

SHAKOPEE PUBLIC SCHOOLS



SCHOOL BOARD AGENDA





Shakopee Public Schools
School Board Special Business Meeting & Learning Session
District Office Board Room, 1200 Town Square, Shakopee, MN 55379

Monday, November 27, 2017
6:00 PM

1. CALL TO ORDER SPECIAL BOARD BUSINESS MEETING AND ROLL CALL - CHAIR SWANSON
2. PLEDGE OF ALLEGIANCE
3. CONSIDERATION OF AGENDA AS PRESENTED
4. NEW BUSINESS ACTION ITEMS
 4. 1. Acceptance of Audit 3

The 2016-17 audit will be presented for final acceptance.

Recommended Action

Accept the Fiscal Year 2016-17 audit as presented.
5. RECOGNITION OF VISITORS TO BOARD MEETING
6. ADJOURNMENT OF SCHOOL BOARD SPECIAL BUSINESS MEETING
7. CALL TO ORDER SCHOOL BOARD LEARNING SESSION AND ROLL CALL - CHAIR SWANSON
8. CONSIDERATION OF AGENDA AS PRESENTED AND ADDITIONS
 8. 1. Technology Update 222
 8. 2. Financial Updates
9. OTHER
10. UPCOMING MEETINGS AND IMPORTANT DATES
 - November 28, 2017 School Board Personnel Committee Meeting 4:00PM
 - November 29, 2017 Bond Oversight Committee Meeting 5:00PM
 - December 4, 2017 Citizens' Financial Advisory Committee 6:00PM
 - December 11, 2017 School Board Finance Committee Meeting 5:00PM
 - December 11, 2017 Truth in Taxation Hearing & 6:00PM School Board Business Meeting
 - December 13, 2017 Bond Oversight Committee Meeting 5:00PM
 - January 8, 2017 School Board Finance Committee Meeting 5:00PM
 - January 8, 2017 Re-Organization & School Board Business Meeting 6:00PM
11. ADJOURNMENT OF SCHOOL BOARD LEARNING SESSION



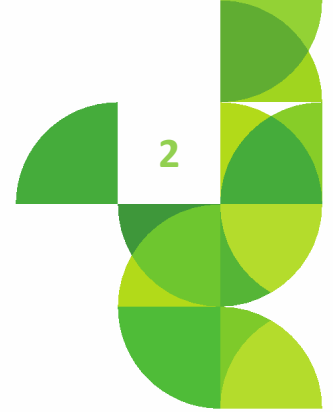
Independent School
District No. 720
Shakopee, Minnesota

Audited Financial Statements
June 30, 2017

Components of the Audit



- Independent Auditor's Report
 - Unmodified Opinion on the District's Financial Statements for the year ended June 30 ,2017
- Report on the result of an audit performed with *Government Auditing Standards*
 - One Internal Control Finding : Lack of Segregation of Accounting Duties
- Report on results of a Single Audit performed in accordance with OMB *Circular A-133*
 - Unmodified Opinion on Compliance over Federal Programs in accordance with OMB *Circular A-133*
- Report on results of testing on *Minnesota Legal Compliance*
 - Old outstanding checks
 - Public Purpose – adequate documentation for purchases



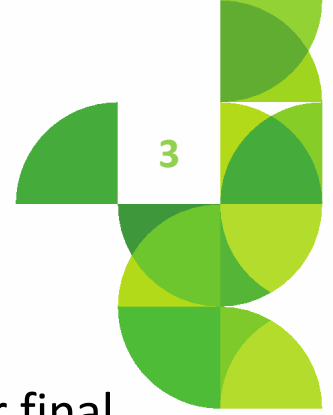
General Fund Budget to Actual

Original Budget:

- General Fund Revenue budgeted at \$90.3 million
- General Fund Expenditures budgeted at \$90.3 million
- Net Other Financing Sources of \$10 thousand
- \$15 thousand increase in fund balance

Final Budget:

- General Fund Revenue budgeted at \$91.1 million
- General Fund Expenditures budgeted at \$94.1 million
- Net Other Financing Sources of \$2.3 million
- \$710 thousand decline in fund balance



General Fund Budget to Actual

Actual:

- General Fund Revenues actually \$92.3 million; \$1.3 million over final budget or 1.4% variance – State Aids
- General Fund Expenditures actually \$97.2 million; \$1.7 million over final budget after factoring out lease activity or 1.8% variance – District Support, Regular Instruction, Vocational Instruction – Employee Benefits
- Fund Balance declined \$1.5 million to \$1.1 million

General Fund Operations

	2013	2014	2015	2016*	2017*
Revenues	\$ 68,634,401	\$ 72,081,035	\$ 79,863,076	\$ 83,619,991	\$ 92,327,693
Expenditures	69,506,100	74,128,255	82,539,053	90,113,013	97,233,076
Excess of revenues under expenditures	(871,699)	(2,047,220)	(2,675,977)	(6,493,022)	(4,905,383)
Transfers/other financing sources	200	-	13,580	1,239,504	3,451,632
Fund balance, July 1	13,355,639	12,484,140	10,436,920	7,774,523	2,521,005
Fund Balance, June 30	\$ 12,484,140	\$ 10,436,920	\$ 7,774,523	\$ 2,521,005	\$ 1,067,254

Components of Fund Balance					
Nonspendable	\$ 350,000	\$ 96	\$ 68,261	\$ 115,556	\$ 657,884
Restricted for					
Capital projects levy*	-	-	-	(479,477)	(303,080)
Health and safety*	(1,101,939)	(701,302)	(770,198)	(894,373)	-
Operating capital	1,680,862	1,905,984	2,158,125	1,241,034	-
Assigned	-	-	-	-	20,882
Unassigned	11,555,217	9,232,142	6,318,335	2,538,265	691,568
Total	\$ 12,484,140	\$ 10,436,920	\$ 7,774,523	\$ 2,521,005	\$ 1,067,254

Unassigned Fund Balance as a Percentage of Expenditures	16.6%	12.5%	7.7%	2.8%	0.7%
--	-------	-------	------	------	------

Average Daily Membership and Pupil Units (Continued)



Resident ADM	2013	2014	2015	2016	2017*
Early childhood	51.07	64.40	67.84	68.41	74.58
Kindergarten	711.59	648.97	670.67	665.87	651.93
Elementary	4,017.12	4,209.34	4,323.90	4,300.88	4,287.72
Secondary	3,387.98	3,554.19	3,707.99	3,892.88	4,108.45
Total Resident ADM	8,167.76	8,476.90	8,770.40	8,928.04	9,122.68

Resident Average Daily Membership and Pupil Units (Continued)



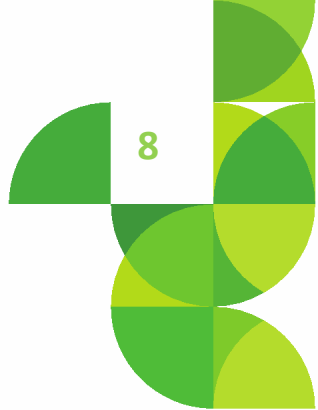
	Pupil Units Weighting					
	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal years 2013-2014	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal years 2015-2017	1.000	1.000	1.000	1.000	1.000	1.200

WADM/PUN	2013	2014	2015	2016	2017*
Residents	9,289.94	9,689.65	9,511.53	9,706.63	9,944.37
Resident WADM/PUN loss	(882.75)	(1,059.48)	(1,109.35)	(1,081.44)	(1,184.07)
Nonresident WADM/PUN gain	141.11	151.82	141.09	171.60	222.63
Total WADM/PUN Served	8,548.30	8,781.99	8,543.27	8,796.79	8,982.93

General Fund Sources of Revenue



	2013	2014	2015	2016	2017
Local property taxes	\$ 8,649,645	\$ 5,466,678	\$ 9,285,838	\$ 9,136,670	\$ 13,303,806
State sources	56,577,454	63,282,157	67,134,751	70,787,830	74,409,197
Other	3,407,302	3,332,200	3,442,487	3,695,491	4,614,690
Total	\$ 68,634,401	\$ 72,081,035	\$ 79,863,076	\$ 83,619,991	\$ 92,327,693

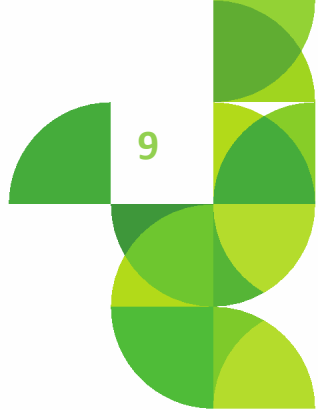


Revenues Per Student (ADM) Served

Shakopee					
General Fund	2013*	2014*	2015*	2016*	2017**
Property taxes	\$ 1,121	\$ 690	\$ 1,158	\$ 1,108	\$ 1,615
Other local sources	184	193	220	220	243
State aid	7,477	8,209	8,496	8,702	9,031
Federal aid	288	258	233	250	317
Total General Fund Revenue	\$ 9,070	\$ 9,350	\$ 10,107	\$ 10,280	\$ 11,206

Seven-County Metro Area					
General Fund	2013*	2014*	2015*	2016*	2017**
Property taxes	\$ 1,676	\$ 1,014	\$ 1,728	\$ 1,853	N/A
Other local sources	427	465	466	469	N/A
State aid	8,124	9,081	8,974	9,299	N/A
Federal aid	507	474	454	447	N/A
Total General Fund Revenue	\$ 10,734	\$ 11,034	\$ 11,622	\$ 12,068	N/A

State-Wide					
General Fund	2013*	2014*	2015*	2016*	2017**
Property taxes	\$ 1,608	\$ 923	\$ 1,564	\$ 1,673	N/A
Other local sources	442	477	485	498	N/A
State aid	8,234	9,137	9,115	9,435	N/A
Federal aid	494	463	450	442	N/A
Total General Fund Revenue	\$ 10,778	\$ 11,000	\$ 11,614	\$ 12,048	N/A

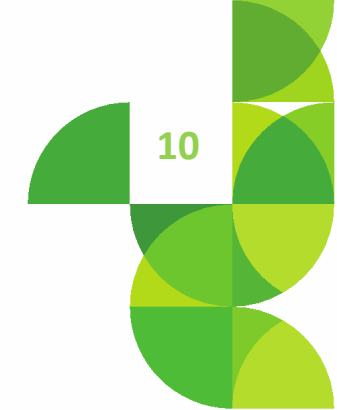


Expenditures Per Student (ADM) Served

Shakopee					
General Fund	2013*	2014*	2015*	2016*	2017**
Administration and district support services	\$ 704	\$ 788	\$ 954	\$ 1,007	\$ 950
Elementary and secondary regular instruction	4,384	4,590	4,877	5,008	5,037
Vocational education instruction	60	93	87	92	105
Special education instruction	1,887	1,924	1,941	2,109	2,226
Instructional support services	574	542	686	742	993
Pupil support services	738	784	851	893	924
Sites and buildings	596	622	625	620	680
Capital expenditures	242	274	424	454	886
Total General Fund Expenditures	\$ 9,185	\$ 9,617	\$ 10,445	\$ 10,925	\$ 11,801

Seven-County Metro Area					
General Fund	2013*	2014*	2015*	2016*	2017**
Administration and district support services	\$ 844	\$ 879	\$ 929	\$ 954	N/A
Elementary and secondary regular instruction	5,034	5,145	5,289	5,518	N/A
Vocational education instruction	132	134	139	151	N/A
Special education instruction	1,952	2,034	2,076	2,226	N/A
Instructional support services	493	558	600	642	N/A
Pupil support services	923	953	984	1,023	N/A
Sites and buildings	841	869	858	876	N/A
Capital expenditures	497	493	549	594	N/A
Total General Fund Expenditures	\$ 10,716	\$ 11,065	\$ 11,424	\$ 11,984	N/A

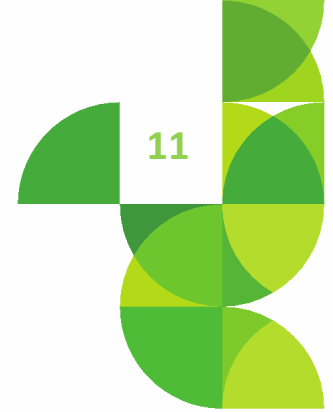
State-Wide					
General Fund	2013*	2014*	2015*	2016*	2017**
Administration and district support services	\$ 892	\$ 926	\$ 991	\$ 1,016	N/A
Elementary and secondary regular instruction	4,955	5,060	5,266	5,428	N/A
Vocational education instruction	132	133	140	149	N/A
Special education instruction	1,896	1,976	2,050	2,179	N/A
Instructional support services	466	524	572	606	N/A
Pupil support services	916	946	989	1,021	N/A
Sites and buildings	838	868	868	879	N/A
Capital expenditures	570	578	649	677	N/A
Total General Fund Expenditures	\$ 10,665	\$ 11,011	\$ 11,525	\$ 11,955	N/A



General Fund Expenditures By Program

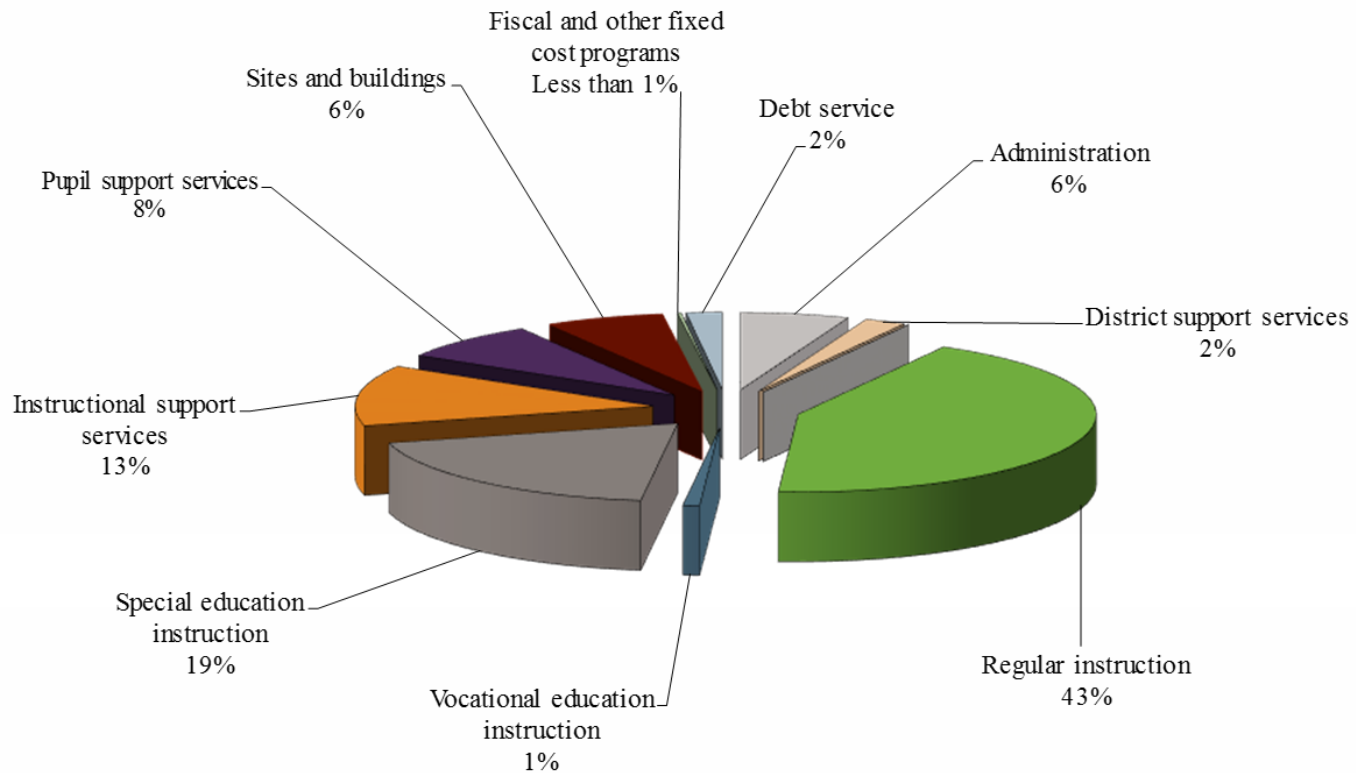
	2013	2014	2015	2016	2017
Administration	\$ 4,105,872	\$ 4,596,262	\$ 5,537,421	\$ 5,827,880	\$ 5,730,782
District support services	1,184,754	1,364,310	1,792,791	2,079,390	2,178,543
Elementary and secondary regular instruction	33,383,745	35,545,143	38,675,988	41,008,818	41,747,541
Vocational education instruction	458,572	725,118	695,927	749,015	870,273
Special education instruction	14,308,351	14,879,511	15,373,634	17,206,868	18,441,870
Instructional support services	5,062,602	5,152,834	6,443,763	8,824,679	12,323,870
Pupil support services	5,583,252	6,045,990	6,770,050	7,260,151	7,614,151
Sites and buildings	5,288,317	5,637,614	5,847,498	5,937,614	6,252,053
Fiscal and other fixed cost programs	130,635	181,473	215,914	211,184	191,091
Debt service	-	-	1,186,067	1,007,414	1,882,902
Total	\$ 69,506,100	\$ 74,128,255	\$ 82,539,053	\$ 90,113,013	\$ 97,233,076

General Fund Expenditures



11

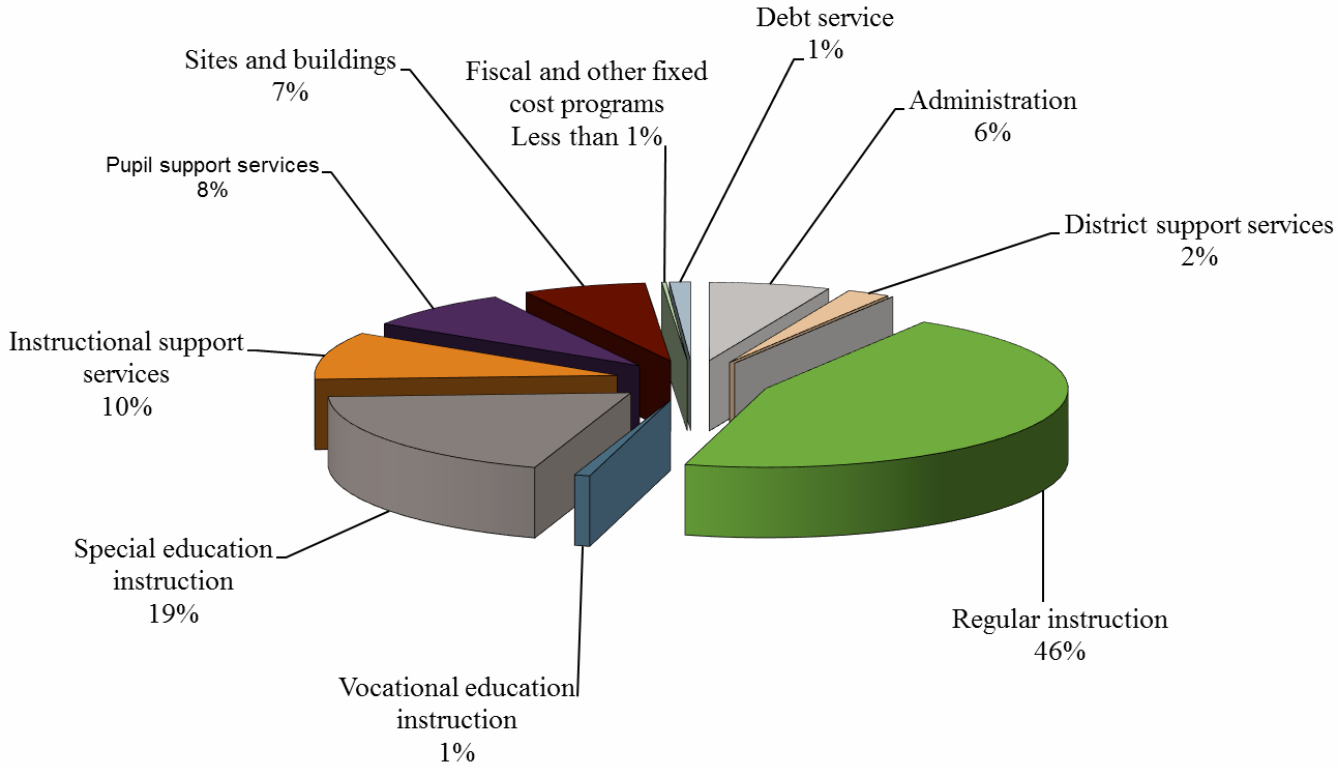
General Fund Expenditures 2017

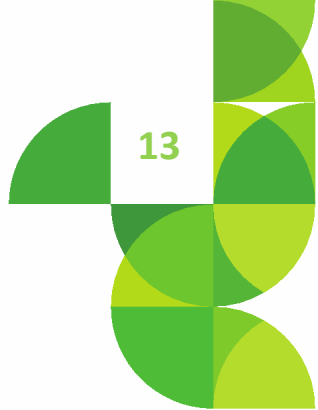




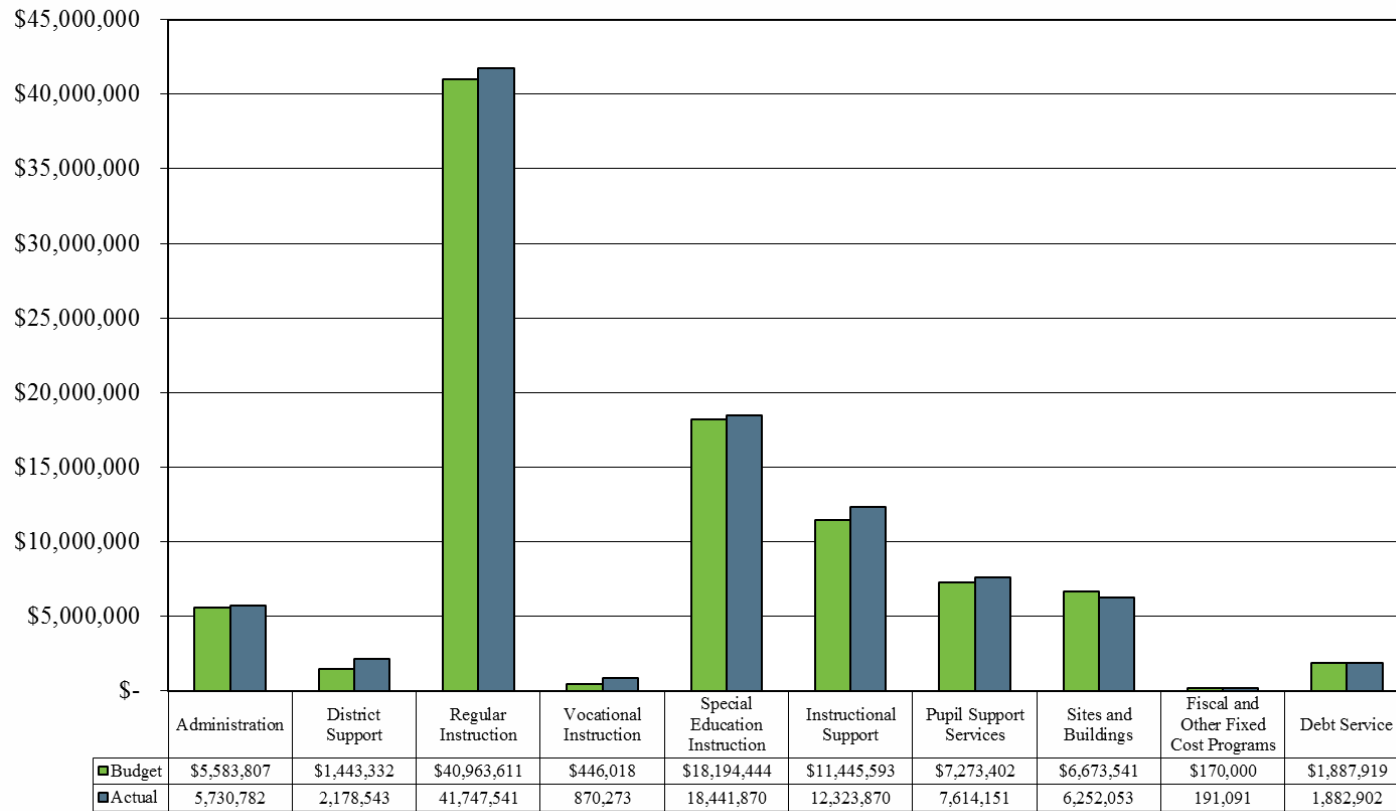
General Fund Expenditures

General Fund Expenditures 2016





General Fund Expenditures Budget and Actual



Food Service Fund

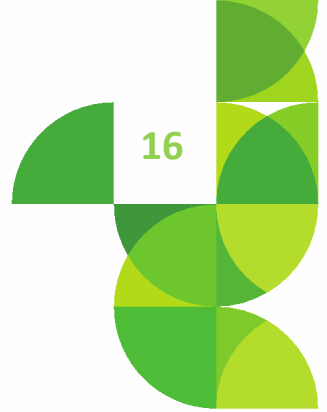
Year Ended June 30,	2013	2014	2015	2016	2017
Revenues	\$ 3,389,008	\$ 3,556,025	\$ 3,927,153	\$ 4,409,632	\$ 4,544,864
Expenditures	3,441,186	3,460,011	3,899,796	4,186,026	4,566,784
Excess of revenues over (under) expenditures	(52,178)	96,014	27,357	223,606	(21,920)
Fund balance, July 1	379,243	327,065	423,079	450,436	674,042
Fund Balance, June 30	\$ 327,065	\$ 423,079	\$ 450,436	\$ 674,042	\$ 652,122

Community Service Fund

	2013	2014	2015	2016	2017
Revenues	\$ 1,723,134	\$ 1,767,270	\$ 1,915,937	\$ 2,338,577	\$ 2,760,027
Expenditures	1,809,055	1,761,264	1,976,362	2,250,884	2,670,134
Excess of revenues over (under) expenditures	(85,921)	6,006	(60,425)	87,693	89,893
Fund balance, July 1	153,021	67,100	73,106	12,681	100,374
Fund Balance, June 30	\$ 67,100	\$ 73,106	\$ 12,681	\$ 100,374	\$ 190,267

Components of Fund Balance

Restricted for					
Community Education	\$ 56,828	\$ 6,546	\$ (75,851)	\$ (17,867)	\$ (153,567)
ECFE	-	5,162	15,277	55,576	120,562
School Readiness	10,272	61,398	73,255	62,665	223,272
Total	\$ 67,100	\$ 73,106	\$ 12,681	\$ 100,374	\$ 190,267



16

Questions

Matt Mayer
952.563.6873

Thank you!

