$ (53,736,796) | \$ 182,098 | \$ 85,604,260 |
| Net change in fund balance | <u>\$ (8,122,272)</u> | <u>\$ (52,309,866)</u> | \$ (53,882,509) | <u>\$ (1,572,643)</u> | \$ 87,579,351 |
| Fund Balance | | | | | |
| Beginning of Year | | | 138,597,855 | | 51,018,504 |
| End of Year | | | <u>\$ 84,715,346</u> | | <u>\$ 138,597,855</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement D-1

COMBINING BALANCE SHEET
OTHER FUNDS
JUNE 30, 2018
With Comparative Amounts at June 30, 2017

| | Food Service Fund | Community Services Fund | Totals | |
|--|-------------------------|-------------------------------|---------------------|---------------------|
| | | | 2018 | 2017 |
| Assets | | | | |
| Cash and temporary investments | \$ 867,034 | \$ 1,706,717 | \$ 2,573,751 | \$ 2,688,098 |
| Taxes and credits receivable | | 590,969 | 590,969 | 597,845 |
| Accounts and interest receivable | 6,287 | | 6,287 | 16,903 |
| Due from | | | | |
| Department of Education | | 290,002 | 290,002 | 342,635 |
| Federal through Department of Education | 50,950 | 29,966 | 80,916 | 72,587 |
| Federal - direct | | 414,853 | 414,853 | 209,280 |
| Inventory | 101,777 | | 101,777 | 123,829 |
| Prepayments | 1,815 | 13,473 | 15,288 | 5,001 |
| Total Assets | \$ 1,027,863 | \$ 3,045,980 | \$ 4,073,843 | \$ 4,056,178 |
| Liabilities | | | | |
| Salaries payable | \$ 9,538 | \$ 393,739 | \$ 403,277 | \$ 383,360 |
| Accounts payable | 44,606 | 200,475 | 245,081 | 277,597 |
| Due to | | | | |
| Other funds | | 102,825 | 102,825 | 96,433 |
| Unearned revenue | | 5,735 | 5,735 | 9,529 |
| Total Liabilities | \$ 54,144 | \$ 702,774 | \$ 756,918 | \$ 766,919 |
| Deferred Inflows of Resources | | | | |
| Property taxes levied for subsequent year's expenditures | \$ | \$ 1,047,800 | \$ 1,047,800 | \$ 1,028,842 |
| Unavailable revenue - delinquent property taxes | | 68,054 | 68,054 | 70,507 |
| Total Deferred Inflows of Resources | \$ | \$ 1,115,854 | \$ 1,115,854 | \$ 1,099,349 |
| Fund Balances | | | | |
| NonSpendable: | | | | |
| Inventory | \$ 101,777 | \$ | \$ 101,777 | \$ 123,829 |
| Prepayments | 1,815 | 13,473 | 15,288 | 5,001 |
| Restricted for: | | | | |
| Community education | | 873,996 | 873,996 | 773,759 |
| Early childhood family education | | 100,048 | 100,048 | 195,894 |
| School readiness | | 124,391 | 124,391 | 260,060 |
| Adult basic education | | 85,439 | 85,439 | 24,659 |
| Community service | | 30,005 | 30,005 | 30,005 |
| Food service | 870,127 | | 870,127 | 776,703 |
| Total Fund Balance | \$ 973,719 | \$ 1,227,352 | \$ 2,201,071 | \$ 2,189,910 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 1,027,863 | \$ 3,045,980 | \$ 4,073,843 | \$ 4,056,178 |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement D-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER FUNDS**

Year Ended June 30, 2018

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

| | Food Service Fund | Community Services Fund | Totals | |
|---------------------------------------|-------------------------|-------------------------------|----------------------|----------------------|
| | | | 2018 | 2017 |
| Revenues | | | | |
| Local property tax levies | \$ | \$ 947,397 | \$ 947,397 | \$ 944,390 |
| Other local and county | 7,908 | 2,029,722 | 2,037,630 | 1,955,132 |
| State sources | 238,049 | 2,560,754 | 2,798,803 | 2,770,333 |
| Federal sources | 2,644,169 | 2,354,359 | 4,998,528 | 4,499,109 |
| Sales and other conversions of assets | 1,378,836 | | 1,378,836 | 1,260,811 |
| Total Revenues | \$ 4,268,962 | \$ 7,892,232 | \$ 12,161,194 | \$ 11,429,775 |
| Expenditures | | | | |
| Community education and services | \$ | \$ 7,937,058 | \$ 7,937,058 | \$ 7,424,128 |
| Pupil support services | 4,187,218 | | 4,187,218 | 3,977,037 |
| Capital outlay | 10,073 | 15,684 | 25,757 | 68,661 |
| Total Expenditures | \$ 4,197,291 | \$ 7,952,742 | \$ 12,150,033 | \$ 11,469,826 |
| Net change in fund balances | \$ 71,671 | \$ (60,510) | \$ 11,161 | \$ (40,051) |
| Fund Balances | | | | |
| Beginning of Year | <u>902,048</u> | <u>1,287,862</u> | <u>2,189,910</u> | <u>2,229,961</u> |
| End of Year | <u>\$ 973,719</u> | <u>\$ 1,227,352</u> | <u>\$ 2,201,071</u> | <u>\$ 2,189,910</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Schedule E - 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOOD SERVICE FUND
BUDGET AND ACTUAL
Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

| | Budget | | Actual | Over (Under) Final Budget | Prior Year Actual |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------------------|----------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Other local and county | \$ 6,000 | \$ 6,000 | \$ 7,908 | \$ 1,908 | \$ 20,972 |
| State sources | 190,000 | 190,000 | 238,049 | 48,049 | 217,925 |
| Federal sources | 2,371,000 | 2,385,400 | 2,644,169 | 258,769 | 2,531,315 |
| Sales and other conversions of assets | 1,204,000 | 1,205,000 | 1,378,836 | 173,836 | 1,260,811 |
| Total Revenues | <u>\$ 3,771,000</u> | <u>\$ 3,786,400</u> | <u>\$ 4,268,962</u> | <u>\$ 482,562</u> | <u>\$ 4,031,023</u> |
| Expenditures | | | | | |
| Pupil support services | \$ 4,142,362 | \$ 4,160,762 | \$ 4,187,218 | \$ 26,456 | \$ 3,977,037 |
| Capital outlay | 14,000 | 17,842 | 10,073 | (7,769) | 53,309 |
| Total Expenditures | <u>\$ 4,156,362</u> | <u>\$ 4,178,604</u> | <u>\$ 4,197,291</u> | <u>\$ 18,687</u> | <u>\$ 4,030,346</u> |
| Net change in fund balances | <u>\$ (385,362)</u> | <u>\$ (392,204)</u> | <u>\$ 71,671</u> | <u>\$ 463,875</u> | <u>\$ 677</u> |
| Fund Balance | | | | | |
| Beginning of Year | | | <u>902,048</u> | | <u>901,371</u> |
| End of Year | | | <u>\$ 973,719</u> | | <u>\$ 902,048</u> |

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Schedule F-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMMUNITY SERVICES FUND
BUDGET AND ACTUAL
Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

| | Budget | | Actual | Over (Under) | Prior Year Actual |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------|
| | Original | Final | | Final Budget | |
| Revenues | | | | | |
| Local property tax levies | \$ 953,547 | \$ 953,547 | \$ 947,397 | \$ (6,150) | \$ 944,390 |
| Other local and county | 1,770,000 | 1,834,000 | 2,029,722 | 195,722 | 1,934,160 |
| State sources | 2,414,390 | 2,554,587 | 2,560,754 | 6,167 | 2,552,408 |
| Federal sources | 1,951,071 | 2,354,359 | 2,354,359 | | 1,967,794 |
| Total Revenues | \$ 7,089,008 | \$ 7,696,493 | \$ 7,892,232 | \$ 195,739 | \$ 7,398,752 |
| Expenditures | | | | | |
| Community education and services | \$ 7,325,992 | \$ 7,945,458 | \$ 7,937,058 | \$ (8,400) | \$ 7,424,128 |
| Capital outlay | 4,900 | 12,920 | 15,684 | 2,764 | 15,352 |
| Total Expenditures | \$ 7,330,892 | \$ 7,958,378 | \$ 7,952,742 | \$ (5,636) | \$ 7,439,480 |
| Net change in fund balance | \$ (241,884) | \$ (261,885) | \$ (60,510) | \$ 201,375 | \$ (40,728) |
| Fund Balance | | | | | |
| Beginning of Year | | | 1,287,862 | | 1,328,590 |
| End of Year | | | \$ 1,227,352 | | \$ 1,287,862 |

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Schedule G-1

COMBINED SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
STUDENT ACTIVITIES ACCOUNTS AND CERTAIN CURRICULAR AND CO-CURRICULAR ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| Activity | Cash Balance 6/30/2017 | Receipts and Transfers In | Disbursements and Transfers Out | Cash Balance 6/30/2018 |
|---------------------------------|---------------------------|------------------------------|---------------------------------------|---------------------------|
| High Schools | | | | |
| Denfeld | \$ 313,850 | \$ 438,053 | \$ 451,599 | \$ 300,304 |
| East | 251,066 | 757,553 | 672,188 | 336,431 |
| Total High Schools | \$ 564,916 | \$ 1,195,606 | \$ 1,123,787 | \$ 636,735 |
| Middle Schools | | | | |
| Lincoln Park | \$ 46,896 | \$ 38,808 | \$ 42,072 | \$ 43,632 |
| Ordean East | 125,011 | 81,340 | 71,849 | 134,502 |
| Total Middle Schools | \$ 171,906 | \$ 120,148 | \$ 113,921 | \$ 178,134 |
| Elementary Schools | | | | |
| Congdon Park | \$ 15,698 | \$ 44,951 | \$ 37,283 | \$ 23,366 |
| Homecroft | 18,510 | 30,808 | 30,344 | 18,974 |
| Lakewood | 26,522 | 15,902 | 14,311 | 28,113 |
| Laura MacArthur | 21,591 | 15,179 | 17,810 | 18,961 |
| Lester Park | 26,608 | 41,063 | 44,448 | 23,223 |
| Lowell | 44,872 | 6,466 | 15,949 | 35,389 |
| Myers-Wilkins | 64,609 | 8,549 | 15,017 | 58,141 |
| Piedmont | 7,584 | 52,054 | 49,287 | 10,351 |
| Stowe | 42,719 | 14,658 | 19,936 | 37,441 |
| Total Elementary Schools | \$ 268,713 | \$ 229,630 | \$ 244,385 | \$ 253,958 |
| ALC/Unity | \$ 12,093 | \$ 2,867 | \$ 2,091 | \$ 12,869 |
| Barnes Early Childhood | 4,935 | 4,897 | 5,747 | 4,086 |
| Merritt Creek Academy | 851 | | 64 | 787 |
| Rockridge | 675 | | 71 | 604 |
| Total Student Activities | \$ 1,024,089 | \$ 1,553,149 | \$ 1,490,065 | \$ 1,087,173 |
| District Funds | | | | |
| Co-curricular | \$ 856,367 | \$ 1,319,833 | \$ 1,279,262 | \$ 896,939 |
| Extra-curricular | 167,722 | 233,315 | 210,803 | 190,234 |
| Total Funds | \$ 1,024,089 | \$ 1,553,149 | \$ 1,490,065 | \$ 1,087,173 |

**UNIFORM FINANCIAL ACCOUNTING
AND REPORTING STANDARDS
COMPLIANCE TABLE**

**INDEPENDENT AUDITOR'S REPORT ON LEGAL
COMPLIANCE FOR THE STATE OF MINNESOTA**

**Duluth Public Schools - ISD 709
Cash Flow Report
Month Ending 11/30/18**

| | | Fund | | | | | | | | | | |
|------------------------------------|------------|----------------|-----------------|-----------------|---------------------|------------------------|----------------------|-------------------|-----------------|-------------------|--------------|-----------------------|
| | | Total | General Fund | Food Service | 3 Transportation | Community Education | Operating Capital | 6 Construction | Debt Service | Trust & Agency | 20 Dental | Student Activities |
| Cash and investments | 10/31/2018 | \$ 105,840,582 | \$ 11,588,058 | \$ 599,767 | \$ (2,687,296) | \$ 2,486,775 | \$ 850,070 | \$ 463,669 | \$ 89,472,373 | \$ 1,605,225 | \$ 374,767 | \$ 1,087,173 |
| Receivables (increase)/decrease - | | (4,396,076) | (4,969,235) | 4,205 | (3,870) | 569,020 | 3,823 | - | - | - | (19) | - |
| Payables increase/(decrease) - | | 621,702 | 83,822 | 56,596 | 314,814 | 113,389 | 51,331 | - | 1,750 | - | - | - |
| Revenues increase/(decrease) - | | 14,555,143 | 4,519,724 | 717,718 | 76,052 | 605,188 | 1,365,176 | - | 6,904,868 | - | 83,195 | 283,224 |
| Expenditures (increase)/decrease - | | (12,853,852) | (10,058,709) | (501,021) | (714,327) | (832,752) | (299,923) | - | (5,250) | (177,630) | (60,911) | (203,330) |
| <hr/> | | | | | | | | | | | | |
| Cash and investments | 11/30/2018 | \$ 103,767,499 | \$ 1,163,660 | \$ 877,264 | \$ (3,014,627) | \$ 2,941,620 | \$ 1,970,477 | \$ 463,669 | \$ 96,373,741 | \$ 1,427,595 | \$ 397,032 | \$ 1,167,067 |

| | | General Fund Nov-18 | | | Percent of year | 41.67% |
|-----------------------------------|--|------------------------|----------------|----------------|------------------------------|--------------------------------|
| | | FY19 Actual | FY 19 Budget | | Revised Budget Balance | Percent Budget Remaining |
| | | | Adopted | Revised | | |
| Revenues | | | | | | |
| Levy | | \$ 4,588,234 | \$ 12,802,626 | \$ 12,780,894 | \$ 8,192,660 | 64% |
| State aids | | 25,642,127 | 71,873,563 | 70,127,749 | 44,485,622 | 63% |
| Special ED (fin 740) | | 2,450,565 | 13,737,860 | 13,496,247 | 11,045,682 | 82% |
| Federal | | 504,481 | 5,623,431 | 5,733,413 | 5,228,932 | 91% |
| Other | | 388,241 | - | - | (388,241) | |
| Other Local | | 959,269 | 2,949,850 | 3,038,576 | 2,079,307 | 68% |
| Student Activities | | 283,224 | 1,496,993 | 1,496,993 | 1,213,769 | 81% |
| <hr/> | | | | | | |
| Total Revenue | | \$ 34,816,141 | \$ 108,484,323 | \$ 106,673,872 | \$ 71,857,731 | 67% |
| <hr/> | | | | | | |
| Expenditures | | | | | | |
| 010-050 Administration | | \$ 1,798,608 | \$ 4,885,552 | \$ 5,233,249 | \$ 3,434,641 | 66% |
| 105-110 District Support Services | | 2,639,677 | 4,049,994 | 5,405,077 | 2,765,400 | 51% |
| 200-298 Elem & Secondary Reg | | 12,071,950 | 42,493,820 | 42,384,370 | 30,312,420 | 72% |
| 300-380 Vocational Education | | 491,976 | 1,701,341 | 1,728,300 | 1,236,324 | 72% |
| 400-422 Special Education | | 6,698,843 | 23,158,015 | 22,375,729 | 15,676,886 | 70% |
| 505-590 Community Education | | | | | | |
| 605-640 Instructional Support | | 1,267,085 | 3,890,733 | 3,965,998 | 2,698,913 | 68% |
| 710-770 Pupil Support | | 2,899,805 | 8,047,695 | 7,986,430 | 5,086,625 | 64% |
| 805-865 Sites and Buildings | | 3,769,925 | 15,160,113 | 12,826,601 | 9,056,676 | 71% |
| 910-940 Fiscal & Other Fixed | | 194,097 | 3,480,000 | 3,260,000 | 3,065,903 | 94% |
| Student Activities | | 203,330 | 1,496,993 | 1,496,993 | 1,293,663 | 86% |
| <hr/> | | | | | | |
| Total Expenditures | | \$ 32,035,296 | \$ 108,364,256 | \$ 106,662,747 | \$ 74,627,451 | 70% |
| <hr/> | | | | | | |
| Excess Rev Over (Under) | | \$ 2,780,845 | \$ 120,067 | \$ 11,125 | \$ (2,769,720) | |

| | | Percent of year | | | 41.67% | |
|-----------------------------------|----|---------------------------|---------------|---------------|----------------|-----------|
| | | General Fund Unrestricted | | | | |
| | | Nov-18 | | | | |
| | | FY19 | FY 19 Budget | | Revised | Percent |
| | | Actual | Adopted | Revised | Budget | Budget |
| | | | | | Balance | Remaining |
| Revenues | | | | | | |
| Levy | \$ | 3,517,762 | \$ 9,519,071 | \$ 9,497,339 | \$ 5,979,577 | 63% |
| State aids | | 25,360,587 | 61,109,019 | 59,230,727 | 33,870,140 | 57% |
| Special ED (fin 740) | | 2,450,565 | 13,737,860 | 13,496,247 | 11,045,682 | 82% |
| Federal | | - | - | - | - | |
| Other | | 388,241 | - | - | (388,241) | |
| Other Local | | 729,905 | 2,095,153 | 2,185,259 | 1,455,354 | 67% |
| Student Activities | | 283,224 | 1,496,993 | 1,496,993 | 1,213,769 | 81% |
| <hr/> | | | | | | |
| Total Revenue | \$ | 32,730,284 | \$ 87,958,096 | \$ 85,906,565 | \$ 53,176,281 | 62% |
| Expenditures | | | | | | |
| 010-050 Administration | \$ | 1,798,608 | \$ 4,885,552 | \$ 5,233,249 | \$ 3,434,641 | 66% |
| 105-110 District Support Services | | 2,639,003 | 3,899,994 | 5,265,381 | 2,626,378 | 50% |
| 200-298 Elem & Secondary Reg | | 8,747,065 | 30,362,497 | 30,061,221 | 21,314,156 | 71% |
| 300-380 Vocational Education | | 443,296 | 1,569,790 | 1,579,234 | 1,135,938 | 72% |
| 400-422 Special Education | | 6,089,480 | 20,296,764 | 19,576,287 | 13,486,807 | 69% |
| 505-590 Community Education | | | | | | |
| 605-640 Instructional Support | | 585,026 | 1,446,097 | 1,473,176 | 888,150 | 60% |
| 710-770 Pupil Support | | 2,776,205 | 8,047,695 | 7,873,160 | 5,096,955 | 65% |
| 805-865 Sites and Buildings | | 3,041,226 | 12,352,647 | 10,019,135 | 6,977,909 | 70% |
| 910-940 Fiscal & Other Fixed | | 194,097 | 3,260,000 | 3,260,000 | 3,065,903 | 94% |
| Student Activities | | - | 1,496,993 | 1,496,993 | 1,496,993 | 100% |
| <hr/> | | | | | | |
| Total Expenditures | \$ | 26,314,006 | \$ 87,618,029 | \$ 85,837,836 | \$ 59,523,830 | 69% |
| <hr/> | | | | | | |
| Excess Rev Over (Under) | \$ | 6,416,278 | \$ 340,067 | \$ 68,729 | \$ (6,347,549) | |

Percent of year **41.67%**

**General Fund Restricted
Nov-18**

| | FY19 Actual | FY 19 Budget | | Revised Budget Balance | Percent Budget Remaining |
|--|-----------------------|----------------------|----------------------|------------------------------|--------------------------------|
| | | Adopted | Revised | | |
| Revenues | | | | | |
| Levy | \$ 1,070,472 | \$ 3,283,555 | \$ 3,283,555 | \$ 2,213,083 | 67% |
| State aids | 281,540 | 10,764,544 | 10,897,022 | 10,615,482 | 97% |
| Special ED (fin 740) | - | - | - | - | |
| Federal | 504,481 | 5,623,431 | 5,733,413 | 5,228,932 | 91% |
| Other | - | - | - | - | |
| Other Local | 229,364 | 854,697 | 853,317 | 623,953 | 73% |
| Student Activities | - | - | - | - | |
| Total Revenue | \$ 2,085,857 | \$ 20,526,227 | \$ 20,767,307 | \$ 18,681,450 | 90% |
| Expenditures | | | | | |
| 010-050 Administration | \$ - | \$ - | \$ - | \$ - | |
| 105-110 District Support Services | 674 | 150,000 | 139,696 | 139,022 | 100% |
| 200-298 Elem & Secondary Reg | 3,324,885 | 12,131,323 | 12,323,149 | 8,998,264 | 73% |
| 300-380 Vocational Education | 48,680 | 131,551 | 149,066 | 100,386 | 67% |
| 400-422 Special Education | 609,363 | 2,861,251 | 2,799,442 | 2,190,079 | 78% |
| 505-590 Community Education | | | | | |
| 605-640 Instructional Support | 682,059 | 2,444,636 | 2,492,822 | 1,810,763 | 73% |
| 710-770 Pupil Support | 123,600 | - | 113,270 | (10,330) | |
| 805-865 Sites and Buildings | 728,699 | 2,807,466 | 2,807,466 | 2,078,767 | 74% |
| 910-940 Fiscal & Other Fixed Student Activities | - | - | - | - | |
| Total Expenditures | \$ 5,517,960 | \$ 20,526,227 | \$ 20,824,911 | \$ 15,306,951 | 74% |
| Excess Rev Over (Under) | \$ (3,432,103) | \$ - | \$ (57,604) | \$ 3,374,499 | |

| | | Percent of year | | | 41.67% | | |
|-----------------------------------|----|---------------------|-----------------------|---------------------|---------------------|------------|--|
| | | Food Service Fund | | | | | |
| | | Nov-18 | | | | | |
| | | FY19 | FY 19 Budget | | Revised | | |
| | | Actual | Adopted | Revised | Budget | | |
| | | | | | Percent | | |
| | | | | | Budget | | |
| | | | | | Remaining | | |
| Revenues | | | | | | | |
| Levy | \$ | - | \$ | - | \$ | - | |
| State aids | | 53,834 | 220,000 | 220,000 | 166,166 | 76% | |
| Special ED (fin 740) | | - | - | - | - | | |
| Federal | | 633,651 | 2,617,000 | 2,633,320 | 1,999,669 | 76% | |
| Other | | 396,095 | 6,000 | 1,259,500 | 863,405 | 69% | |
| Other Local | | 4,099 | | 6,000 | 1,901 | 32% | |
| Student Activities | | - | - | - | - | | |
| Total Revenue | | \$ 1,087,679 | \$ 2,843,000 | \$ 4,118,820 | \$ 3,031,141 | 74% | |
| Expenditures | | | | | | | |
| 010-050 Administration | \$ | - | \$ | - | \$ | - | |
| 105-110 District Support Services | | - | - | - | - | | |
| 200-298 Elem & Secondary Reg | | - | - | - | - | | |
| 300-380 Vocational Education | | - | - | - | - | | |
| 400-422 Special Education | | - | - | - | - | | |
| 505-590 Community Education | | - | - | - | - | | |
| 605-640 Instructional Support | | - | - | - | - | | |
| 710-770 Pupil Support | | 1,180,972 | 4,182,661 | 4,258,981 | 3,078,009 | 72% | |
| 805-865 Sites and Buildings | | - | - | - | - | | |
| 910-940 Fiscal & Other Fixed | | - | - | - | - | | |
| Student Activities | | - | - | - | - | | |
| Total Expenditures | | \$ 1,180,972 | \$ 4,182,661 | \$ 4,258,981 | \$ 3,078,009 | 72% | |
| Excess Rev Over (Under) | | \$ (93,293) | \$ (1,339,661) | \$ (140,161) | \$ (46,868) | | |

Percent of year **41.67%**

**Community Service Fund
Nov-18**

| | FY19 Actual | FY 19 Budget | | Revised Budget Balance | Percent Budget Remaining |
|--|---------------------|---------------------|---------------------|------------------------------|--------------------------------|
| | | Adopted | Revised | | |
| Revenues | | | | | |
| Levy | \$ 388,235 | \$ 972,505 | \$ 972,505 | \$ 584,270 | 60% |
| State aids | 1,834,143 | 2,548,536 | 2,555,511 | 721,368 | 28% |
| Special ED (fin 740) | - | - | - | - | |
| Federal | 217,727 | 2,093,958 | 2,048,712 | 1,830,985 | 89% |
| Other | - | - | - | - | |
| Other Local | 875,963 | 1,787,700 | 1,792,700 | 916,737 | 51% |
| Student Activities | - | - | - | - | |
| Total Revenue | \$ 3,316,068 | \$ 7,402,699 | \$ 7,369,428 | \$ 4,053,360 | 55% |
| Expenditures | | | | | |
| 010-050 Administration | \$ - | \$ - | \$ - | \$ - | |
| 105-110 District Support Services | - | - | - | - | |
| 200-298 Elem & Secondary Reg | - | - | - | - | |
| 300-380 Vocational Education | - | - | - | - | |
| 400-422 Special Education | - | - | - | - | |
| 505-590 Community Education | 2,416,505 | 7,674,184 | 7,640,913 | 5,224,408 | 68% |
| 605-640 Instructional Support | - | - | - | - | |
| 710-770 Pupil Support | - | - | - | - | |
| 805-865 Sites and Buildings | - | - | - | - | |
| 910-940 Fiscal & Other Fixed Student Activities | - | - | - | - | |
| Total Expenditures | \$ 2,416,505 | \$ 7,674,184 | \$ 7,640,913 | \$ 5,224,408 | 68% |
| Excess Rev Over (Under) | \$ 899,563 | \$ (271,485) | \$ (271,485) | \$ (1,171,048) | |

Percent of year **41.67%**

**Capital Projects Fund
Nov-18**

| | FY19 Actual | FY 19 Budget | | Revised Budget Balance | Percent Budget Remaining |
|--|--------------------|--------------|---------------------|------------------------------|--------------------------------|
| | | Adopted | Revised | | |
| Revenues | | | | | |
| Levy | \$ - | \$ - | \$ - | \$ - | |
| State aids | - | - | - | - | |
| Special ED (fin 740) | - | - | - | - | |
| Federal | - | - | - | - | |
| Sales | - | - | - | - | |
| Other Local | 3,928 | - | - | (3,928) | |
| Student Activities | - | - | - | - | |
| Total Revenue | \$ 3,928 | \$ - | \$ - | \$ (3,928) | |
| Expenditures | | | | | |
| 010-050 Administration | \$ - | \$ - | \$ - | \$ - | |
| 105-110 District Support Services | - | - | - | - | |
| 200-298 Elem & Secondary Reg | - | - | - | - | |
| 300-380 Vocational Education | - | - | - | - | |
| 400-422 Special Education | - | - | - | - | |
| 505-590 Community Education | - | - | - | - | |
| 605-640 Instructional Support | - | - | - | - | |
| 710-770 Pupil Support | - | - | - | - | |
| 805-865 Sites and Buildings | 95,769 | - | 642,690 | 546,921 | |
| 910-940 Fiscal & Other Fixed Student Activities | - | - | - | - | |
| Total Expenditures | \$ 95,769 | \$ - | \$ 642,690 | \$ 546,921 | |
| Excess Rev Over (Under) | \$ (91,841) | \$ - | \$ (642,690) | \$ (550,849) | |