**Independent School District No. 720
Shakopee, MN**

Communications Letter

June 30, 2017

PRELIMINARY



**Independent School District No. 720
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Material Weakness	3
Required Communication	4
Financial Analysis	8
Legislative Summary	26

PRELIMINARY

**Report on Matters Identified as a Result of
the Audit of the Financial Statements**

To the School Board and Management
Independent School District No. 720
Shakopee, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. The material weakness identified is stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated November 20, 2017, on such statements.

This communication is intended solely for the information and use of management, the School Board and others within the District, and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Minneapolis, Minnesota
November 20, 2017

PRELIMINARY

Independent School District No. 720
Material Weakness

LACK OF SEGREGATION OF ACCOUNTING DUTIES

During the year ended June 30, 2017, the District had a lack of segregation of accounting duties. The lack of segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Director of Business Services has access to all areas of the accounting system.
- A single individual has the ability to receipt money, prepare the deposit, take the deposit to the bank, and record the receipt in the general ledger.
- The Accountant enters capital asset additions and disposals, monitors and reviews asset lives and depreciation in the system, and maintains the master asset listing.
- The Accounts Payable Clerk reviews invoices, enters invoices in the system, and prints checks.
- The Payroll Specialist has the ability to enter time for an employee, prepare the payroll checks, and print checks.
- There is no formal documentation of the review of monthly bank reconciliations.

The District has implemented periodic spot checks of accounts payable and payroll to review activity after checks have been run. This helps mitigate the risk associated with the lack of segregation of accounting duties, but it does not eliminate the risk.

During our test work, we also noted the internal control procedures related to P card transactions appeared to be structured adequately, however, the execution of the control procedures was not adequate in some instances. We noted instances where adequate supporting documentation was not provided prior to payment, yet payment was still approved. There were also instances where there was not enough documentation to determine whether a purchase was related to District operations or not. We recommend the District always ensure proper documentation is obtained prior to making payment, employees responsible for approval are empowered to question the expenditures, and there is enough information included in that documentation to be able to ensure the activity is related to District operations.

**Independent School District No. 720
Required Communication**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2017. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND THE UNIFORM GUIDANCE

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audited financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Independent School District No. 720
Required Communication**

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND THE UNIFORM GUIDANCE (CONTINUED)

Our responsibility with respect to the other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited and we do not express an opinion or provide any assurance on it.

PLANNED SCOPE AND TIMING OF THE AUDIT

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits and supplies.

**Independent School District No. 720
Required Communication**

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES (CONTINUED)

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadlines, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Net Other Post Employment Benefits (OPEB) Liability and Deferred Inflow of Resources Related to OPEB – This balance is based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

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

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

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

**Independent School District No. 720
Required Communication**

MANAGEMENT REPRESENTATIONS

We requested certain representations from management which were provided to us in the management representation letter.

MANAGEMENT CONSULTATIONS WITH OTHER ACCOUNTANTS

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

OTHER AUDIT FINDINGS OR ISSUES

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

OTHER MATTERS

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

**Independent School District No. 720
Financial Analysis**

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours.

AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS

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

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2008	\$ 5,074	2.0%
2009	5,124	1.0%
2010	5,124	0.0%
2011	5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

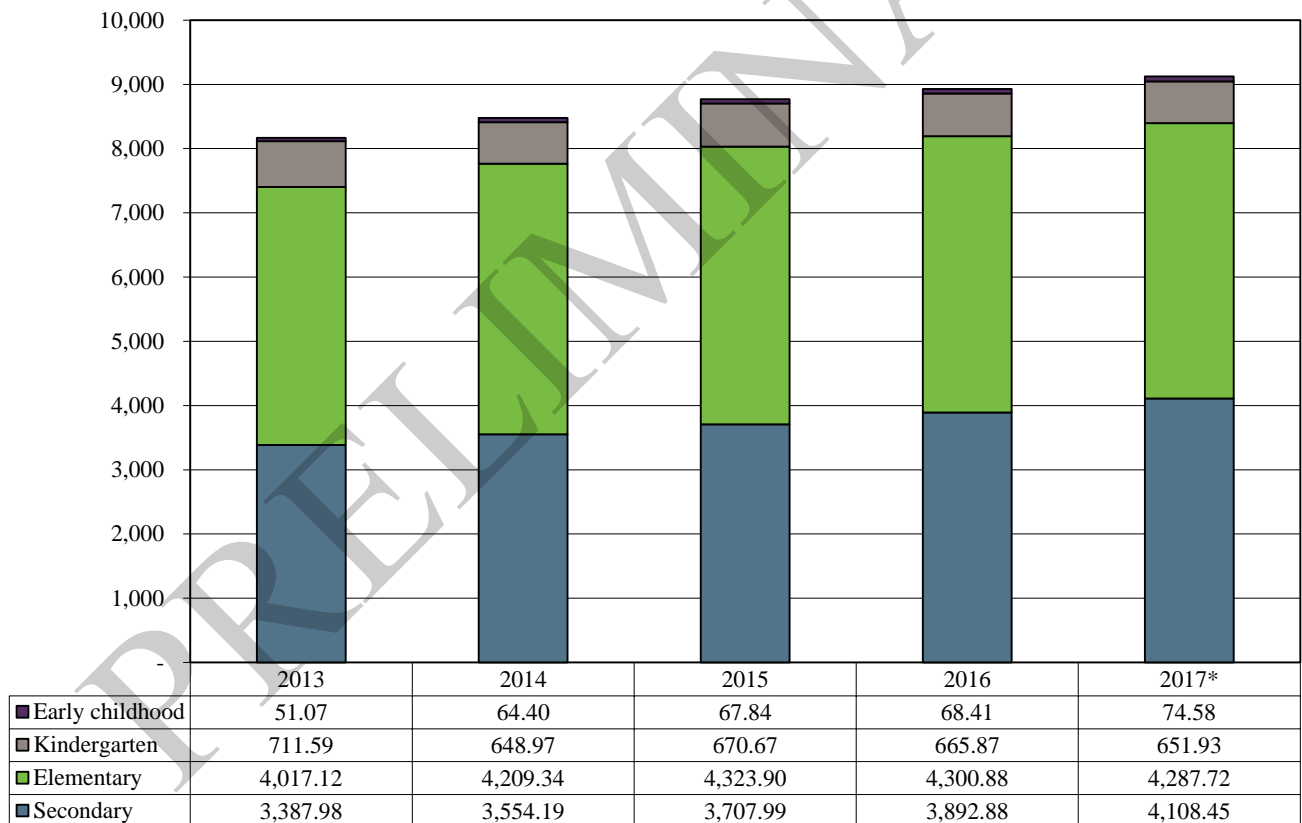
**Independent School District No. 720
Financial Analysis**

AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS (CONTINUED)

Approximately 81% of the District's General Fund revenue is from the state. A majority of this funding is based on student counts, so an understanding of the District's population trends is critical to overall budgeting plans. The following summarizes resident ADM of the District for the past five years ended June 30.

Resident ADM	2013	2014	2015	2016	2017*
Early childhood	51.07	64.40	67.84	68.41	74.58
Kindergarten	711.59	648.97	670.67	665.87	651.93
Elementary	4,017.12	4,209.34	4,323.90	4,300.88	4,287.72
Secondary	3,387.98	3,554.19	3,707.99	3,892.88	4,108.45
Total Resident ADM	8,167.76	8,476.90	8,770.40	8,928.04	9,122.68

Resident ADM



* Estimate as of October 23, 2017

**Independent School District No. 720
Financial Analysis**

RESIDENT AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS (CONTINUED)

The chart and graph on the previous page illustrate the steady increase in resident ADM experienced by the District over the past five years. Total resident ADM increased 11.7% since 2013, and 2.2% between 2016 and 2017.

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table below.

	Pupil Units Weighting					
	Pre- Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal years 2013-2014	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal years 2015-2017	1.000	1.000	1.000	1.000	1.000	1.200

The total pupil units are converted to adjusted pupil units, which also may be used to calculate the District's education aids. Adjusted pupil units are calculated by multiplying 77% of current year pupil units and 23% of prior year, or 100% of current year, whichever is greater. The adjusted pupil unit data is used for districts with declining enrollment to lessen the negative impact.

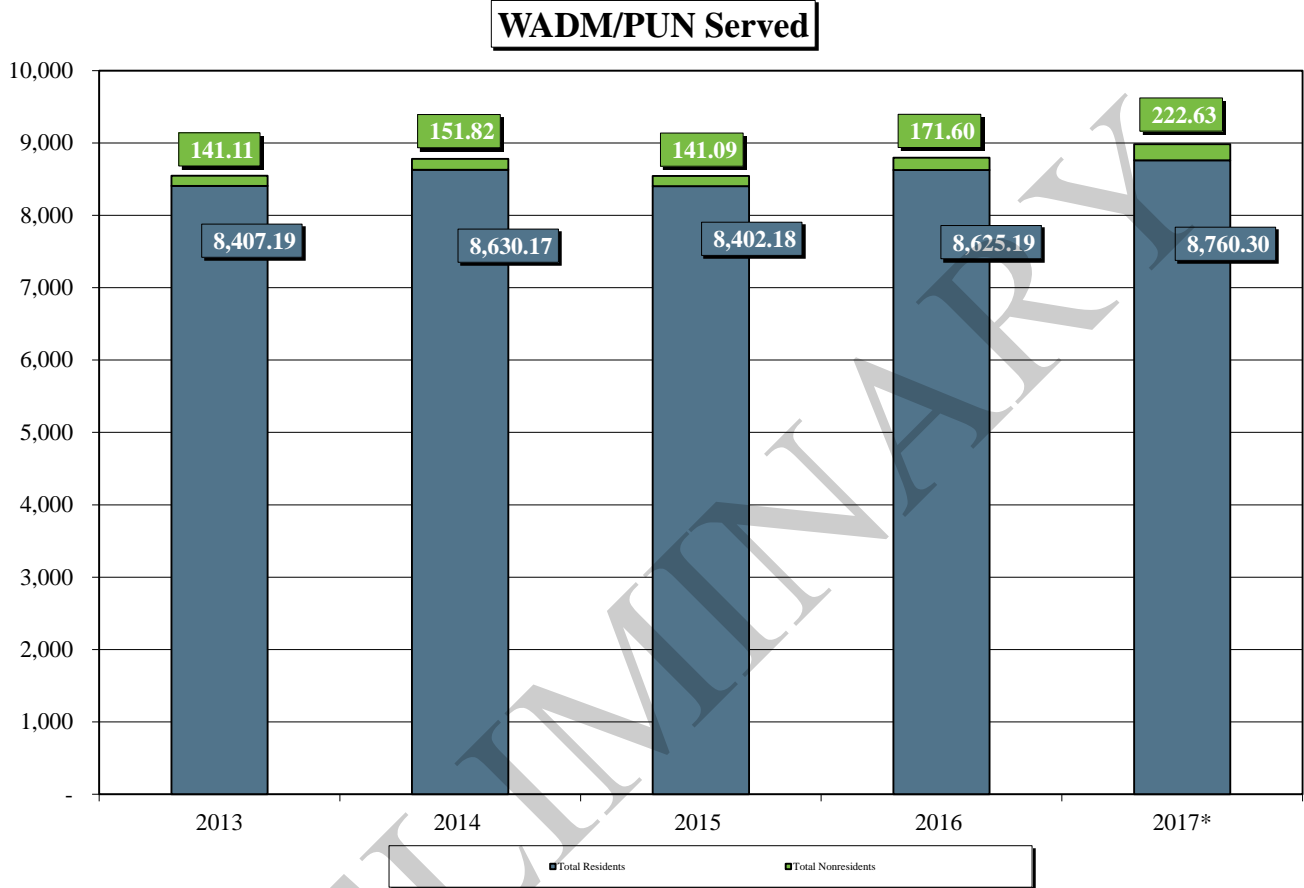
The weighted average daily membership (WADM) or pupil units (PUN) served table below and graph on the following page, converts the resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

WADM/PUN	2013	2014	2015	2016	2017*
Residents	9,289.94	9,689.65	9,511.53	9,706.63	9,944.37
Resident WADM/PUN loss	(882.75)	(1,059.48)	(1,109.35)	(1,081.44)	(1,184.07)
Nonresident WADM/PUN gain	141.11	151.82	141.09	171.60	222.63
Total WADM/PUN Served	8,548.30	8,781.99	8,543.27	8,796.79	8,982.93

*Estimate as of October 23, 2017

**Independent School District No. 720
Financial Analysis**

WEIGHTED AVERAGE DAILY MEMBERSHIP/PUPIL UNITS SERVED



* Estimate as of October 23, 2017

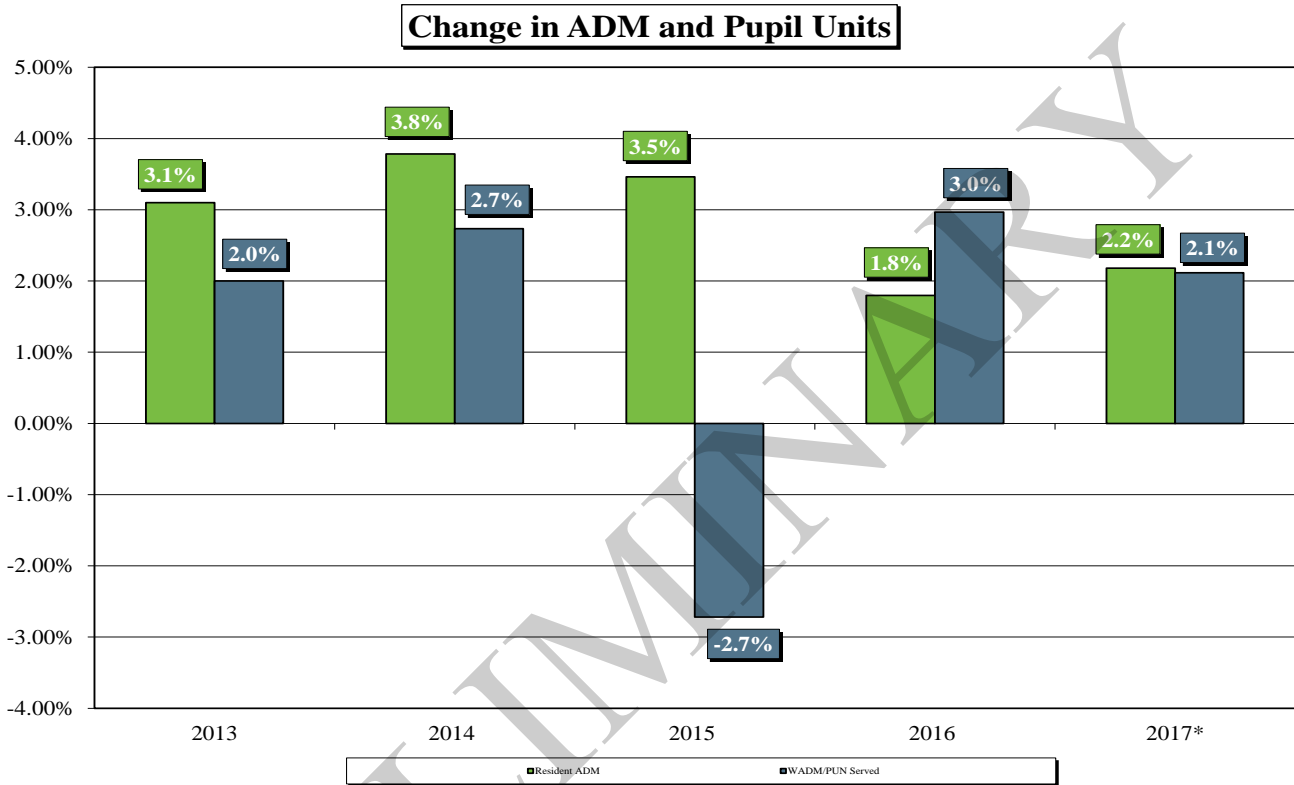
Comparing 2016 to 2017, total PUN increased 186.14, or 2.1%. Resident pupil units increased 2.5% and the effects of open enrollment loss increased 5.7%. Net losses in open enrollment totaled 961.44 in 2017, an increase from 909.84 in 2016.

When considering the decrease in WADM/PUN between 2014 and 2015, it is important to note that the decrease was the result of a change in weighting factors that took effect for fiscal year 2015, as noted on the previous page. Despite an increase of 293.80 in resident ADM, WADM/PUN decreased 238.72 from 2014 to 2015. Part of the decrease was related to the increase in the net loss related to open enrollment, while the majority of the decrease was related to the new weighting factors. Had the weighting factors not changed, resident WADM/PUN would have shown an increase of 353.24 from 2014. In an effort to hold districts harmless with the implementation of the new weighting system, the per pupil revenue formula increased an additional \$424 per pupil unit in 2015.

**Independent School District No. 720
Financial Analysis**

RESIDENT ADM AND WADM/PUN MEMBERSHIP SERVED

The following graph illustrates the percentage change from year-to-year in resident ADM and WADM/PUN served.



* Estimate as of October 23, 2017

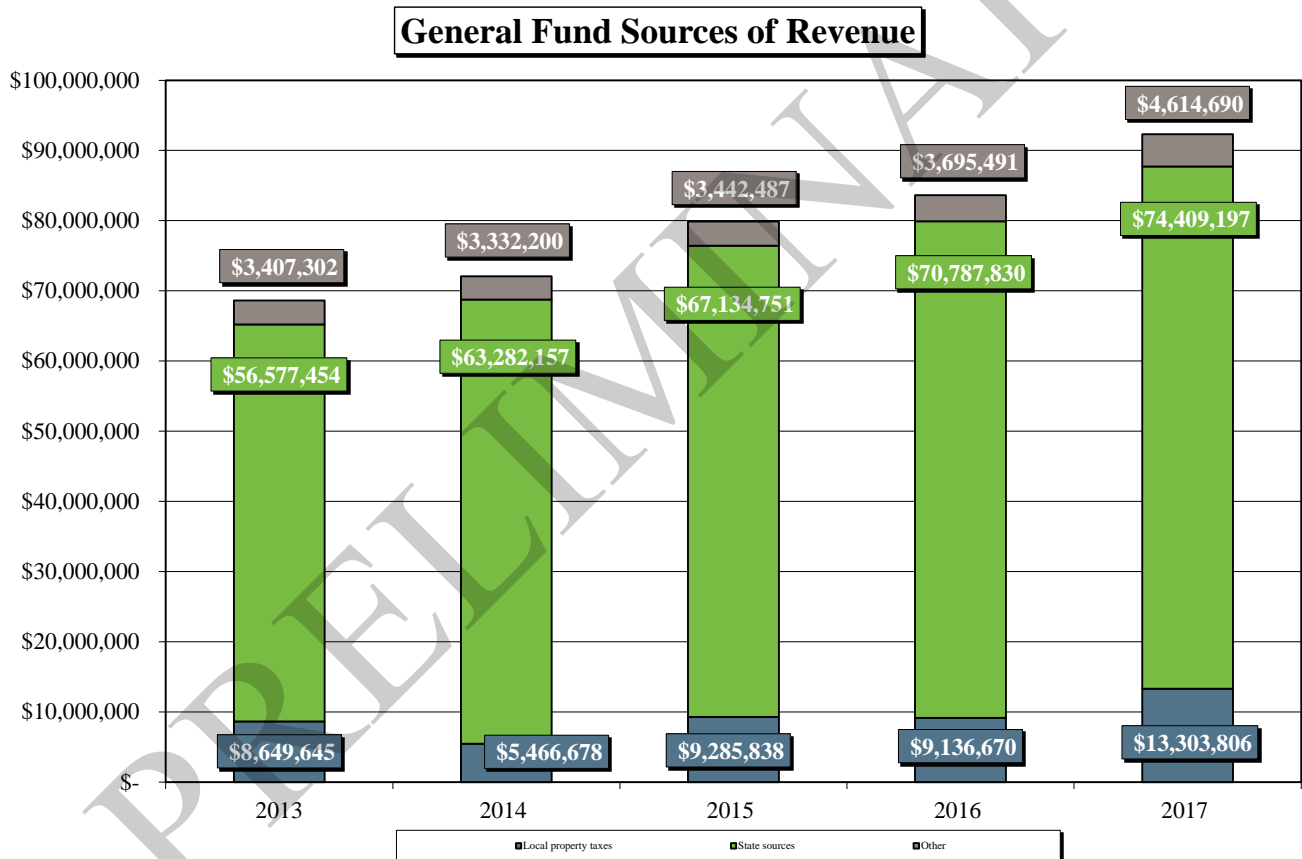
Independent School District No. 720 Financial Analysis

GENERAL FUND SOURCES OF REVENUE

General Fund sources of revenue are summarized as follows for the last five years:

	2013	2014	2015	2016	2017
Local property taxes	\$ 8,649,645	\$ 5,466,678	\$ 9,285,838	\$ 9,136,670	\$ 13,303,806
State sources	56,577,454	63,282,157	67,134,751	70,787,830	74,409,197
Other	3,407,302	3,332,200	3,442,487	3,695,491	4,614,690
Total	\$ 68,634,401	\$ 72,081,035	\$ 79,863,076	\$ 83,619,991	\$ 92,327,693

State revenue sources represent 80.6% of the General Fund total revenue, with local taxpayers contributing 14.4% of the funding and federal and other sources making up the remaining 5.0%.



Overall, General Fund revenue increased 10.4%, or \$8,707,702. Local property taxes increased \$4,167,136 or 45.6% in 2017 primarily due to a \$4.2 million increase in the General Fund's share of the levy, which was mostly a result of a new \$2.5 million capital projects levy and a new long-term facilities maintenance (LTFM) levy. Revenue from state sources increased \$3,621,367, or 5.1% in 2017 due to an increase in the formula allowance of \$119 per pupil unit, an increase in PUN of 186.14, new LTFM funding, and an increase in special education aid. Other revenues, which include local, county, and federal revenue increased \$919,199, or 24.9%. The majority of this increase was due to an increase across all federal awards including an increase of approximately \$175,000 in federal tuition billing and an increase of approximately \$270,000 in Title I to use previous years' unspent allocations.

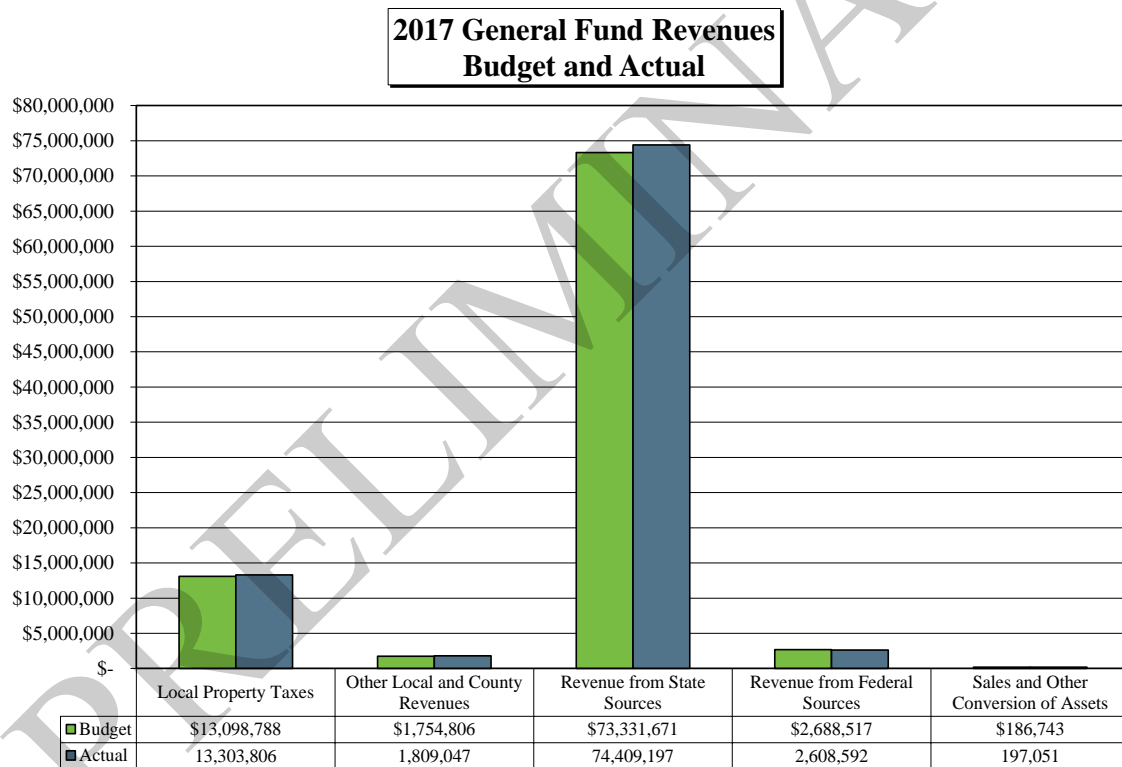
Independent School District No. 720 Financial Analysis

GENERAL FUND REVENUES BUDGET AND ACTUAL

The graph below outlines the District's final budget and actual results for General Fund revenues.

In June 2016, the District approved a General Fund revenue budget of \$90,340,000. There was an amendment made to the budget in May 2017, which increased the General Fund revenue to \$91,060,525. With actual revenues coming in at \$92,327,693, the final budget produced a variance of \$1,267,168 or 1.4%.

State sources of revenue came in \$1,077,526 over budget as a result of actual ADMs coming in at more than what the District had projected, as well as an increase in the special education entitlement that was not fully budgeted. All other sources of revenue were relatively consistent with budgeted amounts.



**Independent School District No. 720
Financial Analysis**

REVENUES PER STUDENT (ADM) SERVED

General Fund revenues per student (ADM) served is summarized in the following table. In addition, tables for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Shakopee					
General Fund	2013*	2014*	2015*	2016*	2017**
Property taxes	\$ 1,121	\$ 690	\$ 1,158	\$ 1,108	\$ 1,615
Other local sources	184	193	220	220	243
State aid	7,477	8,209	8,496	8,702	9,031
Federal aid	288	258	233	250	317
Total General Fund Revenue	\$ 9,070	\$ 9,350	\$ 10,107	\$ 10,280	\$ 11,206

Seven-County Metro Area					
General Fund	2013*	2014*	2015*	2016*	2017**
Property taxes	\$ 1,676	\$ 1,014	\$ 1,728	\$ 1,853	N/A
Other local sources	427	465	466	469	N/A
State aid	8,124	9,081	8,974	9,299	N/A
Federal aid	507	474	454	447	N/A
Total General Fund Revenue	\$ 10,734	\$ 11,034	\$ 11,622	\$ 12,068	N/A

State-Wide					
General Fund	2013*	2014*	2015*	2016*	2017**
Property taxes	\$ 1,608	\$ 923	\$ 1,564	\$ 1,673	N/A
Other local sources	442	477	485	498	N/A
State aid	8,234	9,137	9,115	9,435	N/A
Federal aid	494	463	450	442	N/A
Total General Fund Revenue	\$ 10,778	\$ 11,000	\$ 11,614	\$ 12,048	N/A

* Source: *School District Profiles*

** Estimate as of October 23, 2017; seven county metro and state-wide averages are not available.

The District has seen an increase in revenues per student (ADM) served from 2013 to 2017. Property tax revenues per student increased 45.8%, or \$507, per ADM served from 2016 to 2017 due to an increase in the General Fund's share of the levy. State aid revenues per student increased 3.8%, or \$329 per ADM served as a result of an increase of \$119 per pupil in general education funding and new LTFM funding. Federal revenues per student increased 26.8%, or \$67 per ADM served as a result of increases in all federal awards.

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

**Independent School District No. 720
Financial Analysis**

EXPENDITURES PER STUDENT (ADM) SERVED

General Fund expenditures by program per student (ADM) served is summarized in the following table. In addition, tables for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Shakopee					
General Fund	2013*	2014*	2015*	2016*	2017**
Administration and district support services	\$ 704	\$ 788	\$ 954	\$ 1,007	\$ 950
Elementary and secondary regular instruction	4,384	4,590	4,877	5,008	5,037
Vocational education instruction	60	93	87	92	105
Special education instruction	1,887	1,924	1,941	2,109	2,226
Instructional support services	574	542	686	742	993
Pupil support services	738	784	851	893	924
Sites and buildings	596	622	625	620	680
Capital expenditures	242	274	424	454	886
Total General Fund Expenditures	\$ 9,185	\$ 9,617	\$ 10,445	\$ 10,925	\$ 11,801

Seven-County Metro Area					
General Fund	2013*	2014*	2015*	2016*	2017**
Administration and district support services	\$ 844	\$ 879	\$ 929	\$ 954	N/A
Elementary and secondary regular instruction	5,034	5,145	5,289	5,518	N/A
Vocational education instruction	132	134	139	151	N/A
Special education instruction	1,952	2,034	2,076	2,226	N/A
Instructional support services	493	558	600	642	N/A
Pupil support services	923	953	984	1,023	N/A
Sites and buildings	841	869	858	876	N/A
Capital expenditures	497	493	549	594	N/A
Total General Fund Expenditures	\$ 10,716	\$ 11,065	\$ 11,424	\$ 11,984	N/A

State-Wide					
General Fund	2013*	2014*	2015*	2016*	2017**
Administration and district support services	\$ 892	\$ 926	\$ 991	\$ 1,016	N/A
Elementary and secondary regular instruction	4,955	5,060	5,266	5,428	N/A
Vocational education instruction	132	133	140	149	N/A
Special education instruction	1,896	1,976	2,050	2,179	N/A
Instructional support services	466	524	572	606	N/A
Pupil support services	916	946	989	1,021	N/A
Sites and buildings	838	868	868	879	N/A
Capital expenditures	570	578	649	677	N/A
Total General Fund Expenditures	\$ 10,665	\$ 11,011	\$ 11,525	\$ 11,955	N/A

* Source: *School District Profiles*

** Estimate as of October 23, 2017; seven county metro and state-wide averages are not available.

**Independent School District No. 720
Financial Analysis**

EXPENDITURES PER STUDENT (ADM) SERVED (CONTINUED)

ADM served represents residents served in the District, residents attending elsewhere on tuition and nonresidents served in the District both through open enrollment and tuition programs.

Expenditures per ADM served in the General Fund have increased 28.5% from 2013. Total General Fund expenditures over that same time have increased 39.9% while ADM served have increased 10.1%.

GENERAL FUND EXPENDITURES BY PROGRAM

General Fund expenditures by program are summarized in the following table:

	2013	2014	2015	2016	2017
Administration	\$ 4,105,872	\$ 4,596,262	\$ 5,537,421	\$ 5,827,880	\$ 5,730,782
District support services	1,184,754	1,364,310	1,792,791	2,079,390	2,178,543
Elementary and secondary regular instruction	33,383,745	35,545,143	38,675,988	41,008,818	41,747,541
Vocational education instruction	458,572	725,118	695,927	749,015	870,273
Special education instruction	14,308,351	14,879,511	15,373,634	17,206,868	18,441,870
Instructional support services	5,062,602	5,152,834	6,443,763	8,824,679	12,323,870
Pupil support services	5,583,252	6,045,990	6,770,050	7,260,151	7,614,151
Sites and buildings	5,288,317	5,637,614	5,847,498	5,937,614	6,252,053
Fiscal and other fixed cost programs	130,635	181,473	215,914	211,184	191,091
Debt service	-	-	1,186,067	1,007,414	1,882,902
Total	\$ 69,506,100	\$ 74,128,255	\$ 82,539,053	\$ 90,113,013	\$ 97,233,076

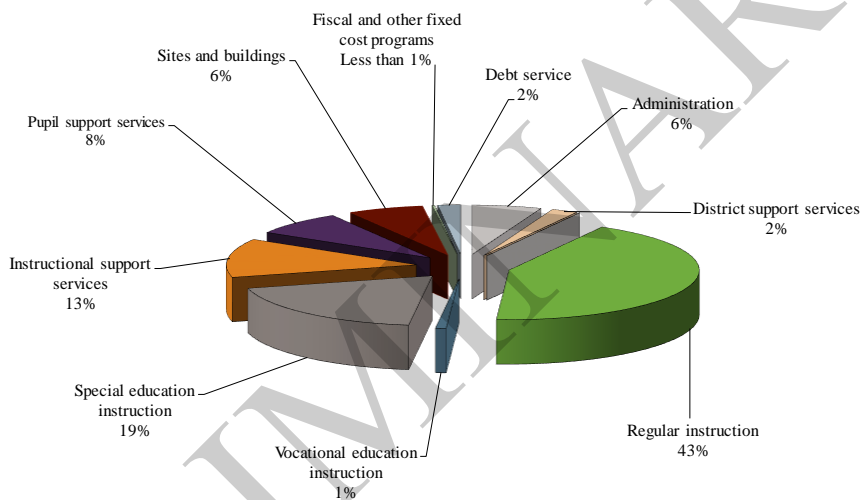
The District saw a \$7,120,063 increase in General Fund expenditures from 2016 and 2017. Expenditures across all categories except for administration and fiscal and other fixed cost programs increased in 2017. Elementary and secondary regular instruction increased \$738,723 or 1.8% and special education instruction increased \$1,235,002 or 7.2% primarily as a result of personnel and employee wage and benefit increases. Instructional support services increased \$3,499,191 or 39.7% over the prior year primarily as a result of new Apple leases, which resulted in the recognition of \$3,447,610 in expenditures in 2017. The District also had a new capital projects levy in 2017, which resulted in significant purchases of software and technology devices, as well as the hiring of additional technology staff and achievement and integration staff. Debt service expenditures increased \$875,488, which was a result of having payments due on four capital leases in 2017 compared to two in 2016. All other expenditure categories were relatively consistent with the prior year.

Independent School District No. 720 Financial Analysis

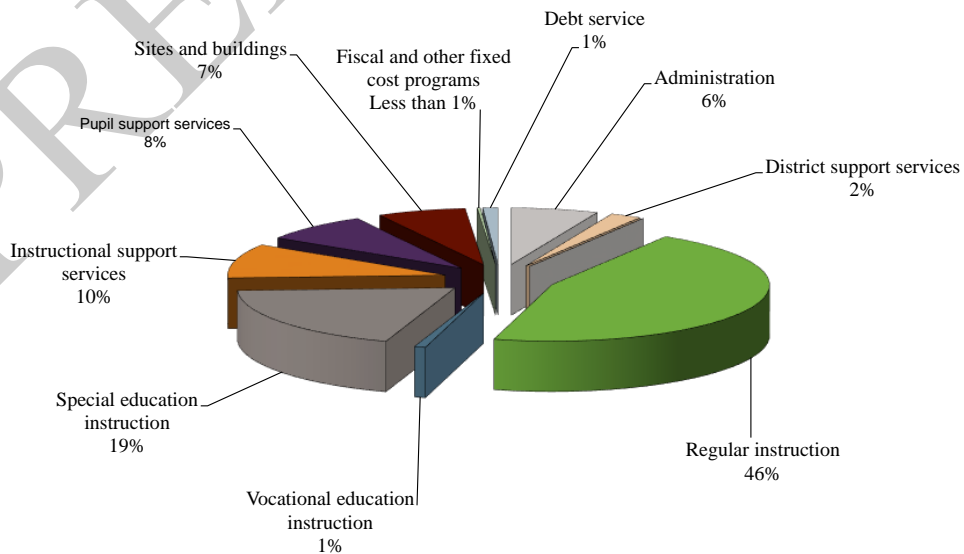
GENERAL FUND EXPENDITURES

The graphs below depict the percentage of expenditures by program in the General Fund for 2016 and 2017. Expenditures increased \$7,120,063, or 7.9%, from 2016 to 2017 and the allocation of expenditures remained fairly consistent.

General Fund Expenditures 2017



General Fund Expenditures 2016

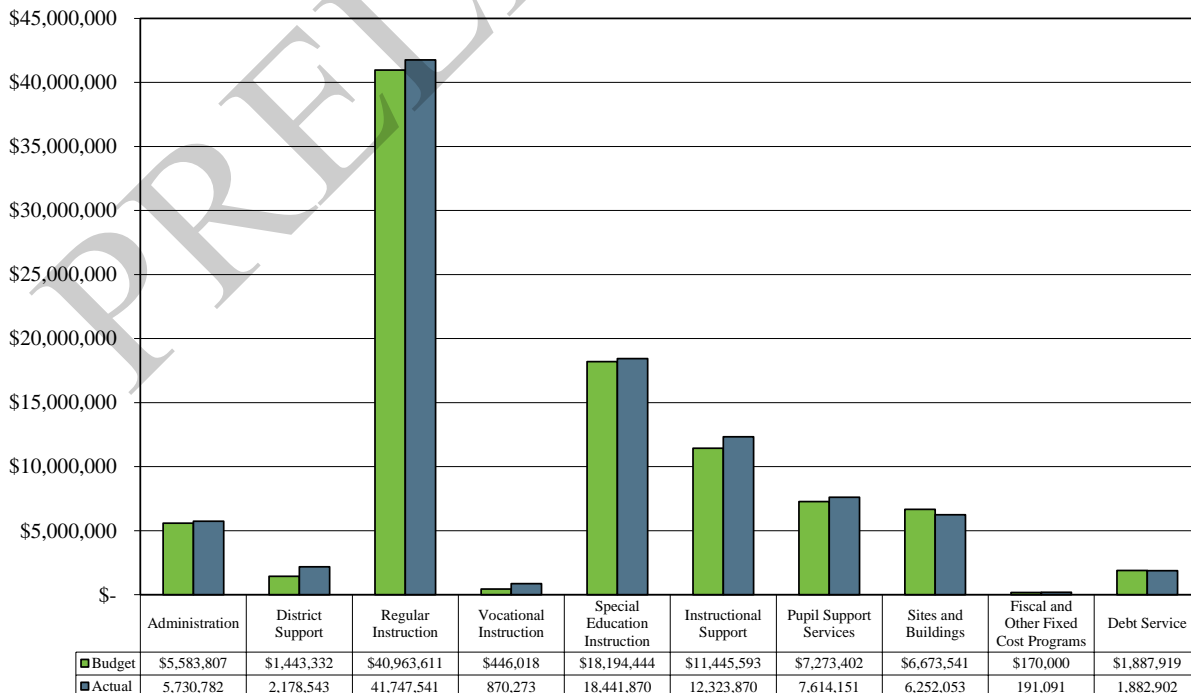


**Independent School District No. 720
Financial Analysis**

GENERAL FUND EXPENDITURES BUDGET AND ACTUAL

The graph below outlines the budgeted and actual expenditures for the General Fund. Overall, actual expenditures were \$3,151,409 over budget. District support services came in \$735,211 over budget due to a negative contingency budget of \$590,000 budget for transfers/chargebacks that occurred in other programs. The District budgets this contingency in salaries in this program, however, the chargebacks often happen out of other programs. Elementary and secondary regular instruction expenditures were \$783,930 or 1.9% over budget. This was a result of a \$173,000 reduction in health insurance expenditures due to an OPEB Trust Fund draw while the District was anticipating a \$315,000 reduction. In addition, health insurance costs overall were higher than anticipated. Vocational instruction expenditures were \$424,255 over budget as a result of licensed teachers' salaries and benefits being budgeted in the elementary and secondary regular instruction program, but coded to the vocational instruction program once the District knows which classes those teachers actually taught. Instructional support services came in \$878,277 over budget as a result of four new Apple leases, which resulted in recognizing \$3,447,610 in expenditures as well as an other financing source for the same amount. There were only two of the leases included in the budget because the other two leases began earlier than anticipated, resulting in a budget variance of \$1,436,110. This variance was partially offset by salaries, supplies and materials, and other capital outlay expenditures related to the capital projects levy coming in under budget. Sites and buildings came in \$421,488 under budget primarily as a result of LTFM projects being budgeted with actual costs going to the Capital Projects Fund. All other expenditure categories were relatively consistent with the budget.

**2017 General Fund Expenditures
Budget and Actual**



**Independent School District No. 720
Financial Analysis**

GENERAL FUND OPERATIONS

The following table presents five years of comparative operating results for the District's General Fund:

	2013	2014	2015	2016*	2017*
Revenues	\$ 68,634,401	\$ 72,081,035	\$ 79,863,076	\$ 83,619,991	\$ 92,327,693
Expenditures	69,506,100	74,128,255	82,539,053	90,113,013	97,233,076
Excess of revenues under expenditures	(871,699)	(2,047,220)	(2,675,977)	(6,493,022)	(4,905,383)
Transfers/other financing sources	200	-	13,580	1,239,504	3,451,632
Fund balance, July 1	13,355,639	12,484,140	10,436,920	7,774,523	2,521,005
Fund Balance, June 30	\$ 12,484,140	\$ 10,436,920	\$ 7,774,523	\$ 2,521,005	\$ 1,067,254

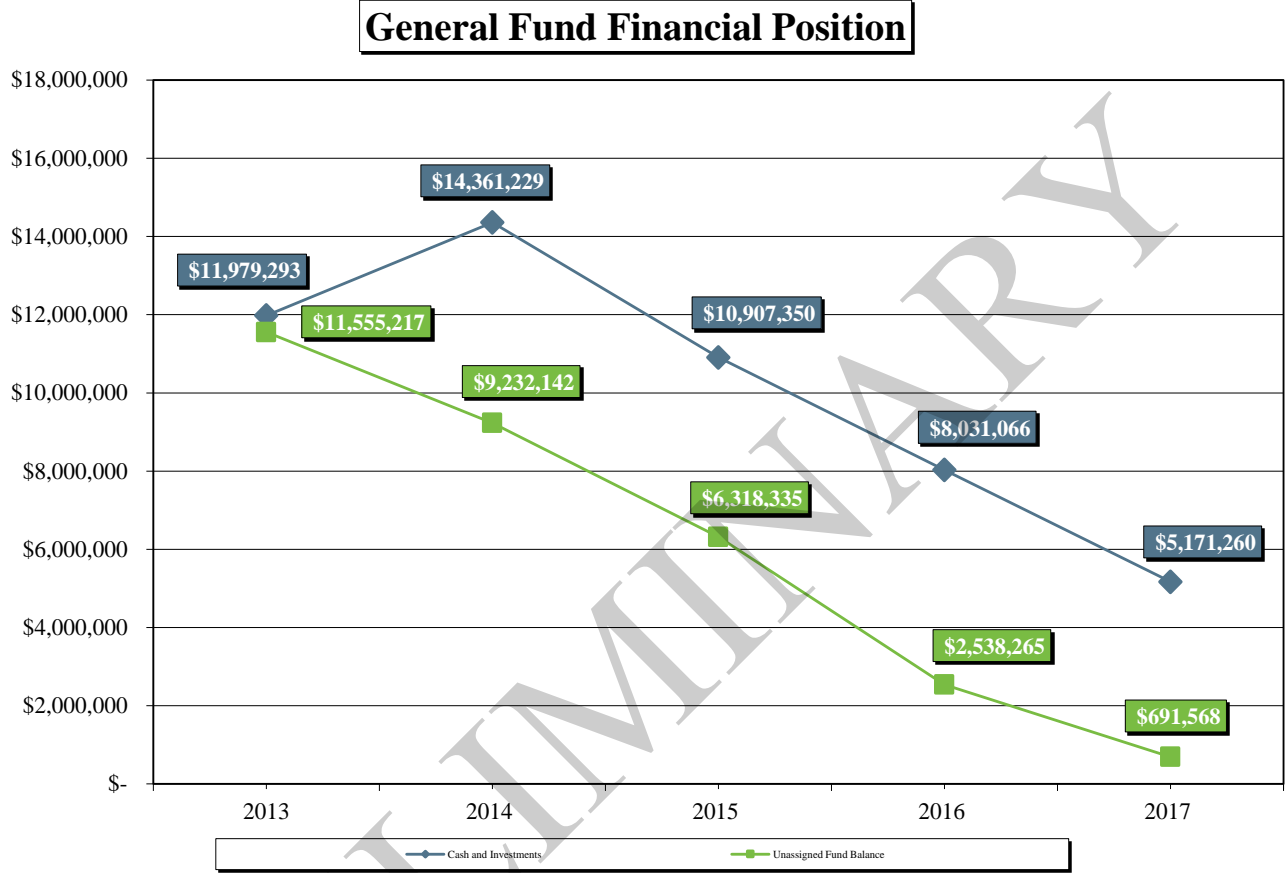
Components of Fund Balance					
Nonspendable	\$ 350,000	\$ 96	\$ 68,261	\$ 115,556	\$ 657,884
Restricted for					
Capital projects levy*	-	-	-	(479,477)	(303,080)
Health and safety*	(1,101,939)	(701,302)	(770,198)	(894,373)	-
Operating capital	1,680,862	1,905,984	2,158,125	1,241,034	-
Assigned	-	-	-	-	20,882
Unassigned	11,555,217	9,232,142	6,318,335	2,538,265	691,568
Total	\$ 12,484,140	\$ 10,436,920	\$ 7,774,523	\$ 2,521,005	\$ 1,067,254

Unassigned Fund Balance as a Percentage of Expenditures	16.6%	12.5%	7.7%	2.8%	0.7%
--	-------	-------	------	------	------

* The negative UFARS restriction is reclassified to unassigned fund balance on the face of the financial statements to be in accordance with accounting principles generally accepted in the United States of America.