Percent of year

41.67%

**Debt Service Fund
Nov-18**

| | FY19 Actual | FY 19 Budget | | Revised Budget Balance | Percent Budget Remaining |
|--|---------------------|------------------------|------------------------|------------------------------|--------------------------------|
| | | Adopted | Revised | | |
| Revenues | | | | | |
| Levy | \$ 6,788,233 | \$ 18,274,130 | \$ 18,274,130 | \$ 11,485,897 | 63% |
| State aids | 1,041,982 | 2,198,818 | 2,198,818 | 1,156,836 | 53% |
| Special ED (fin 740) | - | - | - | - | |
| Federal | 416,979 | 833,957 | 833,957 | 416,978 | 50% |
| Other | - | - | - | - | |
| Other Local | 296,055 | 1,000,000 | 1,000,000 | 703,945 | 70% |
| Student Activities | - | - | - | - | |
| Total Revenue | \$ 8,543,249 | \$ 22,306,905 | \$ 22,306,905 | \$ 13,763,656 | 62% |
| Expenditures | | | | | |
| 010-050 Administration | \$ - | \$ - | \$ - | \$ - | |
| 105-110 District Support Services | - | - | - | - | |
| 200-298 Elem & Secondary Reg | - | - | - | - | |
| 300-380 Vocational Education | - | - | - | - | |
| 400-422 Special Education | - | - | - | - | |
| 505-590 Community Education | - | - | - | - | |
| 605-640 Instructional Support | - | - | - | - | |
| 710-770 Pupil Support | - | - | - | - | |
| 805-865 Sites and Buildings | - | - | - | - | |
| 910-940 Fiscal & Other Fixed Student Activities | 5,545,606 | 105,560,113 | 105,560,113 | 100,014,507 | 95% |
| Total Expenditures | \$ 5,545,606 | \$ 105,560,113 | \$ 105,560,113 | \$ 100,014,507 | 95% |
| Excess Rev Over (Under) | \$ 2,997,643 | \$ (83,253,208) | \$ (83,253,208) | \$ (86,250,851) | |

| | | Trust Fund Nov-18 | | | Percent of year | 41.67% |
|---------------------|---------------------------|----------------------|----------------|----------------|------------------------------|--------------------------------|
| | | FY19 Actual | FY 19 Budget | | Revised Budget Balance | Percent Budget Remaining |
| | | | Adopted | Revised | | |
| Revenues | | | | | | |
| | Levy | \$ - | \$ - | \$ - | \$ - | |
| | State aids | - | - | - | - | |
| | Special ED (fin 740) | - | - | - | - | |
| | Federal | - | - | - | - | |
| | Other | - | - | - | - | |
| | Other Local | 8,174 | 262,450 | 262,450 | 254,276 | 97% |
| | Student Activities | - | - | - | - | |
| <hr/> | | | | | | |
| | Total Revenue | \$ 8,174 | \$ 262,450 | \$ 262,450 | \$ 254,276 | 97% |
| <hr/> | | | | | | |
| Expenditures | | | | | | |
| 010-050 | Administration | \$ - | \$ - | \$ - | \$ - | |
| 105-110 | District Support Services | - | - | - | - | |
| 200-298 | Elem & Secondary Reg | 355,261 | | | | |
| 300-380 | Vocational Education | - | - | - | - | |
| 400-422 | Special Education | - | - | - | - | |
| 505-590 | Community Education | | | | | |
| 605-640 | Instructional Support | - | - | - | - | |
| 710-770 | Pupil Support | - | 1,421,043 | 1,421,043 | 1,421,043 | 100% |
| 805-865 | Sites and Buildings | - | - | - | - | |
| 910-940 | Fiscal & Other Fixed | - | - | - | - | |
| | Student Activities | | | | | |
| <hr/> | | | | | | |
| | Total Expenditures | \$ 355,261 | \$ 1,421,043 | \$ 1,421,043 | \$ 1,421,043 | 100% |
| <hr/> | | | | | | |
| | Excess Rev Over (Under) | \$ (347,087) | \$ (1,158,593) | \$ (1,158,593) | \$ (1,166,767) | |

Percent of year **41.67%**

**Dental Internal Service Fund
Nov-18**

| | FY19 Actual | FY 19 Budget | | Revised Budget Balance | Percent Budget Remaining |
|--|-------------------|-------------------|-------------------|------------------------------|--------------------------------|
| | | Adopted | Revised | | |
| Revenues | | | | | |
| Levy | \$ - | \$ - | \$ - | \$ - | |
| State aids | - | - | - | - | |
| Special ED (fin 740) | - | - | - | - | |
| Federal | - | - | - | - | |
| Other | - | - | - | - | |
| Other Local | 430,923 | 840,000 | 840,000 | 409,077 | 49% |
| Student Activities | - | - | - | - | |
| Total Revenue | \$ 430,923 | \$ 840,000 | \$ 840,000 | \$ 409,077 | 49% |
| Expenditures | | | | | |
| 010-050 Administration | \$ - | \$ - | \$ - | \$ - | |
| 105-110 District Support Services | - | - | - | - | |
| 200-298 Elem & Secondary Reg | - | - | - | - | |
| 300-380 Vocational Education | - | - | - | - | |
| 400-422 Special Education | - | - | - | - | |
| 505-590 Community Education | - | - | - | - | |
| 605-640 Instructional Support | - | - | - | - | |
| 710-770 Pupil Support | - | - | - | - | |
| 805-865 Sites and Buildings | - | - | - | - | |
| 910-940 Fiscal & Other Fixed Student Activities | 111,138 | 819,000 | 819,000 | 707,862 | 86% |
| Total Expenditures | \$ 111,138 | \$ 819,000 | \$ 819,000 | \$ 707,862 | 86% |
| Excess Rev Over (Under) | \$ 319,785 | \$ 21,000 | \$ 21,000 | \$ (298,785) | |

ISD #709 - Duluth Public Schools
ACH & Wire Transfer Summary
Period Ending 11/30/2018

| <u>CHECK DATE</u> | <u>VENDOR ID</u> | <u>DESCRIPTION</u> | <u>MSDLFA</u> |
|-------------------|------------------|-------------------------------|---------------|
| 11/02/2018 | V109781 | AFSCME MN COUNCIL 5 EFT | 11,258.93 |
| 11/02/2018 | V106466 | CITISTREET FOR MSRS | 4,272.57 |
| 11/02/2018 | V79764 | DULUTH FEDERATION OF TEA | 34,247.39 |
| 11/02/2018 | V106637 | EBC - FLEX EFT | 11,624.06 |
| 11/02/2018 | V106636 | EBC - TSA EFT | 57,057.09 |
| 11/02/2018 | V79771 | EDUCATION MN CLERICAL EFT | 874.22 |
| 11/02/2018 | V102915 | FEDERAL 941 PR TAXES | 575,479.25 |
| 11/02/2018 | V107231 | HARBOR POINTE CREDIT UNION | 6,671.00 |
| 11/02/2018 | V108066 | MG TRUST | 129,801.46 |
| 11/02/2018 | V05173 | MN CHILD SUPPORT EFT | 1,921.22 |
| 11/02/2018 | V108320 | MN DEPT OF REVENUE EFT | 1,540.28 |
| 11/02/2018 | V102916 | MN STATE PR TAXES | 101,343.46 |
| 11/02/2018 | V79708 | PUBLIC EMPLOYEES RETIREMENT | 96,731.32 |
| 11/02/2018 | V108783 | TEACHERS RETIREMENT ASSOC EFT | 273,036.39 |
| 11/02/2018 | V79704 | U S BANK - PY DIRECT DEPOSIT | 1,643,949.18 |
| 11/17/2018 | V106466 | CITISTREET FOR MSRS | 12,678.01 |
| 11/17/2018 | V79764 | DULUTH FEDERATION OF TEA | 34,171.99 |
| 11/17/2018 | V106637 | EBC - FLEX EFT | 11,624.06 |
| 11/17/2018 | V106636 | EBC - TSA EFT | 57,061.33 |
| 11/17/2018 | V79771 | EDUCATION MN CLERICAL EFT | 878.95 |
| 11/17/2018 | V102915 | FEDERAL 941 PR TAXES | 586,400.37 |
| 11/17/2018 | V107231 | HARBOR POINTE CREDIT UNION | 6,671.00 |
| 11/17/2018 | V108066 | MG TRUST | 131,077.25 |
| 11/17/2018 | V05173 | MN CHILD SUPPORT EFT | 1,559.07 |
| 11/17/2018 | V108320 | MN DEPT OF REVENUE EFT | 910.49 |
| 11/17/2018 | V102916 | MN STATE PR TAXES | 103,377.86 |
| 11/17/2018 | V79708 | PUBLIC EMPLOYEES RETIREMENT | 98,119.59 |
| 11/17/2018 | V108783 | TEACHERS RETIREMENT ASSOC EFT | 274,547.10 |
| 11/17/2018 | V79704 | U S BANK - PY DIRECT DEPOSIT | 1,686,459.70 |
| 11/28/2018 | V06645 | MEDICA HEALTH PLAN (EFT) | 177,177.55 |
| 11/28/2018 | V106638 | PEIP - HLTH EFT | 1,393,512.36 |
| 11/28/2018 | V80030 | DELTA DENTAL PLAN OF MN(EFT) | 60,910.75 |
| 11/28/2018 | V104923 | HARRIS BANK | 33,027.80 |
| 11/30/2018 | V79764 | DULUTH FEDERATION OF TEA | 34,199.68 |
| 11/30/2018 | V106637 | EBC - FLEX EFT | 1,267.63 |
| 11/30/2018 | V106636 | EBC - TSA EFT | 5,235.54 |
| 11/30/2018 | V79771 | EDUCATION MN CLERICAL EFT | 878.95 |
| 11/30/2018 | V102915 | FEDERAL 941 PR TAXES | 635,129.57 |
| 11/30/2018 | V108066 | MG TRUST | 37,160.96 |
| 11/30/2018 | V05173 | MN CHILD SUPPORT EFT | 1,559.07 |
| 11/30/2018 | V108320 | MN DEPT OF REVENUE EFT | 825.67 |
| 11/30/2018 | V102916 | MN STATE PR TAXES | 115,058.59 |
| 11/30/2018 | V79708 | PUBLIC EMPLOYEES RETIREMENT | 102,054.15 |
| 11/30/2018 | V108783 | TEACHERS RETIREMENT ASSOC EFT | 284,764.61 |

**ISD #709 - Duluth Public Schools
ACH & Wire Transfer Summary
Period Ending 11/30/2018**

CHECK DATE
11/30/2018

VENDOR ID
V79704

DESCRIPTION
U S BANK - PY DIRECT DEPOSIT

MSDLFA
1,833,571.09
10,671,678.56

ISD 709 - Duluth Public Schools
GF Investment Activity for FY 2019
As of November 30, 2018

Beginning Investment Balance (October 31, 2018) \$ 16,114,656.04

Add Purchases:

| <u>Date</u> | <u>Issuer</u> | <u>Broker</u> | <u>Matures</u> | <u>Yield (YTM)</u> | |
|-------------|----------------------|---------------|----------------|--------------------|-----------------|
| 11/26/2018 | MN Trust Term Series | MNT | 12/26/2018 | 2.23% | \$ 5,000,000.00 |

Total Purchases \$ 5,000,000.00

Deduct Maturities/Calls/Sales:

| <u>Date</u> | <u>Issuer</u> | <u>Broker</u> | <u>Matures</u> | <u>Yield (YTM)</u> | |
|-------------|----------------------------|---------------|----------------|--------------------|-----------------|
| 11/15/2018 | Stifel Bk & Tr St Louis MO | MBS | 11/15/2018 | 1.85% | \$ 247,000.00 |
| 11/26/2018 | MN Trust Term Series | MNT | 11/26/2018 | 2.21% | \$ 8,000,000.00 |

Total Maturities \$ 8,247,000.00

Other items:

Add: Money Market Funds Interest \$ 120.92
 Beginning Value Adjustment
 Other Interest/Cash Balance on Account (Reverse)

Deduct: Transaction Fees/Other
 Market Value Adjustment-Adjust for Cost Basis
 Other Interest/Cash Balance on Account (Reverse)

Total Other \$ 120.92

Ending Investment Balance (November 30, 2018) \$ 12,867,776.96

Note: Ending Investment Balance as of November 30, 2017 was \$9,582,582.09

Duluth Public Schools-ISD 709
Average Pupil Units (APU) / Pupil Units (PU) Projection Report - FY 2019
January 2019

| Grade Levels | Jan Enrollment | Progression <i>to PU</i> | Projected PU | PUW | Projected APU | MFR EOY APU 1718 |
|-----------------------------|----------------|--------------------------|--------------|-------|----------------|---------------------|
| KG | 580.5 | 0.98709881 | 573.01 | 1.00 | 573.01 | 607.06 |
| HK | 78 | 1.022653678 | 79.77 | 1.00 | 79.77 | 74.02 |
| Gr 1-3 | 1843 | 0.991860993 | 1828.00 | 1.00 | 1828.00 | 1844.36 |
| Gr 4-6 | 1852.59 | 0.983743688 | 1822.47 | 1.00 | 1822.47 | 1789.58 |
| Gr 7-8 | 1184.6 | 0.963846645 | 1141.77 | 1.20 | 1370.13 | 1399.07 |
| Gr 9-12 | 2742.08 | 0.945366989 | 2592.27 | 1.20 | 3110.73 | 3114.90 |
| Sub-Total | 8280.77 | | 8037.30 | | 8784.10 | 8828.99 |
| Other APU Generators | | | | | | |
| | Jan Enrollment | Progression <i>to PU</i> | Projected PU | PUW | Projected APU | |
| Early Childhood | 235 | 0.413654313 | 97.21 | 1.000 | 97.21 | 100.33 |
| Early Childhood Details | Final Count | Jan 1 Count | Final PU | | | |
| 15-16 | 367 | 234 | 86.97 | | | |
| 16-17 | 384 | 210 | 95.08 | | | |
| 17-18 | 422 | 238 | 100.32 | | | |
| 18-19* | | 235 | 97.21 | | | |
| Resident Tuition** | | | | | | |
| Resident Tuition Details | Total APU | | | | 33.07 | |
| 15-16 | 35.28 | | | | | |
| 16-17 | 30.01 | | | | | |
| 17-18 | 33.91 | | | | | |
| 18-19* | 33.07 | | | | | |
| ALC** | | | | | | |
| ALC Details | Total APU | | | | 254.93 | |
| 15-16 | 260.40 | | | | | |
| 16-17 | 238.06 | | | | | |
| 17-18 | 266.33 | | | | | |
| 18-19* | 254.93 | | | | | |
| Projected Total APU | | | | | 8881.31 | 8929.32 |
| Budgeted APU | | | | | 8884.00 | |
| Net | | | | | -2.69 | |

* Projected

** Included in Grade level projections

PU: Pupil Unit

APU: Average Pupil Unit

PUW: Pupil Unit Weight

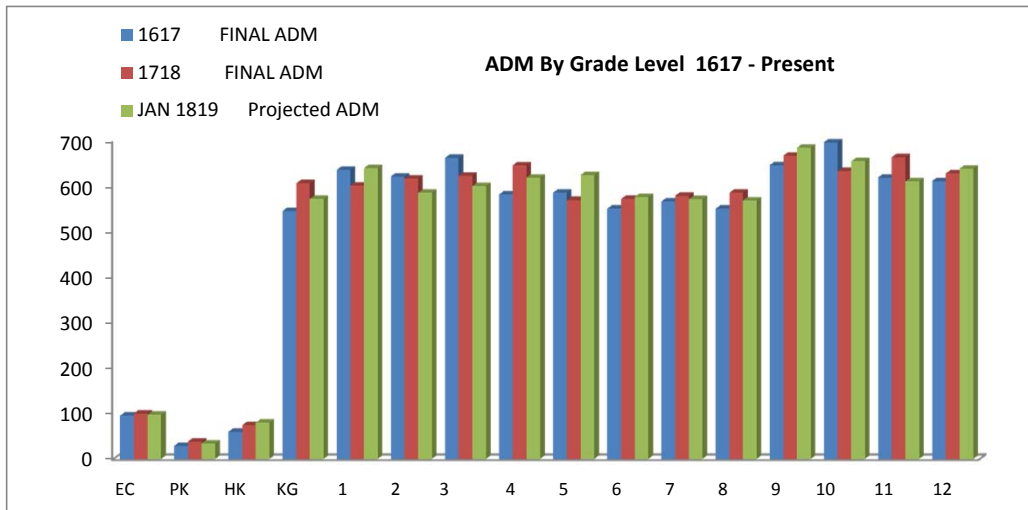
EOY: End of Year

MFR:MN Funding Reports

**Duluth Public Schools Projected Average Daily Membership (ADM) Report
January 2019**

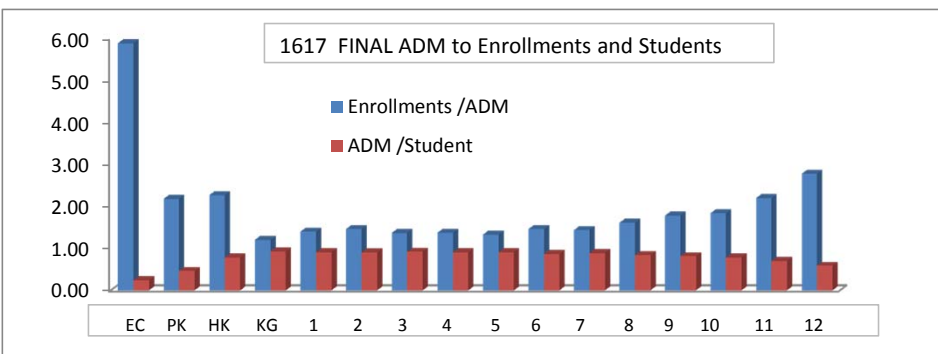
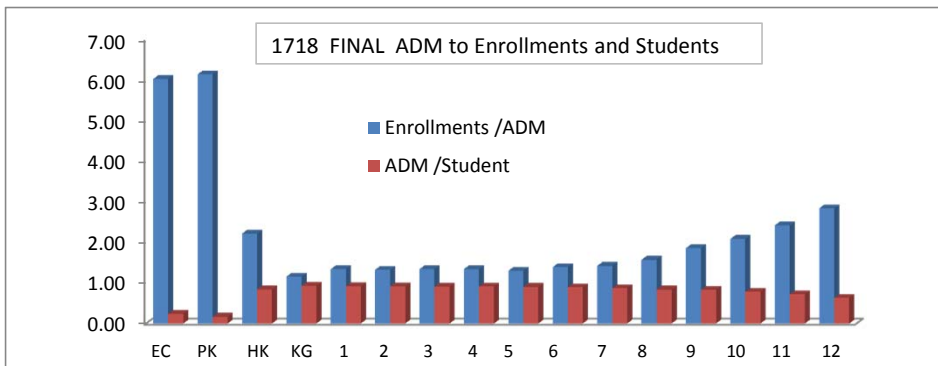
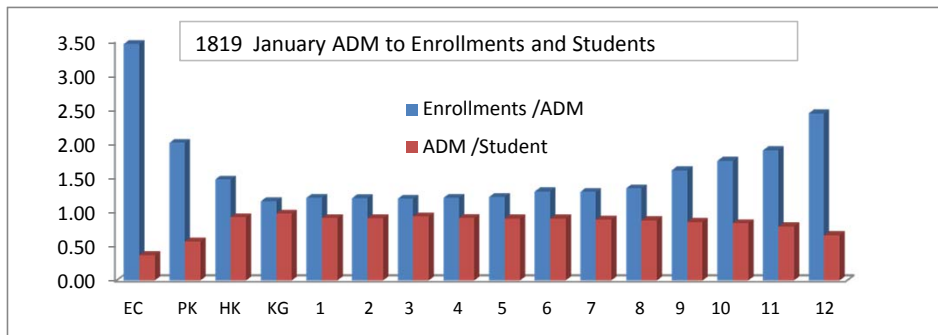
| Grade | Total Number of Enrollments | Unique Student Count | Current Enrollments | Projected ADM | Budgeted ADM | Enrollments /ADM | ADM /Student |
|---------------|-----------------------------|----------------------|---------------------|----------------|---------------|------------------|--------------|
| EC | 337 | 262 | 224 | 97.21 | 97.00 | 3.47 | 0.37 |
| PK | 69 | 60 | 56 | 34.20 | 48.10 | 2.02 | 0.57 |
| HK | 118 | 86 | 80 | 79.77 | 67.00 | 1.48 | 0.93 |
| KG | 665 | 585 | 581.5 | 573.01 | 568.00 | 1.16 | 0.98 |
| 1 | 776 | 701 | 648 | 640.74 | 660.00 | 1.21 | 0.91 |
| 2 | 707 | 643 | 597 | 586.19 | 581.00 | 1.21 | 0.91 |
| 3 | 720 | 641 | 605 | 601.07 | 610.00 | 1.20 | 0.94 |
| 4 | 750 | 677 | 631 | 619.76 | 599.00 | 1.21 | 0.92 |
| 5 | 765 | 690 | 638.69 | 625.36 | 631.00 | 1.22 | 0.91 |
| 6 | 753 | 637 | 583.5 | 577.36 | 547.00 | 1.30 | 0.91 |
| 7 | 743 | 642 | 599.6 | 572.14 | 593.00 | 1.30 | 0.89 |
| 8 | 769 | 646 | 593 | 569.63 | 613.00 | 1.35 | 0.88 |
| 9 | 1107 | 800 | 730.38 | 685.89 | 681.00 | 1.61 | 0.86 |
| 10 | 1149 | 782 | 696.5 | 655.61 | 655.00 | 1.75 | 0.84 |
| 11 | 1166 | 773 | 645.35 | 611.23 | 590.00 | 1.91 | 0.79 |
| 12 | 1566 | 965 | 688.8 | 639.54 | 638.00 | 2.45 | 0.66 |
| Total: | 12160 | 9590 | 8598.32 | 8168.70 | 8178.1 | 1.49 | 0.89 |

| GRADE | 1617 FINAL ADM | 1718 FINAL ADM | JAN 1819 Projected ADM |
|---------------|----------------|----------------|------------------------|
| EC | 95.09 | 100.31 | 97.21 |
| PK | 28.85 | 38.4 | 34.20 |
| HK | 59.83 | 74.02 | 79.77 |
| KG | 546.04 | 607.06 | 573.01 |
| 1 | 636.59 | 602.43 | 640.74 |
| 2 | 622.13 | 617.88 | 586.19 |
| 3 | 662.99 | 624.05 | 601.07 |
| 4 | 582.37 | 646.85 | 619.76 |
| 5 | 586.63 | 570.25 | 625.36 |
| 6 | 551.39 | 572.48 | 577.36 |
| 7 | 567.26 | 579.71 | 572.14 |
| 8 | 551.08 | 586.18 | 569.63 |
| 9 | 647.17 | 668.14 | 685.89 |
| 10 | 697.38 | 634.02 | 655.61 |
| 11 | 619.99 | 664.72 | 611.23 |
| 12 | 612.03 | 628.87 | 639.54 |
| Total: | 8066.82 | 8215.37 | 8168.70 |



**Duluth Public Schools: Enrollments, Students and Projected Average Daily Membership (ADM)
January 2019**

| Grade | Total Number of Enrollments | Unique Student Count | Current Enrollments | Projected ADM | Budgeted ADM | Enrollments /ADM | ADM /Student |
|---------------|-----------------------------|----------------------|---------------------|----------------|----------------|------------------|--------------|
| EC | 337 | 262 | 235 | 97.21 | 97.00 | 3.47 | 0.37 |
| PK | 69 | 60 | 57 | 34.20 | 48.10 | 2.02 | 0.57 |
| HK | 118 | 86 | 78 | 79.77 | 67.00 | 1.48 | 0.93 |
| KG | 665 | 585 | 580.5 | 573.01 | 568.00 | 1.16 | 0.98 |
| 1 | 776 | 701 | 646 | 640.74 | 660.00 | 1.21 | 0.91 |
| 2 | 707 | 643 | 591 | 586.19 | 581.00 | 1.21 | 0.91 |
| 3 | 720 | 641 | 606 | 601.07 | 610.00 | 1.20 | 0.94 |
| 4 | 750 | 677 | 630 | 619.76 | 599.00 | 1.21 | 0.92 |
| 5 | 765 | 690 | 635.69 | 625.36 | 631.00 | 1.22 | 0.91 |
| 6 | 753 | 637 | 586.9 | 577.36 | 547.00 | 1.30 | 0.91 |
| 7 | 743 | 642 | 593.6 | 572.14 | 593.00 | 1.30 | 0.89 |
| 8 | 769 | 646 | 591 | 569.63 | 613.00 | 1.35 | 0.88 |
| 9 | 1107 | 800 | 725.53 | 685.89 | 681.00 | 1.61 | 0.86 |
| 10 | 1149 | 782 | 693.5 | 655.61 | 655.00 | 1.75 | 0.84 |
| 11 | 1166 | 773 | 646.55 | 611.23 | 590.00 | 1.91 | 0.79 |
| 12 | 1566 | 965 | 676.5 | 639.54 | 638.00 | 2.45 | 0.66 |
| Total: | 12160 | 9590 | 8572.77 | 8168.70 | 8178.10 | 1.49 | 0.89 |



714 FUND BALANCES

I. PURPOSE

The purpose of this policy is to create new fund balance classifications to allow for more useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).

II. GENERAL STATEMENT OF POLICY

The policy of this school district is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

III. DEFINITIONS

- A. "Assigned" fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.
- B. "Committed" fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.
- C. "Enabling legislation" means legislation that authorizes a school district to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.
- D. "Fund balance" means the arithmetic difference between the assets and liabilities reported in a school district fund.
- E. "Non-spendable" fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- F. "Restricted" fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants),

grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- G. "Unassigned" fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of non-spendable, restricted, and committed fund balances exceed the total net resources of that fund.
- H. "Unrestricted" fund balance is the amount of fund balance left after determining both non-spendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

IV. CLASSIFICATION OF FUND BALANCES

The school district shall classify its fund balances in its various funds in one or more of the following five classifications: non-spendable, restricted, committed, assigned, and unassigned.

V. MINIMUM FUND BALANCE

The school district will strive to maintain a minimum unassigned general fund balance of ***Eight (8)*** percent of the ***unrestricted general fund*** annual budget. ~~***months of operating expenses.***~~

VI. ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

VII. COMMITTING FUND BALANCE

A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

VIII. ASSIGNING FUND BALANCE

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: ***Superintendent and/or Chief Financial Officer.*** Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected

excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

IX. REVIEW

The school board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

Legal References: Statement No. 54 of the Governmental Accounting Standards Board

Cross References: MSBA Service Manual, Chapter 7, Education Funding

New Policy

Replacing: 3017

First Reading: 12-18-2018

Adopted:

~~3017 — GENERAL FUND RESERVE BALANCE~~

~~The School Board of Independent School District No. 709, St. Louis County, Minnesota recognizes the importance of maintaining enduring financial stability. To ensure financial stability, the District shall establish and maintain an amount in the general fund- undesignated reserve and/or the severance insurance premium reserve equal to ten percent of the combined budgeted unrestricted expenditures from the general fund, food service fund, transportation fund, community services fund, capital fund, and debt service fund.~~

~~Any reduction in the above named general fund reserve may only be made through Board resolution voted upon by a two-thirds majority of the members of the School Board.~~

~~Adopted: 04-15-1997 ISD 709~~

~~Revised: 01-21-2003 ISD 709~~

307 CONFLICTS OF INTEREST AND FIDUCIARY DUTY

I. PURPOSE

The proper operation of democratic government requires that public officials and employees be independent, impartial, and responsible to the people; that government decisions and policy be made in the proper channels of the governmental structure; that public office not be used for personal gain; and that the public have confidence in the integrity of its government. In recognition of these goals the Board of Directors adopts policies related to conflicts of interest and fiduciary duty for all officials and employees whether elected or appointed, paid or unpaid.