**Independent School District No. 720
Financial Analysis**

GENERAL FUND FINANCIAL POSITION



Over the course of the five year-ends presented, the General Fund cash and investment balance decreased \$6,808,033, while total unassigned fund balance decreased \$10,863,649. Cash and unassigned fund balance decreased \$2,859,806 and \$1,846,697, respectively, in 2017 due to expenditures exceeding revenues.

**Independent School District No. 720
Financial Analysis**

FOOD SERVICE FUND

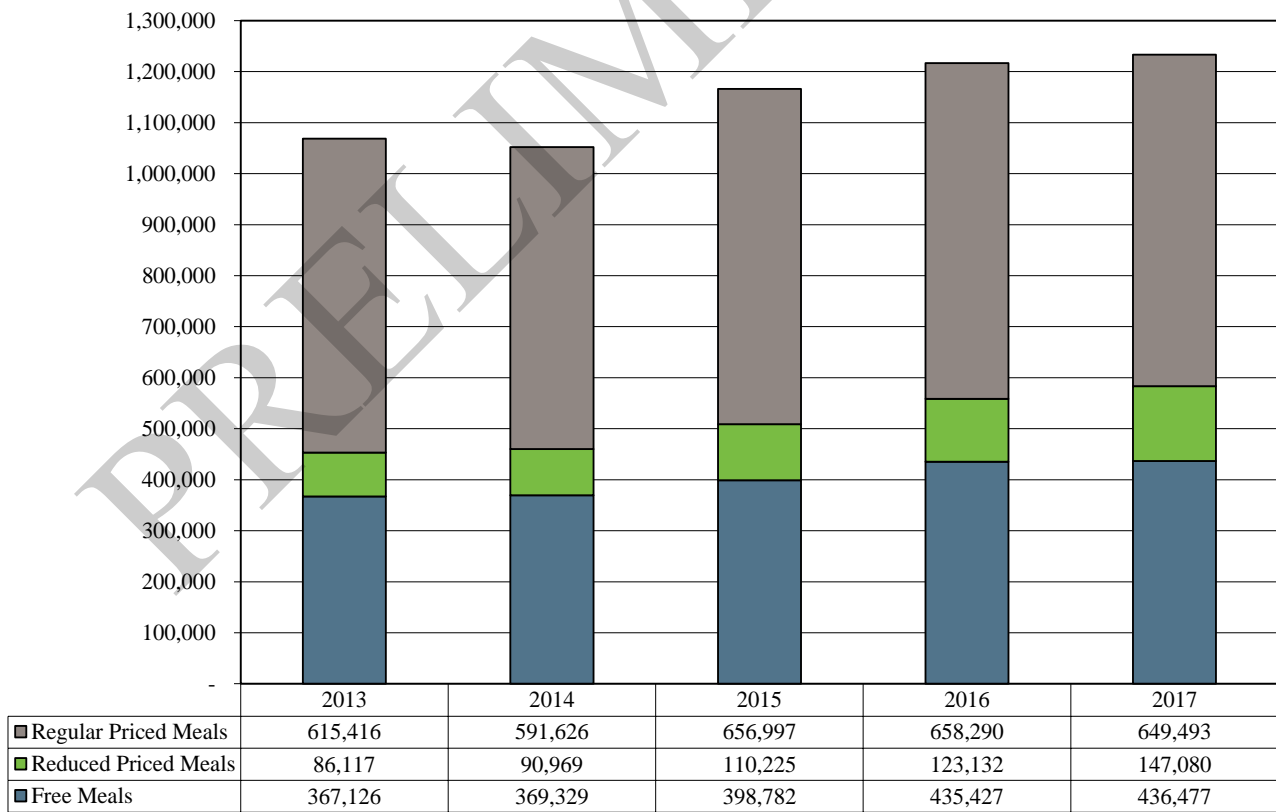
The following table presents five years of comparative operating results for the District's Food Service Fund:

Year Ended June 30,	2013		2014		2015		2016		2017	
Revenues	\$	3,389,008	\$	3,556,025	\$	3,927,153	\$	4,409,632	\$	4,544,864
Expenditures		3,441,186		3,460,011		3,899,796		4,186,026		4,566,784
Excess of revenues over (under) expenditures		(52,178)		96,014		27,357		223,606		(21,920)
Fund balance, July 1		379,243		327,065		423,079		450,436		674,042
Fund Balance, June 30	\$	327,065	\$	423,079	\$	450,436	\$	674,042	\$	652,122

Food service revenues remained relatively consistent with the prior year with an increase of 3.1%. Expenditures increased 9.1% due to charging custodial salaries for cleaning kitchens to the Food Service Fund rather than the General Fund in 2017. The 2017 activity in the Food Service Fund resulted in a fund balance decrease to \$652,122, which is 14.3% of expenditures or just over one month of expenditures based on a nine month operating year.

The chart below reflects the number and type of meals served to students over the past five years.

Meals Served to Students



* Source: *Food and Nutrition Services: District Financial Report* by the MDE

The total number of meals served decreased slightly from 2016 to 2017.

**Independent School District No. 720
Financial Analysis**

FOOD SERVICE FUND REVENUES AND EXPENDITURES PER ADM SERVED

Food Service Fund expenditures and revenues per student (ADM) served are summarized in the following table. In addition, statistical data for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Revenues					
	2013*	2014*	2015*	2016*	2017**
Shakopee	\$ 448	\$ 461	\$ 497	\$ 542	\$ 552
State-wide	493	499	517	543	N/A
Seven county metro area	492	501	518	545	N/A

Expenditures					
	2013*	2014*	2015*	2016*	2017**
Shakopee	\$ 455	\$ 449	\$ 494	\$ 515	\$ 554
State-wide	497	510	525	539	N/A
Seven county metro area	497	510	519	539	N/A

* Source: *School District Profiles*

** Estimate as of October 23, 2017; seven county metro area and state-wide averages are not available.

COMMUNITY SERVICE FUND

The following table presents five years of comparative operating results for the District's Community Service Fund:

	2013	2014	2015	2016	2017
Revenues	\$ 1,723,134	\$ 1,767,270	\$ 1,915,937	\$ 2,338,577	\$ 2,760,027
Expenditures	1,809,055	1,761,264	1,976,362	2,250,884	2,670,134
Excess of revenues over (under) expenditures	(85,921)	6,006	(60,425)	87,693	89,893
Fund balance, July 1	153,021	67,100	73,106	12,681	100,374
Fund Balance, June 30	\$ 67,100	\$ 73,106	\$ 12,681	\$ 100,374	\$ 190,267

Components of Fund Balance					
Restricted for					
Community Education	\$ 56,828	\$ 6,546	\$ (75,851)	\$ (17,867)	\$ (153,567)
ECFE	-	5,162	15,277	55,576	120,562
School Readiness	10,272	61,398	73,255	62,665	223,272
Total	\$ 67,100	\$ 73,106	\$ 12,681	\$ 100,374	\$ 190,267

Revenues exceeded expenditures for the third time in the five years presented. During 2017, revenues increased 18.0% due to increased enrollment in programs, an increase in the entitlement amounts for ECFE and school readiness state aid, and a new YMCA preschool program in 2017. Expenditures increased 18.6% due to an increase in salaries and a reallocation of salaries that had previously been funded by the General Fund and expenditures related to the new YMCA preschool program.

**Independent School District No. 720
Financial Analysis**

COMMUNITY SERVICE FUND REVENUES AND EXPENDITURES PER ADM SERVED

Community Service Fund expenditures and revenues per student (ADM) served are summarized in the following table. In addition, statistical data for the seven-county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Revenues					
	2013*	2014*	2015*	2016*	2017**
Shakopee	\$ 228	\$ 229	\$ 242	\$ 287	\$ 335
State-wide	530	531	525	562	N/A
Seven county metro area	549	567	564	602	N/A

Expenditures					
	2013*	2014*	2015*	2016*	2017**
Shakopee	\$ 239	\$ 228	\$ 250	\$ 277	\$ 324
State-wide	515	534	521	550	N/A
Seven county metro area	548	570	550	588	N/A

* Source: *School District Profiles*

** Estimate as of October 23, 2017; seven county metro area and state-wide averages are not available.

PRELIMINARY

**Independent School District No. 720
Financial Analysis**

DEBT SERVICE FUND REVENUES AND EXPENDITURES PER ADM SERVED

Debt Service Fund expenditures and revenues per student (ADM) served are summarized in the following table. In addition, statistical data for the seven county metro area (Anoka, Hennepin, Carver, Dakota, Scott, Ramsey, and Washington Counties), excluding charter schools, and state-wide averages are presented for comparative purposes:

Revenues					
	2013*	2014*	2015*	2016*	2017**
Shakopee	\$ 1,927	\$ 1,767	\$ 1,677	\$ 1,601	\$ 2,473
State-wide	1,099	1,037	1,002	991	N/A
Seven county metro area	1,081	1,084	1,049	1,040	N/A

Expenditures					
	2013*	2014*	2015*	2016*	2017**
Shakopee	\$ 2,043	\$ 7,511	\$ 8,748	\$ 1,916	\$ 2,401
State-wide	1,173	1,394	1,406	1,433	N/A
Seven county metro area	1,255	1,476	1,470	1,403	N/A

* Source: *School District Profiles*

** Estimate as of October 23, 2017; seven county metro area and state-wide averages are not available.

Expenditures for fiscal year 2014 were significantly inflated due to the inclusion of over \$41 million of 2004 building bonds paid off by the 2013 crossover refunding bonds on February 1, 2014. Expenditures for 2015 were also inflated due to the inclusion of over \$54 million of 2005A, 2006A, and 2006B bonds paid off by the 2013 crossover refunding bonds and the 2014A refunding bond during 2015.

**Independent School District No. 720
Legislative Summary**

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

STATE AID APPROPRIATIONS

The formula allowance for 2017 General Education Aid was increased \$119 (2%) to \$6,067. For 2018, the formula allowance is set at \$6,188, which is also an increase of 2%.

COMPENSATORY REVENUE

The compensatory pilot grants have been added permanently to regular compensatory revenue at the 2017 level. A percentage of the total compensatory revenue must be used for extended time activities. These percentages are 1.7% for 2018, 3.5% for 2019, and for 2020 and later it will be 3.5% plus the percentage change in the formula from 2019.

STUDENT ACHIEVEMENT LEVY

The Student Achievement Levy is reduced from \$20 million to \$10 million for 2018 and eliminated for 2019.

LEAD IN SCHOOL DRINKING WATER

By July 1, 2018, districts will be required to begin testing school water for lead. Testing must be completed for all schools within five years. School districts and charter schools must adopt a plan to test school water for lead at least every five years. Lead test results must be made available to the public and parents must be notified when this information is available.

The testing may be included in the ten year facilities plans and districts can use long-term facilities maintenance revenue for lead testing and remediation costs.

PAYMENTS TO NONOPERATING FUNDS

The payment schedule for nonoperating fund aids is moving to six monthly installments from July through December rather than 12 monthly installments.

SCHOOL BUILDING BOND AGRICULTURAL CREDIT

Effective for taxes payable in 2018, there will be a property tax credit on all property classified as agricultural. The credit will be equal to 40% of the tax on the property attributable to school district bonded debt levies. Total amounts available will be \$34.8 million in 2019, \$45.2 million in 2020, and \$52.5 million in 2021.

**Independent School District No. 720
Legislative Summary**

LONG-TERM FACILITIES MAINTENANCE REVENUE

Beginning in 2017, deferred maintenance, health and safety and alternative facilities revenues were rolled into a new long-term facilities maintenance revenue program. This new revenue equals the sum of the product of:

- 1) \$193/APU for 2017, \$292 for 2018, and \$380 for 2019 and later, and
- 2) The lesser of 1 or the ratio of the district's average building age to 35 years
- 3) The approved cost of indoor air quality, fire alarm and suppression and asbestos abatement projects with a cost per site of \$100,000 or more

The 25 large districts currently eligible for alternative facilities revenue continue to be eligible based on approved project costs without a state-imposed per pupil limit.

Districts may choose to issue bonds for the program, levy on a pay as you go basis, or a combination of the two.

Districts are guaranteed to receive at least as much revenue and state aid as they would have received under existing law.

EQUITY REVENUE

For 2017 through 2019, nonmetro school district are eligible for a 16% increase in the sliding portion of their equity revenue. The seven county metro area schools continue to receive a 25% increase over their initial calculation for revenue.

Beginning in 2020, all districts will receive the same 25% increase over the initial calculation for revenue.

For 2017 all revenue increases will be paid out as additional state aid.

SPECIAL EDUCATION

An adjustment to the prior year data and the fiscal year 2016 old formula revenue base used to calculate the hold harmless and group cap will be necessary for closed or restructured programs.

Although there was a change in Federal law removing student awaiting foster care from the definition of "homeless", these students will still be included in the special education funding calculations.

NONPUBLIC PUPIL AID

The definition of "textbook" has been modified to include the on-line books with annual subscription costs. The definition of "software or other educational technology" has been modified to include registration fees for online advanced placement courses.

**Independent School District No. 720
Legislative Summary**

VOLUNTARY PREKINDERGARTEN/SCHOOL READINESS PLUS

A new school readiness plus program has been created for 2018 and 2019 only. This program changes the voluntary preK cap from a limit on the total state aid entitlement to a limit on the number of participants. For 2018 this cap will be 6,160 for voluntary preK and school readiness plus and will be 7,160 for 2019. The cap of 6,160 for 2018 covers the 3,160 2017 voluntary preK participants that have renewed their applications for 2018 plus 3,000 new participants. After 2019 the school readiness plus will be eliminated and the cap for voluntary preK will be 3,160 participants.

HOME VISITING REVENUE

Effective for 2018, on the Pay 2017 levy, the formula for home visiting revenue is increased from \$1.60 to \$3.00 times the population under age 5 residing in the District on September 1 of the last school year.

PUPIL TRANSPORTATION FUNDING

Beginning in 2018, sparsity revenue will increase by 18.2% of the difference between the lesser of the district's actual regular and excess transportation costs, including bus depreciation for the previous year or 105% of the district's cost for the second previous year, and the sum of 4.66% of the district's basic revenue, transportation sparsity revenue and charter school transportation adjustment from the previous year.

REVIEW AND COMMENT

The commissioner will now include comments from district residents in the review and comment on capital projects.

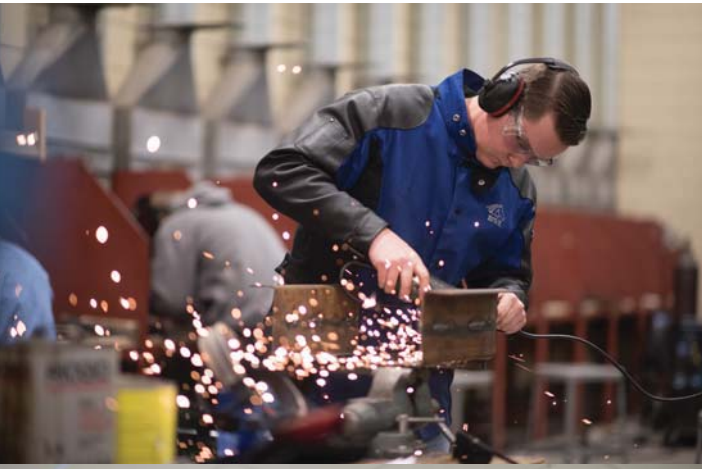
School boards must now hold a public meeting to review the commissioner's review and comment on a proposal before the bond election.

NEW FINANCE CODES

Starting in 2018, there are multiple new finance codes for tracking revenue. Finance code 175 will be used to track revenue related to Title VII – Impact Aid. This finance code will close to balance sheet code 475, Restricted for Title VII Impact Aid. Finance code 185 will be used to track revenue from private sources. This finance code will close to balance sheet 485, restricted for private sources. Finance code 176 will be used to track revenue from payments in lieu of taxes (PILT). This finance code will close to balance sheet 476, restricted for payments in lieu of taxes.

SPECIAL ELECTIONS

District's no longer have the ability to choose any date for special elections. Special elections must now be held on the second Tuesday in February, April, May, August or election day.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Shakopee Public
Schools
ISD No. 720
Shakopee, MN

YEAR ENDED
JUNE 30, 2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SHAKOPEE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 720
SHAKOPEE, MINNESOTA

YEAR ENDED JUNE 30, 2017

PREPARED BY THE
FINANCE DEPARTMENT

SUZANNE JOHNSON
DIRECTOR OF FINANCE AND OPERATIONS

PRELIMINARY

Independent School District No. 720
Table of Contents

I. Introductory Section	
Board of Education and Administration	1
Letter of Transmittal	3
Certificate of Excellence in Financial Reporting	13
Organizational Chart	15
II. Financial Section	
Independent Auditor's Report	17
Management's Discussion and Analysis	21
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	35
Statement of Activities	37
Fund Financial Statements	
Balance Sheet – Governmental Funds	38
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	41
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	44
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	45
Statement of Net Position – Proprietary Funds	46
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	47
Statement of Cash Flows – Proprietary Funds	48
Statement of Fiduciary Net Position	49
Statement of Changes in Fiduciary Net Position	49
Notes to Financial Statements	51
Required Supplementary Information	
Schedule of Changes in Net OPEB Liability and Related Ratios	91
Schedule of Employer Contributions – OPEB	92
Schedule of Investment Returns – OPEB	93
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability – General Employees Retirement Fund	94
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability – TRA Retirement Fund	94
Schedule of District Contributions – General Employees Retirement Fund	95
Schedule of District Contributions – TRA Retirement Fund	95
Notes to the Required Supplementary Information	96

Independent School District No. 720
Table of Contents

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	104
Balance Sheet – General Fund	105
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	106
Balance Sheet – Food Service Fund	107
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Food Service Fund	108
Balance Sheet – Community Service Fund	109
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Service Fund	110
Balance Sheet – Debt Service Fund	111
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	112
Balance Sheet – Capital Projects Fund	113
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	114
Combining Statement of Net Position – Internal Service Funds	117
Combining Statement of Revenues, Expenses, and Changes in Fund Balances – Internal Service Funds	118
Combining Statement of Cash Flows – Internal Service Funds	119
Uniform Financial Accounting and Reporting Standards Compliance Table	123

III. Statistical Section

Net Position by Components	126
Changes in Net Position	128
Fund Balances of Governmental Funds	130
Changes in Fund Balances of Governmental Funds	132
Taxable Market Value of Properties	135
Direct and Overlapping Property Tax Rates	136
Principal Property Taxpayers	139
Property Tax Levies and Collections	140
Outstanding Debt by Type	142
Computation of Direct and Overlapping Bonded Debt	143
Legal Debt Margin Information	144
Demographic and Economic Statistics	145
Principal Employers	146
Full-Time-Equivalent District Licensed Employees by Type	147
Operating Statistics	149
School Building Information	150

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

**Independent School District No. 720
Board of Education and Administration
June 30, 2017**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Scott Swanson	Chairperson	December 31, 2018
Angela Tucker	Vice Chairperson	December 31, 2020
Shawn Hallet	Clerk	December 31, 2018
Matt McKeand	Treasurer	December 31, 2020
Mary Romansky	Director	December 31, 2018
Reggie Bowerman	Director	December 31, 2020
Tony Pass	Director	December 31, 2018
<u>Administration</u>		
Vacant - Resigned	Superintendent	
Dr. John Bezek	Assistant Superintendent	
Mike Burlager	Director of Business Services	
Suzanne Johnson	Director of Finance and Operations	
Julie Menden	Director of Special Services	
Bryan Drozd	Director of Instructional Technology	
Bob Greeley	Director of Community Education	
Scott Hare	Executive Director of Administrative Services	
Nancy Thul	Executive Director of Teaching and Learning	
Dave Orłowsky	Director of Data and Assessment	

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)



November 20, 2017

To: Citizens of District 720 Shakopee Public Schools
Board of Education
Employees of the School District

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 720, Shakopee, Minnesota (the District) for the fiscal year ended June 30, 2017 is presented for your information and review. The CAFR is intended to fully disclose the financial position of the District and the results of operations for the fiscal year. The District administration accepts full responsibility for the accuracy, completeness and fairness in presentation of the enclosed financial reports. Questions and comments are solicited and welcome.

REPORT FORMAT

This CAFR is presented in three main sections: introductory, financial, and statistical. In addition to information contained in this letter, the introductory section includes the District's organizational chart and a list of the District's principal officials. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to basic financial statements, and detailed combining and individual statements and schedules. The statistical section includes selected financial and general information presented on a multi-year comparative basis. Where possible, historical data is presented for a 10-year period.

Accounting principles generally accepted in the United States of America require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

DISTRICT PROFILE/ORGANIZATION

Shakopee Public Schools serves more than 8,000 students in Shakopee, Savage, Prior Lake, and the Jackson, Louisville, and Sand Creek Townships. Our district is located in one of the fastest growing suburbs in the Twin Cities. The Shakopee school district is proud to serve a very diverse population of students and families with more than 70 languages and dialects from around the world spoken in our schools. As of the 2017-18 school year, our student population consists of 61% Caucasian, 13% Asian, 13% Hispanic/Latino, 11% Black/African American and 2% American Indian.

We offer programming and activities for all our students. At Shakopee High School, there are many opportunities for students to earn college credit and high school credit at the same time through our Advanced Placement courses; CAPS (Center for Advanced Professional Studies)

program and CIS (College in the Schools). Shakopee High School leads the way in credits earned for College in the Schools courses. Other notable programs in our district include the pre-engineering program Project Lead the Way, Young Scholars which serves students in our elementary grades and our Excellence with Equity program.

The Shakopee School District is committed to providing the best opportunities for our students and is dedicated to helping them excel and achieve their educational goals. Three years ago our district began to look at our current curriculum and has, together with our teachers, been re-imagining academics in our district. Our junior high model will be transformed into a middle school model and a new vision for Shakopee High School, the Academies of Shakopee, was created to ensure a welcoming, inclusive environment within a large high school setting and to improve student success in post-secondary programs and career. There will be six academies: Arts & Communication, Business & Entrepreneurship, Engineering & Manufacturing, Health Sciences, Human Services, Science & Technology and a Freshman Academy. Shakopee school district staff and leadership will be working toward the implementation of these academies for the fall of 2018.

With over 1,100 total staff, Shakopee Public Schools is one of the major employers in the area. During 2016-2017, the District operated 12 buildings: one traditional high school, one alternative high school, two junior high schools, one sixth grade center, five elementary schools, an early childhood center and the district administrative office. Although new housing has remained relatively low in 2015 and 2016, the Shakopee Public School Districts has embarked on a \$102.5 million building project. The main element of the project is to increase the size of the current high school by over 300,000 square feet to accommodate 3,200 students in the next ten years. With grade realignment throughout the system, this will reduce facility pressure at the elementary level as well. District buildings have an average age of 26.23 years and comprise just under 1.4 million square feet in size. The District is currently organized by grade level with elementary schools serving students in kindergarten through grade 5, a 6th grade center, junior high schools serving grades 7-9, and the high school serving grades 10-12. The tentative reconfiguration for the 2018-19 school year would remain the same at elementary schools, 6-8 middle schools and a 9-12 high school.

Mission

Shakopee Schools, in partnership with our community, will educate lifelong learners to succeed in a diverse world.