The purpose of this policy is to establish ethical standards of conduct for all such officials and employees by setting forth those acts or actions that are incompatible with the best interest of the Duluth Public Schools and by directing disclosure by such officials and employees of private financial or other interests in matters affecting the Duluth Public Schools.

II. GENERAL STATEMENT OF POLICY

A. This policy establishes minimum standards of conduct for public officials, employees and other district personnel. Failure to meet these standards shall subject the actor to disciplinary action.

B. Responsibilities of Public Office

Public officials and employees are agents of public purpose and hold office for the benefit of the public. Their conduct in both their official and private affairs should be above reproach. They must avoid misconduct and are bound to:

1. uphold the Constitution of the United States and the Constitution of this State;
2. carry out impartially the laws of the nation, state, and school district; and
3. discharge faithfully the duties of their office regardless of personal considerations, recognizing that the public interest must be their primary concern.

C. Dedicated Service and Fiduciary Duty

1. Appointed officials and employees should adhere to the rules of work and performance established as the standard for their positions by the appropriate authority.

2. Public officials and employees and other district personnel may not exceed their authority or break the law or ask others to do so, and they should work in full cooperation with other public officials and employees unless prohibited from so doing by law or by officially recognized confidentiality of their work.
3. Public officials and employees and other district personnel shall not disclose any confidential or private, nonpublic, educational or employee data during their term of appointment, election or employment and shall likewise refrain from disclosing any private educational or employee data after their term of election or appointment, or employment has ended unless permitted by law.
4. Public officials, employees and other district personnel shall not disclose or use any confidential, private, nonpublic, privileged or proprietary information gained by reason of their employment, election or appointment by or to the District other than in the course of their duties. Such a prohibition shall continue after the term of their election, appointment or employment ends.
5. Public officials and employees shall manage the assets both real and personal of the district with highest integrity, and exercise any discretionary powers they may have for the benefit of the District with the care a reasonably prudent person would do.

D. Fair and Equal Treatment

1. No public official or employee shall grant any special consideration, treatment, or advantage to any citizen beyond that which is available to every other citizen.
2. Schools, programs and departments may enter into partnerships with corporate or business citizens to promote civic engagement, sponsorship of district activities or support of academic programs. Such partnerships shall not imply preference or endorsement of or for the services or products of those corporate or business partners. Any such partnerships are subject to the terms of this policy.

E. Conflicts of Interest

1. No public official or employee shall engage in any business or transaction or shall have a financial or personal interest, direct or indirect, which is incompatible with the proper discharge of his or her official duties in the public interest or would tend to impair his or her independence of judgment or action in the performance of his or her official duties.

2. "Personal interest" may be defined as an interest arising from:
 - a) blood or marriage relationships;
 - b) domestic partnerships;
 - c) status of dependent of the person;
 - d) membership in the same household;
 - e) close business or political associates.

3. Conflicts of interest include but are not limited to:
 - a) Use of confidential information, obtained as a result of public position, for personal gain.
 - b) Any use of official position for personal gain.
 - c) Holding (possession) investments which interfere, or tend to interfere, with the proper discharge of public duty.
 - d) Representation by public officials or employees of private interests before the Duluth Board of Education or departments and participation in the profits from such representation.
 - e) Participation in transactions as a public representative with a business entity in which the public official or employee has a direct or indirect financial or other personal interest.
 - f) Personal interest in legislation to the extent that private interest takes precedence over public interest and public duty.
 - g) Entry by the district into contracts or other conduct of business for profit with a business in which a public official or employee has substantial or controlling interest, when the public official or employee can influence such contract or business because of his or her public position.

F. Use of Position for Influence

1. Recommendations

- a) School personnel shall not make recommendations for a provider of professional services. School personnel may be asked by parents to recommend providers; this is particularly true of health care staff, who

may be asked to recommend a physician, a dentist, or an optometrist. School personnel shall not make such recommendations.

- b) Employees may prepare and distribute lists of professional organizations or providers of professional services available in the region for the purposes of informing parents, but shall make no evaluation of the services or organizations, and shall not indicate a preference for any of them.
- c) Persons making requests for referrals to providers should be directed to the proper professional association for advice.

2. Politics

The District recognizes and encourages the rights of its employees, as citizens, to engage in political activity, with the following restrictions:

- a) No employee of the school district shall solicit support of any political candidate, partisan or non-partisan, during regular work hours or on school property.
- b) No employee of the school district shall solicit support of any referendum issue not directly related to public education, during regular work hours, or on school property.
- c) No employee may use the name of the district, or any school, department or program to support any political candidate, ballot proposition or referendum.
- d) No resources of the district may be used to support any political candidate, partisan or non-partisan, or any ballot proposition or referendum not directly related to public education.

III. APPLICABILITY

A. This policy applies to all Duluth Public Schools

- 1. officials,
- 2. employees,
- 3. contractors on district premises,
- 4. council and advisory council members, and
- 5. site-based council members.

- B. This policy applies to all persons, whether
 - 1. elected, appointed, employed, or supplying goods or services to the district under contract,
 - 2. paid or unpaid,
 - 3. engaged in any activity on behalf of the Duluth School District including activities at every school, department or program of the District.
- C. When a public official or employee has doubt as to the applicability of a provision of this policy to a particular situation, he or she should submit the question to the Business Services Office for review and determination of applicability. Questions may be made anonymously, in which case the Business Services Department shall make such answer available to the appropriate persons subject to this policy. The Business Services Department may make any question and response or guidance public.

IV. REPORTING SUSPECTED VIOLATIONS

- A. All employees, contractors, public officials or council members have a duty and obligation to report what they believe to be a violation of this policy.
- B. The report must be made to their supervisor or manager of the department or building concerned.
- C. In those instances in which the immediate supervisor is involved in the alleged violation, the report should be made to the person at the next highest supervisory level.
- D. In those instances which the complainant feels uncomfortable reporting the suspected violation to any of the aforementioned persons, that person may make a direct report to Human Resources.
- E. Supervisors, Department Managers, Principals and Site Administrators will forward suspected violations of this policy to Human Resources. Any employee may also make a report to Human Resources.
- F. Suspected violations submitted in good faith and in an appropriate manner, whether or not further investigation substantiates the claim, will be free from retaliation in any form. The identity of complainants will be protected, within legal limits, and any public official, employee or other district personnel who retaliate against them will be disciplined.

V. INVESTIGATION AND RESOLUTION OF SUSPECTED VIOLATIONS

- A. The Human Resources Department will promptly investigate alleged violations.
- B. Those accused of suspected violations will be given an opportunity to respond.
- C. When it is determined that a conflict of interest has occurred, ISD 709 will report it to MDE.
- D. The Human Resources Department will prepare a report of the investigation.
- E. If the investigation concerns the actions of an employee the report will be submitted to the manager or supervisor and Human Resources with a copy to the Superintendent.
- F. If the investigation concerns the actions of a non-employee or contractor, the report will be submitted to the appropriate supervisor of the person's activities with a copy to the Superintendent.
- G. Any discipline of an employee shall follow District policies, contracts and procedures, up to and including termination of employment.
- H. Any discipline of a contractor may include termination of the contract.
- I. Any discipline of an appointee to an advisory board or site council may include termination of the appointment.

VI. REFRAINING FROM ABUSE

Any complainant or witness who abuses the enforcement procedure by knowingly submitting false reports, claims, testimony or evidence will be subject to disciplinary action up to and including termination.

VII. RESPONSIBILITY

- A. The Superintendent shall take the necessary steps to assure that all individuals are in compliance.
- B. The Superintendent is authorized to promulgate regulations to implement this policy.

Legal References: Minnesota Rules 3512.5200 (Code of Ethics for School Administrators)
Minnesota Rules 8700.7500 (Code of Ethics for Minnesota Teachers)

New Policy
Replacing: None
First Reading: 01-22-2019
Adopted:

250 - SCHOOL BOARD MEMBER COMPENSATION BYLAW

School board members shall be compensated for school board work. Compensation shall be a stipend of \$630.00 per month, to a maximum of \$7,560.00 (excluding negotiations) during one (1) calendar year.

The Chairperson, however, shall receive an additional \$52.50 per month for discharging the duties of his/her office. The maximum compensation for the chairperson shall not exceed \$8,190.00 (excluding negotiations) during one (1) calendar year. This policy shall be reviewed in January of odd numbered years.

Board compensation is the stipend for all board related activities, including committee assignments.

Board members shall not accept additional compensation from any source for board related activities.

Adopted: 02-10-1981 ISD 709

Revised: 07-10-1984
 03-08-1988
 03-10-1992
 01-09-1995
 06-20-1995
 03-18-1997
 02-28-2006
 06-20-2006
 02-28-2007
 02-26-2008
 01-22-2013
 01-21-2014
 01-20-2015 ISD 709

Renumbered/Revised: 03-21-2017 (renumbered from 8030)

Revised: 03-30-2017

Updated: 02-27-2018

Annual review:

School Board Member Compensation Comparison

*note, most of these will be for calendar year 2018, since some districts have yet to have their organizational meetings.

Reporting districts similar in size to Duluth per Adjusted ADM:

| District | Est. Enrollment | Rate |
|------------|-----------------|---|
| Mankato | 8,689 | \$3,400 base, +\$600 chair, +\$400 negotiations, +\$200 clerk/treasurer |
| Edina | 8,404 | \$4,500 |
| Stillwater | 8,352 | \$4,750, \$5,250 chair |
| Shakopee | 8,317 | \$4,500, +\$500 chair/vice chair |
| Duluth | 8,178 | \$7,560, +\$630 chair |
| Farmington | 7,202 | \$4,400, \$5,475 chair |
| Moorhead | 6,675 | \$800 per month |
| Brainerd | 6,543 | \$4,200 + Insurance (not specified) |

Other districts from another document:

| | | |
|--------------------|--------|--|
| Burnsville | 8,916 | \$6,000, +\$600 chair |
| Hastings | 4,384 | \$4,250, +\$500 chair |
| South St. Paul | 3,493 | \$4200, +\$500 chair |
| Lakeville | 11,175 | \$6,750, +\$50/mo chair |
| Bloomington | 10,279 | \$7,200 |
| Rosemount/AV/Eagan | 28,778 | \$9,000, +\$900 chair |
| Prior Lake | 8,814 | \$6,000, +\$500 chair, +\$300 clerk/treasurer/vice chair |

Compiled, CAE 1.10.19 per request

LEASE AND COOPERATIVE OPERATING AGREEMENT

THIS AGREEMENT made and entered into effective as of July 1, 2017, by and between Independent School District #709, a public corporation and political subdivision of the State of Minnesota (“**Lessor**”) and The Welch Center, Inc., a Minnesota non-profit corporation, doing business as Valley Youth Center (“**Lessee**”).

RECITALS

The Valley Youth Center is located in the Memorial Park Community Center within Laura MacArthur Elementary School, which is located at 720 North Central Avenue. Laura MacArthur School is owned, maintained and operated by Lessor pursuant to M. S. Sec. 123B.02. Lessor endeavors to provide opportunities to youth through its collaborative efforts with Lessee. Lessee is dedicated to continuing to serve the residents in the neighborhoods surrounding Laura MacArthur School by committing existing facilities as part of a collaborative effort with Lessee. Consistent with the mission of the Lessor, the Lessee is an entity committed to helping youth of all backgrounds, with special concern for those from disadvantaged circumstances; develop the qualities needed to become responsible citizens and leaders.

AGREEMENT

ARTICLE 1. DEFINITIONS

1.0 **AUTHORITY TO LEASE:** Independent School District Number 709 is authorized to lease facilities according to M.S. Sec 123B.02.

1.1 **THE LESSOR** shall mean: Independent School District Number 709, A Minnesota Public Corporation.

1.2 **THE LESSEE** shall mean: The Welch Center, Inc. doing business as Valley Youth Center, a Non Profit Corporation.

1.3 **BUILDING** shall mean: The existing Laura MacArthur School building.

1.4 **LEASED SPACE** shall mean that portion of the Building to which the Lessee shall have the exclusive right of occupancy under this Agreement. The Leased Space is more particularly described in **Exhibit A**, which is attached hereto and incorporated herein by reference.

1.5 **SHARED SPACE** shall mean those portions of the building that are anticipated to be utilized by both Lessee and Lessor. The Shared Space is more particularly described in **Exhibit A**, which is attached hereto and incorporated herein by reference.

1.6 OUTSIDE PLAYGROUND FACILITIES shall mean all of the outdoor recreational facilities and open spaces located on the School Property.

1.7 PREMISES shall mean the Leased Space and Shared Space.

1.8 BUILDING USE PERMIT shall mean a permit granted by Lessor which allows access to a portion of the School Premises other than the Leased Space or Shared Space.

1.9 PROGRAMMABLE SPACE shall mean areas of the Building in which school or Lessee activities can be conducted. This space does not include corridors, vestibules, restrooms, mechanical rooms, crawl spaces, equipment rooms, attic spaces, boiler rooms.

1.10 SCHOOL PROPERTY shall mean the Laura MacArthur School campus including the Building, the Outside Playground Facilities, and the grounds.

ARTICLE 2.
GRANT OF OCCUPANCY TO LEASED SPACE

2.1 The Lessor does hereby demise and let unto the Lessee, and the Lessee does hereby lease from the Lessor, the Leased Space described in **Exhibit A**.

ARTICLE 3.
TERM

3.1 Term. The term of this Agreement ("**Term**") shall be for a period beginning on July 1, 2017 and ending on June 30, 2022.

ARTICLE 4.
RENT

4.1 Rent. The Lessee shall pay \$5.00 as total rent for the five year term of this agreement, such rent payable in one non refundable lump sum amount payable in one installment on the effective date of this agreement.

ARTICLE 5.
USE

5.1 Permitted Uses. Unless specifically agreed to in writing by the Lessor, the Lessee shall use the Premises only for the following purposes:

5.1.A. Social, educational, recreational, individual and family support, citizenship and leadership, enrichment, and youth related community outreach programming.

5.1.B. Administrative offices and staff facilities for the Lessee.

5.2 Non-discrimination Covenant. The Lessee hereby covenants and agrees that it will not engage in or permit unlawful discrimination against persons seeking access to the Premises or to programming conducted by the Lessee because of race, color, creed,

religion, national origin, sex, age, marital status, status with regard to public assistance, sexual orientation, disability, or status as a veteran of war, or to fail to ensure physical and program access for disabled persons.

5.3 Prohibited Uses. The Lessee shall not use or occupy the Premises or knowingly permit the Leased Space to be used or occupied for any purpose or activity which is contrary to any statute, rule, order, ordinance, requirement or regulation applicable thereto or in any manner which would violate any certificate of occupancy effecting the same, or which would be likely to cause structural injury to the Premises or improvements thereon or cause the value or usefulness of the Premises or any part thereof to be substantially diminished, or which would adversely affect the Lessor's activity on or adjacent to the Premises, or which would constitute a public or private nuisance or waste. Upon discovery of any use prohibited hereunder, the Lessee shall promptly take all necessary steps to discontinue such non-conforming use. The Lessee agrees that, during such times as it has the exclusive right to occupy any portion of the non-leased area of the School Property, it will take reasonable measures to prevent the above-referenced prohibited uses from occurring.

ARTICLE 6. MANAGEMENT

6.1 Scheduling.

6.1.A. Leased Space. The Lessee shall allow the Lessor access to those areas to which it is entitled pursuant to Article 13.2 of this Agreement.

6.1.B. Non-leased School Property. The Lessor shall be responsible for scheduling the Programmable Space and Outside Playground Facilities in a fair and reasonable manner to allow the Lessee access by Building Use Permit to those areas for the purpose of carrying out Lessee's programming. The Lessor shall have the right to promulgate reasonable rules and regulation for use of the entire School Property including the Leased Space. Such rules and regulations shall not violate or be contrary to any state or federal law, local ordinance, or provision of this Agreement.

6.2 Programmer Meetings. The Lessor shall conduct meetings of all program providers permanently officing in the Building no fewer than two times per year to discuss operation and management of the facility. On-site staff of all program providers will meet on a regular basis not less than bi-monthly to facilitate effective, non-conflicting programming and scheduling.

6.3 Dispute Resolution. If a dispute develops between the parties regarding the performance by a party of its obligations under this Agreement or the interpretation of the rights and obligations of the parties under this Agreement such disputes shall be promptly referred by each party to its next administrative level which will settle the dispute. Such referral shall continue to succeeding levels of the respective party's administration until all administrative levels have been exhausted.

ARTICLE 7.
SUPERVISION AND EQUIPMENT

7.1 Supervision. Each party shall provide reasonable supervision and security for all activities scheduled by it.

7.2 Equipment. Each party will furnish all of its own equipment except as agreed in advance by the authorized staff of the parties.

7.3 Appropriate Activities. Lessee shall will limit its activities in the Premises to those for which the Premises was designed and which will not present an unreasonable risk of damage or destruction to the facility or equipment or carry an unreasonable risk of injury to the participants supervisors or spectators. Activities to be conducted in the Premises or the Programmable Space that would violate the terms of this section must be approved in advance by Lessor.

ARTICLE 8.
ORDINANCES BUILDING RESTRICTIONS AND REGULATIONS

8.1 The Lessee during the term of this Agreement shall at its expense comply with all valid applicable laws ordinances and regulations of duly constituted public authorities now or hereafter in any manner affecting the Premises and any improvements thereon or the use thereof. The Lessee shall indemnify and hold the Lessor harmless from the consequences of any violation of any such law ordinance or regulation by the Lessee. The Lessee shall not permit any activity contrary to any law ordinance or regulation to occur in the Leased Space and, during such times as it has the exclusive right to occupy any portion of the School Property other than the Leased Space, it will take reasonable measures to prevent such activities from occurring in such portions of the School Property. Notwithstanding the foregoing and Section 5.3, it shall be the Lessor's responsibility, rather than the Lessee's responsibility to ensure that the Building and the Premises exclusive of any improvements or alterations made by the Lessee to the Leased Space subsequent to June 5, 2012 are constructed and maintained in accordance with all building codes ordinances and laws.

ARTICLE 9.
ALTERATIONS

9.1 No Alterations Without Consent. The Lessee shall make no changes or alterations to the Building without the Lessor's prior written approval. The Lessee may at its expense make changes or alterations to the interior of the Leased Space provided that the Lessor has first consented in writing to the proposed plans and specifications for said changes or alterations. The Lessor shall not unreasonably withhold consent to such alterations provided that the Lessor shall be entitled to withhold consent if it determines in its reasonable discretion that the improvements proposed by the Lessee will not be useful to the Lessor upon reversion of the Leased Space to the Lessor at the termination of the Agreement. According to local building and zoning code, the Lessee shall have the right to erect and maintain a sign on the Building identifying its presence in the Building subject to the mutual agreement of the parties regarding the size and design of the sign.

The parties agree that such sign shall be aesthetically consistent with the exterior of the Building. The Lessee shall also be permitted to place such lettering on the main door to the Premises as it deems appropriate to identify its business and business hours.

9.2 Mechanic's Liens. The Lessee shall not suffer or permit any statements of mechanic's liens to be filed against the School Property or any part thereof by reason of work, labor, services or materials supplied or claimed to have been supplied to the Lessee or anyone holding the School Property or any part thereof through or under the Lessee. If any such statement of mechanic's lien shall at any time be filed against the School Property or any part thereof, the Lessee shall cause the same to be discharged of record within twenty (20) days after the date of actual notice to the Lessee of filing the same. If the Lessee shall fail to discharge such mechanic's lien within such period, then in addition to any other right or remedy of the Lessor, may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit in court, by giving security, in such other manner as is or may be prescribed by law. Any amount paid by the Lessor for any of the aforesaid purposes, and all reasonable other expenses of the Lessor, including reasonable attorneys' fees, in or about procuring the discharge of such lien, with all necessary disbursements in connection therewith, with interest thereon at the rate of eight percent (8%) per annum from the date of payment, shall be repaid by the Lessee to the Lessor on demand, and if unpaid may be treated as Additional Rent. The Lessor shall have the right to post and maintain on the Premises notices of non responsibility under the laws of Minnesota, and nothing herein shall be construed to subject the School Property, if otherwise exempt to such liens.

ARTICLE 10. REPAIRS AND MAINTENANCE

10.1 Obligations of Lessee. The Lessee, at its sole cost and expense, shall repair, restore or replace promptly (or at Lessor's election, Lessor shall repair, restore, or replace promptly at Lessee's sole cost and expense) to the satisfaction of the Lessor all damage or injury to the Building or the fixtures, appurtenances and equipment relating thereto caused by: the

Lessee moving property in or out of the Premises; installation or removal of furniture, fixtures, equipment or other property by the Lessee, its agents, contractors, servants or employees; or resulting from any other cause of any other kind or nature whatsoever due to carelessness, omission, neglect, improper conduct or other causes of the Lessee, its servants, employees, agents, visitors or licensees. All repairs, restorations and replacements shall be in quality and class equal to the original work. If the Lessee fails to make such repairs, restorations or replacements, the same may be made by the Lessor, and the same shall be paid by the Lessee to the Lessor within five (5) days' rendition of a bill or statement therefor. Notwithstanding the foregoing, under no circumstances shall the Lessee be obligated to make any repairs or replacements made necessary as a result of damage caused by fire or other casualty, caused beyond its control, or any cause that would ordinarily be covered by a first and extended coverage insurance policy, irrespective of any negligence on the Lessee's part causing or tending to cause the same.

The Lessee shall not be obligated to make any repairs or replacements made necessary as a result of the Lessor's negligence, wrongful conduct or breach of this Agreement.

10.2 **Scheduled Maintenance.** The Lessor shall prepare at the Lessor's expense, a schedule of recommended routine maintenance and repairs for the Leased Space. If requested by the Lessee the Lessor shall perform such routine maintenance and repairs. The Lessee shall pay the reasonable cost of such maintenance and repair services performed by the Lessor, unless such maintenance and repairs are otherwise the responsibility of the Lessor under this Agreement. The Lessor shall also, upon the Lessee's request, perform additional specific maintenance and repairs to the Leased Space, the reasonable cost of which shall be paid by the Lessee, unless such maintenance and repairs are otherwise the responsibility of the Lessor under this Agreement.

10.3 **No Duty for the Lessor to Repair.** Nothing herein contained shall imply any duty on the part of the Lessor to do any such work which the Lessee may be required to perform under any provision of this Agreement and the performance thereof by the Lessor shall not constitute a waiver of the Lessee' default in failing to perform the same.

10.4 **Obligations of Lessor.** The Lessor shall, during the term of this Agreement, at its expense (but subject to Section 10.2), keep the electrical, plumbing, air conditioning equipment, heating equipment, water system, toilet facilities, and other machinery and equipment in the Building, and the roof, foundation, and structural elements of the Building, in good condition and repair, and shall promptly and adequately repair all damaged or broken glass, fixtures and appurtenances within a reasonable period of time. The Lessor shall also maintain the Outside Playground Facilities, sidewalks and parking facilities in a safe, clean and orderly condition consistent with the practices of the Lessor for the other facilities in its School system.

10.5 **Daily Operations and Cleaning.** The Lessee shall be responsible for all daily operations and cleaning of the Leased Space, and shall be responsible for the cleaning of those portions of the School Property the Lessee is issued a Building Use Permit to use related to its activities and uses allowed by this lease or otherwise permitted. If the Lessee is unable to clean and maintain the Leased Space to a reasonable standard as determined by Lessor, the Lessor shall provide those services, the reasonable cost of which shall be paid by the Lessee.

ARTICLE 11. INSURANCE

11.1 The Lessee shall, at its sole cost and expense, be responsible for obtaining and maintaining:

11.1a Insurance for its fixtures and personal property in or about the Leased Space against loss or damage by fire or other casualty. Such insurance coverage shall be for the benefit of both the Lessor and the Lessee, as their respective interests may appear.

11.1b. Commercial general liability insurance against claims for personal injury, death or property damage occurring upon or about the Premises and on in or about the adjoining

lands, streets and passageways, such insurer to afford protection to the limit of not less than One Million Five Hundred Thousand Dollars (\$1,500,000) with respect to injury or death to a single person, to the limit of not less than One Million Five Hundred Thousand Dollars (\$1,500,000) with respect to any one accident, and to the limit of not less than One Million Five Hundred Thousand Dollars (\$1,500,000) with respect to any property damage, naming the Lessor as an additional insured.

Such policies of insurance to be obtained by the Lessee shall be written in companies reasonably satisfactory to the Lessor, and shall be written in such form and shall be distributed in such companies as shall be reasonably acceptable to the Lessor. Such policies shall be delivered to the Lessor endorsed "premium paid" or with a receipt for payment of the premium issued by the company or agency issuing the policy or accompanied by other evidence satisfactory to the Lessor that the premiums thereon have been paid, not less than ten (10) days prior to occupancy of the Premises and the expiration of any then current policy. The policy must include a provision the Lessor be notified in writing prior to any cancellation.

ARTICLE 12. INDEMNITY

12.1 Obligations of Lessee. The Lessee shall indemnify and hold the Lessor harmless against and from any and all claims by or on behalf of any person or persons, firm or firms, corporation or corporations; arising from the conduct or management of all activities or from any work or thing whatsoever done in or about the Premises by the Lessee; arising from any breach or default on the part of the Lessee in the performance of any covenant or agreement on the part of the Lessee to be performed pursuant to the terms of this Agreement; arising from any act of negligence on the part of the Lessee, or any of its agents, contractors, servants, employees or licensees; or arising from any accident, injury or damage whatsoever occurring during the Term of this Agreement in or about the Leased Space, other School Space the Lessee is issued a Building Use Permit to use, or the Outside Playground Facilities (during such times as the Lessee has the exclusive right of access to such Space and Outside Playground Facilities) incurred by any person, firm or corporation participating in a program of the Lessee or present at the invitation of the Lessee. The Lessee shall further indemnify and hold the Lessor harmless from and against all costs, reasonable attorneys' fees, expenses and liabilities incurred in or about any such claim or action or proceeding brought thereon. In case any action or proceeding is brought against the Lessor by reason of any such claim, the Lessee, upon notice from the Lessor, shall resist or defend such action or proceeding by counsel reasonably satisfactory to the Lessor. Counsel selected by the Lessee's insurance carrier shall be deemed satisfactory to the Lessor. Notwithstanding the foregoing and anything; in this Agreement to the contrary, the Lessee shall not be obligated to defend, indemnify or hold the Lessor harmless as to any claim, or matter based on the Lessor's negligence, wrongful conduct or breach of this Agreement; or as to claims or matters arising from latent defects in the Premises existing on the date of this commencement of the term of this Agreement.

12.2 Obligations of Lessor. The Lessor shall indemnify and hold the Lessee harmless against and from any and all claims by or on behalf of any person or persons, firm or

firms, corporation or corporations: arising from the conduct or management of all activities or from any work or thing whatsoever done by the Lessor in or about the Premises or the Outside Playground Facilities; arising from any breach or default on the part of the Lessor in the performance of any covenant or agreement on the part of the Lessor to be performed, pursuant to the terms of this Agreement; arising from any act of negligence on the part of the Lessor, or any of its agents, contractors, servants, employees or licensees; or arising from any accident, injury or damage whatsoever occurring during the term of this Agreement in or about the Premises (excluding the Leased Space) or the Outside Playground Facilities (excluding such times as the Lessee has the exclusive right of access to such Space and Outside Playground Facilities) incurred by any person, firm or corporation participating in a program of the Lessor or present at the invitation of the Lessor. The Lessor shall further indemnify and hold the Lessee harmless from and against all costs, reasonable attorneys' fees, expenses and liabilities incurred in or about any such claim or action or proceeding brought thereon. In case any action or proceeding is brought against the Lessee by reason of any such claim, the Lessor, upon notice from the Lessee, shall resist or defend such action or proceeding by counsel reasonably satisfactory to the Lessee. Counsel selected by the Lessor, or its insurance carrier if any, shall be deemed satisfactory to the Lessee. Notwithstanding the foregoing and anything in this Agreement to the contrary, the Lessor shall not be obligated to defend, indemnify or hold the Lessee harmless as to any claim or matter based on the Lessee's negligence, wrongful conduct or breach of this Agreement. Lessor does not, by entering into this Agreement, waive the limits of municipal liability applicable to claims against Lessor.