Vision

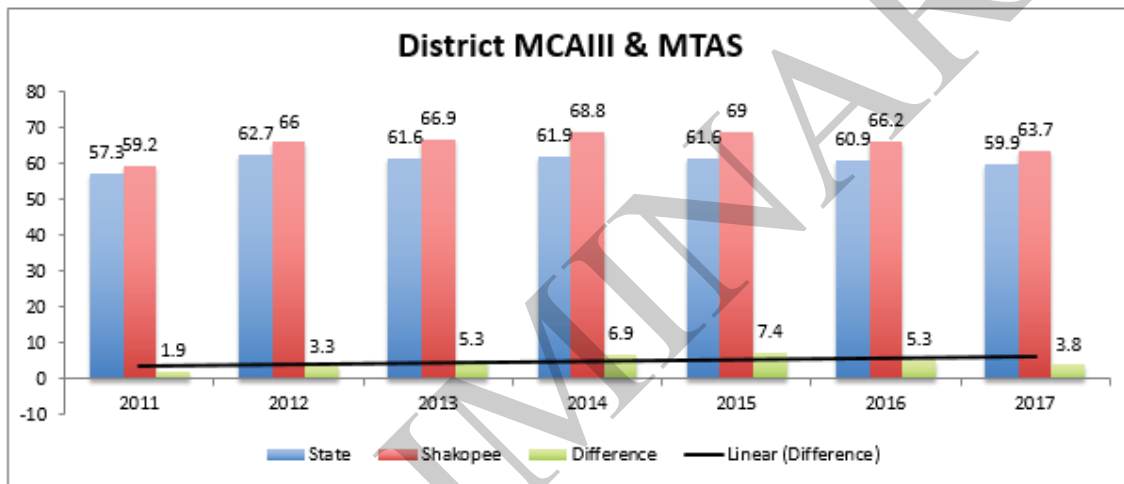
The Shakopee School District is committed to providing the best opportunities for our students. We are dedicated to helping them excel and achieve their educational goals and teaching them to be good citizens of our community, our nation and our world.

Testing Data

The Minnesota Comprehensive Assessments (MCA's) are part of the state's school testing system, and administered to students in the spring of each year. Students in grades 3-11 take assessments in Math, Reading and Science. The following three graphs show the 7-year district trend for proficiency rates compared to the state of Minnesota. Math and Reading, the two assessments that comprise the state accountability system, show a slight, positive trend over this period.

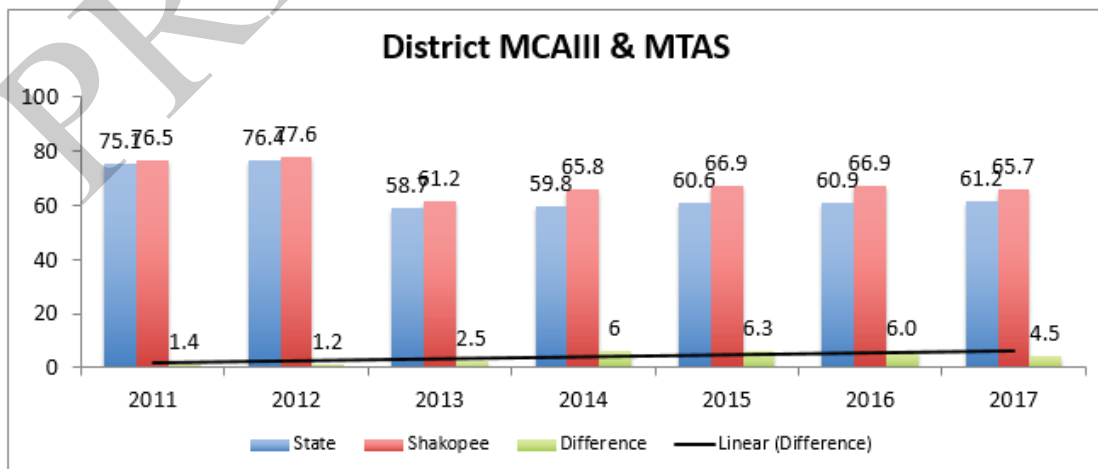
MCA Math – District Level 7-year trend vs state

District	2011	2012	2013	2014	2015	2016	2017
State	57.3	62.7	61.6	61.9	61.6	60.9	59.9
Shakopee	59.2	66	66.9	68.8	69	66.2	63.7
Difference	1.9	3.3	5.3	6.9	7.4	5.3	3.8



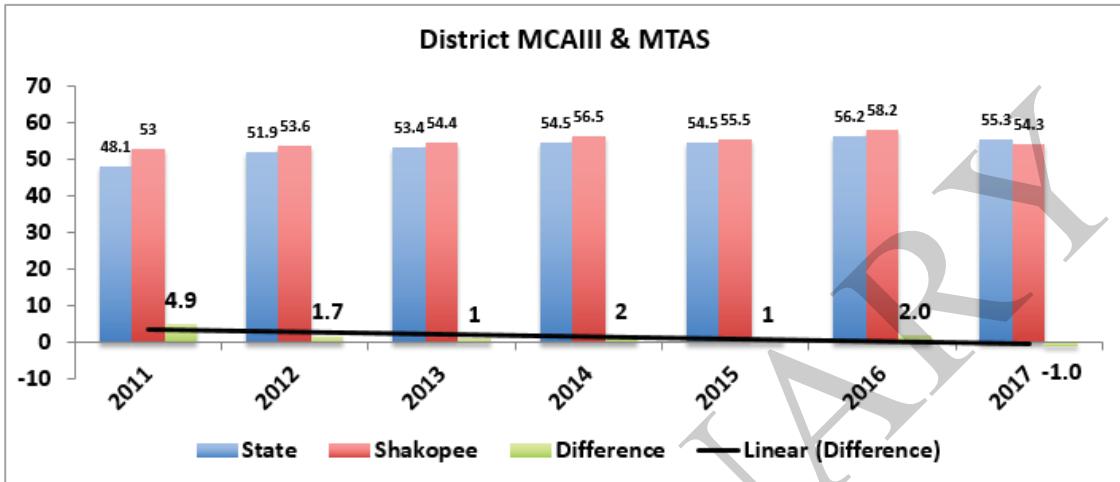
MCA Reading– District Level 7-year trend vs state

District	2011	2012	2013	2014	2015	2016	2017
State	75.1	76.4	58.7	59.8	60.6	60.9	61.2
Shakopee	76.5	77.6	61.2	65.8	66.9	66.9	65.7
Difference	1.4	1.2	2.5	6	6.3	6.0	4.5

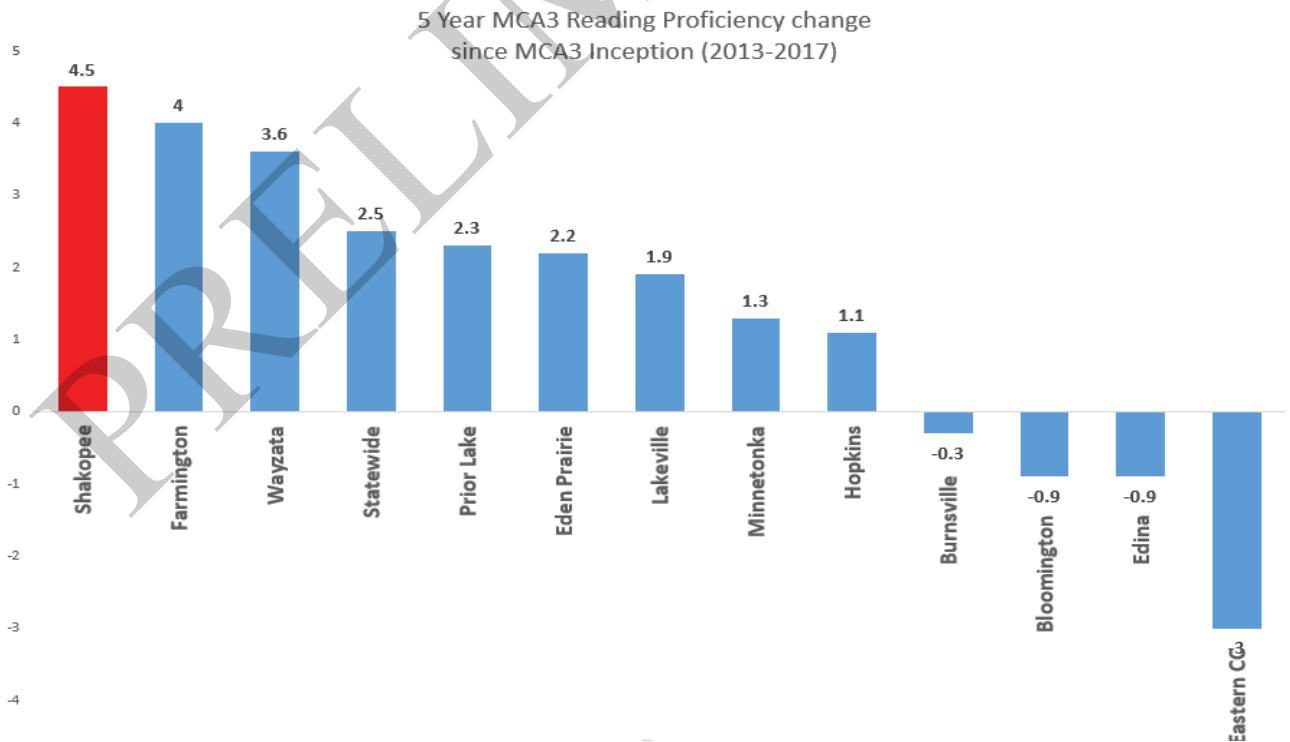


MCA Science – District Level 7-year trend vs state

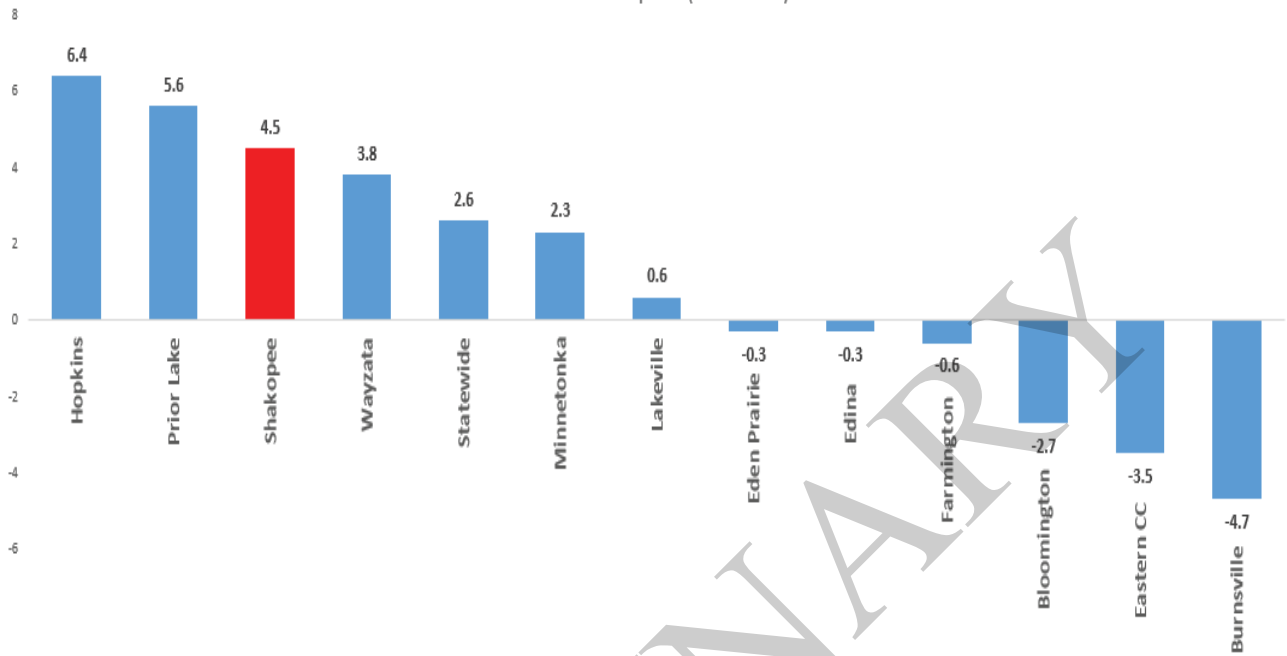
District	2011	2012	2013	2014	2015	2016	2017
State	48.1	51.9	53.4	54.5	54.5	56.2	55.3
Shakopee	53	53.6	54.4	56.5	55.5	58.2	54.3
Difference	4.9	1.7	1	2	1	2.0	-1.0



To further illustrate proficiency trend growth in Shakopee Public Schools, see the following charts. The charts show the change in proficiency rates for Shakopee and neighboring districts since the inception of the MCAIII (3rd version of the tests) in both Math and Reading. Each of our schools and teachers are focused on student growth, and continuous improvement. Our increasing proficiency rates are indication that our efforts are making a difference.



7 Year MCA3 Math Proficiency change
since MCA3 Inception (2011-2017)



REPORTING ENTITY

Independent School District No. 720, also known as Shakopee Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board is responsible for legislative and fiscal control of Shakopee Public Schools. The Superintendent is appointed by the Board 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 included 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.

FINANCIAL STATEMENTS

The financial statements contained in this report disclose the financial position of the District as of June 30, 2017, and the financial operations for the fiscal year then ended. The District's financial records and reports are maintained and prepared on a modified or full accrual basis of accounting in accordance with the Uniform Financial Accounting and Reporting System for Minnesota School Districts as well as the standards of the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. These records are

audited annually by an independent certified public accountant as required by Minnesota law. The accounting firm of BerganKDV LTD performed the audit for the 2016-17 fiscal year. Their report is included in the financial section of this report. The auditor has given an unqualified opinion on the District's financial statements. An unqualified opinion means that, in the judgment of the auditor, the financial statements present fairly, in all material respects, the financial position of the District and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The independent audit of the financial statements of the District is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statute §6.65. These reports are available in a separate document.

ACCOUNTING AND BUDGETING

A major thrust of the District's accounting system is to provide adequate internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived, and that the evaluation of the cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

Budgetary control is maintained through an annual budget adopted by the School Board for all funds as required by state statutes and School Board policy. The adopted budget serves as the authorizing document for all expenditures, although the School Board approves all checks issued on a monthly basis. The Superintendent and Director of Finance & Operations are authorized to make financial commitments within budgetary guidelines. Additional expenditure controls are maintained by the Business Office in accordance with state statutes, i.e., the District cannot incur a negative unassigned balance in the General Fund in excess of 2.5% of the preceding year's expenditures. The budget is published annually in the District's legal newspaper to inform residents of the District's financial position and operating plan for the fiscal year.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or losses. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. Specific expenditure, revenue and detail transaction reports are available online or in hard copy for individuals with budget responsibilities. The reports can be viewed and printed either in the Business Office or in the administrative office in each building or department. Ongoing budget

monitoring by program managers helps to ensure budget integrity and provides an opportunity to detect material budget variances before the end of the fiscal year.

The budget is adopted by the School Board in the spring of each year for the following fiscal year beginning July 1. If needed, the budget is revised based upon enrollment changes, effects of negotiated employee contracts, or other new information impacting revenues or expenditures in the fall, winter and spring. The revised budget is presented to the School Board for approval. To accurately track and report financial activities with a focus on site-based accounting, approximately 15,000 active accounts have been defined in the District's chart of accounts.

SIGNIFICANT EVENTS

The District's finances are largely dependent on student enrollment; on average, State funding is \$6,067 per student. Shakopee has experienced increasing enrollment from FY08 to FY17. In that decade, over 2,000 students joined the district, an increase of 33%. In the most recent 5 years, the increase is over 10%.

To accommodate increasing enrollment during this time period, Eagle Creek Elementary School and Shakopee Senior High school were opened in the fall of 2007. In the fall of 2011 Jackson Elementary was opened and the District's current grade configuration was established. With the continued growth in the secondary grades, the voters of Shakopee approved a bond referendum in the spring of 2015 to expand the high school among other projects. The expansion is scheduled to be completed in the fall of 2018 which will allow for the previously discussed grade reconfiguration.

FINANCIAL PROSPECTS FOR FUTURE YEARS

The voters supported the district and approved a Building Bond issue of \$102.5 million and a Capital Projects referenda of \$2.5 million in 2015. The Building Bond will be used to expand the high school to have student in grades 9-12 in the same building. We will also use the Building Bond to improve security and the outdoor facilities at multiple district sites. The Capital Projects money will be used to support the Shakopee School District's 1 to 1 computer initiative.

As the District continues with various academic program improvements, the District will need to access additional operating referendum authority. Currently, the District has the lowest operating referendum authority of its comparable districts. Shakopee Schools has been able to offer a robust set of academic and co-curricular activities because of the growth of the District. With the slowdown of growth in the district, the district will have to access other sources of revenue to maintain the level of current programming. This may include other state and local sources such as Q Comp and operating referendum authority. Q Comp is a program available to school districts that have a program in place that meets five criteria of the state including teacher evaluation and performance pay. The State of Minnesota has a limit on the funding and if it is not increased in the next state budget biennium, the District will not qualify. Operating referendum authority needs to be approved by the voters in a November election.

ECONOMIC FACTORS

The District is located in Scott County, which is part of the seven-county metro area of Minneapolis/St. Paul. Residents are typically employed in professional vocations within the metropolitan area.

The taxable market value of property within the District continues to bounce back from the economic downturn. Taxable market values increased by over \$1 billion from 2013 to 2017 due to new construction and valuation increases. The communities located within the District continue to develop areas for residential and commercial expansion and growth.

In recent years, the State of Minnesota's education funding has been very unpredictable. The Governor and Legislature enacted a number of measures to decrease spending to balance the state budget through fiscal year 2013. The impact to K-12 education included delaying State aid payments to school districts and a property tax shift. The state's forecast of revenues and expenditures projected a positive unrestricted general fund balance and were able to repay school districts the remaining portion of tax shift in fiscal year 2014. This repayment was not additional revenue but provided an improvement in the district's cash flow.

The fund balance of the General Fund has been healthy enough to withstand both the State aid payment delay and property tax shift; consequently, the District has not had to borrow money through the entirety of these payment delays and tax shifts, avoiding short-term interest and issuance costs.

The 2017 Legislative session increased K-12 funding in Minnesota for the biennium, including a 2.0% increase in the general education formula allowance.

INITIATIVES

In August 2014, the district prepared a strategic plan to improve our academic program and increase our student achievement results. The district has been on a steady mission to align curriculum and learning experiences with the heightened expectations of a more global, interconnected, and tech-savvy world. The new strategic plan articulates expectations called deliverables for district officials and for schools to accomplish over the next three to five years. These deliverables are the district's benchmarks of progress and a means to assure all students are college and career ready.

Our voters approved a bond and technology referendum in May of 2015 which includes:

- Expansion of our high school to accommodate 3,200 students in grades 9-12.
- Renovation or improvement of fields and stadiums
- 1:1 devices for all students in grades 3-12 and 2:1 devices for students K-2.
- Upgrade in security in a variety of buildings

Our district has committed itself to our mission of college and career readiness for all students. In the Fall of 2018, we will open the Academies of Shakopee – our newly expanded high school will house six Career Academies. Ninth grade students will enter Freshman Academy surrounded by teams of teachers and staff to support their transition to high school. At registration time, they will choose a “home” career academy for their sophomore through senior year. These small learning communities will ensure they have a smooth transition to postsecondary and beyond.

Our middle schools will be reconfigured to grades 6-8 and will truly fulfill the philosophy of middle schools to meet the unique needs of adolescent students. We have explored a more personalized learning approach with a team of teachers to allow students more flexibility, student driven and self-paced learning. Our elementary schools will expand from five to six schools and is in the process of re-imagining student experiences at that level.

Our technology referendum is fueling our efforts to ensure our students are ready for a global and interconnected world. The past two years we have placed devices into the hands of students at the secondary level and next year our elementary students will have full access to technology as well.

All of this work requires a significant investment of time and resources for training our teachers to use a more personalized, student-driven, technology-rich learning environment. In addition, we are transforming our courses and curriculum to match the needs of our students. Our strategic plan will continue to require a time, talent and resources until we have fully implemented our changes over the next three to five years.

INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE

State statutes require an annual audit by independent certified public accountants. The accounting firm of BerganKDV LTD was selected by the School Board to conduct the annual audit.

This report has been prepared following the guidelines provided by the Association of School Business Officials International (ASBO) for their Certificate of Excellence in Financial Reporting Program. In 2016, the District received recognition from this program by receiving the Certificate of Excellence. Continuing to achieve recognition by this program is a goal of the District's Business Office and provides a clear indication of the District's high standards for financial reporting. The District plans to submit the 2016-2017 CAFR to the ASBO Certificate Program for consideration.

ACKNOWLEDGMENTS

The time, effort, and attention that go into the timely preparation of a CAFR require the commitment and cooperation of many people. We acknowledge the efforts of the entire Business Office staff in providing complete and accurate data for this Comprehensive Annual Financial Report, as well as for their dedication and to the School Board for their encouragement and leadership.

Sincerely,



Jon McBroom
Interim Superintendent



Suzanne Johnson
Director of Finance and Operations

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Shakopee Public School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'. The signature is written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

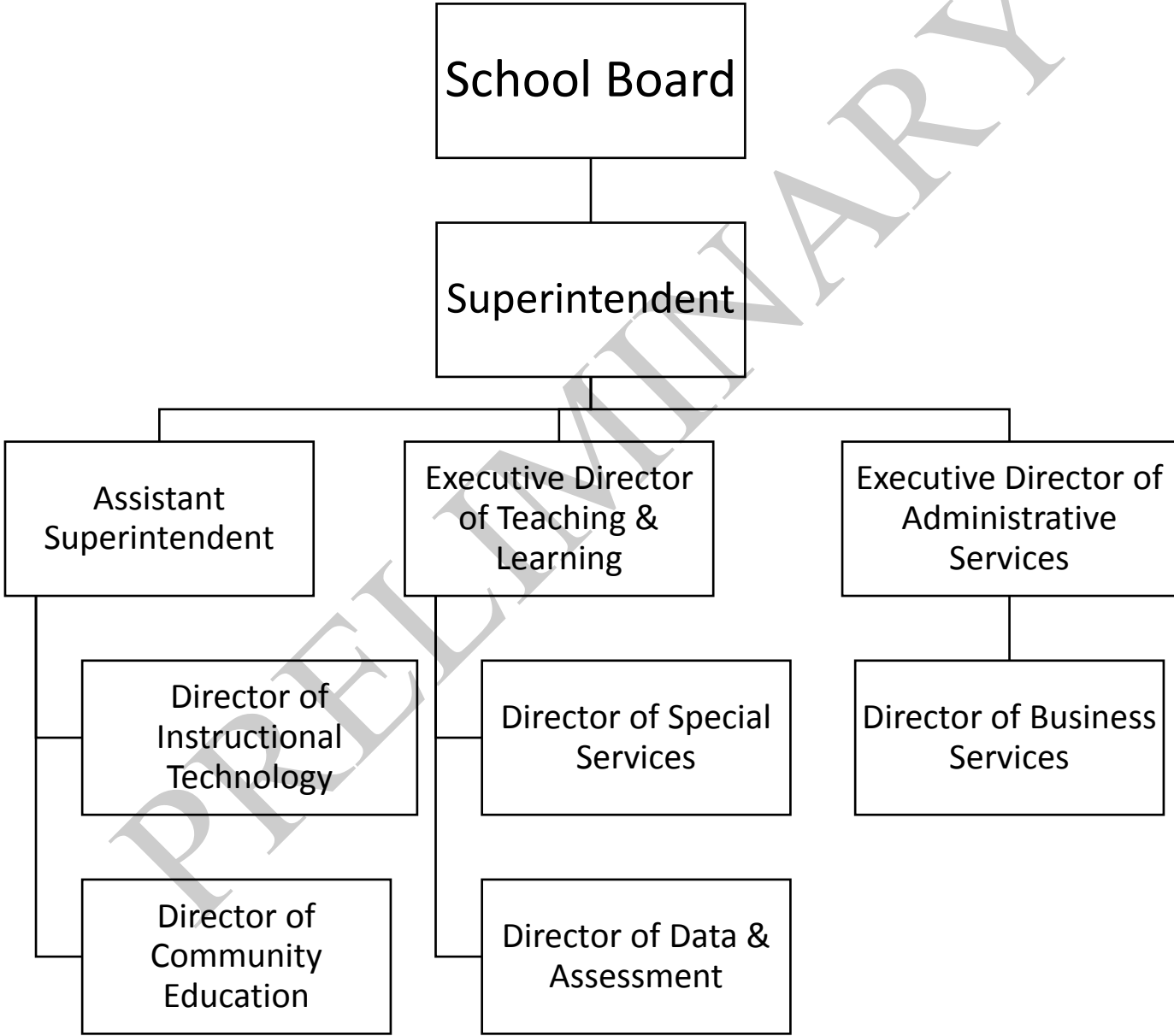
A handwritten signature in black ink, appearing to read 'John D. Musso'. The signature is written over a horizontal line.

John D. Musso, CAE
Executive Director

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

**Independent School District No. 720
Organizational Chart**



PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent Auditor's Report

To the School Board
Independent School District No. 720
Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 74 and GASB 75

As discussed in Note 9 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as list in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical sections of this report and the accompanying supplementary information identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

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

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which such partial information was derived.



Report on Summarized Comparative Information (Continued)

We also have previously audited the District's 2016 basic financial statements and our report, dated November 21, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Minneapolis, Minnesota
November 20, 2017

PRELIMINARY

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

This section of Independent School District No. 720's (the "District") annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the other components of the District's annual financial report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of the following parts:

- Independent Auditor's Report,
- Management's Discussion and Analysis,
- Basic financial statements, including the government-wide financial statements, fund financial statements, and notes to financial statements,
- Required supplementary information, and
- Combining and individual fund statements and schedules.

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

Government-Wide Statements

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

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

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

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

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue Fund and Community Service Special Revenue Fund) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplementary information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

For Minnesota schools, funds are established in the Uniform Financial Accounting and Reporting System (UFARS) in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following two kinds of funds:

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

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

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

**Table 1
Summary Statement of Net Position
As of June 30, 2017 and 2016**

	2017	2016
Assets and Deferred Outflows		
Current and other assets	\$ 127,538,633	\$ 165,864,015
Capital assets, net of depreciation	196,651,603	151,263,200
Total assets	<u>324,190,236</u>	<u>317,127,215</u>
Deferred outflows of resources	<u>137,257,527</u>	<u>12,739,007</u>
Total assets and deferred outflows of resources	<u>\$ 461,447,763</u>	<u>\$ 329,866,222</u>
Liabilities and Deferred Inflows		
Current and other liabilities	\$ 23,059,923	\$ 14,301,945
Long-term liabilities, including due within one year	454,404,429	302,482,362
Total liabilities	<u>477,464,352</u>	<u>316,784,307</u>
Deferred inflows of resources	<u>34,340,178</u>	<u>37,368,358</u>
Total liabilities and deferred inflows of resources	<u>\$ 511,804,530</u>	<u>\$ 354,152,665</u>
Net Position		
Net investment in capital assets	\$ 35,186,072	\$ 26,336,717
Restricted	-	1,241,034
Unrestricted	<u>(85,542,839)</u>	<u>(51,864,194)</u>
Total net position	<u>\$ (50,356,767)</u>	<u>\$ (24,286,443)</u>

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts.

The financial position of the District did not improve this year as measured by total net position. For the year ended June 30, 2017, total net position decreased by \$26,070,324 to a level of \$(50,356,767), mostly due to pension expense. In 2015, implementation of GASB Statement No. 68 required recognition of the District's share of state-wide pension plans. This accounts for roughly \$78 million of the negative net position. Implementation of GASB Statement No. 74 and GASB Statement No. 75 in the current year accounts for an additional \$8 million decline in net position.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

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

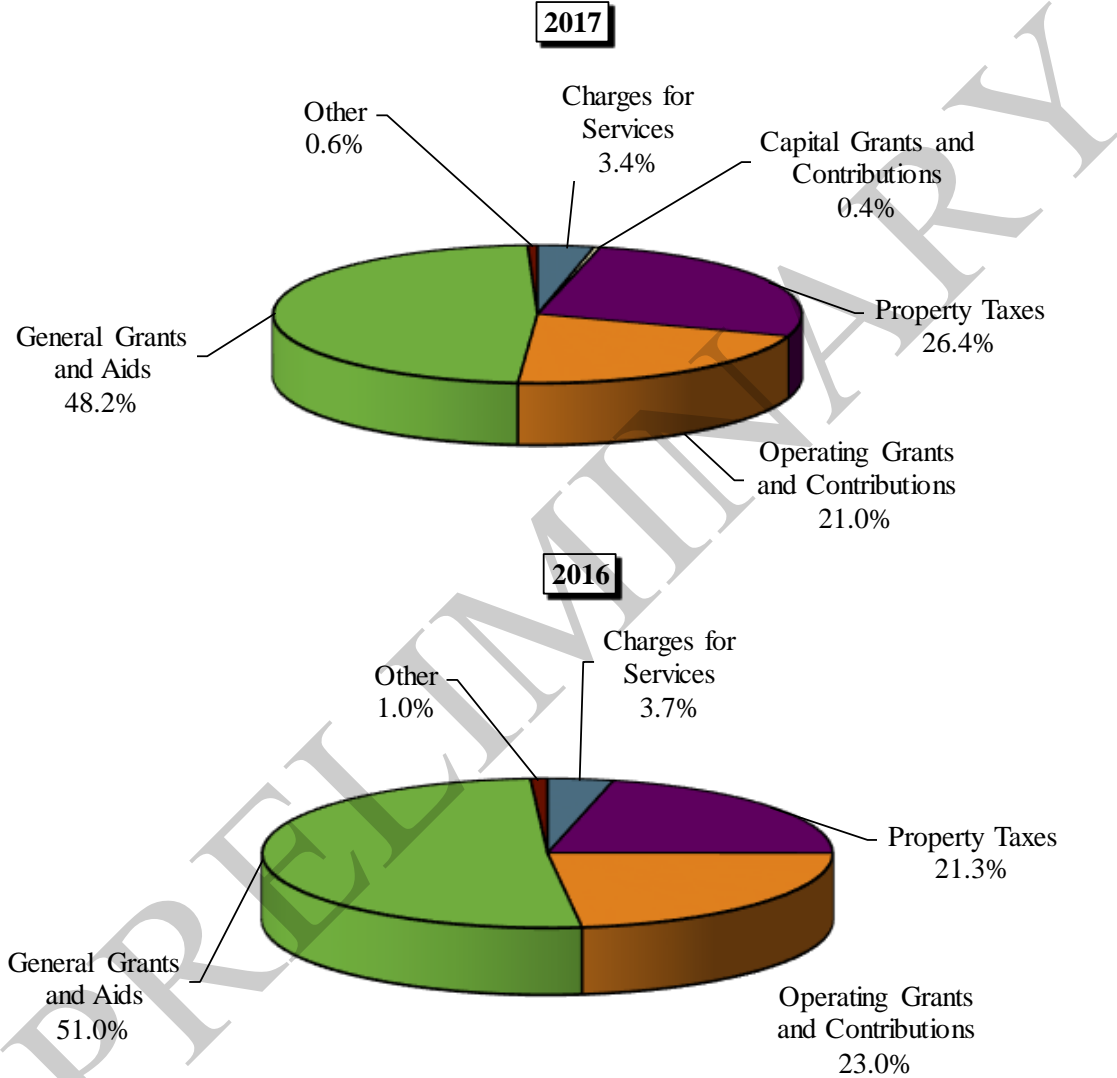
	2017	2016
Revenues		
Program revenues		
Charges for services	\$ 4,244,698	\$ 3,863,286
Operating grants and contributions	25,885,369	24,000,053
Capital grants and contributions	470,297	-
General revenues		
Property taxes	32,587,603	22,251,952
General grants and aids	59,536,734	53,137,665
Other	740,259	996,738
Total revenues	123,464,960	104,249,694
Expenses		
Administration	7,523,283	5,955,670
District support services	2,456,591	2,122,209
Elementary and secondary regular instruction	63,959,236	45,554,644
Vocational education instruction	1,286,927	726,293
Special education instruction	25,091,784	17,425,823
Instructional support services	10,762,588	7,548,519
Pupil support services	8,401,426	7,377,729
Sites and buildings	6,929,012	7,337,340
Fiscal and other fixed cost programs	191,091	211,184
Food service	4,724,099	4,158,297
Community service	3,286,539	2,322,011
Depreciation not allocated to other functions	1,265,819	787,506
Interest and fiscal charges	7,322,643	8,055,214
Total expenses	143,201,038	109,582,439
Change in net position	\$ (19,736,078)	\$ (5,332,745)

The table summarizes all of the governmental activities of the District and is presented on the accrual basis of accounting. Revenues are allocated between those directly related to specific programs and those that are general revenues. Depreciation expense is included in expenses, but capital asset purchase costs, debt proceeds, and the repayment of debt principal are excluded.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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



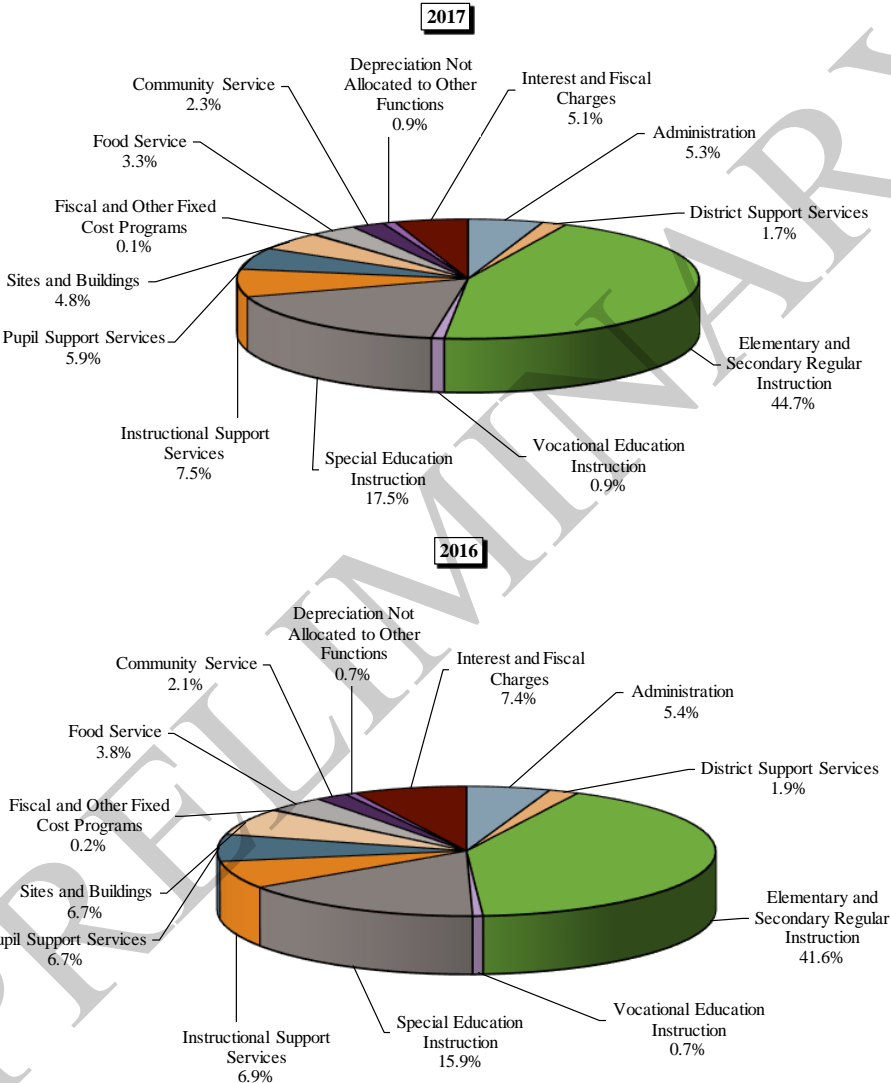
The largest share of the District's revenue is received from the state, including the General Education Aid formula and most of the operating grants. Consequently, the District's funding depends significantly on the state's financial fluctuations.

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

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure B – Expenses for Fiscal Years 2017 and 2016



The District's expenses are predominately related to educating students. The majority of the District's expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**Table 3
Governmental Fund Balances
As of June 30, 2017 and 2016**

	2017	2016	Increase (Decrease)
Governmental Funds			
Major funds			
General	\$ 1,067,254	\$ 2,521,005	\$ (1,453,751)
Capital projects – building			
Construction	53,366,000	100,507,829	(47,141,829)
Debt service	20,670,744	20,079,253	591,491
Nonmajor funds			
Special revenue funds			
Food service	652,122	674,042	(21,920)
Community service	190,267	100,374	89,893
Total governmental funds	\$ 75,946,387	\$ 123,882,503	\$ (47,936,116)

ANALYSIS OF THE GENERAL FUND

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District may change the budget for known significant changes in circumstances, such as updated enrollment estimates, legislation changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, special education tuition changes or utility rate changes. During the year, the District reviewed operating results and amended the original budget. The District increased the General Fund revenue budget by \$1,010,525 and the expenditure budget by \$1,735,167.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

ANALYSIS OF THE GENERAL FUND (CONTINUED)

Table 4 summarizes the operating results of the General Fund:

**Table 4
General Fund Operating Results**

	2017 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue and other financing sources	\$ 95,779,325	\$ 2,407,300	2.5%	\$ 1,844,495	2.2%
Expenditures	<u>97,233,076</u>	3,151,409	3.2%	7,120,303	7.9%
Net change in fund balances	<u>\$ (1,453,751)</u>				

Actual expenditures were over budget largely due to the staff changes that required the Board to add staff. Expenditures were also over budget due to additional technology device leases. This is offset by the issuance of capital leases as an other financing source.

The growth in revenues over the prior year can be attributed to the District serving more students in fiscal year 2017 and an increase to the General Education formula by the State of Minnesota. There was also a budgeted increase in local property taxes.

ANALYSIS OF REMAINING MAJOR FUNDS

The District's activity in the Capital Projects – Building Construction Fund is related to projects financed with general obligation (G.O.) building bonds to meet the needs of the District's growing student population. Voters approved a \$102.5 million building project in the spring of 2015. The money for the project was received in fiscal year 2016. A majority of the money will be spent in fiscal year 2017 and 2018. The main element of the project is to increase the size of the current high school by over 300,000 square feet to accommodate 3,200 students in the next ten years. The District used the Capital Projects fund to improve security and outdoor facilities as well as the initial planning for the high school addition.

Activity of the Debt Service Fund is largely controlled in accordance with each outstanding debt issue's financing plan. The District retired \$11,135,000 of bond principal during fiscal year 2017 according to payment schedules. The Debt Service Fund has approximately \$3.1 million of year-end fund balance, excluding the amount available in the escrow account as described below. That portion of the fund balance is available to finance future debt service obligations. The District also refinanced the 2008 G.O. Bonds with a crossover refunding bond. An escrow account of \$18 million was established to pay the 2008 G.O. Bonds when called. After a \$500,000 principal payment in fiscal year 2017, the escrow account has a \$17.57 million balance to pay off the bonds.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 5 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2017 and 2016:

**Table 5
Capital Assets**

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Land	\$ 14,831,269	\$ 14,831,269	\$ -
Construction in progress	54,375,319	7,849,582	46,525,737
Capital assets, net of accumulated depreciation:			
Site improvements	2,877,005	3,183,519	(306,514)
Buildings	114,974,076	117,632,735	(2,658,659)
Furniture and equipment	9,593,934	7,766,095	1,827,839
Total	<u>\$ 196,651,603</u>	<u>\$ 151,263,200</u>	<u>\$ 45,388,403</u>
Accumulated depreciation	<u>\$ (70,081,210)</u>	<u>\$ (63,884,228)</u>	<u>\$ (6,196,982)</u>
Depreciation expense	<u>\$ 6,196,982</u>	<u>\$ 5,752,028</u>	<u>\$ 444,954</u>

Capital assets are increasing to meet the needs of the District's anticipated continued growth.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Long-Term Liabilities

Table 6 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

**Table 6
Outstanding Long-Term Liabilities**

	2017	2016	Increase (Decrease)
G.O. Bonds payable, net of premium	\$ 216,893,741	\$ 229,775,183	\$ (12,881,442)
Certificates of participation			
Payable, net of premium	11,650,810	12,205,862	(555,052)
Capital leases	3,504,424	905,731	2,598,693
Compensated absences payable	291,410	382,256	(90,846)
Total	\$ 232,340,385	\$ 243,269,032	\$ (10,928,647)

There were no additional bonds in fiscal year 2017. Scheduled payments resulted in the decrease of the Bonds payable and Certificates of Participation payable. The District is leasing MacBooks and iPads from Apple as part of a district-wide technology initiative. The district entered into new leases in fiscal year 2017, which resulted in the increase in capital leases payable.

The state limits the amount of G.O. debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. (See Table 7.)

**Table 7
Limitations on Debt**

District's market value	\$ 4,572,534,200
Limit rate	15.0%
Legal debt limit	\$ 685,880,130

Additional details of the District's capital assets and long-term debt activity can be found in the Notes to the Financial Statements.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2017**

FACTORS BEARING ON THE DISTRICT'S FUTURE

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the State of Minnesota for educational resources. The basic general education formula amount for all Minnesota school districts increased 2% to \$6,067 in 2017, the sixth increase since fiscal year 2009. An improving economy has reduced some of the challenges in funding education for Minnesota schools in recent years.

Shakopee Schools will need to continue to look at possible ways to increase other non-state revenue and continue to identify efficiencies to control expenses for fiscal year 2017-18 and beyond. The District has started to utilize a financial planning model that incorporates anticipated revenue and expenditure increases to more closely monitor the finances of the District on a long-range basis. The model is intended to show the total amount of reductions necessary for the District to adhere to its fund balance policy, while striving to maintain its commitment to academic excellence and educational opportunity for students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. More detailed information can be found in the other sections of this financial report. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 720, 1200 Shakopee Town Square, Shakopee, Minnesota 55379.

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

PRELIMINARY

BASIC FINANCIAL STATEMENTS

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Statement of Net Position
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	Governmental Activities	
	2017	2016
Assets		
Cash and investments	\$ 83,529,903	\$ 123,522,508
Cash with fiscal agent	17,570,927	17,997,615
Current property taxes receivable	16,264,753	15,571,175
Delinquent property taxes receivable	94,147	81,595
Accounts receivable	23,226	13,699
Interest receivable	159,695	273,783
Due from Department of Education	7,813,831	7,019,143
Due from Federal Government through Department of Education	1,079,367	712,275
Due from other Minnesota school districts	119,934	72,161
Due from other governmental units	175,745	376,972
Inventory	49,221	29,846
Prepaid items	657,884	193,243
Capital assets not being depreciated:		
Land	14,831,269	14,831,269
Construction in progress	54,375,319	7,849,582
Capital assets, net of accumulated depreciation		
Site improvements	2,877,005	3,183,519
Buildings	114,974,076	117,632,735
Furniture and equipment	9,593,934	7,766,095
Total assets	324,190,236	317,127,215
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	137,257,527	12,739,007
Total assets and deferred outflows of resources	\$ 461,447,763	\$ 329,866,222
Liabilities		
Accounts payable	\$ 1,788,878	\$ 1,904,063
Contracts payable	9,693,302	948,069
Salaries and benefits payable	7,225,160	7,222,763
Interest payable	3,681,614	3,659,566
Due to other Minnesota school districts	485,687	402,731
Due to other governmental units	22,644	22,498
Unearned revenue	162,638	142,255
Bonds payable, net		
Payable within one year	29,780,000	11,135,000
Payable after one year	187,113,741	218,640,183
Certificates of participation payable, net		
Payable within one year	565,000	545,000
Payable after one year	11,085,810	11,660,862
Capital lease payable		
Payable within one year	1,201,121	319,755
Payable after one year	2,303,303	585,976
Compensated absences payable		
Payable within one year	291,410	382,256
Net other post employment benefit (OPEB) liability	7,909,578	1,326,802
Net pension liability	214,154,466	57,886,528
Total liabilities	477,464,352	316,784,307
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	31,822,722	31,159,905
Deferred amount on refunding	586,276	665,829
Deferred inflows of resources related to pensions	1,561,468	5,542,624
Deferred inflows of resources related to OPEB	369,712	-
Total deferred inflows of resources	34,340,178	37,368,358
Net Position		
Net investment in capital assets	35,186,072	26,336,717
Restricted	-	1,241,034
Unrestricted	(85,542,839)	(51,864,194)
Total net position	(50,356,767)	(24,286,443)
Total liabilities, deferred inflows of resources, and net position	\$ 461,447,763	\$ 329,866,222

See notes to financial statements.

35

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Statement of Activities
Year Ended June 30, 2017
(with Comparative Totals for the Year Ended June 30, 2016)

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expense) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2017	2016
Governmental activities						
Administration	\$ 7,523,283	\$ 12,993	\$ 4,115	\$ -	\$ (7,506,175)	\$ (5,923,211)
District support services	2,456,591	25,189	931,650	-	(1,499,752)	(1,236,595)
Elementary and secondary regular instruction	63,959,236	438,789	7,589,882	-	(55,930,565)	(37,317,456)
Vocational education instruction	1,286,927	140	89,285	-	(1,197,502)	(625,218)
Special education instruction	25,091,784	200,061	10,679,676	-	(14,212,047)	(8,079,390)
Instructional support services	10,762,588	243	323,988	-	(10,438,357)	(7,370,410)
Pupil support services	8,401,426	221,004	2,810,780	-	(5,369,642)	(4,572,937)
Sites and buildings	6,929,012	32,413	21,087	470,297	(6,405,215)	(7,287,849)
Fiscal and other fixed cost programs	191,091	-	-	-	(191,091)	(211,184)
Food service	4,724,099	2,084,558	2,455,374	-	(184,167)	250,772
Community education and services	3,286,539	1,229,308	979,532	-	(1,077,699)	(502,902)
Unallocated depreciation	1,265,819	-	-	-	(1,265,819)	(787,506)
Interest and fiscal charges on long-term debt	7,322,643	-	-	-	(7,322,643)	(8,055,214)
Total governmental activities	\$ 143,201,038	\$ 4,244,698	\$ 25,885,369	\$ 470,297	(112,600,674)	(81,719,100)
General revenues						
Taxes						
Property taxes, levied for general purposes					13,310,119	9,114,215
Property taxes, levied for community service					542,360	517,493
Property taxes, levied for debt service					18,735,124	12,620,244
State aid-formula grants					59,536,734	53,137,665
Other general revenues					78,576	36,206
Investment income					657,661	938,932
Gain on sale of capital assets					4,022	21,600
Total general revenues					<u>92,864,596</u>	<u>76,386,355</u>
Change in net position					(19,736,078)	(5,332,745)
Net position - beginning, as previously stated					(24,286,443)	(18,953,698)
Change in accounting principle (Note 9)					(6,334,246)	-
Net position - beginning, as restated					<u>(30,620,689)</u>	<u>(18,953,698)</u>
Net position - ending					<u>\$ (50,356,767)</u>	<u>\$ (24,286,443)</u>

37 See notes to financial statements.

Independent School District No. 720
Balance Sheet - Governmental Funds
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	General	Debt Service	Capital Projects
Assets			
Cash and investments	\$ 5,171,260	\$ 12,674,348	\$ 63,205,276
Cash with fiscal agent	-	17,570,927	-
Current property taxes receivable	6,697,282	9,281,165	-
Delinquent property taxes receivable	37,802	54,584	-
Accounts receivable	23,065	-	-
Interest receivable	-	-	159,695
Due from Department of Education	7,569,599	148,971	-
Due from Federal Government through Department of Education	1,045,251	-	-
Due from other Minnesota school districts	119,934	-	-
Due from other governmental units	175,745	-	-
Inventory	-	-	-
Prepaid items	657,884	-	-
	<u>\$ 21,497,822</u>	<u>\$ 39,729,995</u>	<u>\$ 63,364,971</u>
Liabilities			
Accounts payable	\$ 526,673	\$ -	\$ 475,739
Contracts payable	170,070	-	9,523,232
Salaries and benefits payable	6,955,744	-	-
Due to other Minnesota school districts	485,623	-	-
Due to other governmental units	22,644	-	-
Unearned revenue	-	-	-
Total liabilities	<u>8,160,754</u>	<u>-</u>	<u>9,998,971</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	12,232,012	19,004,667	-
Unavailable revenue - delinquent property taxes	37,802	54,584	-
Total deferred inflows of resources	<u>12,269,814</u>	<u>19,059,251</u>	<u>-</u>
Fund Balances			
Nonspendable	657,884	-	-
Restricted	-	20,670,744	53,366,000
Assigned	20,882	-	-
Unassigned	388,488	-	-
Total fund balances	<u>1,067,254</u>	<u>20,670,744</u>	<u>53,366,000</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,497,822</u>	<u>\$ 39,729,995</u>	<u>\$ 63,364,971</u>

See notes to financial statements.