12.3 Release and Waiver of Subrogation. Notwithstanding anything in this Agreement to the contrary (including, without limitation, sections 5.3, 7.3, 10.1, 12.1, 12.2, 15.1 and Articles 17 and 20), each party hereunder (the "releasing party") hereby releases the other party and the other party's agents, employees, licensees and invitees (the "released party"), from any and all liability or responsibility to the releasing party or anyone claiming through or under the releasing party by way of subrogation or otherwise for any loss or damage to property caused by fire or any casualty which would ordinarily be covered under a fire and extended coverage or supplementary contract of insurance (whether or not the releasing party has such insurance), even if such fire or other casualty shall have been caused by the fault or negligence of the released party, or anyone for whom such party may be responsible. Such release applies notwithstanding whether the releasing party's policies (if any) shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasing party to recover thereunder except as expressly provided in this Agreement.

ARTICLE 13. LESSOR 'S USE AND ACCESS TO PREMISES

13.1 Use of Building by the Lessor. As part of the consideration for this Agreement, the Lessor reserves for itself the exclusive use of all portions of the Building not specifically identified as Leased Space in **Exhibit A**. The Lessor may use said space for any purpose it deems necessary or appropriate.

13.2 Access to Leased Space by the Lessor. The Lessee shall permit the Lessor and the authorized representatives of the Lessor to enter the Leased Space at all times during

usual business hours for the purpose of inspecting the same and making any necessary repairs to comply with any laws, ordinances, regulations or requirements of any public authority or of the Lessor's of fire underwriters or any similar body. However, except as expressly provided in this Agreement, nothing in this Agreement shall be construed so as to impose any obligation on the Lessor to make any such repairs, alterations or improvements. The Lessor may, during the progress of any work on the Leased Space, keep and store upon the Leased Space all necessary materials, tools and equipment. The Lessor shall not, in any event, be liable for any inconvenience, annoyance, disturbance, loss of business or other damage to the Lessee by reason of making repairs or the performance of any work on the Leased Space or on account of bringing materials, supplies and equipment into or to the Leased Space during the course thereof. The obligations of the Lessee under this Agreement shall not thereby be affected in any manner whatsoever. The Lessor agrees, however, in connection with the performance of any such work, to cause as little inconvenience, annoyance, disturbance, loss of business or other damage to the Lessee as may reasonably be possible in the circumstances.

ARTICLE 14. ASSIGNMENT

14.1 Assignment or Subletting. The Lessee shall not assign this Agreement or sublet the Premises or any portion of the Premises except as provided in Article 14.2 of the Agreement.

14.2 Assignment. The Lessee shall not assign or sublet any portion of the Leased Space without first obtaining the written consent of the Lessor at least sixty days before the proposed commencement of occupancy by the subtenant. The Lessee shall notify the Lessor of the name of the proposed new subtenant, the amount of space proposed to be occupied by the new subtenant, and the amount of rent proposed to be paid by the new subtenant. Sublease agreements must be for a minimum of two (2) years in length unless the prior written consent of the Lessor is obtained. The Lessor shall at its sole discretion decide whether to grant permission to the Lessee to sublet space and shall not grant permission to sublet to any subtenants whose use of the Premises will not be consistent with all of the terms and conditions of this Agreement most specifically the requirement that the use be for the purposes of carrying out the government program. In the alternative to venting a sublease the Lessor may elect to exclude from this Agreement the space proposed to be sublet and release the Lessee from its obligations with regard to such space. The Lessor may then lease such space directly to the proposed subtenant upon the termination of any such lease for such space. The Lessee shall have the right of first refusal to lease the space before the Lessor may enter into a lease agreement with a new tenant.

ARTICLE 15. NO AGENCY

The parties acknowledge that Tenant is an independent contractor and that nothing contained herein shall be construed to make Tenant or its agent or employees agents or servants of Lessor.

ARTICLE 16.
DEFAULT

16.1 Default; Notice; Remedies. If the Lessee shall vacate or abandon the Premises; shall allow the Premises to be appropriated to or used for any other purpose or use than those set forth in Article 5.1 hereof; or shall allow any liquor gambling or any other immoral practices on the Premises; or if any damage or waste shall be made thereon; or if any term condition or covenant of this Agreement shall be violated by the Lessee; then and in any of said cases the Lessee shall be in default of this Agreement. If such default is not cured by the Lessee within ten (10) days after mailing of written notice of the conditions of default the Lessee does hereby authorize and fully empower the Lessor to cancel and annul this Agreement and to reenter and take possession of the Premises and by force if necessary and to remove all persons and their property therefrom and to use such force and assistance in effecting and perfecting such removal as the Lessor may deem advisable to recover at once full and exclusive possession of all the Premises, whether in possession of the Lessee or a third person or vacant. The Lessor's failure to give immediate notice of default or agreement to allow more than ten days to cure a default shall in no way constitute a waiver of any remedy available to the Lessor upon default by the Lessee.

ARTICLE 17.
EMINENT DOMAIN

If the School Property or any portion thereof is taken by any public authority under the power of eminent domain, the term of this Agreement shall cease as of the day possession shall be taken by such public authority. All damages awarded for such taking under the power of eminent domain shall belong to and be the property of the Lessor irrespective of the basis upon which they are awarded; except that the Lessee shall be entitled to any relocation allowance separately awarded to the Lessee.

ARTICLE 18.
SURRENDER

On the last day of the term of this Agreement or on the sooner termination thereof the Lessee shall peaceably surrender the Premises in good condition and repair consistent with the Lessee' duty to make repairs as provided in Articles 10 and 22 hereof wear and tear and damage by fire and other casualty excepted. On or before the last day of the term of the Agreement or the sooner termination thereof the Lessee shall at its expense remove all of its equipment from the Premises and any property not removed shall be deemed abandoned. The Lessee shall have the right to remove any trade fixtures that the Lessee has installed provided however that the Lessee shall restore the Premises to substantially the same condition as said Premises were in before the removal of said trade fixtures. All alterations and additions other than the Lessee' equipment and trade fixtures which have been made or installed by either the Lessor or the Lessee upon the Premises shall remain as the Lessor's property and shall be surrendered with the Premises as part thereof. If the Premises be not surrendered at the end of the term or sooner termination thereof the Lessee shall indemnify the Lessor against loss or liability resulting from delay by the Lessee in so surrendering the Premises including without limitation claims made by any

succeeding the Lessee founded on such delay. The Lessee shall promptly surrender all keys for the Premises to the Lessor.

ARTICLE 19.
ATTORNEYS' FEES

If it is necessary for either party to retain the services of an attorney at law to enforce any of the terms, covenants or provisions of this Agreement or to collect any sums due thereunder, such party shall be entitled to recover from the other party the reasonable cost of such services and related expenses incurred in enforcing the Agreement.

ARTICLE 20
TERMINATION OF AGREEMENT

This Agreement may be terminated by either party with 90 days written notice.

ARTICLE 21
NOTICES

Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and sent by registered or certified mail to the addresses of the parties set forth below. Either party hereto may change the address to which notices may be sent by giving written notice of such change of address to the other party.

As to the Lessor: Independent School District # 709
 215 North 1st Avenue East
 Duluth, MN 55802

As to the Lessee: Valley Youth Center
 720 North Central Avenue
 Duluth, MN 55807

ARTICLE 22.
CONDITION OF PROPERTY AT TERMINATION

Upon the termination of this Agreement, whether by lapse of time or otherwise, the Lessee shall return the Premises in as good condition as when the Lessee took possession, excepting only ordinary wear and tear and condemnation, damage or destruction.

ARTICLE 23.
QUIET ENJOYMENT

The Lessor covenants and agrees with the Lessee that, upon the Lessee observing and performing all the terms, covenants and conditions on the Lessee part to be observed and performed under this Agreement, the Valley Youth Center may peaceably and quietly enjoy the Leased Space and all of the Lessee' rights under this Agreement, during the Initial Term or any Additional Term hereof'.

ARTICLE 24.
ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties and there are no other terms, obligations, covenants, representations, statements or conditions, oral or otherwise, of any kind whatsoever. Any agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of this Agreement in whole or in part unless such agreement is in writing and signed by the parties against whom enforcement of the change, modification, discharge or abandonment is sought.

ARTICLE 25.
HOLDOVER

If the Lessee shall hold over possession of the Premises after expiration of the Initial Term or any Additional Term hereof, the Lessor may, at its election, either treat the Lessee as a trespasser and eject the Lessee therefrom, or recognize the Lessee as a tenant at will or from month to month, but upon all of the conditions and covenants herein contained. However, in no event shall the Lessee's holding over enlarge the Lessee's rights or status beyond those of a month to month tenant or tenant at will under the laws of Minnesota.

ARTICLE 26.
DESTRUCTION

In case the whole or any part of the Premises be destroyed or damaged by fire or other cause, whether or not as a result of the Lessee's negligence, then in every such case, if the Premises are not usable for the normal conduct of business, in whole or in part, then this Agreement may be terminated by the election of the Lessor. Upon termination as aforesaid this Agreement and the term thereof shall cease, terminate and expire.

ARTICLE 27.
HEADINGS

The headings incorporated in this Agreement are for convenience and reference only and are not a part of this Agreement and do not in any way limit or add to the terms or provisions hereof.

ARTICLE 28.
SITUS

This Agreement was executed in Duluth, Minnesota, and shall be governed by the Laws of the State of Minnesota.

ARTICLE 29.
BINDING EFFECT

All of the covenants, conditions and agreements herein contained shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

THE WELCH CENTER, INC. DOING BUSINESS AS VALLEY YOUTH CENTER

President

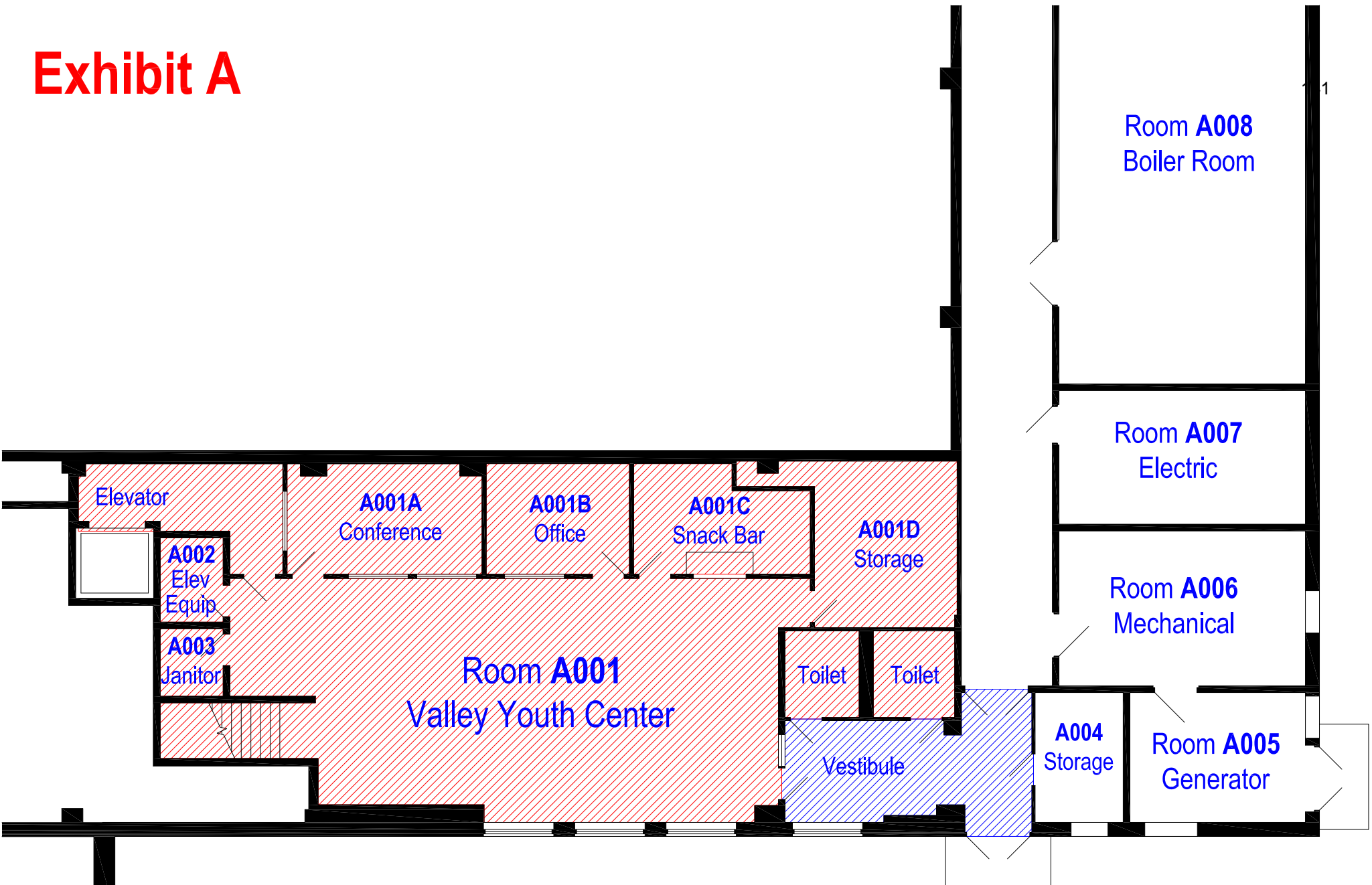
Executive Director

INDEPENDENT SCHOOL DISTRICT NUMBER 709

Board Chair

Board Clerk

Exhibit A



 **Leased Space 2,252 sq.ft,**
 **Shared Space**

**Laura MacArthur Elementary School
Valley Youth Center Lease Area**

RESOLUTION

Acceptance of Donations to Duluth Public Schools

WHEREAS, Minnesota Statute 465.03 requires a school district to accept donations by resolution expressed in the terms prescribed by the donor in full; and,

WHEREAS, acceptance of the donations in accordance with the donor's terms is in the best interest of the Duluth Public Schools:

NOW, THEREFORE, BE IT RESOLVED that the Duluth Public Schools does accept the below-described donations from said organizations in accordance with the terms set forth herein.

BE IT FURTHER RESOLVED that the Duluth Public Schools wishes to extend its grateful appreciation to these various individuals and organizations.

| SCHOOL | DONOR | AMOUNT | RESTRICTION | COMMENTS |
|----------------------|------------------|---------|---------------------|--|
| Area Learning Center | Alex Breilein | In Kind | ALC Holiday Auction | Boys clothes, girls clothes, toiletries, basketball, baby clothes, make-up and candy bars |
| Area Learning Center | Alex Breilien | In Kind | ALC Holiday Auction | Two \$20 Target gift cards, 2 hats, 1 men's jacket, bluetooth speaker, fake eyelashes, 2 women's bath sets |
| Area Learning Center | Anonymous | In Kind | ALC Holiday Auction | 2 bars of soap and necklace/earring set |
| Area Learning Center | Anton Kelekovich | In Kind | ALC Holiday Auction | Football and two blankets |
| Area Learning Center | Bernie Burnham | In Kind | ALC Holiday Auction | \$100 worth of Super One gift cards |
| Area Learning Center | Bernie Burnham | In Kind | ALC Holiday Auction | 21 reading books |
| Area Learning Center | Bill Gronseth | In Kind | ALC Holiday Auction | \$30 subway gift cards, \$15 Dominos gift card |
| Area Learning Center | Cheryl Krause | In Kind | ALC Holiday Auction | 5 stockings, 2 blankets, candle and cheeseboard |
| Area Learning Center | Chris Vold | In Kind | ALC Holiday Auction | \$30 Kwik Trip gift cards and three 2-liters of Pop |
| Area Learning Center | Cindy Lindula | In Kind | ALC Holiday Auction | 3 fleece tie blankets |
| Area Learning Center | Cindy McLeod | In Kind | ALC Holiday Auction | Bag of little girls clothes |

| | | | | |
|----------------------|-------------------|---------|---------------------|--|
| Area Learning Center | Dan Kolden | In Kind | ALC Holiday Auction | \$10 Kwik Trip gift card |
| Area Learning Center | Danyel Winklesky | In Kind | ALC Holiday Auction | Fuzzy socks, water balloons, magazine rack, toss & score game |
| Area Learning Center | Deb Halver | In Kind | ALC Holiday Auction | Body spray and body wash gift sets |
| Area Learning Center | Deb Halver | \$20.00 | ALC Holiday Auction | |
| Area Learning Center | Ellen Dumancas | In Kind | ALC Holiday Auction | 12 fleece blankets |
| Area Learning Center | Gayle Franckowiak | In Kind | ALC Holiday Auction | 2 barbies, bake set, boggle game, hot wheels, splash racer, strawberry shortcake, minion |
| Area Learning Center | Gayle Franckowiak | In Kind | ALC Holiday Auction | Star wars and three pair of gloves |
| Area Learning Center | Gayle Franckowiak | In Kind | ALC Holiday Auction | Blanket, 2 turtle necks, Vikings' shirt, winter hat, beach towel, sweatshirt, 4 purses with hygiene products, art set, sling back purse and book bag |
| Area Learning Center | Hamilton Smith | \$20.00 | ALC Holiday Auction | |
| Area Learning Center | Hamilton Smith | In Kind | ALC Holiday Auction | \$50 Caribou Coffee gift card, \$35 Grandma's gift card, winter hat, gloves and Christmas tree |
| Area Learning Center | Heidi Morris | In Kind | ALC Holiday Auction | Two \$25 gift cards to Target |
| Area Learning Center | Jackie Ward | In Kind | ALC Holiday Auction | Bag full of scarves and holiday centerpiece |
| Area Learning Center | Jamie Bennett | In Kind | ALC Holiday Auction | bear plaque, chess game, pingpong game |
| Area Learning Center | Janet Young | In Kind | ALC Holiday Auction | Russell Stover chocolate box |
| Area Learning Center | Jen Ahern | \$20.00 | ALC Holiday Auction | |

| | | | | |
|----------------------|------------------------|---------|---------------------|--|
| Area Learning Center | Joan Lancour | In Kind | ALC Holiday Auction | Ice cream dish set and 3 slippers |
| Area Learning Center | Joe Schingen | \$20.00 | ALC Holiday Auction | |
| Area Learning Center | Karen Villeburn-Vranek | In Kind | ALC Holiday Auction | 3 handmade infinity scarves |
| Area Learning Center | Katherine Elling | In Kind | ALC Holiday Auction | Bag of snack foods |
| Area Learning Center | Katie Kaufman | In Kind | ALC Holiday Auction | 2 teddy bears, Harry Potter wand, 2 popcorn tins, 2 blanks, 4 cookie tins, black panther toy, 7 candy canes, wolf t-shirt and 2 craft kits |
| Area Learning Center | Kim Franckowiak | In Kind | ALC Holiday Auction | 10 piece bed set, horse blanket, snowman blanket and flannel pants |
| Area Learning Center | Kim Ledoux | In Kind | ALC Holiday Auction | 2 Barbie dolls |
| Area Learning Center | Maureen Olek | In Kind | ALC Holiday Auction | Floor mat set and target game |
| Area Learning Center | Meg Weber | In Kind | ALC Holiday Auction | Lime chips, case of popcorn, \$20 Sammy's gift card |
| Area Learning Center | Michael Zwak | In Kind | ALC Holiday Auction | Household items |
| Area Learning Center | Michelle Porter | In Kind | ALC Holiday Auction | 3 little kid stuffed animals |
| Area Learning Center | Michelle Porter | In Kind | ALC Holiday Auction | Twin winter comforter |
| Area Learning Center | Michelle Porter | \$20.00 | ALC Holiday Auction | |
| Area Learning Center | Michelle Porter | In Kind | ALC Holiday Auction | Men's slippers, adult PJ'ss and coloring book |
| Area Learning Center | Pam Tolland | In Kind | ALC Holiday Auction | Household items and baby boy clothes |

| | | | | |
|-----------------------|---------------------------|----------|---------------------|---|
| Area Learning Center | Paula McGrew | In Kind | ALC Holiday Auction | Puzzle, Christmas tins, 2 mugs and hand soap dispenser |
| Area Learning Center | Paula Williams | In Kind | ALC Holiday Auction | Body care products |
| Area Learning Center | Peggy Blalock | In Kind | ALC Holiday Auction | Fleece blanket |
| Area Learning Center | Roberta Evanson | In Kind | ALC Holiday Auction | Little girls clothes, gloves and 2 picture frames |
| Area Learning Center | Scott Forbort | \$50.00 | ALC Holiday Auction | |
| Area Learning Center | Shana Vesel | In Kind | ALC Holiday Auction | Basket of fleece jackets and sweatshirts, 4 PJ pants, 2 sweatshirts, 4 kids shirts, 2 girls slippers, 6 socks |
| Area Learning Center | Shania Bush | \$20.00 | ALC Holiday Auction | |
| Area Learning Center | Shaunna Wood | In Kind | ALC Holiday Auction | Christmas figurines and Precious Moments figurines |
| Area Learning Center | Sheri Johns | In Kind | ALC Holiday Auction | 2 men's bath wash sets, jewelry, water bottle, nail polish |
| Area Learning Center | Sue Wakefield | In Kind | ALC Holiday Auction | Teddy bear and Strawberry Shortcake doll |
| Area Learning Center | Susan Richards | In Kind | ALC Holiday Auction | Dragon stuff animal, pen set and \$20 McDonalds gift cards |
| Area Learning Center | Wendy Braun | In Kind | ALC Holiday Auction | Ladies watch and water bottle |
| Curriculum Department | Houghton Mifflin Harcourt | In Kind | Elementary schools | 120 whiteboards (14" x 11") to be used with the Math Expressions Curriculum |
| Denfeld | Anonymous | \$60.00 | Automotive Program | |
| Denfeld | Duluth Elks Lodge | \$50.00 | Jazz Band | |
| Denfeld | Gary Lofald | \$600.00 | Automotive Program | For Automotive Program improvements |

| | | | | |
|-----------------|--|------------|---------------------------------|--|
| Denfeld | Jerome Rouleau | \$50.00 | Softball | |
| Denfeld | Karen McCormick | \$50.00 | Softball | |
| Denfeld | Matthew Rannila | \$200.00 | Duluth Automotive Program | |
| Denfeld | Thomas and Marilyn White | \$100.00 | Softball | |
| Denfeld | Timothy Brandon | \$1,000.00 | Automotive Program | |
| Denfeld | Tonya Sconiers | \$50.00 | Automotive Program Improvements | |
| District-Wide | John & Linda Hinners | \$35.00 | Families in Transition Program | |
| District-Wide | Joseph & Charlene Gallian | \$50.00 | Families in Transition Program | |
| District-Wide | Carolyn Zanko | In Kind | To be used for students | Donated two handmade quilts to schools to be used for students. |
| District-Wide | Karen McTavish, Tavish Quilting Studio | In Kind | To be used for students | Karen donated the long-arm machine time (6 hours) that was used to quilt the quilts. She did not charge for use of the long arm machine. |
| East | Anonymous | \$52.50 | Unpaid lunch debt at East | |
| East | Mary and Daniel Shaw | \$400.00 | Exec Board | |
| Laura MacArthur | Lula Schlangen | In Kind | For students | Hats, mittens and snow pants for our students |
| Laura MacArthur | Salem Covenant Church | In Kind | For students | School supplies and socks and underwear for our students-1 bag of each |
| Lester Park | Duluth Heritage Sports Center Foundation | \$144.00 | 3rd grades | Ice skating for LPES all third grade classes |
| Lester Park | Keller Williams Classic Realty NW | In Kind | For students | Part of the Mitten Mission Project - a couple dozen hats and mittens |
| Lester Park | Lee Ann Bowman | \$25.00 | None | This was given to the McCall family in memory of Janet Petersen, their grandmother/great-grandmother |

| | | | | |
|---------------|--|----------|--------------------------------|---|
| Lincoln Park | Action for Healthy Kids | \$325.00 | Healthy Kids | |
| Lowell | Mightycause Charitable Foundation | \$20.00 | None | Unknown supporters of Lowell donated through GiveMN/Mightycause; Mightycause operates and provides an online fundraising platform dedicated to serving nonprofits |
| Lowell | Keller Williams Classic Realty NW, Darcie Novak & Kayla Vang | In Kind | No | This company conducted "Mitten Mission Project 2018". They asked local businesses and community members to donate hats and mittens to be distributed to area schools. |
| Myers-Wilkins | Courtney Cornelius | In Kind | Students | A large tote of supplies for students |
| Myers-Wilkins | Maurices | \$40.00 | None | |
| Myers-Wilkins | Michael Goettel/Sara Zimmer | \$200.00 | Classroom supplies | Parent donation |
| Myers-Wilkins | Anonymous | \$129.00 | Unpaid lunch balances at Myers | Anonymous donation made on behalf of Mr. & Mrs. Richard Anderson, Mr. & Mrs. Brian Rauvola |
| Myers-Wilkins | Anonymous | \$250.00 | Unpaid lunch balances at Myers | |
| Myers-Wilkins | Tom/Theresa Pearson | \$195.00 | None | Building Use (Volleyball Group) Donation |

RESOLUTION

Authorized Bank Account Signer – January 2019

RESOLVED, by the School Board of Independent School District No. 709, St. Louis County, Minnesota, that it hereby authorizes the following:

| District Building | Banking Institution | Account Number | Addition of Authorized Signer | Removal of Authorized Signer |
|--------------------------|----------------------------|-----------------------|--------------------------------------|-------------------------------------|
| Stowe | HPCU | XXXX0 | | Brian Gunderson |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

**Expenditure Contracts Signed
December 2018**

For your information, the Superintendent or the Executive Director of Business Services has signed the following expenditure contracts during the month of December 2018:

| Name | Amount (or Not to Exceed) | Source | Description |
|--|----------------------------------|--|---------------------------------------|
| Newsela | \$2,000.00 | Arrowhead, Chester Creek, Merritt Creek, Rockridge and Superior Academies | License |
| Duluth Entertainment Convention Center (DECC) | \$2,715.00 | East | 2018 Holiday Concert |
| University of MN Duluth, Weber Hall | \$490.00 | East | Choir Concert |
| Mary Ann Marchel | \$4,500.00 | ECFE | Mental health consultation services |
| Wolf Ridge Environmental Learning Center | \$1,350.00 | Homecroft | Field trip |
| Booster Enterprises, Inc. | \$2,000.00 | Homecroft | Boosterthon Fun Run |
| Wolf Ridge Environmental Learning Center | \$1,350.00 | Lowell | Field trip |
| LEAF | \$21,000.00 | East | Five year lease for three (3) copiers |
| Sheryl Bowman | \$2,000.00 | Preschool | Staff trainings |
| Concordia Community Arts | \$840.00 | Special Services | Preschool planning as required by IEP |
| | | | |
| | | | |
| | | | |
| | | | |



Customer Agreement

Newsela
620 8th Avenue, 21st Floor
New York, NY 10018
United States of America

Customer Agreement No. 00044822
PRO Team Sales Rep: Elizabeth St. Onge

Offer Date: elizabeth.st.onge@newsela.com
December 4, 2018

To Duluth Public Schools - ISD 709
215 N 1ST Ave E
Duluth MN 55802-2069
United States

Billing Information
Billing Terms: Net 30 Days
Only fill out if you are not the Billing Contact:
Billing Contact:
Billing Contact Title:
Billing Phone:
Billing Email:

Term: 182 Days
Target Start Date: December 5, 2018
Target End Date: June 4, 2019

Services/Products (additional detail in Appendix A):

| Product | Contract Grand Total |
|---------------------|----------------------|
| Newsela PRO License | \$2,000.00 |
| | |

The subscription for the Services/Products shall commence as of the "Subscription Start Date" and continue through the "Subscription End Date" (a "Contract Year"). The Subscription Start Date for this Customer Agreement will be the later of (a) the Target Start Date set forth above and (b) the date on which this Agreement has been executed by the Customer (the "Execution Date"). The Subscription End Date for this Customer Agreement will be that date which is the length of the Term after the Subscription Start Date.