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 1,400,366	\$ 82,451,250	\$ 122,750,057
-	17,570,927	17,997,615
286,306	16,264,753	15,571,175
1,761	94,147	81,595
-	23,065	13,540
-	159,695	273,783
95,261	7,813,831	7,019,143
34,116	1,079,367	712,275
-	119,934	72,161
-	175,745	376,972
49,221	49,221	29,846
-	657,884	193,243
<u>\$ 1,867,031</u>	<u>\$ 126,459,819</u>	<u>\$ 165,091,405</u>
\$ 4,720	\$ 1,007,132	\$ 1,229,086
-	9,693,302	948,069
269,416	7,225,160	7,222,763
64	485,687	402,731
-	22,644	22,498
162,638	162,638	142,255
<u>436,838</u>	<u>18,596,563</u>	<u>9,967,402</u>
586,043	31,822,722	31,159,905
1,761	94,147	81,595
<u>587,804</u>	<u>31,916,869</u>	<u>31,241,500</u>
49,221	707,105	223,089
946,735	74,983,479	122,512,866
-	20,882	-
(153,567)	234,921	1,146,548
<u>842,389</u>	<u>75,946,387</u>	<u>123,882,503</u>
<u>\$ 1,867,031</u>	<u>\$ 126,459,819</u>	<u>\$ 165,091,405</u>

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	2017	2016
Total fund balances - governmental funds	\$ 75,946,387	\$ 123,882,503
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	266,732,813	215,147,428
Less accumulated depreciation	(70,081,210)	(63,884,228)
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	(199,410,000)	(210,545,000)
Certificates of participation payable	(11,495,000)	(12,040,000)
Premium on bonds and certificates of participation payable	(17,639,551)	(19,396,045)
Deferred amount on refunding	(586,276)	(665,829)
Capital lease payable	(3,504,424)	(905,731)
Compensated absences payable	(291,410)	(382,256)
Net OPEB liability	(7,909,578)	(1,326,802)
Net pension liability	(214,154,466)	(57,886,528)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences related to pensions and OPEB that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions	137,257,527	12,739,007
Deferred inflows of resources related to pensions	(1,561,468)	(5,542,624)
Deferred inflows of resources related to OPEB	(369,712)	-
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
	94,147	81,595
The self-insured Health and Dental Internal Service Funds are used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.		
	297,068	97,633
Governmental funds do not report a liability for accrued interest on bonds and certificates of participation until due and payable.		
	(3,681,614)	(3,659,566)
Total net position - governmental activities	\$ (50,356,767)	\$ (24,286,443)

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017
(with Comparative Totals for the Year Ended June 30, 2016)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues			
Local property taxes	\$ 13,303,806	\$ 18,728,951	\$ -
Other local and county revenues	1,809,047	150,709	598,814
Revenue from state sources	74,409,197	1,494,488	-
Revenue from federal sources	2,608,592	-	-
Sales and other conversion of assets	197,051	-	-
Total revenues	<u>92,327,693</u>	<u>20,374,148</u>	<u>598,814</u>
Expenditures			
Current			
Administration	5,648,428	-	-
District support services	2,175,658	-	-
Elementary and secondary regular instruction	41,499,067	-	-
Vocational education instruction	868,774	-	-
Special education instruction	18,342,688	-	-
Instructional support services	8,185,448	-	-
Pupil support services	7,614,151	-	-
Sites and buildings	5,411,781	-	440,785
Fiscal and other fixed cost programs	191,091	-	-
Food service	-	-	-
Community education and services	-	-	-
Capital outlay			
Administration	82,354	-	-
District support services	2,885	-	-
Elementary and secondary regular instruction	248,474	-	-
Vocational education instruction	1,499	-	-
Special education instruction	99,182	-	-
Instructional support services	4,138,422	-	-
Pupil support services	-	-	-
Sites and buildings	840,272	-	47,299,858
Food service	-	-	-
Community education and services	-	-	-
Debt service			
Principal	1,393,917	11,135,000	-
Interest and fiscal charges	488,985	8,647,657	-
Total expenditures	<u>97,233,076</u>	<u>19,782,657</u>	<u>47,740,643</u>
Excess of revenues over (under) expenditures	(4,905,383)	591,491	(47,141,829)
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	4,022	-	-
Bond issuance	-	-	-
Bond premium	-	-	-
Bond discount	-	-	-
Issuance of capital leases	3,447,610	-	-
Total other financing sources (uses)	<u>3,451,632</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,453,751)	591,491	(47,141,829)
Fund Balances			
Beginning of year	<u>2,521,005</u>	<u>20,079,253</u>	<u>100,507,829</u>
End of year	<u>\$ 1,067,254</u>	<u>\$ 20,670,744</u>	<u>\$ 53,366,000</u>

See notes to financial statements.

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 542,294	\$ 32,575,051	\$ 22,312,062
1,251,873	3,810,443	3,468,932
1,205,512	77,109,197	72,135,291
2,220,654	4,829,246	4,172,968
2,084,558	2,281,609	2,198,848
<u>7,304,891</u>	<u>120,605,546</u>	<u>104,288,101</u>
-	5,648,428	5,759,082
-	2,175,658	2,067,743
-	41,499,067	40,739,884
-	868,774	747,306
-	18,342,688	17,154,198
-	8,185,448	6,459,308
-	7,614,151	7,259,476
-	5,852,566	6,151,407
-	191,091	211,184
4,534,624	4,534,624	4,098,498
2,653,638	2,653,638	2,247,122
-	82,354	68,798
-	2,885	11,647
-	248,474	268,934
-	1,499	1,709
-	99,182	52,670
-	4,138,422	2,365,371
-	-	675
-	48,140,130	10,740,205
32,160	32,160	87,528
16,496	16,496	3,762
-	12,528,917	9,718,773
-	9,136,642	7,965,462
<u>7,236,918</u>	<u>171,993,294</u>	<u>124,180,742</u>
67,973	(51,387,748)	(19,892,641)
-	4,022	21,600
-	-	112,185,000
-	-	10,805,831
-	-	(24,812)
-	3,447,610	1,239,504
<u>-</u>	<u>3,451,632</u>	<u>124,227,123</u>
67,973	(47,936,116)	104,334,482
<u>774,416</u>	<u>123,882,503</u>	<u>19,548,021</u>
<u>\$ 842,389</u>	<u>\$ 75,946,387</u>	<u>\$ 123,882,503</u>

Independent School District No. 720
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2017
(with Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Net change in fund balances - total governmental funds	\$ (47,936,116)	\$ 104,334,482
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	51,585,385	11,762,094
Depreciation expense	(6,196,982)	(5,752,028)
Loss on disposal	-	(21,600)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	90,846	50,409
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities recognizes when the expenses are incurred.		
	(618,242)	(817,170)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but has no impact on net position in the Statement of Activities.		
	12,528,917	9,718,773
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 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.		
	(22,048)	(1,630,156)
Governmental funds report the effect of bond premiums when the debt is first issued as an other financing source, whereas these amounts are deferred and amortized in the Statement of Activities.		
	1,836,047	(9,240,615)
Issuance of bonds and leases are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.		
	(3,447,610)	(113,424,504)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
Pension expense	(27,768,262)	(349,953)
The self-insured health and dental internal service funds are used by management to charge the costs of the self-insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities		
	199,435	97,633
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
	12,552	(60,110)
Change in net position - governmental activities	\$ (19,736,078)	\$ (5,332,745)

See notes to financial statements.

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
	Original	Final			
Revenues					
Local property taxes	\$ 13,341,826	\$ 13,098,788	\$ 13,303,806	\$ 205,018	\$ 9,136,670
Other local and county revenues	1,527,950	1,754,806	1,809,047	54,241	1,498,307
Revenue from state sources	73,190,336	73,331,671	74,409,197	1,077,526	70,787,830
Revenue from federal sources	2,134,888	2,688,517	2,608,592	(79,925)	2,033,546
Sales and other conversion of assets	145,000	186,743	197,051	10,308	163,638
Total revenues	<u>90,340,000</u>	<u>91,060,525</u>	<u>92,327,693</u>	<u>1,267,168</u>	<u>83,619,991</u>
Expenditures					
Current					
Administration	5,473,897	5,486,582	5,648,428	161,846	5,759,082
District support services	2,134,075	1,434,832	2,175,658	740,826	2,067,743
Elementary and secondary regular instruction	39,244,759	40,718,926	41,499,067	780,141	40,739,884
Vocational education instruction	342,736	435,576	868,774	433,198	747,306
Special education instruction	17,678,882	18,146,872	18,342,688	195,816	17,154,198
Instructional support services	8,714,027	8,480,577	8,185,448	(295,129)	6,403,742
Pupil support services	6,542,719	7,273,402	7,614,151	340,749	7,259,476
Sites and buildings	5,163,713	5,230,816	5,411,781	180,965	5,569,145
Fiscal and other fixed cost programs	210,000	170,000	191,091	21,091	211,184
Capital outlay					
Administration	112,214	97,225	82,354	(14,871)	68,798
District support services	8,500	8,500	2,885	(5,615)	11,647
Elementary and secondary regular instruction	139,190	244,685	248,474	3,789	268,934
Vocational education instruction	9,927	10,442	1,499	(8,943)	1,709
Special education instruction	26,706	47,572	99,182	51,610	52,670
Instructional support services	2,081,736	2,965,016	4,138,422	1,173,406	2,420,937
Pupil support services	-	-	-	-	675
Sites and buildings	1,435,000	1,442,725	840,272	(602,453)	368,469
Debt service					
Principal	545,000	1,395,000	1,393,917	(1,083)	525,000
Interest and fiscal charges	471,919	492,919	488,985	(3,934)	482,414
Total expenditures	<u>90,335,000</u>	<u>94,081,667</u>	<u>97,233,076</u>	<u>3,151,409</u>	<u>90,113,013</u>
Excess of revenues over (under) expenditures	5,000	(3,021,142)	(4,905,383)	(1,884,241)	(6,493,022)
Other Financing Sources					
Proceeds from sale of capital assets	-	300,000	4,022	(295,978)	-
Issuance of capital leases	-	2,011,500	3,447,610	1,436,110	1,239,504
Transfers in	10,000	-	-	-	-
Total other financing sources	<u>10,000</u>	<u>2,311,500</u>	<u>3,451,632</u>	<u>1,140,132</u>	<u>1,239,504</u>
Net change in fund balance	<u>\$ 15,000</u>	<u>\$ (709,642)</u>	<u>(1,453,751)</u>	<u>\$ (744,109)</u>	<u>(5,253,518)</u>
Fund Balance					
Beginning of year			<u>2,521,005</u>		<u>7,774,523</u>
End of year			<u>\$ 1,067,254</u>		<u>\$ 2,521,005</u>

Independent School District No. 720
Statement of Net Position - Proprietary Funds
As of June 30, 2017

	Governmental Activities - Internal Service Funds
Assets	
Current	
Cash and cash equivalents	\$ 1,078,653
Accounts receivable	161
Total assets	\$ 1,078,814
Liabilities	
Current	
Accounts payable	\$ 1,586
Incurred but not reported claims	780,160
Total liabilities	781,746
Net Position	
Unrestricted	297,068
Total liabilities and net position	\$ 1,078,814

See notes to financial statements.

Independent School District No. 720
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2017

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	\$ 8,790,911
Operating Expenses	
Insurance	8,591,550
Operating income	199,361
Nonoperating Revenue	
Interest revenue	74
Change in net position	199,435
Net Position	
Beginning of year	97,633
End of year	\$ 297,068

Independent School District No. 720
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2017

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from district contributions	\$ 8,790,909
Employee claims paid	(8,484,781)
Net cash flows - operating activities	306,128
Cash Flows - Investing Activities	
Interest received	74
Net change in cash and cash equivalents	306,202
Cash and Cash Equivalents	
Beginning of year	772,451
End of year	\$ 1,078,653
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ 199,361
Adjustments to reconcile operating income to net cash flows - operating activities	
Accounts payable	1,586
Incurred but not reported claims	105,183
Accounts receivable	(2)
Net adjustments	106,767
Net cash flows - operating activities	\$ 306,128

**Independent School District No. 720
Statement of Fiduciary Net Position
June 30, 2017**

	OPEB Trust Fund	Private Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ -	\$ 38,689
Investments		
Brokered money markets	9,898	-
Mutual funds - fixed income	2,287,398	-
Mutual funds - equity	2,601,923	-
Interest receivable	2	-
Total assets	4,899,221	38,689
Liabilities		
Accounts payable	-	12,000
Due to other governments	173,000	-
Total liabilities	173,000	12,000
Net Position		
Held in trust for OPEB	4,726,221	-
Held in trust for scholarships	-	26,689
Total net position held in trust	\$ 4,726,221	\$ 26,689

**Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017**

	OPEB Trust Fund	Private Purpose Trust Fund
Additions		
Contributions	\$ -	\$ 12,010
Investment income	265,955	186
Total additions	265,955	12,196
Deductions		
Health insurance benefits	173,000	-
Scholarships	-	13,000
Total deductions	173,000	13,000
Change in net position	92,955	(804)
Net Position		
Beginning of year	4,633,266	27,493
End of year	\$ 4,726,221	\$ 26,689

See notes to financial statements.

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are not under the School Board's control; therefore, separate audited financial statements have been issued.

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position 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 Statement of Fiduciary Net Position and the Statement of Changes in 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 are not included among program revenues; instead, they are properly reported as general revenues.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Trust Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these Funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, and claims and judgments are recognized when payment is due.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

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

Description of Funds:

Major Funds:

General Fund – This Fund includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety, and disabled accessibility projects. It is the basic operating fund of the District and accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This Fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs.

Capital Projects Fund – This Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Nonmajor Funds:

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this Fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Proprietary Funds:

Health Insurance Internal Service Fund – This Fund is used to account for self-insured employee health costs and related stop loss insurance.

Dental Insurance Internal Service Fund – This Fund is used to account for self-insured employee dental costs and related stop loss insurance.

Fiduciary Funds:

OPEB Trust Fund – This Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for OPEB.

Private Purpose Trust Fund – The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Cash and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following pages.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

District Funds Other than OPEB Trust Fund

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. The investments of the capital projects building construction funds are not pooled and earnings on these investments are allocated directly to that fund.

Cash and investments at June 30, 2017 were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) including certificates of deposit, U.S. Treasury securities, U.S. government agencies, and commercial paper. MSDLAF securities are valued at amortized cost, which approximates fair value.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF securities are valued at amortized costs, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Fund Investment Managers. As of June 30, 2017, they were comprised of mutual funds. The District's investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2016, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2017. The remaining portion of the levy will be recognized when measurable and available.

G. Inventory

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventory is recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Scott County is the collecting agency for the levy and remits the collections to the District three time a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 with an estimated useful life in excess of five years, including all computer equipment regardless of the value. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 10 to 50 years for site improvements and buildings and 5 to 15 years for furniture and equipment.

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. A deferred outflow of resources related to pension activity is recorded for various estimate differences that will be amortized and recognized over future years and is reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows relating to pension activity and is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. The fourth item is a deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fifth item is a deferred inflows of resources related to OPEB and is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Compensated absence benefits are paid by the General Fund and Special Revenue Funds. Unused vacation is accrued as it is earned in the government-wide financial statements.

N. Post Employment Severance and Health Benefits

Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

Under the terms of certain collectively bargained employment contracts, the District is required to contribute health insurance premiums or to a health savings account for certain retired employees. The amount to be paid is limited as specified by contract.

Additional details for post employment health benefits can be found in Note 7.

O. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Q. 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; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2017.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.
- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balances – These 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 year-end; however, the specific amounts actually committed can be determined in the subsequent year.
- Assigned Fund Balances – The School Board may vote to assign fund balances but also delegates the power to assign fund balances to the Finance Director. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.
- Unassigned Fund Balances – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

The District's fund balance policy includes a target unassigned General Fund balance goal of 12% of the annual budget.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment 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 government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented by fund types and in total in the fund financial statements and government-wide statements in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with this year's presentation.

V. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of Finance and Operations submits to the School Board a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Director of Finance and Operations is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds and OPEB Trust Fund

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: For a deposit, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding federal deposit coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk because it was insured by FDIC insurance or fully collateralized.

As of June 30, 2017, the District had the following deposits:

Checking - District funds other than trust funds	\$ (642,086)
Certificates of Deposit - District Governmental Funds	3,669,000
Checking - Private Purpose Trust Fund	<u>38,689</u>
 Total Deposits	 <u><u>\$ 3,065,603</u></u>

B. Investments

District Funds Other than OPEB Trust Fund

As of June 30, 2017, the District had the following investments:

Investment Type	Investment Maturities			S&P/Moody's Rating
	Fair Value	Less than 1 Year	1-5 Years	
U.S. Treasury Obligations	\$ 22,596,762	\$ 19,363,543	\$ 3,233,219	N/A
Federal Agency Bonds/Notes	18,467,873	11,961,442	6,506,431	AA+
Commercial Paper	11,985,306	11,985,306	-	A-1
MSDLAF+ Term	25,010,000	25,010,000	-	AAAf
MSDLAF+ Liquid Class	4,827,320	4,827,320	-	AAAm
MSDLAF+ MAX Class	<u>15,184,915</u>	<u>15,184,915</u>	<u>-</u>	AAAm
 Total investments	 <u><u>\$ 98,072,176</u></u>	 <u><u>\$ 88,332,526</u></u>	 <u><u>\$ 9,739,650</u></u>	

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to those in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. The District will minimize credit risk by limiting investments to those allowed by statutory constraints.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. The District's investments were exposed to concentration of credit risk at June 30, 2017, as investments in FNMA and FHLMC securities each represented more than 5% of total investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the school district listing pertinent investment information.

The District has the following recurring fair value measurements as of June 30, 2017:

- \$22,596,762 of \$98,072,176 are valued using quoted market prices (Level 1 inputs)
- \$30,453,179 of \$98,072,176 are valued using a matrix pricing mode (Level 2 inputs)

\$45,022,235 of \$98,072,176 are not valued under Level 1 or 2, as they are not applicable to those fair value measurements.

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

OPEB Trust Fund

As of June 30, 2017, the District's OPEB Trust Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Brokered money markets	\$ 9,898	N/A
Mutual funds - fixed income	2,287,398	N/A
Mutual funds - equity	<u>2,601,923</u>	N/A
Total investments	<u><u>\$ 4,899,219</u></u>	

The District's OPEB Trust Fund investments have the following recurring fair value measurements as of June 30, 2017:

- \$4,889,321 of \$4,899,219 are valued using quoted market prices (Level 1 inputs)

\$9,898 of \$4,899,219 are not valued under Level 1 or 2 as they are not applicable to those fair value measurements.

C. Deposits and Investments

The following is a summary of total deposits and investments:

District funds other than trust funds	
Deposits (Note 2.A.)	\$ 3,026,914
Investments (Note 2.B.)	98,072,176
Petty cash	1,740
Private purpose trust fund	
Deposits (Note 2.A.)	38,689
OPEB trust fund	
Investments (Note 2.B.)	<u>4,899,219</u>
Total deposits and investments	<u><u>\$ 106,038,738</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2017 basic financial statements as follows:

Statement of Net Position		
Cash and investments	\$ 83,529,903	
Cash with fiscal agent	17,570,927	
Statement of Fiduciary Net Position		
Private purpose trust fund	38,689	
OPEB trust fund	4,899,219	
Total deposits and investments	<u>\$ 106,038,738</u>	

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 14,831,269	\$ -	\$ -	\$ 14,831,269
Construction in progress	7,849,582	46,525,737	-	54,375,319
Total capital assets not being depreciated	22,680,851	46,525,737	-	69,206,588
Capital assets Being depreciated				
Site improvements	7,283,216	-	-	7,283,216
Buildings	167,115,862	1,083,071	-	168,198,933
Furniture and equipment	18,067,499	3,976,577	-	22,044,076
Total capital assets being depreciated	192,466,577	5,059,648	-	197,526,225
Less accumulated depreciation for				
Site improvements	4,099,697	306,514	-	4,406,211
Buildings	49,483,127	3,741,730	-	53,224,857
Furniture and equipment	10,301,404	2,148,738	-	12,450,142
Total accumulated depreciation	63,884,228	6,196,982	-	70,081,210
Total capital assets being depreciated, net	128,582,349	(1,137,334)	-	127,445,015
Governmental activities capital assets, net	\$ 151,263,200	\$ 45,388,403	\$ -	\$ 196,651,603

Independent School District No. 720
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$6,196,982 for the year ended June 30, 2017, was charged to the following governmental functions.

Administration	\$ 576
District support services	43,792
Elementary and secondary regular instruction	3,908,072
Special education instruction	4,473
Instructional support services	556
Pupil support	92,549
Sites and buildings	765,396
Food service	27,050
Community service	88,699
Unallocated	1,265,819
Total depreciation expense	\$ 6,196,982

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds, including refunding bonds						
2008A School Building Bonds	03/05/08	2.00%-5.00%	\$ 25,000,000	02/01/26	\$ 17,900,000	\$ 17,900,000
2012A Crossover Refunding Bonds	02/01/12	3.00%-5.00%	39,000,000	02/01/25	31,500,000	3,565,000
2013A Crossover Refunding Bonds	02/21/13	3.00%-5.00%	38,325,000	02/01/26	34,185,000	2,775,000
2014A Crossover Refunding Bonds	12/16/14	3.00%-5.00%	12,055,000	02/01/22	5,330,000	980,000
2015A School Building Bonds	07/20/15	3.00%-5.00%	85,030,000	02/01/34	83,340,000	4,560,000
2015B School Building Bonds	07/20/15	3.65%-3.75%	12,130,000	02/01/36	12,130,000	-
2016A Crossover Refunding Bonds	05/04/16	3.00%-5.00%	15,025,000	02/01/26	15,025,000	-
Total G.O. bonds					199,410,000	29,780,000
Certificates of participation						
2013B certificates of participation	12/30/13	2.00-4.50%	13,175,000	02/01/33	11,495,000	565,000
Unamortized bond premium/discount					17,639,551	-
Capital lease payable					3,504,424	1,201,121
Compensated absences payable					291,410	291,410
Total all long-term liabilities					\$ 232,340,385	\$ 31,837,531

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities and to refinance (refund) previous bond issues. G.O. bonds are liquidated from the Debt Service Fund while certificates of participation and capital leases are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, are also typically liquidated through the General Fund.

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

In May 2016, the District issued G.O. School Building Crossover Refunding Bonds, Series 2016A in the amount of \$15,025,000. The Bonds were issued to crossover refund the G.O. School Building Bonds, Series 2008A at the call date of February 1, 2018. The total cash savings to the District was \$1,895,525 with a net present value benefit of \$1,707,134.