Failure of the Customer to make use of the Services/Products during the Term of a Contract Year shall not extend Newsela's obligation to deliver those Services/Products beyond the Subscription End Date of that Contract Year.

Once this Customer Agreement has been signed, the Customer agrees to pay the Contract Grand Total set forth above per the Billing Terms noted above. If payment is made by credit card, a 3.0% fee for the convenience of paying through a third party will be applied to the invoice. Service will be suspended at Newsela's discretion if payment is not received by Newsela within thirty (30) days of the date of this Customer Agreement. Failure of the Customer to use the Service/Product shall not relieve Customer of its obligation to pay hereunder. Please note that certain Services/Products are subject to applicable state sales tax. If you wish to claim an exemption, please provide Newsela with a copy of your state sales tax exemption certificate.

This Customer Agreement constitutes the entire agreement between the parties and supersedes all prior

written or oral understandings, proposals, bids, offers, negotiations, agreements or communications of every kind. This Customer Agreement and the terms contained herein are intended only for the Customer and should be kept confidential.

This Customer Agreement is subject to Newsela's Terms of Use and Privacy Policy.

Terms of Use: <https://newsela.com/pages/terms-of-use/>

Privacy Policy: <https://newsela.com/pages/privacy-policy/>

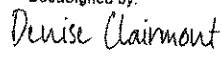

Purchase Order Information

If you need a Purchase Order, please fill out the following information.

PO Number:

PO Amount: \$

The individual executing this Customer Agreement has the authority to execute this agreement and bind the Customer and Newsela has the right to rely on that authorization.

| | | |
|-----------------------|--|------------------------------|
| Authorized Signature: | <p>DocuSigned by:   CFO</p> | Date of Signature: 12/5/2018 |
|-----------------------|--|------------------------------|

Comment:

Newsela PRO Pilot License includes:

- Unlimited teacher-student relationships across the schools
- Access to Newsela's entire library of content
- Access to PRO Teacher Resources on all current events articles
- Access to student activities to build comprehension and engagement
- Ability to view, grade, and track progress on student assignments
- Click-to-chat and click-to-call support at support.newsela.com
- School Binder access for select colleagues in the school

Power Words License:

- Students build word strength with 10 low-stakes vocabulary activities
- Students have a place to keep track of words they are working on and have encountered, called the "Word Wall"
- Newsela delivers personalized recommendations for further reading based on students' Power Words activity
- Teachers can monitor individual word acquisition and progress against a yearly goal in their Teacher Binder

All Access PD Pass:

Educators get unlimited access to all exclusive learning resources in The Teacher Learning Hub, including over 30 hours of live webinars each month, in-depth cohort courses, office hours, and more. All of these exclusive resources are steeped in pedagogy and count for Professional Development hours.

Social Emotional Learning Collection:

- Subscription to a growing Collection of content that explains and illustrates research-based SEL competencies in the context of the real world
- Embedded SEL strategies on each article for educators and students to engage with

articles through the lens of SEL

- SEL Write prompts and reading comprehension quizzes on every article
- SEL articles are surfaced, organized, and sequenced for you
- Professional development included to support educators with classroom implementation and strategies (5 monthly webinars)
- Reporting on Collection usage for administrators

U.S. History Collection, Middle School:

State standards might be different, but the goal of knowledgeable active citizens is universal. Our U.S. Middle School History Collection is grounded in the C3 framework and gives teachers a fresh set of tools to teach the events of American history the way students want to learn them. This Collection serves up compelling topics and questions, provides engaging activities that promote knowledge, inquiry, ELA skills, and active citizenship, and offers the flexibility to be used with or without a textbook to paint a rich and relatable picture of American history.

Appendix A

| Qty | School | Product |
|-----|---------------------------|--|
| 1 | Superior Academy | All Access PD Pass - Pilot |
| 1 | Superior Academy | Newsela PRO School License - Pilot |
| 1 | Superior Academy | Power Words - Pilot |
| 1 | Superior Academy | U.S. History Collection, Middle School - Pilot |
| 1 | Superior Academy | Social Emotional Learning - Middle School Collection - Pilot |
| 1 | Superior Academy | Social Emotional Learning - Elementary Collection - Pilot |
| 1 | Superior Academy | Social Emotional Learning - High School Collection - Pilot |
| 1 | Arrowhead Juvenile Center | All Access PD Pass - Pilot |
| 1 | Arrowhead Juvenile Center | Newsela PRO School License - Pilot |
| 1 | Arrowhead Juvenile Center | Power Words - Pilot |
| 1 | Arrowhead Juvenile Center | U.S. History Collection, Middle School - Pilot |
| 1 | Arrowhead Juvenile Center | Social Emotional Learning - Middle School Collection - Pilot |
| 1 | Arrowhead Juvenile Center | Social Emotional Learning - Elementary Collection - Pilot |
| 1 | Arrowhead Juvenile Center | Social Emotional Learning - High School Collection - Pilot |
| 1 | Chester Creek Academy | All Access PD Pass - Pilot |
| 1 | Chester Creek Academy | Newsela PRO School License - Pilot |
| 1 | Chester Creek Academy | Power Words - Pilot |
| 1 | Chester Creek Academy | U.S. History Collection, Middle School - Pilot |
| 1 | Chester Creek Academy | Social Emotional Learning - Middle School Collection - Pilot |
| 1 | Chester Creek Academy | Social Emotional Learning - Elementary Collection - Pilot |
| 1 | Chester Creek Academy | Social Emotional Learning - High School Collection - Pilot |
| 1 | Merritt Creek Academy | All Access PD Pass - Pilot |
| 1 | Merritt Creek Academy | Newsela PRO School License - Pilot |
| 1 | Merritt Creek Academy | Power Words - Pilot |
| 1 | Merritt Creek Academy | U.S. History Collection, Middle School - Pilot |
| 1 | Merritt Creek Academy | Social Emotional Learning - Middle School Collection - Pilot |
| 1 | Merritt Creek Academy | Social Emotional Learning - Elementary Collection - Pilot |
| 1 | Merritt Creek Academy | Social Emotional Learning - High School Collection - Pilot |
| 1 | Rockridge Elementary | All Access PD Pass - Pilot |
| 1 | Rockridge Elementary | Newsela PRO School License - Pilot |
| 1 | Rockridge Elementary | Power Words - Pilot |
| 1 | Rockridge Elementary | U.S. History Collection, Middle School - Pilot |
| 1 | Rockridge Elementary | Social Emotional Learning - Middle School Collection - Pilot |
| 1 | Rockridge Elementary | Social Emotional Learning - Elementary Collection - Pilot |


Newsela

Registered Office: 475 10th Ave, 4th Floor, New York NY 10018. United States of America

1

Rockridge Elementary

Social Emotional Learning - High School Collection - Pilot



DECC

DULUTH ENTERTAINMENT CONVENTION CENTER
RENTAL AGREEMENT

THE ENTIRE DECC COMPLEX IS A NON-SMOKING FACILITY

In consideration of the fees and covenants herein expressed by the DULUTH ENTERTAINMENT CONVENTION CENTER AUTHORITY, an Authority created by charter by the State of Minnesota, herein referred to as the "DECC" does hereby give permission to the following:

Organization/Company Name: **East High School**
(hereinafter referred to as the "Permittee")

Address: **Duluth East High School, 301 North 40th Avenue East, Duluth, MN 55804**

Telephone: **218-336-8845, Ex. 2311**

Contact Name: **Jerry Upton**

For the Sole Purpose of: **East High School Holiday Concert 2018**

To use the following specified facilities of the Duluth Entertainment Convention Center on the following day(s):

December 14-15, 2018 (Friday-Saturday)

Symphony Hall (Friday Set-up/Saturday Concert)

Paulucci Hall (Saturday Staging)

1. The rent to be paid by the Permittee is in the amount and on the basis and terms as follows:

\$2,715.00 (Two Thousand Seven Hundred Fifteen Dollars and no cents)

Plus the following:

Equipment List and Audio-Visual - (Effective 1/2018) or current rates

Catering and/or Exhibit Arrangements by Separate Agreement

2. ~~A \$1,000.00 non-refundable deposit is required seven (7) business days after receiving this contract.~~ Remaining balance will be billed and due upon receipt.
3. All food and beverage must be purchased through the Duluth Entertainment Convention Center. A pre-determined menu is required for all meal functions. The DECC requires that menu selections be made at least four (4) weeks prior to the event.
4. Because the DECC prepares for the number of meals guaranteed, a guaranteed number of meals is required 5 business days in advance. This number is not subject to reduction within this 5 business day period. Permittee will be charged for the number guaranteed, unless additional meals are served. If no guarantee is received, Permittee will be charged for the number on the catering confirmation.
5. Permittee agrees not to use any decorative materials prohibited by city ordinance including, but not limited to, crepe paper (flameproof or not), cellophane (shredded or not), confetti, cornstalks, and helium balloons. Display items may not be affixed to any wall, floor or ceiling with nails, staples, tape or any other substance.
6. Permittee agrees not to stage any act or performance in which fire or flame is involved without first seeking written permission from the Fire Prevention Bureau of the City of Duluth.

7. The DECC will use its best efforts to accommodate the Permittee with specified rooms, however, should the circumstances warrant, the DECC reserves the right to move the event from one room to another. Advance notification will be made should this situation arise.
8. The DECC is a **smoke free building**. We request that only *designated* outside areas be used.
9. Permittee shall indemnify and hold the DECC harmless of and free from any and all loss, damage, or injury to any person or persons, whomsoever, or property arising from the use of described facilities.
10. Insurance is required for any group over 500 people or when the event is open to the public. Permittee agrees to obtain, at its own cost and expense, public liability insurance in the sum of not less than \$500,000.00 for each person injured or killed, and not less than \$1,000,000.00 for the injury or death of two or more persons in any one occurrence, and property damage in the sum of not less than \$100,000.00 for each occurrence. All policies of insurance **shall name the City of Duluth and The Duluth Entertainment Convention Center Authority as additional insured** and shall contain a provision that such policy shall not be canceled without thirty (30) days written notice to the Duluth Entertainment Convention Center Authority. Permittee shall, at the time of the execution of this agreement, furnish the DECC with a copy of said policy or policies, or a certificate or certificates that such insurance has been issued.
11. The DECC is the official exhibit decorator for the Duluth Entertainment Convention Center. The DECC agrees to receive display materials one week prior to the opening of any show. The DECC will utilize reasonable efforts to secure and safeguard said display items while in storage. However, the Permittee shall be fully responsible for such materials while in storage.
12. This contract shall be binding by the DECC and the Permittee, its successors or assignees. The Permittee and the DECC agree that the DECC will not be liable for non-performance of this contract when non-performance is attributable to events beyond reasonable control of the DECC such as acts of God, national emergencies, and inoperable building conditions.
13. Permittee shall not assign or transfer this agreement, or sublet any portion thereof, without the written consent of the DECC. The Permittee herein is an independent contractor and not the agent or employee of the DECC.
14. The DECC reserves the right to refuse the sale or distribution of any or all novelty items or merchandise which the DECC deems offensive or objectionable.
15. The DECC will provide standard room-set per room used, public address system, heat, light, ventilation, air conditioning, building maintenance, janitorial services and building attendant.
16. The City represents, to the best of its knowledge, that the Duluth Entertainment Convention Center meets applicable requirements of the Americans with Disabilities Act (ADA) of 1990 and will hold harmless the Permittee from any claims of violations or non-compliance with the ADA that are beyond the control of the Permittee.
17. The DECC is the official decorator for the installation of exhibit booths, decorations, etc. The DECC and Permittee shall enter separate contract for decorator and convention services. You are welcome to bring in free of charge, any custom booths and custom items from your decorator. However, if they are standard items that we could supply Permittee agrees to pay 50% upcharge on services of any outside decorating firm on what our current year prices would have been. Permittee shall be responsible to Executive Director for any damage to building through erection of such booths or decorations. The DECC agrees to receive display material and equipment one week prior to the opening of any show, however, the Permittee shall hold full responsibility for such material while in storage. The DECC, its employees, or its assigns shall install all electrical outlets and cables to the booth area at the specified rates as established in Electrical Order Form. Permittee agrees to compensate the DECC for any loss of equipment or damage to any wiring, from any cause, to furnish the Permittee the use of the facilities herein described. Permittee further agrees to reimburse the DECC for any loss of equipment or damage to any wiring, from any cause, during the running of the show excepting that of natural wear of the electrical equipment. The DECC shall furnish the Permittee an inventory of such equipment at time of installation.

IN WITNESS WHEREOF, the DECC has caused these presents to be signed by its Executive Director or Authorized Representative, and the Permittee has executed the same the day and date first written.

Dated this 3rd day of December, 2018

DULUTH ENTERTAINMENT CONVENTION CENTER

By: _____
Executive Director
Duluth Entertainment Convention Center
(DECC)

Catherine Erickson

Permittee Signature

Catherine Erickson, CFO

Permittee Title

12/4/18

Date



UNIVERSITY OF MINNESOTA FACILITY USE AGREEMENT

THIS FACILITY USE AGREEMENT ("Agreement") is entered into effective as of November 5, 2018, by and between the Regents of the University of Minnesota ("University"), a Minnesota constitutional corporation, and ISD 709 ("Licensee"), a independent school district of Minnesota. This Agreement is entered into by University through its Regents.

1. **Grant of License.** University grants to Licensee a license to use Weber Music Hall (the "Facility") solely for the following purpose(s):

East High School Choir Concert (the "Event").

The estimated number of people expected to attend the Event is three hundred twenty two (322). Licensee acknowledges and agrees that University, its agents, employees, invitees, licensees and students may use any portion of the Facility for any purpose whatsoever and at any time during the term of the Agreement, provided that such use shall not unreasonably disturb Licensee's use of the Facility as provided in this Agreement. Licensee shall use the Facility in accordance with the terms and conditions of this Agreement, all University policies and rules and all federal, state and local laws, ordinances, rules and regulations.

2. **Term.** Licensee is permitted to use the Facility only during the following dates and times:

May 30th, 2019 from 5:00 pm - 9:00 pm

3. **Fee.** In addition to any other payment Licensee is required to make pursuant to this Agreement, Licensee shall pay University a fee as described on the attached Exhibit A (the "Fee"). The Fee is non-refundable, unless otherwise provided in this Agreement.

4. **Utilities and Services.** University shall provide maintenance and services to the Facility in accordance with its routine schedule and standards for the Facility. Licensee shall reimburse University for all additional maintenance and services provided at Licensee's request.

5. **Concessions/Novelties; Food; Beverage.**

5.1 Licensee shall not sell any concessions or novelties on or in the Facility or on any University property without an executed Sales Permit issued by University, which Permit University may grant or withhold in its sole discretion.

5.2 Food may be served on or in the Facility only with the permission of University, and, if required by University, a permit from University's Department of Environmental Health and Safety.

5.3 Licensee shall not sell, distribute, dispense, advertise or promote any non-alcoholic beverage (or permit any other to do the same) without University's written consent, which consent University may condition, grant or withhold in its sole discretion.

5.4 Licensee and/or its caterer may not serve or sell alcoholic beverages at the Facility, unless Licensee receives authorization from the University, containing such terms and conditions as University, in its sole discretion, deems advisable. Such authorization may be granted or withheld at University's sole discretion.

6. **Alterations; Signs; Liens.** Licensee shall not redecorate, change or alter the Facility, nor shall Licensee display any signs or advertising in or about the Facility, without the prior written consent of University, which consent University may grant or withhold in its sole discretion. Licensee shall not permit to accrue, and shall indemnify University against and hold University harmless from, any liens for labor or materials provided to Licensee, or claimed to have been so provided.

7. **Personal Property.** Licensee, not University, is responsible for loss of or damage to any personal property of Licensee, its guests, agents, employees or invitees, located within the Facility or on University property, before, during or after the term of the Agreement.

8. **Indemnification.** Licensee agrees to defend (with counsel reasonably acceptable to University), indemnify, and hold harmless University from and against all claims, actions, damages, judgments, fines, liabilities, and expenses (including attorney's and other professional fees) arising from or in connection with (i) Licensee's use of the Facility and other University property, except to the extent caused by the negligence or intentional misconduct of University; (ii) the negligent or wrongful acts of Licensee's employees, agents, vendors, contractors, or invitees; or (iii) Licensee's failure to perform or comply with any of the covenants, agreements, terms, provisions, conditions, or limitations contained in this Agreement.

9. **Insurance.** At least thirty (30) days prior to the Event, Licensee shall provide University with a certificate of insurance or other acceptable evidence of insurance coverage as indicated below. If this Agreement is signed by Licensee fewer than thirty (30) days prior to the Event, Licensee shall submit such evidence of insurance upon the signing of this Agreement.

9.1. Check either (A) (B) or (C) below as applicable:

- (A) Licensee's policy of Commercial General Liability Insurance with a minimum limit of \$1,000,000 per occurrence; or qualified self-insurance subject to approval by University.
- (B) Proof that Licensee has purchased event liability insurance with a minimum limit of \$1,000,000 per occurrence. Licensee may purchase such insurance from the insurer of its choice, or at the following website address: <https://tulip.ajgrms.com> (a pass code will be provided if this option is selected).

- (C) State and other governmental agencies that are self-insured shall provide a letter stating that fact and the coverage limits for such insurance on departmental letterhead.

9.2 Workers' Compensation/Employers Liability, if applicable, to the extent required by law.

9.3 All insurance provided under paragraph 9.1(A) and 9.1(B) shall be written by insurance companies with an A.M. Best rating of A-VII or better and licensed and authorized to do business in the State of Minnesota and shall name the Regents of the University of Minnesota as an additional insured. The policies shall provide that the insurance coverage shall not be canceled, modified or non-renewed before the end of the term of this Agreement without written notice to University. Licensee shall maintain the insurance(s) described in this paragraph for the entire term of this Agreement.

10. **Assignment.** Licensee shall not assign its rights under this Agreement without University's prior written consent, which consent University may grant or withhold in its sole discretion.

11. **Surrender.** Licensee shall surrender possession of the Facility to University at the conclusion of the Event in the same good condition as on the date of possession by Licensee. Licensee shall reimburse University for any and all costs University incurs to repair any damage to the Facility or other University property or equipment arising out of or connected with Licensee's use of the Facility, unless such damage is caused solely by University, its officers, employees, agents or representatives.

12. **Notices.** All notices, requests and other communications that a party is required or elects to deliver shall be in writing and shall be delivered personally, or by facsimile or electronic mail (provided such delivery is confirmed), or by a recognized overnight courier service or by United States mail, first-class, certified or registered, postage prepaid, return receipt requested, to the other party at its address set forth below or to such other address as such party may designate by notice given pursuant to this section:

If to University: University of Minnesota
 c/o Real Estate Office
 Attn.: Senior Real Estate Specialist
 424 Donhowe Building
 319-15th Avenue SE
 Minneapolis, MN 55455-0199
 Facsimile No.: (612) 624-6345
 E-mail: reo@umn.edu

With a copy of
default notices to: University of Minnesota
Office of the General Counsel
Attn.: Transactional Law Services Group
360 McNamara Alumni Center
200 Oak Street SE
Minneapolis, MN 55455-2006
Facsimile No.: (612) 626-9624
E-mail: contracts@mail.ogc.umn.edu

If to Licensee: Duluth East High School
Attn: Jerry Upton
301 N 40th Ave. E.
Duluth, MN 55804
Facsimile No.: 218-310-4309
E-mail: jerome.upton@isd709.org

13. License Only; Remedies. Licensee acknowledges that this Agreement represents a grant of a revocable license only, and not an easement or lease. Licensee shall pay to University all of University's damages, costs and fees, including attorneys' fees, caused by Licensee's failure to comply with the terms and conditions of this Agreement. In addition, if Licensee fails to comply with the terms and conditions of this Agreement, University shall be entitled to exercise all other legal and equitable remedies available to University.

14. Limitation of University Liability. IN NO EVENT SHALL UNIVERSITY BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, LOST PROFITS OR LIKE EXPECTANCY DAMAGES ARISING OUT OF THE AGREEMENT. UNIVERSITY'S TOTAL LIABILITY FOR BREACH OF THIS AGREEMENT IS THE FEE PAYABLE BY LICENSEE AS SET FORTH IN PARAGRAPH 3 OR IN AN EXHIBIT TO THIS AGREEMENT.

15. Force Majeure. No party to this Agreement shall be responsible for any delays or failure to perform any obligation under this Agreement due to acts of God, strikes or other disturbances, including, without limitation, terrorist acts, war, insurrection, embargoes, governmental restrictions, acts of governments or governmental authorities, and any other cause beyond the control of such party.

16. Use of University Name or Logo. Licensee agrees not to use the name, logo, or any other marks (including, but not limited to, colors and music) owned by or associated with the University or the name of any representative of the University without the written permission of the University in each instance except for the limited purpose of identifying the location of the Event in advertising or other notices for the Event.

16.1 Licensee shall not use or alter University Marks in connection with the Event. Licensee agrees that the following disclaimer shall be prominently placed in all material related to promotion, publicity or advertising of the Event, whether print media, photo, video or web-based, in a font not smaller than the main text of the specific piece:

"The University of Minnesota is not endorsing or sponsoring the activities conducted by ISD 709 on the University of Minnesota campus. The relationship between the University of Minnesota and ISD 709 is solely that of licensor and licensee."

16.2 Licensee's failure to comply with this section shall give University the right to immediately terminate this Agreement and Licensee's access to the Facilities.

17. Copyright Representation and Release. Licensee represents that copies of presentation materials Licensee provides to University, or directs University to copy and distribute to Attendees, and materials that Licensee will present by multimedia at the Event, will only be made from legal copies and that Licensee has the right to make this use of the presentation materials either because Licensee a) owns the copyright; b) has written permission of the copyright owner(s) for this use; c) reasonably believes each use to be fair use pursuant to 17 United State Code § 107, *Limitations on exclusive rights: Fair use*; or d) reasonably believes the material to be in the public domain. Licensee further represents that copyright notices have not been altered and that required attributions are shown. Licensee releases and will hold harmless University, its Regents, officers, employees and agents for copyright infringement arising from Licensee's presentation materials.

18. Amendments. This Agreement shall be amended only in a writing duly executed by all the parties to this Agreement.

19. Non-Waiver. No waiver by any party of a default or non-performance by the other party shall be deemed a waiver of any subsequent default or non-performance.

20. Governing Law; Forum. The laws of the state of Minnesota shall govern the validity, construction and enforceability of this Agreement. All suits, actions, claims and causes of action relating to the construction, validity, performance and enforcement of this Agreement shall be brought in the state courts of Minnesota.

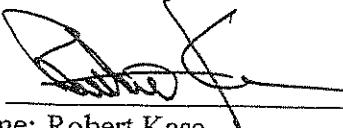
21. Entire Agreement. This Agreement (including all exhibits, if any) is intended by the parties as the final and binding expression of their agreement and as the complete and exclusive statement of its terms. This Agreement supersedes all prior negotiations, representations and agreements between the parties, whether oral or written, relating to the subject matter of this Agreement.

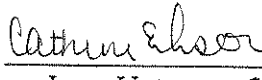
22. Exhibits. The terms and conditions of any and all exhibits attached to this Agreement are made a part of this Agreement as if fully set forth in this Agreement. To the extent that any of the terms and conditions of paragraphs 1 – 22 of this Agreement conflict with any of the terms and conditions of the attached Exhibit(s), the terms and conditions of the Exhibit(s) shall control. All capitalized terms in any Exhibit(s) that are not specifically defined in such Exhibit(s) shall have the meanings given them in this Agreement.

IN WITNESS WHEREOF, University and Licensee have executed this Agreement as of the date set forth above.

Regents of the University of Minnesota

Duluth East High School

By: 
Name: Robert Kase
Title: Dean, School of Fine Arts
Date: 11/9/18

By: 
Name: ~~Jerry Upton~~ Catherine Erickson
Title: ~~Choir Director~~ CFO
Date: 12-10-18



**SAFETY OF MINORS ADDENDUM
TO
FACILITY USE AGREEMENT**

THIS SAFETY OF MINORS ADDENDUM is part of the Facility Use Agreement (the "Agreement") entered into between University and Licensee dated November 5, 2018. In the event of any conflict between the provisions of this Addendum and other provisions of the Agreement, the provisions of this Addendum shall control.

1. Supervision; Safety and Protection of Minors. Licensee shall be responsible for (i) supervising minor attendees while anywhere on University property; and (ii) providing qualified, properly trained and responsible adult supervisors in compliance with University's Safety of Minors policy and the rules, regulations and procedures for use of the Facility, throughout the entire term of this Agreement.

1.1 Licensee represents and certifies to University that:

- Licensee's employees, chaperones, counselors, volunteers, and any others interacting with minor attendees (and anyone who supervises such persons) (collectively "Licensee Parties") have passed a criminal background check;
- Licensee Parties have completed a training program on child safety and protection, which training program specifically incorporates the mandatory notice requirements for maltreatment of minors set forth in Minn. Stat. §626.556; and
- Licensee maintains a readily-accessible list of parent and/or emergency contacts for minor attendees.

1.2 University reserves the right to require Licensee to provide evidence of Licensee's compliance with the requirements of this Section 1.

2. Consent Forms. Licensee shall obtain a consent and waiver of liability form for each minor attending the Event, which authorizes Licensee's employees or staff to take ill or injured attendees for medical treatment. Forms shall be signed by the parent or legal guardian of any minor attending the Event. Completed forms shall be retained by Licensee and made available to University upon request.

3. Reporting of Incidents/Accidents. Licensee shall submit a University-approved injury report (Personal Injury Accident Report) to the Facility manager within twenty-four (24)-hours of an incident that could give rise to University liability. All incidents shall be reported regardless of the severity or type of injury. The filing of an injury report does not shift responsibility for claims from Licensee to University.

**EXHIBIT A to
STANDARD USE/LICENSE AGREEMENT
WEBER MUSIC HALL**

The University and the Licensee further agree as follows:

1. Licensee.

- 1.1 Title of event: East High School Choir Concert
- 1.2 Sponsoring organization: East High School
- 1.3 Contact person: Jerry Upton
- 1.4 Mailing address: 301 N 40th Ave. E.
- 1.5 City/State: Duluth, MN 55804
- 1.6 Telephone: 201-310-4309
336-8845 Ext. 2311
- 1.7 Email: jerome.upton@isd709.org

2. Term.

| | | | | |
|------------------|---------------------|--------------------|-------------|---------------------|
| Date: 05/30/2018 | Start Time: 5:00 pm | Stop Time: 9:00 pm | Purpose: CN | Event Time: 7:00 pm |
| Date: | Start Time: | Stop Time: | Purpose: | Event Time: |
| Date: | Start Time: | Stop Time: | Purpose: | Event Time: |
| Date: | Start Time: | Stop Time: | Purpose: | Event Time: |
| Date: | Start Time: | Stop Time: | Purpose: | Event Time: |

3. Fee.

University agrees to provide to Licensee the Facility, equipment and/or services described below at the Licensee's sole cost and expense. Licensee shall use such equipment and/or services at its own risk and shall reimburse University for the cost of repairs necessitated by Licensee's misuse or abuse.

Facility charge.

| | Quantity (in days) | Cost | Total |
|----------------------|--------------------|--------|----------|
| Main hall | 1/3 | 175.00 | \$175.00 |
| Warmup room (Singer) | 1/3 | 25.00 | \$25.00 |
| Green room | | | |
| Dressing room | | | |

Technical charge.

| | Quantity | Cost | Total |
|--|--|-------|---------|
| Sound system without operator | | | |
| Sound system with operator 0-6 inputs | X | 25.00 | \$25.00 |
| Sound system with operator 7-24 inputs | | | |
| 1 Playback Track (from house or stage) | From Stage <input type="checkbox"/> From House <input type="checkbox"/> | | |
| 2-6 Playback Tracks (from stage) | | | |
| 2-6 Playback Tracks (from house) | | | |
| Two track recording | | | |
| 24 track recording | | | |
| Performance lighting without operator | X | 25.00 | \$25.00 |
| Performance lighting with operator | | | |
| Piano | | | |
| Staging | | | |
| Risers | As needed; set up by Licensee | NC | NC |
| Conductor's podium | | | |
| Speaker's podium | | | |

AGREEMENT

THIS AGREEMENT, made and entered into this 4th day of September, 2018, by and between Independent School District #709, a public corporation, hereinafter called District, and Mary Ann Marchel, an independent contractor, hereinafter called Contractor.

THE PURPOSE OF THE AGREEMENT is to set out the terms and conditions whereby Contractor will provide programs or services for the District at the times and locations set forth in this Agreement.

The terms and conditions of this Agreement are as follows: (insert as appropriate)

1. **Dates of Service.** This Agreement shall be deemed to be effective as of September 4, 2018, and shall remain in effect until June 7, 2019, unless terminated earlier as provided for herein, or unless and until all obligations set forth in this Agreement have been satisfactorily fulfilled, whichever occurs first.
2. **Performance.** Provide mental health consultative services for ISD 709 Duluth Early Childhood Family Education First Year Program. Scope of services to include observe children, consult with staff and parents as part of a collaborative team supporting families on a variety of mental health related issues.
3. **Background Check.** (Applies to contractors working independent with students)

Contractor must provide an executed criminal history consent form and a money order or check payable to the District in an amount equal to the actual cost of conducting a criminal history background check on all of its employees assigned to the program. Contractor is precluded from performance of contract until the results of the criminal background check(s) are on file.

4. **Reimbursement.** In consideration of the performance of Contractor of its obligations pursuant to this Agreement, District hereby agrees to reimburse Contractor for its services and expenses in performing said obligations up to a sum not to exceed \$4,500.00 at the rate of \$50.00 per hour. Contractor is required by Minnesota Statutes, Section 270.66, subd. 3, to provide their Taxpayer Identification Number (TIN) used in the enforcement of Federal and State tax laws. The TIN will be available to Federal and State tax authorities and State personnel involved in the payment of State obligations. This Agreement will not be approved unless TIN is provided.

5. **Requests for Reimbursement.** The terms of payment under this Agreement are as follows:

- a. Payment shall be made by the District within 30 days of submission of a proper invoice by the Contractor;
- b. Any other terms of payment in the performance of services are incorporated by reference in this Agreement.

6. **Propriety of Expenses.** The fact that the District has reimbursed Contractor for any expense claimed by Contractor shall not preclude District from questioning the propriety of any such item. District reserves the right to offset any overpayment or disallowance of any item or items at any time under this Agreement by reducing future payments to Contractor.

This clause shall not be construed to bar any other legal remedies District may have to recover funds expended by Contractor for disallowed costs.

7. **Ownership of Materials.** The District reserves the rights to reproduce the programming in any fashion, or appropriate the contents of the programming, or any portion thereof, to its own use for any and all programs, forms and other materials that Contractor has provided, prepared, or utilized in performance of the terms of this Agreement.

8. **Independent Contractor.** Both the District and Contractor agree that they will act as an independent contractor in the performance of its duties under this Agreement. Nothing contained in this Agreement shall be construed as in any manner creating a relationship of joint venture between the parties, which shall remain independent contractors with respect to all actions performed pursuant to this Agreement.

Accordingly, Contractor shall be responsible for payment of all taxes, including Federal, State, and local taxes, arising out of Contractor's activities in accordance with this Agreement, including by way of illustration, but not limited to, Federal and State income tax, Social Security tax, Unemployment Insurance taxes, workers compensations, and any other taxes or business license fees as required.

9. **Indemnity and defense of the District.** Contractor hereby agrees to defend, indemnify and hold the District harmless from all claims relating to its work pursuant to this Agreement.

In the event that Contractor breaches its obligation to defend, indemnify and hold the District harmless, then in addition to its other damages the District shall be entitled to recover its attorney's fees and costs and disbursements incurred in enforcing this Agreement.

10. **Notices.** All notices to be given by Contractor to District shall be deemed to have been given by depositing the same in writing in the United States Mail care of Duluth Community Education, ISD 709, Duluth Public Schools, 215 North 1st Avenue East, Duluth, MN 55802. All notices to be given by District to Contractor shall be deemed to have been given by depositing the same in writing in the United States Mail care of Mary Ann Marchel, 3929 Rockview Ct., Duluth, MN 55804.

11. **Assignment.** Contractor shall not in any way assign or transfer any of its rights, interests or obligations under this Agreement in any way whatsoever without the prior written approval of the District.

12. **Modification or Amendment.** No amendment, change or modification of this Agreement shall be valid unless in writing signed by the parties hereto.

13. **Governing Laws.** This Agreement, together with all its paragraphs, terms and provisions is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota.

14. **Entire Agreement.** This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and shall not be changed or otherwise altered except by written agreement of the parties.

15. **Cancellation.** Either party shall have the right to terminate this Agreement, without cause, upon (30) days written notice to the other party as provided for in this Agreement.

16. **Data Practices.** Contractor further understands and agrees that it shall be bound by the Minnesota Government Data Practices Act (Minnesota Statutes 13.03-13.04) with respect to "data on individuals"; as defined in 13.02, subd. 5 of that Statute) which it collects, receives, stores, uses, creates or disseminates pursuant to this Agreement.

17. **Insurance.** (If applicable) Contractor shall not commence work under the contract until they have obtained all the insurance described below and Duluth Public Schools has approved such insurance. Contractor shall maintain such insurance in force and effect throughout the term of the contract.

Contractor is required to maintain and furnish satisfactory evidence of the following insurance policies:

Workers' Compensation Insurance: Contractor must provide Worker's Compensation insurance for all its employees and, in case any work is subcontracted, Contractor will require the subcontractor to provide Workers' Compensation insurance in accordance with the statutory requirements of the State of Minnesota including Coverage B, Employer's Liability.

Commercial General Liability: Contractor is required to maintain insurance protecting it from claims for damages for bodily injury, including sickness or disease, death, and for care and loss of services as well as claims for property damage, including loss of use which may arise from operations under the Contract whether the operations are by the contractor or subcontractor or by anyone directly or indirectly employed under the contract.

AS EVIDENCE OF THEIR ASSENT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT, set forth above, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

INDEPENDENT SCHOOL DISTRICT NO. 709

CONTRACTOR

n/a

Chair

Mary Ann Marchel,
Ph. D., LGSW, IMH IV

n/a

Clerk

Title

Title Signature

Mary Ann Marchel

[Handwritten Signature]

Program Director

Taxpayer Identification Number

Arthur Olson

Director of Business Service



WOLF RIDGESM

ENVIRONMENTAL LEARNING CENTER

Program Contract

School Groups

| | |
|---|---|
| Chad Humphreys | chad.humphreys@isd709.org |
| Homecroft Elementary 4784 Howard Gnesen Rd, Duluth MN 55803 | Is the Coordinator's name correct? If not, please correct below: New Coordinator name: Email Address: |
| <p>Deposit: You have made a reservation to stay for March 11, 2019 - March 13, 2019 with 90 participants. To hold your reservation we require a deposit of \$1,350.00. This contract is valid for 30 days after receipt.</p> <p>Cancellation Policy: Cancellations require 60 days' notice prior to your scheduled arrival date to receive a full deposit refund. *Notify us immediately if you need to cancel this reservation.</p> | |

By signing below, I agree to the terms listed above:

| | | |
|---|--|-------------|
| Printed Name: Thomas Cawcutt | Title: Principal | |
| Signed Name <i>Thomas Cawcutt</i> | Date 12/13/18 | |
| Billing Contact: Billing email address: thomas.cawcutt@isd709.org | Billing Address: 4784 Howard Gnesen Rd. Duluth, MN 55803 | |
| Cardholders Name: <input type="checkbox"/> same as billing contact | Cardholders address: <input type="checkbox"/> same as billing address | |
| Credit Card # | Exp Date: | CVV: |
| If unable to pay at this time, when can we expect your deposit? | | |

Cathy Elson 12/14/18

 Cathy Elson, CFO

Return to: 6282 Cranberry Rd - Finland, MN 55603 or fax to: 218-353-7762

Today's Date: December 11, 2018



Boosterthon Fun Run Contract

SERVICES AGREEMENT

THIS SERVICES AGREEMENT (this "Agreement") is made and entered into on _____ (the "Effective Date"), by and between **BOOSTER ENTERPRISES, INC.**, a Georgia Corporation ("Booster"), and Homecroft Elementary, a PTO _____ (the "Client") (Booster and the Client are referred to collectively herein as the "Parties" or individually as a "Party").

RECITALS

WHEREAS, Booster is in the business of organizing, marketing, and leading fundraising campaigns whereby students of educational institutions raise funds to sponsor their participation in an exercise based event, such funds (net of compensation to Booster) to be used by such institutions for the furtherance of the purpose thereof (each a "Boosterthon Fun Run");

WHEREAS, the Client is interested in hosting a Boosterthon Fun Run, and Booster is willing to offer its services in connection therewith on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. **Engagement.** The Client hereby engages Booster to organize, market and manage a Boosterthon Fun Run (the "Services"), and Booster hereby agrees to provide the Services for the benefit of the Client, all on the terms and subject to the conditions set forth herein.
2. **Obligations of Booster.** Booster shall conduct a Boosterthon Fun Run on behalf of the Client. The services and materials provided by Booster as part of the Boosterthon Fun Run shall include, but are not limited to, supplying all prizes, advertising, promotion, organization, and refreshments necessary or appropriate, in the sole discretion of Booster, to conduct a Boosterthon Fun Run in accordance with Booster's customary practices and customs.
3. **Obligations of the Client.** The Client shall make available to Booster, its personnel and agents, any and all school grounds and facilities, as specified on Exhibit A, as well as any and all Client students, faculty, and staff, as specified, on the dates and during the times as set forth in Exhibit A. The Client shall arrange for the Volunteers (as defined herein) to participate, at the direction of Booster and its representatives, in the Primary Collection (as defined herein) to be held on the date specified in Exhibit A.



4. **Base Cost.** Within 60 business days of the execution of this Agreement, the Client shall pay to Booster a Base Cost of 2000 dollars (the "**Base Cost**"). The Client agrees that except as set forth in Section 11, the Base Cost is non-refundable, earned as of the date of the execution of this Agreement, and will not be returned to the Client under any circumstances. The Client agrees that the Base Cost is independent of the Booster Share set forth in Section 7 of this Agreement, and that the Base Cost is not deductible or otherwise taken into consideration when calculating the Booster Share.
5. **Date of the Boosterthon Fun Run.** The dates and times of the scheduled Boosterthon Fun Run shall take place on the schedule set forth in Exhibit A.
6. **Collection of Funds.** The collection of funds raised as a result of the Boosterthon Fun Run shall take place as follows:
 - (a) The primary collection shall take place on the date and time specified on Exhibit A (the "**Primary Collection**"). The Client shall send collection reminders regarding the Primary Collection to students on at least two separate occasions prior to the Primary Collection.
 - (b) In connection with the Primary Collection, the Client shall provide at least six (6) volunteers (the "**Volunteers**") to assist with the Primary Collection. The Volunteers (with the assistance of Booster representatives, if requested) shall tally all of the funds collected by each of the participating students and/or classrooms from their respective Boosterthon Fun Run sponsors (the "**Collected Funds**"). In the event a Booster representative is unable to attend the Primary Collection, the Volunteers shall be solely responsible for collecting and tallying the Collected Funds. There must be at least one Volunteer representing the Client at all time funds are collected or tallied.
 - (c) Prior to the Primary Collection, Booster representatives will train the Volunteers on the use of the Booster online collection program.
 - (d) After all Collected Funds have been satisfactorily accounted for by the Booster representatives and/or the Volunteers, the Collected Funds shall be immediately distributed according to Sections 4 and 7 of this Agreement.
 - (e) After the Primary Collection, the Parties may organize one or more additional collection dates. In the event that the Parties agree to pursue additional collection dates, the Parties will agree on a mutually acceptable date to hold such collection. Any additional collections shall be conducted in the manner set forth in Section 6(a)-(d) above.
7. **Distribution of Raised Funds.**
 - (a) The Client shall retain a percentage (see Exhibit B for percentage) of Gross Revenues that is raised by the Boosterthon Fun Run. As compensation for the services provided in conducting the Boosterthon Fun Run, Booster shall retain from the Collected Funds, or the Client shall cause to be paid, as applicable, the remaining amount which is equal to a percentage (100 Percent minus the Client's Percentage from Exhibit B) of the Gross Revenues generated by the Boosterthon Fun Run (the "**Booster Share**"). For purposes of this Agreement, "**Gross Revenues**" shall mean all funds collected or otherwise received by Booster, the Client, the participants in the Boosterthon Fun Run, or any other student, parent or Client employee or representative in connection with the fundraising efforts that are the object and purpose of the Boosterthon Fun Run or otherwise related thereto.

(b) The Client will maintain access to and control of the funds and the account in which the funds are deposited. Booster will not, at any time, have access to or control of the funds or account in which the funds are deposited.

8. *The Client's Acknowledgments, Representations and Covenants.*

(a) In order to maximize the success of the Boosterthon Fun Run, the Client shall not actively promote any other fundraiser, including any annual fund, from the date of the "Initial Teacher Meeting" (according to the date assigned to this meeting on Exhibit A) until the date of the Primary Collection.

(b) The Client hereby acknowledges that the Boosterthon Fun Run involves strenuous physical activity and hereby agrees that it is the sole responsibility of the Client to determine the physical condition, health, and fitness of its students and other participants in the Boosterthon Fun Run and the safety and suitability of each student's and other participant's participation in the Boosterthon Fun Run. The Client further acknowledges and agrees that Booster has no, and will not at any time have any, independent knowledge of, and is not responsible for investigating or determining (and will take no measures to investigate or determine) the physical condition, health, and fitness of the Client's students and other participants in the Boosterthon Fun Run or the safety or suitability of any student's or other participant's participation in the Boosterthon Fun Run. The Client takes full responsibility for assessing the physical condition of its students and all Boosterthon Fun Run participants and for alerting such students, their guardians, and any other participants to the nature of the Boosterthon Fun Run and any appropriate safety precautions.

(c) The Client is responsible for obtaining and maintaining through the Boosterthon Fun Run all necessary permits as may be required for such events.

9. *State Compliance and Registration.*

(a) Upon receipt of this executed Contract, Booster will register as a professional fundraising counsel, or other fundraising designation deemed by the appropriate State authority, in the State where the Client is located. Booster will file a copy of this Agreement in the States where registration is required. In accordance with fundraising regulations, Booster may request additional information from the Client, including but not limited to, the Client's Employer Identification Number, State Registration Number, and bank account number where Collected Funds will be deposited.

(b) The Parties agree that the Client will review its legal obligations to register as a charitable organization where relevant prior to the date of the Student Pep-Rally set forth in Exhibit A.

(c) Each Party will be responsible for its own costs in becoming and remaining compliant with the appropriate state agency.

10. *Mutual Indemnification.* To the extent allowed by law, the Client and Booster agree to mutually indemnify and hold the other harmless, as well as the other's board members, elected officials, and employees, from and against any and all claims and damages, including attorney's fees, brought by a third party against the other party, and/or its board members, elected officials,

and employees arising from the negligence or misconduct of the indemnifying party and/or its board members, elected officials, and employees.

11. Termination.

(a) This Agreement may be terminated by the Client for any reason at any time prior to the date of the Student Pep-Rally set forth on Exhibit A by written notification (including email) to Booster.

(b) This Agreement may be terminated by Booster at any time, and for any (or no) reason by written notification (including email) to the Client. In the event of termination of this Agreement by Booster, the Base Cost shall be returned to the Client within thirty (30) days. The refund of the Base Cost shall be the sole and exclusive liability of Booster, and the sole and exclusive remedy of the Client, with respect to termination of this Agreement pursuant to this Section 9(b).

(c) The Parties acknowledge and agree that the termination of this Agreement, whether by the Client or by Booster, shall not affect the distribution of Gross Revenues as set forth in Section 7 whether such Gross Revenues are collected prior to or after the termination of this Agreement.

12. Acknowledgements. To the extent permitted by law, Client shall be responsible for its acts and omissions in connection with this Agreement and the Services performed hereunder, and Client covenants that it will not create liability on the part of Booster to a third party as a result of Client's actions or omissions hereunder. The Client shall maintain in full force and effect Comprehensive General Liability insurance, at its own expense, on an occurrence basis, that includes a duty to defend and provides bodily injury, property damage and contractual liability coverage with limits of at least one million dollars (\$1,000,000). Booster shall carry at all times a comprehensive general liability insurance policy at its expense with coverage limits of at least one million dollars (\$1,000,000).

13. Right to an Accounting.

(a) The Client shall keep, maintain and preserve in its principal place of business, during the term of this Agreement and for at least one (1) year following its termination or expiration, complete and accurate books, accounts, records and other materials covering all transactions (including all donations and Gross Revenues generated by the Boosterthon Fun Run) related to this Agreement. Upon reasonable notice, Booster and/or its duly authorized representatives shall be given full access to, and shall have the right to inspect and review all such records and other materials related to this Agreement. Such records and other materials shall be available for inspection and review (including photocopying) during reasonable business hours at any time during the term of this Agreement and for at least one (1) year following its termination or expiration. The Client will cooperate and will not cause or permit any interference with Booster and/or its representatives in the performance of their duties of inspection and review. Except as set forth in paragraph (b) below, any such accounting shall be performed at Booster's sole expense.

(b) Should an accounting indicate an underpayment by the Client of any of the compensation to be paid to Booster hereunder, the Client shall be liable for the full amount of any such underpayment, including interest at the highest rate allowable under applicable law. The

Client shall submit any and all of the foregoing payments owed to Booster within thirty (30) days from the date of the accounting.

14. *Intellectual Property.*

(a) The Client hereby acknowledges and agrees that Booster's trademarks, label designs, literature, website materials, videos, product and service identification, artwork and other symbols associated with Booster's Services ("**Booster Marks**") are and shall remain Booster's property.

(b) The creative ideas, concepts (including the concept of the Boosterthon Fun Run as a fundraiser), slogans, art and printed material provided to the Client prior to the date hereof are the property of Booster and cannot be used, duplicated, copied or repeated without Booster's prior written consent.

(c) The Client shall not manufacture or sell, or license or procure the manufacture or sale of, any tee-shirts or other promotional or other merchandise which bears the Booster Marks except as otherwise consented to by Booster in writing.

(d) Booster shall own all right, title and interest in and to all intellectual property created by or on behalf of either Party in connection with this Agreement or the Boosterthon Fun Run, including, without limitation, all logos, names, ideas, concepts, creative materials, promotional materials, advertising, and graphics, including all copyrights and proprietary rights therein, and any inventions and discoveries first conceived or developed, whether or not protected by patent, trade secret or copyright. The distinctive colors, concepts, indicia and look displayed by Booster at the Boosterthon Fun Run and by Booster in its regular business operations and materials shall constitute Booster property and therefore be owned by Booster. The Client expressly acknowledges that the Parties have agreed that all copyrightable aspects of the Boosterthon Fun Run are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "Act"), of which Booster is to be the "author" within the meaning of such Act. All such copyrightable works, as well as all copies of such works in whatever medium fixed or embodied, shall be owned exclusively by Booster as its creation, and the Client hereby expressly disclaims any interest in any of them. The Client expressly acknowledges that it is not a joint author and that all works created in connection with the Services hereunder are not joint works under the Act.

(e) Any and all rights of Booster, including those in and to the Boosterthon Fun Run, are reserved to Booster and may be exercised, marketed, licensed, exploited or disposed of by Booster with respect to any third parties concurrently with the term of this Agreement.

15. *Notices.* Any notices or other communications required or permitted hereunder shall be sufficiently given if in writing and (a) delivered personally, (b) transmitted by guaranteed overnight delivery services, or (c) sent by certified mail, return receipt request, postage prepaid, addressed as shown below, or to such other address as the party concerned may substitute by written notice to the other. All notices personally delivered or sent by overnight delivery service shall be deemed received on the date of delivery. All notices forwarded by mail shall be deemed received on the date of the return receipt.

Booster: Booster Enterprises, Inc.
10400 Old Alabama Road Connector, Suite 400
Alpharetta, GA 30022
 Telephone: _____
 Attn: _____

Client: Homecroft Elementary
 a PTO
 Street: 4784 Howard Gnesen Rd
 City: Duluth
 State, Zip: MN 55803
 Telephone: _____
 Attn: _____

16. **Choice of Law/Venue.** This Agreement will be construed and enforced according to the laws of the State of Georgia, United States of America, without giving effect to any conflicts of law rule or principle that might require the application of the laws of another jurisdiction. The Client agrees that any action or proceedings arising out of this Agreement shall be brought and maintained in Georgia, and hereby consents to the jurisdiction of courts located in Georgia.

17. **Relationship of Parties.** Booster is an independent contractor and nothing herein shall be construed to make either Party the partner, employee, joint venture or agent of the other Party. Except as set forth in this Agreement, neither Party shall have the right or power to obligate or bind the other in any manner whatsoever. Except as expressly set forth otherwise herein, the Client shall not exercise direct supervision or control over Booster's day-to-day activities or over Booster's employees, agents or subcontractors. Each of Booster and the Client shall be solely responsible for its actions and the actions of its employees and agents. For the avoidance of doubt, neither Booster nor its employees, agents or subcontractors, including, without limitation, any temporary labor, shall be deemed the Client's employees, agents or subcontractors, and no such party or individual shall hold itself out as such. In no event shall the Client be responsible for providing any employee benefits to any such party or individual. Without limiting the generality of the foregoing, (a) the Client shall not withhold from any of the consideration hereunder, except when required by law, any amount for federal income taxes, social security, Medicare or any other legal deductions; and (b) the Client shall not make premium payments or contributions for any workers' compensation or unemployment compensation benefits for any employee or agent of Booster or its agents, payment of which shall be Booster's responsibility.

18. **Unavoidable Delay.** The Parties shall not be liable for failure to perform its complete obligations described in this Agreement, if such failure results from any act of God, inclement or severe weather, flood, earthquake, terrorist attack, riot, war, civil unrest or other cause outside of a Party's control that prevents such Party from fulfilling its obligation as outlined in this agreement (a "Force Majeure Event"). If a Boosterthon Fun Run is not staged due to a Force Majeure Event, Booster shall be permitted to keep the Base Cost for the Boosterthon Fun Run, and no

Party shall have further recourse against the other Party for fees or services with respect to such cancelled event. In the event that the Boosterthon Fun Run is cancelled due to a Force Majeure Event, Booster will work with the Client to schedule an alternative date for the Boosterthon Fun Run at a date that is mutually convenient for the Parties. If rescheduled, the retained Base Cost shall be applied to the newly scheduled Boosterthon Fun Run.

19. *Further Assurances.* The parties agree to take such action, and to produce or execute such other documents or agreements as may be necessary or desirable for the execution and implementation of this Agreement and the consummation of the transactions contemplated hereby.
20. *Dispute Resolution.* Any Dispute arising out of or relating to this Agreement or the breach thereof shall be submitted in writing to the other Party. Upon receiving written notice of the Dispute, the Party will have thirty (30) days to respond. If an amenable resolution cannot be achieved within thirty (30) days, the Parties may extend the period for an additional thirty (30) days. If an amenable resolution still cannot be reached, the Parties will elect a single mediator, agreeable to each Party, and submit the Dispute to mediation. The cost of mediation will be shared equally between the Parties. If an amenable resolution cannot be achieved through mediation, each Party may pursue any legal remedy available under the law. If litigation is pursued, the prevailing Party shall recover reasonable costs including attorney's fees.
21. *Severability.* If any provision of this Agreement, or part thereof, or the application of any provision, or part thereof, is held invalid or unenforceable, the application of such provision, or part thereof, other than to the extent it is held invalid or unenforceable, shall remain in full force and effect. All other provisions in this Agreement shall remain in full force and effect.
22. *Entire Agreement/Amendment.* This Agreement, together with Exhibits A and B, constitutes the final, complete, and exclusive embodiment of the entire agreement and understanding between Booster and the Client and supersedes and preempts any prior or contemporaneous understandings, agreements, or representations by or between the parties, whether written or oral. Any amendment to this Agreement shall be set forth in writing, dated, and signed by both parties to this Agreement.
23. *Counterparts.* This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement. Documents, including signatures, transmitted via facsimile or electronic transmission shall have the full force and effect of original documents.

(signatures on the following page)

Exhibit A

Boosterthon Fun Run Schedule

| Event | Date(s) | Parties Involved |
|---------------------------|------------|------------------|
| Initial Teacher Meeting | | |
| Student Pep-Rally | 2019-09-10 | |
| Team Day 1 | | |
| Team Day 2 | | |
| Team Day 3 | | |
| Team Day 4 | | |
| Team Day 5 | | |
| Team Day 6 | | |
| Boosterthon Fun Run Event | 2019-09-19 | |
| Primary Collection | | |
| Official End | | |

DS
MD



Exhibit B

Boosterthon LIVE Pricing Scale - Based on total gross collected amount

| Min. Gross | Max Gross | Client % | Booster % |
|------------|-----------|----------|-----------|
| \$105,001 | + | 65% | 35% |
| \$100,001 | \$105,000 | 64% | 36% |
| \$ 95,001 | \$100,000 | 63% | 37% |
| \$ 90,001 | \$ 95,000 | 62% | 38% |
| \$ 85,001 | \$ 90,000 | 61% | 39% |
| \$ 80,001 | \$ 85,000 | 60% | 40% |
| \$ 75,001 | \$ 80,000 | 59% | 41% |
| \$ 70,001 | \$ 75,000 | 58% | 42% |
| \$ 65,001 | \$ 70,000 | 57% | 43% |
| \$ 60,001 | \$ 65,000 | 56% | 44% |
| \$ 55,001 | \$ 60,000 | 55% | 45% |
| \$ 50,001 | \$ 55,000 | 54% | 46% |
| \$ 45,001 | \$ 50,000 | 53% | 47% |
| \$ 40,001 | \$ 45,000 | 52% | 48% |
| \$ 35,001 | \$ 40,000 | 51% | 49% |
| \$ 0 | \$ 35,000 | 50% | 50% |

Lap Marking Pricing (in addition to Booster %) Choose one of the following options:

1. Student Stickers: Free
2. Boosterthon Fun Run Logo Shirt: \$2 per student
3. School Logo on Fun Run Shirt: \$3.65 a shirt*

(*May be subsidized by business sponsorships for logos printed on shirt)

Make checks payable to:
Booster Enterprises Inc.
10400 Old Alabama Rd Conn
Suite 400
Alpharetta, GA 30022



INVOICE

Date



Bill To

School Homecroft Elementary
Address 4784 Howard Gnesen Rd
Duluth MN 55803

BASE COST DUE **\$ 2000**

IN WITNESS WHEREOF, this Agreement has been executed and delivered effective on the date first above written.

“Booster”

BOOSTER ENTERPRISES, INC.

By: DocuSigned by:
Matt Deedrick

Name: Matt Deedrick

Title: General Manager

Date: 11/29/2018

“Client”

Name of Client: Homecroft Elementary

a
PTO

By: Tom Cawcutt

Name: Tom Cawcutt

Title: Principal

Date: 12/6/18

By: Catherine Erickson

Name: Catherine Erickson

Title: CFO

Date: 12/10/18



Program Contract

| | |
|------------------------------------|--|
| Leslie Bucar | lesliebucar@yahoo.com |
| Lowell Elementary School 2019 | Is the Coordinator's name correct? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| 2000 Rice Lake Rd, Duluth MN 55811 | New Coordinator name: |
| Lowell Elementary School | Email Address: |

You have made a reservation to stay for April 24, 2019 - April 26, 2019 with 70 participants.

Your booking rate is \$137.75, making your required deposit \$964.25.

Please provide the following detail to help us with planning for your arrival:

| | | |
|--|-------------------|---|
| We are a school group. <input checked="" type="checkbox"/> | Grade(s) <u>4</u> | We are a conference/other group. <input type="checkbox"/> |
| <p>Deposit: Wolf Ridge requires a credit card number to hold your reservation. The credit card will only be billed if the Cancellation Policy is broken. If a credit card is not an option, we will accept a check for 10% of the estimated fee. The check will be cashed and applied to your balanced due.</p> <p>Cancellation Policy: Wolf Ridge must be notified of cancellation within 60 days prior to scheduled arrival date. Cancellations that meet our policy criteria will receive a full deposit refund if paid by check.</p> | | |

By signing below, I agree to the terms listed above:

| | | |
|--|---|------|
| Printed Name: <u>Leslie Bucar</u> | Title: <u>Parent Coordinator</u> | |
| Signed Name: <u>[Signature]</u> | Date: <u>5/2/18</u> | |
| Billing Contact: <u>Lowell Elementary School</u> | Billing Address: <u>2000 Rice Lake Rd Duluth, MN 55811</u> | |
| Billing email address: <u>lesliebucar@yahoo.com</u> | | |
| Cardholders Name: <input type="checkbox"/> same as billing contact | Cardholders address: <input type="checkbox"/> same as billing address | |
| Credit Card # | Exp Date: | CVV: |
| if unable to pay at this time, when can we expect your deposit? | | |

Return to: 6282 Cranberry Rd - Finland, MN 55603 or fax to: 218-353-7762

Contract due 30 days after receipt

*Notify us immediately if you wish to cancel this reservation.

Cathy Erickson 12/14/18
Cathy Erickson, CFO



LEASE AGREEMENT

1720A Crete Street, Moberly, MO 65270
Phone: 800-662-3759, Fax: 800-426-7826

LESSEE LEGAL NAME: Independent School District 709
Billing Address: 215 N 1st Ave E, Duluth, MN 55802-2069
Equipment Location: 301 North 40th Ave East, East High School, DULUTH, MN 55804
EQUIPMENT DESCRIPTION: * PLEASE REFER TO SCHEDULE A
BASE TERM IN MONTHS: 60
TOTAL NUMBER OF LEASE PAYMENTS: 60 @ \$344.58 (plus taxes)
END OF LEASE PURCHASE OPTION: [X] \$1.00, plus taxes
(a) Advance Payment: \$0.00
(b) Security Deposit: \$0.00
(c) Documentation Fee: \$95.00
Total due a + b + c =: \$95.00

**If more than one lease payment is required as an Advance Payment, the balance will be applied to lease payments in inverse order, starting with the last lease payment. Your obligation to pay all amounts and perform all other obligations is non-cancellable, absolute, unconditional and not subject to abatement, set-off or defense.

TERMS AND CONDITIONS

In this agreement ("Lease"), "we," "our," and "us" refers to LEAF Capital Funding, LLC as Lessor and "you" and "your" refer to the Lessee. You agree to lease the Equipment upon the following terms and conditions:

- 1. LEASE PAYMENTS AND TERM: The Lease is enforceable on you upon your execution. The term of the Lease shall commence on the date the Equipment is delivered to you ("Lease Commencement Date").
2. DELIVERY, ACCEPTANCE, USE AND REPAIR: You are responsible for Equipment delivery and installation.
3. INDEMNIFICATION: You agree to indemnify, defend and hold us harmless from and against any losses, damages, penalties, claims and suits, including attorneys' fees and expenses related to the ordering, manufacture, installation, ownership, condition, use, lease, possession, delivery or return of Equipment.
4. LEASE EXPIRATION, RENEWAL: Unless you notify us at least 90 days prior to the expiration of the Lease of your election to return or purchase the Equipment, this Lease will renew on a month-to-month basis at the same monthly Lease Payment until you either exercise the purchase option or provide us with at least 90 days notice and return the Equipment.
5. LATE FEES AND CHARGES: If any amount is not paid within three (3) days of when due, you agree to pay us a late charge equal to the lesser of 10% of the amount past due or the maximum legal amount.
6. NO WARRANTY: We do not manufacture the Equipment and you have selected the Equipment and the supplier. WE MAKE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THOSE OF MERCHANTABILITY OR FITNESS FOR A PURPOSE AND ARE NOT RESPONSIBLE FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES.
7. INSURANCE, RISK OF LOSS: You bear all risk of loss or damage to the Equipment from its order until it is returned in the required condition or purchased by you ("Risk Period").

- provide us with proof of such insurance, we may secure insurance on the Equipment to cover our interests (and only our interests). If we obtain such insurance, you will pay us an additional amount for the cost of such insurance and an administrative fee, the cost of which may be more than the cost to obtain your own insurance and on which we may make a profit.
8. OWNERSHIP AND TAXES: We own the Equipment (excluding licensed software). If you are deemed to own it, you grant us a security interest in the Equipment. You authorize us to file UCC financing statements to confirm our interest. You will pay, when due, all taxes, fines and penalties relating to the purchase, use, leasing and/or ownership of the Equipment. If we pay any taxes, (including property tax), fees or penalties on your behalf, you will pay us the amount we paid plus an administrative fee. You agree to pay us the documentation fee specified above or if not so specified, the greater of either \$125 or 0.5% of the Equipment cost. If we require an Equipment site inspection, or you request administrative services, you agree to reimburse our costs.
9. DEFAULT: If you or any guarantor do not pay us any amount within ten (10) days of its due date, or breach any terms of this Lease, any guaranty or any license relating to the Equipment, you will be in default. If you default, we may require you to do any combination of the following: (a) immediately pay all amounts then due, plus the present value of the remaining Lease Payments, Interim Rent and residual value of the Equipment, as determined by us, discounted at an annual rate of 3%; (b) return all of the Equipment; (c) allow us to repossess the Equipment; or (d) use any and all remedies available to us under applicable law. If you default, you agree to pay the cost of repossession and our attorney's fees and costs. In addition to all other charges and as reimbursement for expenses incurred and not as a penalty, we may require you to reimburse us for the phone calls, letters, and any additional expense incurred in the collection or servicing of this Lease for you. If we take possession of the Equipment, we may sell or otherwise dispose of it with or without notice, at a public or private sale, and apply the net proceeds (after we have deducted all costs related to the sale or disposition of the Equipment) to the amounts that you owe us. You agree that if notice of sale is required by law, 10 days' notice shall constitute reasonable notice. You remain responsible for any amounts that are due after we have applied such net proceeds. We may apply any security deposits to your obligations and if you do not default, the balance will be refunded without interest.
10. ASSIGNMENT: You have no right to sell or assign the Equipment or Lease. We may sell or assign our rights in the Lease and/or Equipment and the new owner will have all our rights but will not be subject to any claim or defense you have against us.
11. ARTICLE 2A: You agree this Lease is a "finance lease" as defined in Article 2A of the Uniform Commercial Code. You waive all rights and remedies conferred upon a lessee by Article 2A (508-522) of the UCC. You have received a copy of the Supply Contract or been informed of the identity of the Supplier and you may have rights under the Supply Contract and may contact the Supplier for a description of those rights.
12. CREDIT INFORMATION: You authorize us or any of our affiliates to obtain credit bureau reports, and make other credit inquiries that we deem necessary.
13. CHOICE OF LAW: THIS LEASE WILL BE GOVERNED BY PENNSYLVANIA LAW. YOU CONSENT TO JURISDICTION IN THE STATE OR FEDERAL COURTS IN PENNSYLVANIA AND WAIVE ANY RIGHT TO A TRIAL BY JURY.
14. MISCELLANEOUS: This Lease is the parties' entire agreement and can be amended only in writing signed by both parties. This Lease may be executed in counterparts (manually or by electronic means) and, when transmitted to us shall be binding upon you for all purposes. This Lease is not binding on us until we sign it. You agree not to raise as a defense to the enforcement of this Lease that it was executed or transmitted to us by electronic means. You will use the Equipment only for business purposes and not for personal, family or household use.

ACCEPTED BY LESSEE: Independent School District 709
Print Name: Catherine Erikson Title: CFO
E-Mail Address: Date: 12/10/18
Lessee Authorized Signature

PERSONAL GUARANTY: Undersigned guarantees that Lessee will make all payments and perform all other obligations under the Lease when due. Undersigned agrees that this is a guaranty of payment and not of collection, and that we can proceed directly against undersigned without first proceeding against Lessee or the Equipment. Undersigned also waives all suretyship defenses and notification if the Lessee is in default and consents to any extensions or modifications granted to Lessee. Undersigned will pay us all expenses (including attorneys' fees) we incur in enforcing our rights against undersigned or Lessee. If more than one person signs this guaranty, each agrees that his/her liability is joint and several. Undersigned authorizes us and our affiliates to obtain credit bureau reports and make inquiries regarding undersigned's personal credit. You consent to jurisdiction in the State or Federal courts in Pennsylvania and expressly waive any right to a trial by jury.

SIGNED X Print Name: E-Mail Address:

Accepted by: LEAF Capital Funding, LLC By: Title: Date:



State and Local Government Addendum

Reference: Application No. 487690

This State and Local Government Addendum (this "Addendum") is made part of the Agreement related to the above referenced application number ("Agreement") between **LEAF Capital Funding, LLC** ("we" "us" and "ours") and Independent School District 709 ("you" and "your"). Capitalized terms used but not defined will have the meaning given to them in the Agreement. If there is any conflict between the terms of this Addendum and the terms of the Agreement, the terms of this Addendum will control and prevail. The parties hereby agree as follows:

1. Funding Intent. You reasonably believe that funds can be obtained sufficient to make all Payments set forth in the Agreement and any other amounts owed during the term of the Agreement. You agree that your chief executive or administrative officer (or your administrative office that has the responsibility of preparing the budget submitted to your governing body, as applicable) will provide for funding for such payments in your annual budget request submitted to your governing body. You covenant that you will do all things lawfully within your power to obtain, maintain and properly request and pursue funds from which the Payments may be made, including making provisions for such payments to the extent necessary in each budget submitted for the purpose of obtaining funding, using your best efforts to have such portion of the budget approved and exhausting all available administrative reviews and appeals in the event such portion of the budget is not approved. If your governing body chooses not to appropriate funds for such payments, you agree that your governing body will evidence such nonappropriation by omitting funds for such payments due during the applicable fiscal period from the budget that it adopts. You and we agree that your obligation to make payments under the Agreement will be your current expense and will not be interpreted to be a debt in violation of applicable law or constitutional limitations or requirements. Nothing contained in the Agreement will be interpreted as a pledge of your general tax revenues, funds or moneys.

2. Nonappropriation of Funds. If (a) sufficient funds are not appropriated and budgeted by your governing body in any fiscal period for Payments set forth in the Agreement or any other amounts owed to us and (b) you have exhausted all funds legally available for such payments due under the Agreement (together, a "Non-Appropriation Event"), then you will give us not less than ninety (90) days written notice (a "Termination Notice") and the Agreement will terminate as of the last day of your fiscal period for which funds for such payments are available ("Termination Date"). Such termination is without any expense or penalty, except for the portions of such payments and those expenses associated with your return of the Equipment in accordance with the Agreement for which funds have been budgeted or appropriated or are otherwise legally available. You agree that, to the extent permitted by law, you will not terminate the Agreement if any funds are appropriated by you or to you for the acquisition or use of equipment or services performing functions similar to the Equipment during your fiscal period in which such termination would occur. You shall (i) on or before the Termination Date, return the Equipment in accordance with the return requirements set forth in the Agreement, (ii) provide in the Termination Notice a certification of a responsible official that a Non-Appropriation Event has occurred, (iii) deliver to us, upon our request, an opinion of your counsel (addressed to us) verifying that the Non-Appropriation Event as set forth in the Termination Notice has occurred, and (iv) pay us all sums payable to us under the Agreement up to and including the Termination Date. You acknowledge and agree that, in the event of the termination of the Agreement and the return of the Equipment as provided for herein, you shall have no interest whatsoever in the Equipment or proceeds thereof and we shall be entitled to retain for our own account the proceeds resulting from any disposition or re-leasing of the Equipment along with any advance rentals, security deposits or other sums previously paid by you pursuant to the terms of the Agreement.

3. Authority and Authorization. You represent and agree that: (a) you are a state or a political subdivision or agency of a state; (b) the entering into and performance of the Agreement is authorized under your state laws and Constitution and does not violate or contradict any judgment, law, order, or regulation, or cause any default under any agreement to which you are party; (c) you have complied with all bidding requirements and, where necessary, have properly presented the Agreement for approval and adoption as a valid obligation on your part; and (d) you have sufficient appropriated funds or other moneys available to pay all amounts due under the Agreement for your current fiscal period. Upon our request, you agree to provide us with an opinion of counsel as to clauses (a) through (d) above, an incumbency certificate, and other documents that we request, with all such documents being in a form satisfactory to us.

4. **Government Use.** You agree that (a) you will comply with all information reporting requirements of the Internal Revenue Code of 1986, as amended, including but not limited to the execution and delivery to us of information statements requested by us, and (b) the use of the Equipment is essential for your proper, efficient and economic operation, you will be the only entity to use the Equipment during the term of the Agreement and you will use the Equipment only for your governmental purposes. Upon our request you will provide us with an essential use letter in a form satisfactory to us as to clause (b) above.

5. **Insurance.** You agree to provide and maintain at your own expense (a) property insurance against the loss, theft, destruction of, or damage to, the Equipment for its full replacement value, naming us as loss payee, and (b) public liability and third party property insurance, naming us as an additional insured. You will give us certificates or other evidence of such insurance on the Equipment at such times as we request. All insurance obtained from a third party insurer will be in a form, amount and with companies acceptable to us, and will provide that we will be given 30 days' advance notice of any cancellation or material change of such insurance. If you do not provide us with proof of such insurance, we may secure insurance on the Equipment to cover our interests (and only our interests). If we obtain such insurance, you will pay us an additional amount for the cost of such insurance and an administrative fee, the cost of which may be more than the cost to obtain your own insurance and on which we may make a profit.

6. **Indemnification.** With respect to any claims, actions, or suits that are made against us as a result of your actions, omissions, negligence or willful misconduct ("Claims"), to the extent permitted by law, you agree to reimburse us for, and if we request, defend us against, any such Claims.

7. **Choice of Law.** Regardless of any conflicting provision in the Agreement, **THE AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOU ARE LOCATED.**

8. This Addendum supplements and amends the Agreement only to the extent and in the manner set forth, and in all other respects, the Agreement will remain in full force and effect.

IN WITNESS WHEREOF the parties hereto, by their authorized signatories, have executed this Addendum at the date set forth below their respective signatures.

| | |
|--|----------------------------------|
| CUSTOMER: Independent School District 709 | LEAF CAPITAL FUNDING, LLC |
| By: <u>Catherine Erickson</u> | By: _____ |
| Print Name: <u>Catherine Erickson</u> | Print Name: _____ |
| Title: <u>CFO</u> | Title: _____ |
| Date: <u>12/10/18</u> | Date: _____ |



SCHEDULE A TO LEASE AGREEMENT
(EQUIPMENT DESCRIPTION)

Lease Application No.: **487690**

| QNT | Equipment Description | New/Used | Make | Model | Serial Number |
|-----|-----------------------|----------|------|-------|---------------|
|-----|-----------------------|----------|------|-------|---------------|

Location: 301 North 40th Ave East, East High School, DULUTH, MN 55804

| | | | | | |
|---|---|-----|--|--|--|
| 2 | Konica Minolta Bizhub 658e Copier Systems | New | | | |
| 1 | Konica Minolta Bizhub 458e Copier System | New | | | |

LESSEE: Independent School District 709

LEAF CAPITAL FUNDING, LLC

BY: Catherine Erickson

BY: _____

PRINT NAME: Catherine Erickson

PRINT NAME: _____

TITLE: CFO

TITLE: _____

DATE: 12/10/18

DATE: _____

AGREEMENT

THIS AGREEMENT, made and entered into this **27th day of December 2018** by and between Independent School District #709, a public corporation, hereinafter called District, and **Sheryl Bowman**, an independent contractor, hereinafter called Contractor.

THE PURPOSE OF THE AGREEMENT is to set out the terms and conditions whereby Contractor will provide programs or services for the District at the times and locations set forth in this Agreement.

The terms and conditions of this Agreement are as follows: (insert as appropriate)

1. **Dates of Service.** This Agreement shall be deemed to be effective as of **December 7, 2018** and shall remain in effect until **June 30, 2019**, unless terminated earlier as provided for herein, or unless and until all obligations set forth in this Agreement have been satisfactorily fulfilled, whichever occurs first.

2. **Performance.** Please see attached job description.

3. **Background Check .** (Applies to contractors working independent with students)

Contractor must provide an executed criminal history consent form and a money order or check payable to the District in an amount equal to the actual cost of conducting a criminal history background check on all of its employees assigned to the program. Contractor is precluded from performance of contract until the results of the criminal background check(s) are on file.

4. **Reimbursement.** In consideration of the performance of Contractor of its obligations pursuant to this Agreement, District hereby agrees to reimburse Contractor for its services and expenses in performing said obligations at the rate of **\$80.00 per hour up to a sum not to exceed \$2,000**. Contractor is required by Minnesota Statutes, Section 270.66, subd. 3, to provide their Taxpayer Identification Number (TIN) used in the enforcement of Federal and State tax laws. The TIN will be available to Federal and State tax authorities and State personnel involved in the payment of State obligations. This Agreement will not be approved unless TIN is provided.

5. **Requests for Reimbursement.** The terms of payment under this Agreement are as follows:

- a. Payment shall be made by the District within 30 days of submission of a proper invoice by the Contractor;
- b. Any other terms of payment in the performance of services are incorporated by reference in this Agreement.

6. **Propriety of Expenses.** The fact that the District has reimbursed Contractor for any expense claimed by Contractor shall not preclude District from questioning the propriety of any such item. District reserves the right to offset any overpayment or disallowance of any item or items at any time under this Agreement by reducing future payments to Contractor.

This clause shall not be construed to bar any other legal remedies District may have to recover funds expended by Contractor for disallowed costs.

7. **Ownership of Materials.** The District reserves the rights to reproduce the programming in any fashion, or appropriate the contents of the programming, or any portion thereof, to its own use for any and all programs, forms and other materials that Contractor has provided, prepared, or utilized in performance of the terms of this Agreement.

8. **Independent Contractor.** Both the District and Contractor agree that they will act as an independent contractor in the performance of its duties under this Agreement. Nothing contained in this Agreement shall be construed as in any manner creating a relationship of joint venture between the parties, which shall remain independent contractors with respect to all actions performed pursuant to this Agreement.

Accordingly, Contractor shall be responsible for payment of all taxes, including Federal, State, and local taxes, arising out of Contractor's activities in accordance with this Agreement, including by way of illustration, but not limited to, Federal and State income tax, Social Security tax, Unemployment Insurance taxes, workers compensations, and any other taxes or business license fees as required.

9. **Indemnity and defense of the District.** Contractor hereby agrees to defend, indemnify and hold the District harmless from all claims relating to its work pursuant to this Agreement.

In the event that Contractor breaches its obligation to defend, indemnify and hold the District harmless, then in addition to its other damages the District shall be entitled to recover its attorney's fees and costs and disbursements incurred in enforcing this Agreement.

10. **Notices.** All notices to be given by Contractor to District shall be deemed to have been given by depositing the same in writing in the United States Mail care of Pam Rees, ISD 709, Duluth Public Schools, 215 North 1st Avenue East, Duluth, MN 55802. All notices to be given by District to Contractor shall be deemed to have been given by depositing the same in writing in the United States Mail

11. **Assignment.** Contractor shall not in any way assign or transfer any of its rights, interests or obligations under this Agreement in any way whatsoever without the prior written approval of the District.

12. **Modification or Amendment.** No amendment, change or modification of this Agreement shall be valid unless in writing signed by the parties' hereto.

13. **Governing Laws.** This Agreement, together with all its paragraphs, terms and provisions is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota.

14. **Entire Agreement.** This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and shall not be changed or otherwise altered except by written agreement of the parties.

15. **Cancellation.** Either party shall have the right to terminate this Agreement, without cause, upon (30) days written notice to the other party as provided for in this Agreement.

16. **Data Practices.** Contractor further understands and agrees that it shall be bound by the Minnesota Government Data Practices Act (Minnesota Statutes 13.03-13.04) with respect to "data on individuals"; as defined in 13.02, subd. 5 of that Statute) which it collects, receives, stores, uses, creates or disseminates pursuant to this Agreement.

17. **Insurance.** (If applicable) Contractor shall not commence work under the contract until they have obtained all the insurance described below and Duluth Public Schools has approved such insurance. Contractor shall maintain such insurance in force and effect throughout the term of the contract.

Contractor is required to maintain and furnish satisfactory evidence of the following insurance policies:

Workers' Compensation Insurance: Contractor must provide Worker's Compensation insurance for all its employees and, in case any work is subcontracted, Contractor will require the subcontractor to provide Workers' Compensation insurance in accordance with the statutory requirements of the State of Minnesota including Coverage B, Employer's Liability.

Commercial General Liability: Contractor is required to maintain insurance protecting it from claims for damages for bodily injury, including sickness or disease, death, and for care and loss of services as well as claims for property damage, including loss of use which may arise from operations under the Contract whether the operations are by the contractor or subcontractor or by anyone directly or indirectly employed under the contract.

AS EVIDENCE OF THEIR ASSENT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT, set forth above, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH HEAD START

CONTRACTOR

n/a
Chair

Sheryl Boman
SHERYL BOMAN
Name

n/a
Clerk

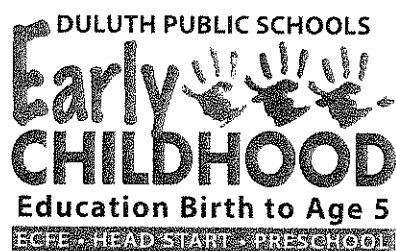
CONTRACTOR
Title

[Signature]
Program Director

Taxpayer Identification Number

Catherine Ekstrom
Director of Business Service

04-579-005-504-000-130300



December 7, 2018

Sheryl Boman will train Preschool staff on the history, practices and consequences of racism, oppression and poverty. Training will include two all staff trainings and two evening staff trainings throughout the 2018-2019 school year.

Sheryl has done extensive local, state, national and international training with the People's Institute and is on staff at the Domestic Abuse Intervention Project.

Please feel free to contact me should you require anything further.

Sincerely,

Pam Rees

Duluth Preschool



Special Services Department
 Independent School District #709
 215 N 1st Ave E
 Duluth, MN 55802

CONTRACT FOR PRE-SCHOOL PLACEMENT

This contract, entered into this day **December 27, 2018** by and between Independent School District #709, Duluth MN (hereafter referred to as the SCHOOL DISTRICT) and **Concordia Community Arts Playcare** hereafter referred to as the AGENCY) witnesses that:

WHEREAS, THE SCHOOL DISTRICT has determined that it is necessary to retain the services of a qualified agency to meet needs documented in ()'s individual Education Plan (IEP).

Whereas the AGENCY is duly qualified to perform these services for preschool program as determined by student's IEP team.

NOW THEREFORE, the parties agree as follows:

1. The AGENCY shall provide the following services:
Preschool programming for 3 hours (180 minutes) on F for the month of December (1 day) and 3 hours (180 minutes) on T and F starting the month of January (2 days) and up to 37 days.
 2. The AGENCY shall perform these services at: **2501 Woodland Avenue Duluth, MN 55803.**
 3. The approximate date the service will begin is, **December 4, 2018** and shall not extend beyond **May 21, 2019**; the contract not to exceed a total of **37 Days** and a total cost up to **\$840.** (\$90.00 for December and \$150.00 per month after that).
 4. The SCHOOL DISTRICT shall make payments for the services to the AGENCY as follows: **Upon receipt of monthly/quarterly billing statement**
 5. The SCHOOL DISTRICT shall monitor the services of the AGENCY provided as follows: Supervision will be provided by the Special Education Director located in the Special Services Department. **Student attendance will be provided to the Early Childhood Special Education (ECSE) program at Historical Old Central High School (HOCHS) on the 15th of each month for the preceding month.**
-

ISD 709 Duluth Public Schools

Page 2 - Contract for Purchase of Special Education Services

6. Either party may terminate this agreement as follows: Thirty (30) days written notice, or upon mutual agreement.

7. Both parties agree to comply with the terms of the Minnesota Data Practices Act, Minnesota Statutes, Chapter 13, in handling all data related to this Agreement.

SIGNED:

Name of Agency

By _____
Authorized Agent

Date

INDEPENDENT SCHOOL DISTRICT #709

Duluth, Minnesota

Patricia Eher
C.F.O. Executive Director of Business Services

Date 12/28/18

Special Services Department
215 N. 1st Ave. East
Duluth, MN 55802

By Janice Eward
Director

12/27/18

**No Cost Contracts Signed
December 2018**

For your information, the Superintendent or the Executive Director of Business Services has signed the following no cost contracts during the month of December 2018:

| Name | Source | Description |
|-------------------------------|---------------|------------------------|
| Duluth Heritage Sports Center | Lester Park | Ice skating field trip |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |



Essentia Health Duluth Heritage Sports Center

120 S 30th Ave West
Duluth, MN 55806

Phone: 218-464-1711

193

Fax: 218-464-1713

Account Schedule Report

ESSENTIA HEALTH DULUTH HERITAGE SPORTS CENTER ICE/TURF RENTAL AGREEMENT (Revised June 1, 2016)

This agreement, made between This agreement, made between Essentia Duluth Heritage Center Ice Arena (hereinafter referred to as "Arena"), and the Essentia Duluth Heritage Center Board (hereinafter referred to as the "Board") and

Duluth Heritage Sports Center Foundation
Gerald R. DeMeo
120 South 30th Avenue West
DuluthMN55806

jerry@essentiaduluthheritagecenter.com

1. RENTAL RATES

A. The rental rates applicable for the use of the Sill or Seitz Arenas are:

- (1) Prime Ice Rental: \$185 Per Hour
- (2) Tournament Rate; \$185 Per Hour
- (2) Sub Prime Ice Rental: \$135 Per Hour
- (3) School Day Ice Rental: \$80 Per Hour
- (5) Winter Turf Rates Rate \$130 Per Hour
- (6) Birthday Skating Party \$210.00 per Hour
- (7) High School Game Rates \$850 per Hour

Now, therefore, the following provisions are mutually agreed on between the EDHC and the Tenant as follows:

1. RENTAL RATES

A. The rental rates applicable for the use of the EDHC's facilities for the planned Event, in accordance with the EDHC's published rental rates.

B. A sales use tax of .08375 percent will be charged to all users, unless a Minnesota Sales Tax Exempt form ST3, is furnished at the time of payment.

2. PAYMENT

A. A non-refundable deposit equal to 20% of the rental rate shall be made before the rental may be confirmed.

B. Full payment will be made in full prior to the rental, unless special credit arrangements have been approved in advance of the rental taking place. Such special credit arrangements will be defined in accordance with the terms and conditions shown on the EDHC's invoice, a copy of which is attached hereto.

C. Tenants having approved credit shall be invoiced following the fulfillment of the rental Agreement. Tenants having approved credit with contracts spanning more than one (1) week shall be invoiced for such rental weekly. This invoice shall be due and payable in accordance with the terms and conditions stipulated on the invoice.

D. Any unpaid balance shall be subject to the finance charge rate of 1.5% (annual percentage rate of 18%). Said finance charges will be based on the balance due for the number of days the balance remains unpaid.

E. Any unpaid balance due beyond thirty (30) days of the dated invoice shall be sufficient reason for denying and selling the Tenant use of said premises during the remainder of the term of this contract.

3. CANCELLATION

A. In the event the Tenant finds it necessary to cancel any of the rental periods of the EDHC for which it has contracted, the Tenant shall give to the EDHC's representative designated herein prior notice, in writing, of intent to cancel. Upon receipt of such notice, the EDHC shall use reasonable efforts to rent such cancelled rental periods. If the rental periods are used by another tenant, and the Tenant has paid for such rental periods, the EDHC will credit amounts received against Tenant's account and, if Tenant has no account balance owing at the time, the EDHC shall issue a check to refund such amounts. If the EDHC is unable to rent the cancelled rental periods, the Tenant shall pay for the cancelled contracted time at the specified rate.

B. All notices of cancellation of contracted rental time by the Tenant must be in writing and given to, mailed to, or faxed to the EDHC's designee.

4. SUPPLEMENTAL SERVICES

A. At the Tenant's request, the EDHC may

- (1) Provide amenities such as tables, chairs and other furniture.
- (2) Supply food and/or beverages from the EDHC's concessions.
- (3) Employ personnel (i.e. security, minor game officials and the like)
- (4) Rent/purchase any equipment of the EDHC does not have access to.

B. All supplemental services & equipment, with appropriate costs, shall be defined and included in this Agreement. The cost(s) incurred for such services and/or equipment (hereinafter referred to as Miscellaneous Costs) will be borne by the Tenant, with payment due in accordance with the terms defined in Section 2. The EDHC may, at its option, require advanced payment for these Miscellaneous Costs.

5. SECURITY.



Essentia Health Duluth Heritage Sports Center

120 S 30th Ave West
Duluth, MN 55806

Phone: 218-464-1711

194

Fax: 218-464-1713

Account Schedule Report

A. The Tenant agrees, at its expense, to provide qualified security personnel to prevent any spectators or other persons not germane to the conducting of the event from accessing the other areas of the facilities other than those defined in this Agreement.

6. PARKING

A. The Tenant understands that the Tenant and guest parking is limited to the parking lot that is on the west side of 30th Avenue West (West Lot). Other parking areas located on the north (North Lot) and east (East Lot) sides of Seitz Arena are controlled by businesses neighboring the EDHC and are restricted exclusively for their use.

B. The Tenant and Tenant's guests may have temporary access to Seitz Arena via the East Lot to load and/or unload merchandise and/or supplies but may not park their vehicles in the East Lot for their event. Once merchandise and supplies have been loaded/unloaded, vehicles must be moved to the West Lot for parking.

7. OUTSIDE VENDORS

A. Outside vendors recruited by the Tenant may be permitted to display and/or sell their products within the facilities, with the EDHC's prior approval. Such approval will not be unreasonably withheld provided such vendor products are not offensive to the EDHC's regular tenants and do not conflict with those offered by the EDHC or its sponsors. Each vendor shall limit its product display and sales to an area assigned by the EDHC's personnel and shall pay the EDHC, in advance, the sum of _____ per table used for such product display and sales. Approved vendors are required to execute the EDHC's waiver of liability form. Approved vendors will be attached hereto as Exhibit A.

8. SIGNS & BANNERS

A. No signs or banners of any type, including hand written signs, shall be placed in or on the EDHC facilities without the prior written consent of EDHC. When the placement of signs and/or banners is approved by the EDHC, the Tenant agrees to place such signs and/or banners in accordance with the EDHC's policies. The Tenant will be invoiced for any damage which may result to the EDHC's property from the improper placement of signs and/or banners.

9. FOOD & BEVERAGES

A. The Tenant shall not sell, give away or otherwise bring or provide any food or beverages to, at or in the EDHC facilities for any purpose and at any time without the written consent of the EDHC.

B. The EDHC has a strict policy regarding the service and consumption of adult-specific beverages. If the Tenant and/or its guests plan to serve and/or consume any alcoholic beverages within the EDHC or its adjacent property, such service and/or consumption must be done in accordance with the EDHC's policy. Arrangement for adult beverage service and/or consumption must be made with the EDHC at least fourteen (14) days in advance of the date the Event commences.

C. The Tenant acknowledges and agrees that the EDHC's concession stand will be open at the EDHC's discretion during the Event.

10. ADMISSION FEES

A. Unless otherwise specified herein, the Tenant may not charge an admission fee to the EDHC facilities without the written consent of the EDHC.

11. INSURANCE

A. Tenant shall maintain liability insurance against claims for bodily injury death or property damage occurring on or about the ice EDHC. Such insurance shall be written on an occurrence basis with a combined single limit of not less than \$1,000,000 per occurrence. If the insurance policy is written on a "claims-made basis", the party will maintain coverage for a minimum of three years past the expiration of this Agreement. The retroactive date of this policy shall be indicated on the certificate of insurance outlining coverage. In addition the renter shall name the EDHC as an additional insured with respect to its own operations on said policies of insurance and will provide a certificate that such insurance is in force. Both parties will maintain all workers compensation insurance required by law.

12. INCLEMENT WEATHER

A. The Facilities Manager will determine any closures due to inclement weather. If the EDHC is not able to reschedule the rental in a manner satisfactory to suit the Tenant, the EDHC shall provide a full refund of all rental fees and deposits. Refunds for supplemental equipment may also be given, depending upon the EDHC's ability to obtain such refunds from the EDHC's suppliers.

B. In the event of cancellation due to inclement weather, the EDHC's sole liability will be limited to the refund of any deposits. At no time with the EDHC be liable for any expenses, direct, indirect or consequential, incurred by the Tenant as a result of cancellation due to inclement weather.

13. ASSIGNMENT AND SUBLETTING

A. The Tenant hereby agrees that they cannot and will not assign nor sublet any part of the said premises without the consent in writing of the Facilities Manager, and the completion of a DHSC Ice EDHC Contract by other party.

14. INDEMNIFICATION

A. The Tenant and each of its members/guests in consideration of being allowed to use the EDHC's facilities defined herein agrees to indemnify, defend, save the EDHC, and voluntarily assumes all risks of accident or damage to its property and to the person and property of said members and hereby releases the EDHC, Board, its officers and employees from every claim, liability or damage of any kind sustained by it and each and every of its officers and employees.

15. EDHC RULES

A. It is agreed by and between the parties hereto that the Rules and Regulations of the EDHC and its Board of Directors are hereby made a



Essentia Health Duluth Heritage Sports Center

120 S 30th Ave West
Duluth, MN 55806

Phone: 218-464-1711

195

Fax: 218-464-1713

Account Schedule Report

part of this rental Agreement, and receipt of the said Rules and Regulations is hereby acknowledged. Violation of any of the rules and regulations by any player, parent, coach, team officials, spectator or employee of the said Tenant shall be grounds for the offending party's removal from the EDHC.

B. Any damage to the EDHC or its equipment caused by any player, parent, coach, team officials, spectator or employee of the said Tenant, including any Sub-Tenant's shall be repaired and/or replaced and the EDHC shall be reimbursed for all costs involved by the Tenant.

16. MECHANICAL EQUIPMENT FAILURE

A. In the event of mechanical failure of the EDHC equipment, the Tenant will be notified by the EDHC staff as soon as possible. The EDHC's management shall have the exclusive authority to determine whether the ice sheet is in usable condition, and shall not be liable to the Tenant for the consequences of any cancellation other than to supply the Tenant with substitute ice time acceptable to the Tenant or a refund of its deposit.

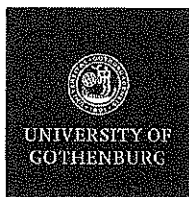
17. CONSIDERATION AND TERM

A. In consideration of the conditions contained in this Ice Rental Agreement, the EDHC through its appointed agent(s) leases and lets to the Tenant, the EDHC's facilities, and the Tenant agrees to pay the following amounts for the attached contracted ice on or before the dates mentioned in the payment section of this contract.

Signature Cathy Erickson, CFO Print

Signature Cathy Erickson

Date 12/14/18



THE FACULTY OF EDUCATION

The Faculty of Education

Sara Haug Andersson
International Education Officer
E-mail: sara.haug.andersson@gu.se
Phone: +46 31 786 2101

Lowell Elementary School

Duluth Public Schools ISD #709
Crystal Goldman
Email: crystal.goldman@isd709.org

Agreement of School Placement

The Faculty of Education, University of Gothenburg, Sweden, and Lowell Elementary School, Duluth, USA, hereby confirms that **Ms Karolin Ardstedt, Ms Daniesa Lövgren and Ms Karoline Gordon**, students at the Teacher Education Program for extended school at the University of Gothenburg, will do two weeks of school placement at Lowell Elementary School.

The placement will take place **January 28- February 8, 2019**, and is part of a course at the University of Gothenburg.

Lowell Elementary School will receive 750 SEK/week/student from the University of Gothenburg for the supervision of the students. The amount of 4500 SEK will be transferred to the school when the placement is finished.

It is the responsibility of the school to provide information about bank details. To enable us to transfer the amount, you need to fill out the attached form completely.

Lowell Elementary School provides a cooperating teacher who has the time to supervise and discuss teaching and education issues with the students.

The students are supposed to observe and assist in the classroom/after school activities and furthermore take part in planning the teaching, and if possible conduct some teaching.

Lowell Elementary School is not expected to assess the students or to give any academic credits, but a short report of the activities would be helpful.

The students will cover their own expenses for travelling, accommodation etc. during the stay. The students are fully insured through the University of Gothenburg.

Date: 2018-12-17

Date and official stamp:

Signature

Signature

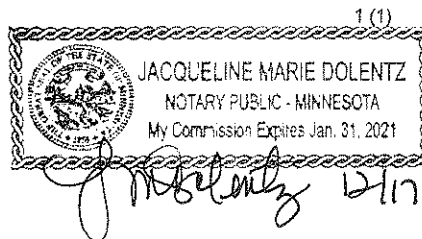
Sara Haug Andersson
International Education Officer

International
Student Office
Pedagogen

Name:
Title:

Catherine Erickson
CTO

International Student Office Faculty of Education, University of Gothenburg
Västra Hamngatan 25, PO Box 300, SE 405 30 Gothenburg, Sweden
+46 31-786 00 00
www.uf.gu.se



Information payments to non- EU countries

Please fill out all the blank boxes to the right with your information and send this form back.

| | |
|------------------------|--------------------------------|
| Name of receiver: | MN Trust |
| Adress: | 5301 Kylee Ave NE. |
| Zipcode: | 55301 |
| City: | Albertville, MN |
| Accountnumber: | 2283150346 |
| Name of the bank: | Associated Bank |
| Adress of the bank: | 1200 Hansen Rd., Green Bay, WI |
| Zipcode of the bank: | 54304 - 5448 |
| SWIFT/bic: | ABGBUS44 |
| ABA/routingnr/Fedwire: | (Only USA) 075 900 575 |

Explanation:

Swift/BIC- code always starts with 6 letters and is at least 8 signs, it can be a total of 11 signs, in that case the last three are numbers and they are the areacode/officecode for the bank.

Example of BIC: SWEDSESS, DEUTDEFF501

ABA/Fedwire/Routingnummer (only for payment to USA)

Lloyd K. Johnson FOUNDATION

December 18, 2018

Duluth Public Schools ISD 709
Bill Gronseth, Superintendent
215 North 1st Avenue East, Room 213
Duluth, MN 55802

Dear Bill:

The Board of the Lloyd K. Johnson Foundation is pleased to inform you that a grant to Duluth Public Schools ISD 709 in the amount of \$15,000 has been approved to support the Pathways2Teaching Program.

In order to receive the grant funding, please review and sign the attached agreement and return the signed agreement to the: Lloyd K Johnson Foundation 130 West Superior Street, Suite 710 Duluth, Minnesota 55802. A check will be mailed to your organization shortly after we receive the signed grant agreement.

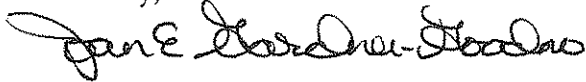
Please note that these grant funds must be used substantially in accordance with the budget included with your grant application and that no substantial changes in the budget or the grant period may be made without prior written approval from the Foundation. Any funds not used for the purposes stated in the approved grant application or any unspent funds must be returned to the Foundation.

A condition of the grant agreement is that you submit a Final Report to the Foundation which includes a narrative of the progress made towards the goals described in the grant application as well as a final report of expenditures made from grant funds. A reminder e-mail that your Final Report is due will be sent to you one month prior to the due date, and a blue hyperlink will appear on your grant application online homepage under the "requirements" tab for you to complete and submit.

We request that in any publicity given this grant, acknowledgement be made that the funds were received from the Lloyd K. Johnson Foundation. Please enclose copies of any publicity with your Final Report as an attachment.

Congratulations on receiving funding from the Lloyd K. Johnson Foundation! If you have any additional questions, please feel free to contact me at 218.726.9000.

Sincerely,



Joan Gardner-Goodno
Executive Director
Lloyd K. Johnson Foundation
jgardner@lloydjohnsonfoundation.org

cc: Sumair Sheikh, Career & College Readiness Specialist

EXECUTIVE DIRECTOR 199
Joan E. Gardner-Goodno

BOARD OF DIRECTORS
Mark Smithson
President/CEO
Bill Hansen
Vice President
Scott Harrison
Treasurer/CFO
Darryl E. Coons
Ruth Ann Eaton
Susan Michels
Stephen Surbaugh

Lloyd K. Johnson Foundation
~Grant Agreement~

ORGANIZATION: Duluth Public Schools ISD 709

AMOUNT: \$15,000

PURPOSE: Pathways2Teaching Program

GRANT PERIOD: 1/1/2019 - 12/31/2019

1. Use of Grant Funds: You may use grants funds only as described in the approved grant application. Any significant deviation from the approved itemized budget must be approved by the Foundation prior to expenditure. Any unspent funds must be returned to the Foundation.
2. Payment of Grant Funds: The grant funds will be paid by the Foundation after receipt of the signed grant agreement according to the following schedule of payment(s): **One payment of \$15,000.**
3. Certification and Maintenance of Exempt Organization Status: You certify that you have been determined by the Internal Revenue Service to be a tax-exempt organization under Section 501 (c)(3) of the Code, and "not a private foundation", within the meaning of Code Section 509 (a), or in the absence of such a determination, that you are a state or any political subdivision thereof within the meaning of Code Section 170 (c)(1) (referred to hereafter as a "Public Charity"). You will immediately inform the Foundation of any change in or challenge to your status as a Public Charity. Furthermore, you hereby affirm that this grant will not cause you to fail to qualify as a Public Charity. You will comply with the provisions of the Code and the regulation applicable to you where such violation materially affects your ability to carry out the goals of the grant.
4. Interim Reports: In addition to a Final Report, the Foundation may require an Interim Report(s) regarding expenditures, records and progress of the grant project. Failure to provide an Interim Report indicating satisfactory progress towards defined grant outcomes may result in the Foundation withholding payment(s) until interim goals have been achieved.
5. Final Report: On or before **02/28/2020** you will make a final report to the Foundation with respect to all expenditures made from such grant funds (including salaries, travel and supplies) and indicate the progress made towards the goals of the grant.
6. Records: You will maintain your books and records in such a manner that the receipts and expenditures of the grant funds will be shown separately on such books and records in an easily checked form. You will keep records of receipts and expenditures of grant funds as well as copies of the reports submitted to the Foundation and supporting documentation for at least four (4) years after the completion of the use of the grant funds, and will make such books, records and supporting documentation available to the Foundation for inspection at reasonable times from the time of your acceptance of this grant through such period.

- 7. Acknowledgement of Support: All publicity- publications, press releases, brochures, videotapes, and other public relations materials or communication dealing with the activities and achievement of the work of the grant shall acknowledge the Foundation's support.
- 8. Violation of Terms; Change of Status: In the case of any violations by you of the terms and conditions of the grant, including but not limited to not executing the work of the grant in substantial compliance with the proposal, or in the event of any change in or challenge by the Internal Revenue Service of your status as a Public Charity, the Foundation reserves the right in its absolute discretion to terminate the grant. The Foundation's determination will be final and will be binding and conclusive upon you. If an Interim Report has been requested and the report is not received in a timely manner, the Foundation may withhold payment until the outstanding report is received, and may terminate the grant if any such report is not received within a reasonable time (no more than sixty [60] days) following the date on which it was due.
- 9. Termination: Upon termination of this grant for any reason, the Foundation will withhold any further payments of grant funds and you will repay to the Foundation any portion of the grant funds that were not spent for the grant period.
- 10. Future Funding: You acknowledge that the Foundation and its representatives have made no actual or implied promise of funding except for the amounts specified by this agreement. If any of the grant funds are returned or if the grant is rescinded, you acknowledge that the Foundation will have no further obligation to you in connection with this grant as a result of return or rescission. However, the foregoing is not intended to prohibit the Foundation from providing you an additional grant at the termination of the grant described in this agreement upon the submission of a new proposal, if the Foundation in its sole discretion determines that an additional grant is appropriate.
- 11. Modification: This agreement sets forth all terms of the grant and replaces all prior understandings and agreements. Any modification or amendment will be made only in writing signed by an authorized officer of your organization and of the Foundation.
- 12. Applicable Law: This agreement will be construed in accordance with the laws of the State of Minnesota.

Lloyd K. Johnson Foundation

Gene Edward Goodno

Date: 12/18/18

Accepted by:

Name:

Wm Jonseth

Title:

Supt

Date:

01/02/19

Facilities Management & Capital Project Status Report December 2018

202

Facilities Management – Maintenance and Operations - General

- In the past month the Facilities maintenance crews have completed 202 work orders, and are currently working on 480 open work orders.
- Facilities maintenance trade crews are currently scheduled at OEMS.
- The Valley Youth lease at MacArthur is finalized and executed.
- Continuing to work with Human Resources and Firemen and Oilers Union to review and update position descriptions.
- The clay tile sewer line that failed at Congdon is now repaired.
- Through efforts with Minnesota Power's Conservation Improvement Plan (CIP), we have received a rebate check for \$9,119.24. This is related to energy conservation measures taken in materials chosen in the renovations at Rockridge.

Capital Construction:

- The FY19 HOCHS audit will begin shortly.
- Design efforts are ongoing with bid documents to be prepared shortly for the PSS Track Replacement project.
- The Denfeld stairwell ceiling project is being designed and will be completed with Kraus Anderson utilizing Gordian /ez/IQC.

Building Operations

- Operations have been busy filling several open positions. Operations have filled three open engineer positions at Lowell, Myers and Congdon Elementary Schools from within. This has resulted in an engineer opening at Lakewood Elementary, a fireperson position open at Ordean East Middle School, and a maintenance custodian position open at a site yet to be determined due to the current open transfer process. A request for transfer within the custodian II class has resulted in an entry level custodian II vacancy at East High School.

Health, Safety & Environmental Management

Environmental/Health/Safety

- A quote request was sent out for Radon testing in all the schools. Responses were received and a contractor will be selected after administration reviews the quotes.
- Lincoln Park fire re-inspection was completed with no issues found.
- Began adding carbon monoxide alarms to the boiler rooms of each school.

Emergency Response Crisis Management

- Continued planning ALICE training and implementation beyond certified staff. Letters to parents and instructional power points for implementation are being reviewed.

Workers' Compensation Activities

- OSHA Recordables for the month: 3
- First report of injuries: 38

December 28, 2018

William Gronseth
Superintendent of Schools

David J. Spooner, C.P.E.
Manger of Facilities

Duluth Public Schools
215 N 1st Ave E
Duluth, MN 55802

RE: Marketing Update
800 E Central Entrance "Central High School Property"
"Hartley Lots"

Hartley Residential Lots

- All marketing in place and active.
- No new updates or inquiries.
- Signage is recommended but some brush clearing and lot line locations are needed.

800 E. Central Entrance "Central High School Property"

- No new inquiries or showings this month.

Discussions with parties are continuing in regards to the Central site, however as of the date of this letter, no LOI's have been written. The site continues to generate inquiries from various Developers, Brokers and Investors as expected.

Please do not hesitate to reach out with any questions.

Respectfully,

Greg Follmer
Broker

FY 19 Discretionary Compensatory Fund Usage

| Site | Discretionary Dollars Allocated | Uses | | | | | | | |
|--------------|---------------------------------|-----------|-----------|-------------------|----------------------------|-----------------------|----------------------------------|----------|----------|
| | | FTE Bud | FTE Assgn | Description | Std Cost | Non-Labor Budget | Non-Labor Spent as of 12/21/2018 | | |
| Denfeld | \$ 514,708.00 | 1.20 | 1.20 | Teachers | 115,200.00 | | | | |
| | | | 1.00 | 1.00 | MTSS PLC Coordinator | 96,000.00 | | | |
| | | | 1.00 | 1.00 | MTSS SEB Coordinator | 96,000.00 | | | |
| | | | 0.15 | 0.15 | Parent involvement coord | 7,500.00 | | | |
| | | | 0.21 | 0.21 | Dean to Asst Principal | 20,749.00 | | | |
| | | | 1.00 | 1.00 | School Counselor | 96,000.00 | | | |
| | | | 0.18 | | BARR Coordinator | 17,280.00 | | | |
| | | | 0.10 | | Supervisory Para | 5,500.00 | | | |
| | | | 0.13 | | Career Center Coordinator | 6,600.00 | | | |
| | | | | | Professional Dev/Materials | | 50,000.00 | 8,222.79 | |
| | | | | | Materials | | 3,879.00 | | |
| East | 85,740.00 | 0.80 | 0.80 | Interventionists | 76,800.00 | | | | |
| | | | | Staff Development | | 8,574.00 | 0.00 | | |
| | | | | Materials | | 366.00 | 0.00 | | |
| Lincoln Park | 601,100.00 | 4.65 | 2.45 | Teachers | 235,200.00 | | | | |
| | | | | | 1.80 | SEL Interventionists | 172,800.00 | | |
| | | | | | | Substitute teachers | 4,000.00 | | |
| | | | | | 0.40 | SPED Resource Teacher | 38,400.00 | | |
| | | | | | 1.00 | School Counselor | 96,000.00 | | |
| | | | | | | Leadership stipends | 24,000.00 | | |
| | | | | | | WIN Curriculum | | 2,000.00 | 2,000.00 |
| | | Materials | | 28,700.00 | 2,776.90 | | | | |
| Ordean East | 95,701.00 | 0.80 | | Teacher | 76,800.00 | | | | |
| | | | | | 0.10 | Social worker | 9,600.00 | | |
| | | | | | | Staff Development | | 9,301.00 | 0.00 |
| Congdon | 57,773.00 | 0.35 | | Interventionists | 33,600.00 | | | | |
| | | | | | | Stipends/Subs | 3,055.00 | | |
| | | | | | | Monitor support | 1,933.00 | | |
| | | | | | | Tutors | | 3,500.00 | 1,750.00 |
| | | | | | | Curriculum | | 3,800.00 | 0.00 |
| | | | | | | Staff Development | | 8,885.00 | 1,100.00 |
| | | | | | | Transportation | | 3,000.00 | 0.00 |
| Homecroft | 37,162.00 | 0.35 | 0.35 | Interventionist | 33,600.00 | | | | |
| | | | | | | Materials | | 3,562.00 | 0.00 |
| Lakewood | 42,065.00 | 0.43 | 0.43 | Teacher | 41,280.00 | | | | |
| | | | | | | Materials | | 785.00 | 0.00 |

FY 19 Discretionary Compensatory Fund Usage

| Site | Discretionary Dollars Allocated | Uses | | | | | |
|---------------|---------------------------------|---------|-----------|--------------------------|------------|------------------|----------------------------------|
| | | FTE Bud | FTE Assgn | Description | Std Cost | Non-Labor Budget | Non-Labor Spent as of 12/21/2018 |
| Lester Park | 28,848.00 | 0.20 | 0.20 | Social/Emotional Teacher | 19,200.00 | | |
| | | | | Substitute teacher | 3,132.00 | | |
| | | | | Materials | | 6,516.00 | 0.00 |
| Lowell | 172,131.00 | 1.80 | 1.80 | Teachers | 171,631.00 | | |
| | | | | Materials | | 500.00 | 90.00 |
| L. MacArthur | 639,334.00 | 1.00 | | Teacher | 96,000.00 | | |
| | | 2.00 | | Interventionists | 192,000.00 | | |
| | | 0.50 | 0.50 | EBD Teacher | 48,000.00 | | |
| | | 1.00 | | Dean | 96,000.00 | | |
| | | 1.00 | | Social Worker | 96,000.00 | | |
| | | 0.40 | | Paraprofessional | 20,000.00 | | |
| | | | 0.25 | Clerical | 14,250.00 | | |
| | | | | Mastery Connect | | 4,000.00 | 3,950.00 |
| | | | | LLI Material | | 25,000.00 | 26,860.40 |
| | | | | Staff Development | | 47,584.00 | 1,088.75 |
| | | | | Materials | | 500.00 | 99.98 |
| Myers-Wilkins | 739,670.00 | 0.25 | 0.25 | Phy Ed Teacher | 24,000.00 | | |
| | | 1.00 | 1.00 | Reading Interventionist | 96,000.00 | | |
| | | 1.00 | 1.00 | Math Interventionist | 96,000.00 | | |
| | | 0.50 | 0.50 | SPED Resource Tchr | 48,000.00 | | |
| | | 1.00 | 1.00 | Dean | 96,000.00 | | |
| | | 1.00 | 1.00 | Social Worker | 96,000.00 | | |
| | | 1.00 | 1.00 | Paraprofessional | 58,000.00 | | |
| | | | | Community Sch Coord | | 63,000.00 | 19,960.65 |
| | | | | Staff Development | | 74,000.00 | 2,500.00 |
| | | | | Materials | | 88,670.00 | 6,360.12 |
| Piedmont | 537,886.00 | 3.00 | 2.00 | Classroom Teachers | 288,000.00 | | |
| | | 1.00 | 1.00 | Interventionist | 96,000.00 | | |
| | | | 0.125 | Monitor | 3,245.00 | | |
| | | | 1.00 | Social Worker | 96,000.00 | | |
| | | | | Classroom Materials | | 20,464.00 | 5,440.04 |
| | | | | Materials | | 34,177.00 | 1,103.38 |
| Stowe | 338,976.00 | 3.00 | 3.00 | Classroom teachers | 288,000.00 | | |
| | | | | Subs/Stipends | 16,000.00 | | |
| | | | | Elem Club Supplies | | 3,000.00 | 0.00 |
| | | | | Materials | | 31,976.00 | 451.72 |