B. Minimum Debt Payments for Bonds and Certificate of Participation

Minimum annual principal and interest payments required to retire bond and certificate of participation liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2018	\$ 29,780,000	\$ 8,413,938	\$ 38,193,938
2019	14,315,000	7,167,675	21,482,675
2020	16,255,000	6,512,675	22,767,675
2021	18,140,000	5,773,975	23,913,975
2022	12,665,000	4,882,975	17,547,975
2023-2027	62,125,000	15,595,125	77,720,125
2028-2032	25,285,000	6,847,450	32,132,450
2033-2036	20,845,000	1,982,675	22,827,675
Total	\$ 199,410,000	\$ 57,176,488	\$ 256,586,488

Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2018	\$ 565,000	\$ 461,019	\$ 1,026,019
2019	590,000	444,069	1,034,069
2020	610,000	426,369	1,036,369
2021	625,000	408,069	1,033,069
2022	655,000	383,069	1,038,069
2023-2027	3,480,000	1,512,943	4,992,943
2028-2032	4,090,000	746,743	4,836,743
2033	880,000	39,600	919,600
Total	\$ 11,495,000	\$ 4,421,881	\$ 15,916,881

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 210,545,000	\$ -	\$ 11,135,000	\$ 199,410,000
Certificates of participation	12,040,000	-	545,000	11,495,000
Premium/discount	19,396,045	-	1,756,494	17,639,551
Capital leases payable	905,731	3,447,610	848,917	3,504,424
Compensated absences payable	382,256	505,670	596,516	291,410
	<u>\$ 243,269,032</u>	<u>\$ 3,953,280</u>	<u>\$ 14,881,927</u>	<u>\$ 232,340,385</u>

D. Capital Lease Obligations

The District entered into two lease purchase option agreements commencing on July 20, 2015 with Apple Inc. for computers. The capital lease obligations totaled \$1,239,504. The capital lease agreements include annual principal and interest payments of \$69,151 and \$264,622 through July 20, 2017 and July 20, 2018, respectively. The book value of the computer equipment was \$867,653 at June 30, 2017.

The District entered into two lease purchase option agreements commencing on July 15, 2016 with Apple Inc. for computers. The capital lease obligations totaled \$2,011,500. The capital lease agreements include annual principal and interest payments of \$78,615 and \$453,594 through July 15, 2018, and July 15, 2019, respectively. The book value of the computer equipment was \$1,810,350 at June 30, 2017.

The District entered into two lease purchase option agreements on April 12, 2017 with Apple Inc. for computers. The capital lease obligations totaled \$1,436,110. The capital lease agreements include annual principal and interest payments of \$199,906 and \$165,807 through July 15, 2020. The book value of the computer equipment was \$1,292,499 at June 30, 2017.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,	
2018	\$ 1,231,696
2019	1,162,545
2020	819,308
2021	365,714
Total minimum lease payments	<u>3,579,263</u>
Less amount representing interest	<u>(74,839)</u>
Present value of net minimum lease payments	<u><u>3,504,424</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

E. Operating Lease Obligations

The District leases space for the Area Learning Center and is classified as an operating lease, which expires in 2019. Total lease expenditures for 2017 were \$240,304.

The District also has two three year options after the lease expires on July 31, 2019, which are not included in the payment schedule on the following page.

Option Term 1

Annual rent per square foot – \$6.00

Monthly base rent – \$6,175.50

Option Term 2

Annual rent per square foot – \$7.00

Monthly base rent – \$7,204.75

Beginning on November 1, 2014, the District began leasing space for the District Office and is classified as an operating lease, the last of which expires in 2019. Total lease expenditures for 2017 were \$267,747.

The District also has two three year options after the lease expires on October 31, 2019, which are not included in the payment schedule below.

Option Term 1

Annual rent per square foot – \$9.50

Monthly base rent – \$20,134.46

Option Term 2

Annual rent per square foot – \$10.50

Monthly base rent – \$22,253.88

Beginning December 1, 2016, the District has an agreement with the City of Shakopee for use of the ice rink and it is classified as an operating lease, which expires March 31, 2027. Total lease expenditures for 2017 were \$83,333.

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

E. Operating Lease Obligations (Continued)

Minimum future rental payments under the non-cancelable operating leases are:

Year Ending <u>June 30,</u>	
2018	\$ 516,446
2019	516,446
2020	208,486
2021	125,000
2022	125,000
2023-2027	<u>625,000</u>
Total	<u><u>\$ 2,116,378</u></u>

NOTE 5 – FUND BALANCES/NET POSITION

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.

A. Fund Balances

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 49,221	\$ 49,221
Prepaid items	<u>657,884</u>	-	-	-	<u>657,884</u>
Total nonspendable	<u>657,884</u>	-	-	<u>49,221</u>	<u>707,105</u>
Restricted for					
Early Childhood and Family Education	-	-	-	120,562	120,562
School Readiness	-	-	-	223,272	223,272
Debt Service	-	3,099,817	-	-	3,099,817
Bond Refunding	-	17,570,927	-	-	17,570,927
Capital Projects	-	-	53,366,000	-	53,366,000
Food Service	-	-	-	602,901	602,901
Total Restricted	<u>-</u>	<u>20,670,744</u>	<u>53,366,000</u>	<u>946,735</u>	<u>74,983,479</u>
Assigned for					
Indian Education	<u>20,882</u>	-	-	-	<u>20,882</u>
Unassigned	<u>388,488</u>	-	-	(153,567)	<u>234,921</u>
Total fund balance	<u><u>\$ 1,067,254</u></u>	<u><u>\$ 20,670,744</u></u>	<u><u>\$ 53,366,000</u></u>	<u><u>\$ 842,389</u></u>	<u><u>\$ 75,946,387</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

Restricted for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account. The balance as of June 30, 2017, is a deficit (negative) \$303,080 which is presented within unassigned fund balance in the General Fund for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, and extended day programs. The balance as of June 30, 2017 is a deficit (negative) \$153,567, which is presented within unassigned fund balance for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Debt Service – This balance represents the balance of the Debt Service Fund available for future debt principal and interest payments.

Restricted for Bond Refunding – This balance represents resources set aside from the proceeds of refunded obligations that have not met the criteria of defeasance (crossover bonds). These resources will be used to pay off future bonded obligations.

Restricted for Capital Projects – This balance represents the balance of the Capital Projects Fund available for future capital purchases.

Restricted for Food Service – This balance represents the balance of the Food Service Fund that is available for future food service expenditures.

Assigned for Indian Education – This balance represents resources set aside for the District's Indian Education programs.

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position

Net Investment in Capital Assets – This amount represent the net book value of the District's capital assets less the balance of outstanding debt used to acquire them.

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, Debt Service, and Capital Projects Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

The District participates in various pension plans. Total pension expense for the year ended June 30, 2017, was \$35,318,225. The components of pension expense are noted in the following plan summaries.

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. 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 school, 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.

B. 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.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits

Tier I	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- 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% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated 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.

**Independent School District No. 720
Notes to Financial Statements**

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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.

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2015, June 30, 2016, and June 30, 2017, were:

	Employee	Employer
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

The chart on the following page is a reconciliation of 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.

Independent School District No. 720
Notes to Financial Statements

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Deduct Employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	<u>(442,978)</u>
Total employer contributions	\$ 354,544,518
Total non-employer contributions	<u>\$ 35,587,410</u>
Total contributions reported in the schedule of employer and non-employer pension allocations	<u><u>\$ 390,131,928</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.

PRELIMINARY

**Independent School District No. 720
Notes to Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined 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, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	4.66%, from the single equivalent interest rate calculation
Price inflation	2.75%
Wage growth rate	3.50%
Projected salary increase	3.50-9.50%
Cost of living adjustment	2.00%

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 set rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 720
Notes to Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45 %	5.50 %
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Unallocated cash	2	0.50
Total	<u>100 %</u>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six 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 five years as required by GASB 68.

E. Discount Rate

The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. 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 2052 and, as a result, the Municipal Bond Index Rate was used in determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at the prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

Independent School District No. 720
Notes to Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2017, the District reported a liability of \$198,475,704 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 0.8321% at the end of the measurement period and 0.7817% 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 proportionate share of net pension liability	\$ 198,475,704
State's proportionate share of the net pension liability associated with the District	19,921,322

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

For the year ended June 30, 2017, the District recognized pension expense of \$32,962,035. It recognized \$2,781,684 as an increase to pension expense for the support provided by direct aid.

On June 30, 2017, 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 experience	\$ 1,883,647	\$ 5,535
Net difference between projected and actual earnings on plan investments	8,538,326	-
Changes of assumptions	112,989,399	-
Changes in proportion	3,990,175	-
Contributions to TRA subsequent to the measurement date	3,457,034	-
Total	\$ 130,858,581	\$ 5,535

Independent School District No. 720
Notes to Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

\$3,457,034 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2018		\$ 25,457,389
2019		25,457,407
2020		28,143,844
2021		25,807,272
2022		<u>22,530,099</u>
Total		<u><u>\$ 127,396,011</u></u>

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using 1 percent lower and 1 percent higher.

District proportionate share of NPL		
1% decrease (3.66%)	Current (4.66%)	1% increase (5.66%)
\$ 255,686,315	\$ 198,475,704	\$ 151,879,527

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.

H. Pension Plan Fiduciary Net Position

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

Independent School District No. 720
Notes to Financial Statements

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

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

B. 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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 ten 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.

Independent School District No. 720
Notes to Financial Statements

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

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2017. The District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2017. The District's contributions to the General Employees Fund for the year ended June 30, 2017, were \$912,569. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2017, the District reported a liability of \$15,678,762 for its proportionate share of the 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 \$6 million to the fund in 2016. 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 \$204,852. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was 0.1931%, which was an increase of 0.0092% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,018,597 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$61,082 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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

Independent School District No. 720
Notes to Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 47,243	\$ 1,257,641
Changes in actuarial assumptions	3,387,177	-
Difference between projected and actual investments earnings	1,694,363	-
Change in proportion	357,594	298,292
Contributions paid to PERA subsequent to the measurement date	912,569	-
Total	\$ 6,398,946	\$ 1,555,933

\$912,569 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018		\$ 1,053,322
2019		688,811
2020		1,621,974
2021		566,337
Total		\$ 3,930,444

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following 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, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan.

Independent School District No. 720
Notes to Financial Statements

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2016, 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 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness 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.

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	45%	5.50 %
International stocks	15%	6.00
Bonds	18%	1.45
Alternative assets	20%	6.40
Cash	2%	0.50
Total	<u>100%</u>	

Independent School District No. 720
Notes to Financial Statements

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

Public Employees' Retirement Association (Continued)

F. Discount Rates

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. 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 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.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 22,268,489	\$ 15,678,762	\$ 10,250,621

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through its Other Post Employment Benefits (OPEB) Plan, a single-employer defined benefit plan administered by the District. All post employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements.

B. Benefits Provided

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare or a limited number of years depending on the contractual language. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Members

As of June 30, 2017, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Active employees	1,038
	1,059
Total	1,059

D. Contributions

Retirees and their families have access to the health care plan at the same premium rate as District employees. This results in the retirees receiving an implicit rate subsidy. The premiums are based on the contract terms with PreferredOne. The required contributions are on projected pay-as-you-go financing requirements. For fiscal year 2017, the District contributed \$126,365 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	3.90%, net of investment expense
Salary increases	3.00%, including inflation
Inflation	2.50%
Healthcare cost trend increases	6.75% initially, decreasing to 5.0% over 7 years
Mortality Assumption	RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB 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 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	70.00 %	3.40 %
Domestic equity	17.00	5.20
International equity	10.00	5.20
Real estate	1.50	3.90
Other	1.50	2.80
Total	100.00 %	

The details of the investments and the investment policy are described in Note 2. of the District's financial statements. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 3.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.2%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2016	\$ 11,874,048	\$ 4,633,266	\$ 7,240,782
Changes for the year			
Service cost	1,026,321	-	1,026,321
Interest cost	369,801	-	369,801
Assumption changes	(335,006)	-	(335,006)
Differences between expected and actual economic experience	-	85,258	(85,258)
Employer contributions	-	126,365	(126,365)
Projected investment return	-	180,697	(180,697)
Benefit payments	(299,365)	(299,365)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	761,751	92,955	668,796
Balances at June 30, 2017	\$ 12,635,799	\$ 4,726,221	\$ 7,909,578
Plan fiduciary net position as a percentage of the total OPEB liability			37.40%

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 2.9% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease (2.20%)	Current (3.20%)	1% increase (4.20%)
Net OPEB Liability	\$ 9,045,810	\$ 7,909,578	\$ 6,833,654

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.75% decreasing to 4.0%)	Current (6.75% decreasing to 5.0%)	1% increase (7.75% decreasing to 6.0%)
Net OPEB Liability	\$ 6,131,873	\$ 7,909,578	\$ 10,050,421

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,164,872. At June 30, 2017, 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
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 68,207
Changes of assumptions	-	301,505
Total	\$ -	\$ 369,712

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

Year Ending June 30,	Total
2018	\$ (50,553)
2019	(50,553)
2020	(50,553)
2021	(50,552)
2022	(33,501)
Thereafter	(134,000)
Total	\$ (369,712)

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

J. Payable to the OPEB Plan

At June 30, 2017, the OPEB Plan reported a payable of \$173,000 to the District. The amount is reported as a payable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 8 – COMMITMENT

As of June 30, 2017, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Work Completed</u>	<u>Remaining Commitment</u>
High School	\$74,673,730	\$35,590,950	\$39,082,780
Vaughan Field	5,477,273	5,332,130	145,143
West Jr. High - boiler upgrade	477,800	104,530	373,270
Sweeney - boiler upgrade	312,000	39,090	272,910
Sun Path - roofing project	941,780	-	941,780

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2017, the District implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$6,334,246 to add the beginning net OPEB liability.

PRELIMINARY

REQUIRED SUPPLEMENTARY INFORMATION

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017
Total OPEB Liability	
Service cost	\$ 1,026,321
Interest	369,801
Changes of assumptions	(335,006)
Benefit payments	(299,365)
Net change in total OPEB liability	761,751
Beginning of year	11,874,048
End of Year	\$ 12,635,799
Plan Fiduciary Net Pension (FNP)	
Employer contributions	\$ 126,365
Projected investment income	180,697
Differences between expected and actual experience	85,258
Benefit payments	(299,365)
Other changes	-
Net change in plan fiduciary net position	92,955
Beginning of year	4,633,266
End of year	\$ 4,726,221
Net OPEB Liability	\$ 7,909,578
Plan FNP as a percentage of the total OPEB liability	37.40%
Covered-employee payroll	\$ 55,218,930
Net OPEB liability as a percentage of covered-employee payroll	14.32%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 720
Schedule of Employer Contributions - OPEB

	June 30, 2017
Actuarially determined contribution	\$ 126,365
Contributions in relation to the actuarially determined contribution	126,365
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 55,218,930
Contributions as a percentage of covered-employee payroll	0.23%

PRELIMINARY

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Independent School District No. 720
Schedule of Investment Returns - OPEB**

June 30, 2017

Annual money-weighted rate of return,
net of investment expense

5.70%

PRELIMINARY

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 720
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1966%	\$ 9,235,283	\$ -	\$ 9,235,283	\$ 10,320,166	89.49%	78.75%
2016	0.1839%	9,530,652	-	9,530,652	10,626,680	89.69%	78.19%
2017	0.1931%	15,678,762	204,852	15,883,614	11,984,533	130.82%	68.91%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - TRA Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.8067%	\$ 37,172,155	\$ 2,615,162	\$ 39,787,317	\$ 36,823,971	100.9%	81.5%
2016	0.7817%	48,355,876	5,931,424	54,287,300	39,672,933	121.9%	76.8%
2017	0.8321%	198,475,704	19,921,322	218,397,026	43,284,507	458.5%	44.9%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**Independent School District No. 720
Schedule of District Contributions -
General Employees Retirement Fund
Last Ten Years***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2014	\$ 748,212	\$ 748,212	\$ -	\$ 10,320,166	7.25%
2015	797,001	797,001	-	10,626,680	7.50%
2016	898,840	898,840	-	11,984,533	7.50%
2017	912,569	912,569	-	12,167,587	7.50%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**Schedule of District Contributions -
TRA Retirement Fund
Last Ten Years***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2014	\$ 2,577,678	\$ 2,577,678	\$ -	\$ 36,823,971	7.0%
2015	2,975,470	2,975,470	-	39,672,933	7.5%
2016	3,246,338	3,246,338	-	43,284,507	7.5%
2017	3,457,034	3,457,034	-	46,093,787	7.5%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Independent School District No. 720
Notes to the Required Supplementary Information

TRA Retirement Funds

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the 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.
- The post-retirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Independent School District No. 720
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes (Continued)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

PRELIMINARY

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

PRELIMINARY

SUPPLEMENTARY INFORMATION

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

PRELIMINARY

GOVERNMENTAL FUNDS

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue		
	Food Service	Community Service	Total
Assets			
Cash and investments	\$ 764,966	\$ 635,400	\$ 1,400,366
Current property taxes receivable	-	286,306	286,306
Delinquent property taxes receivable	-	1,761	1,761
Due from Department of Education	-	95,261	95,261
Due from Federal Government through Department of Education	34,116	-	34,116
Inventory	49,221	-	49,221
	<u>\$ 848,303</u>	<u>\$ 1,018,728</u>	<u>\$ 1,867,031</u>
Liabilities			
Accounts payable	\$ -	\$ 4,720	\$ 4,720
Salaries and benefits payable	105,544	163,872	269,416
Due to other Minnesota school districts	-	64	64
Unearned revenue	90,637	72,001	162,638
Total liabilities	<u>196,181</u>	<u>240,657</u>	<u>436,838</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	586,043	586,043
Unavailable revenue - delinquent property taxes	-	1,761	1,761
Total deferred inflows of resources	<u>-</u>	<u>587,804</u>	<u>587,804</u>
Fund Balances			
Nonspendable	49,221	-	49,221
Restricted for			
Early childhood and family education programs	-	120,562	120,562
School readiness	-	223,272	223,272
Food service	602,901	-	602,901
Unassigned	-	(153,567)	(153,567)
Total fund balances	<u>652,122</u>	<u>190,267</u>	<u>842,389</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 848,303</u>	<u>\$ 1,018,728</u>	<u>\$ 1,867,031</u>

Independent School District No. 720
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue		
	Food Service	Community Service	Total
Revenues			
Local property taxes	\$ -	\$ 542,294	\$ 542,294
Other local and county revenues	9,675	1,242,198	1,251,873
Revenue from state sources	229,977	975,535	1,205,512
Revenue from federal sources	2,220,654	-	2,220,654
Sales and other conversion of assets	2,084,558	-	2,084,558
Total revenues	<u>4,544,864</u>	<u>2,760,027</u>	<u>7,304,891</u>
Expenditures			
Current			
Food service	4,534,624	-	4,534,624
Community education and services	-	2,653,638	2,653,638
Capital outlay			
Food service	32,160	-	32,160
Community education and services	-	16,496	16,496
Total expenditures	<u>4,566,784</u>	<u>2,670,134</u>	<u>7,236,918</u>
Excess of revenues over (under) expenditures	(21,920)	89,893	67,973
Fund Balances			
Beginning of year	<u>674,042</u>	<u>100,374</u>	<u>774,416</u>
End of year	<u>\$ 652,122</u>	<u>\$ 190,267</u>	<u>\$ 842,389</u>

Independent School District No. 720
Balance Sheet - General Fund
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	2017	2016
Assets		
Cash and investments	\$ 5,171,260	\$ 8,031,066
Current property taxes receivable	6,697,282	6,235,677
Delinquent property taxes receivable	37,802	31,489
Accounts receivable	23,065	13,540
Due from Department of Education	7,569,599	6,908,314
Due from Federal Government through Department of Education	1,045,251	666,506
Due from other Minnesota school districts	119,934	72,161
Due from other governmental units	175,745	376,972
Prepaid items	657,884	115,556
	\$ 21,497,822	\$ 22,451,281
Liabilities		
Accounts payable	\$ 526,673	\$ 761,635
Contracts payable	170,070	-
Salaries and benefits payable	6,955,744	6,995,617
Due to other Minnesota school districts	485,623	402,731
Due to other governmental units	22,644	21,907
Unearned revenue	-	12,500
Total liabilities	8,160,754	8,194,390
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	12,232,012	11,704,397
Unavailable revenue - delinquent property taxes	37,802	31,489
Total deferred inflows of resources	12,269,814	11,735,886
Fund Balance		
Nonspendable	657,884	115,556
Restricted	-	1,241,034
Assigned	20,882	-
Unassigned	388,488	1,164,415
Total fund balance	1,067,254	2,521,005
Total liabilities, deferred inflows of resources, and fund balance	\$ 21,497,822	\$ 22,451,281

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property taxes	\$ 13,341,826	\$ 13,098,788	\$ 13,303,806	\$ 205,018	\$ 9,136,670
Other local and county revenues	1,527,950	1,754,806	1,809,047	54,241	1,498,307
Revenue from state sources	73,190,336	73,331,671	74,409,197	1,077,526	70,787,830
Revenue from federal sources	2,134,888	2,688,517	2,608,592	(79,925)	2,033,546
Sales and other conversion of assets	145,000	186,743	197,051	10,308	163,638
Total revenues	<u>90,340,000</u>	<u>91,060,525</u>	<u>92,327,693</u>	<u>1,267,168</u>	<u>83,619,991</u>
Expenditures					
Current					
Administration	5,473,897	5,486,582	5,648,428	161,846	5,759,082
District support services	2,134,075	1,434,832	2,175,658	740,826	2,067,743
Elementary and secondary regular instruction	39,244,759	40,718,926	41,499,067	780,141	40,739,884
Vocational education instruction	342,736	435,576	868,774	433,198	747,306
Special education instruction	17,678,882	18,146,872	18,342,688	195,816	17,154,198
Instructional support services	8,714,027	8,480,577	8,185,448	(295,129)	6,403,742
Pupil support services	6,542,719	7,273,402	7,614,151	340,749	7,259,476
Sites and buildings	5,163,713	5,230,816	5,411,781	180,965	5,569,145
Fiscal and other fixed cost programs	210,000	170,000	191,091	21,091	211,184
Capital outlay					
Administration	112,214	97,225	82,354	(14,871)	68,798
District support services	8,500	8,500	2,885	(5,615)	11,647
Elementary and secondary regular instruction	139,190	244,685	248,474	3,789	268,934
Vocational education instruction	9,927	10,442	1,499	(8,943)	1,709
Special education instruction	26,706	47,572	99,182	51,610	52,670
Instructional support services	2,081,736	2,965,016	4,138,422	1,173,406	2,420,937
Pupil support services	-	-	-	-	675
Sites and buildings	1,435,000	1,442,725	840,272	(602,453)	368,469
Debt service					
Principal	545,000	1,395,000	1,393,917	(1,083)	525,000
Interest and fiscal charges	471,919	492,919	488,985	(3,934)	482,414
Total expenditures	<u>90,335,000</u>	<u>94,081,667</u>	<u>97,233,076</u>	<u>3,151,409</u>	<u>90,113,013</u>
Excess of revenues over (under) expenditures	5,000	(3,021,142)	(4,905,383)	(1,884,241)	(6,493,022)
Other Financing Sources					
Proceeds from sale of capital assets	-	300,000	4,022	(295,978)	-
Issuance of capital leases	-	2,011,500	3,447,610	1,436,110	1,239,504
Transfers in	10,000	-	-	-	-
Total other financing sources	<u>10,000</u>	<u>2,311,500</u>	<u>3,451,632</u>	<u>1,140,132</u>	<u>1,239,504</u>
Net change in fund balance	<u>\$ 15,000</u>	<u>\$ (709,642)</u>	<u>(1,453,751)</u>	<u>\$ (744,109)</u>	<u>(5,253,518)</u>
Fund Balance					
Beginning of year			<u>2,521,005</u>		<u>7,774,523</u>
End of year			<u>\$ 1,067,254</u>		<u>\$ 2,521,005</u>

Independent School District No. 720
Balance Sheet - Food Service Fund
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 764,966	\$ 789,877
Due from Federal Government through Department of Education	34,116	45,769
Inventory	<u>49,221</u>	<u>29,846</u>
Total assets	<u><u>\$ 848,303</u></u>	<u><u>\$ 865,492</u></u>
Liabilities		
Accounts payable	\$ -	\$ 13,750
Salaries and benefits payable	105,544	100,793
Unearned revenue	<u>90,637</u>	<u>76,907</u>
Total liabilities	196,181	191,450
Fund Balance		
Nonspendable	49,221	29,846
Restricted	<u>602,901</u>	<u>644,196</u>
Total fund balance	<u><u>652,122</u></u>	<u><u>674,042</u></u>
Total liabilities and fund balance	<u><u>\$ 848,303</u></u>	<u><u>\$ 865,492</u></u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	\$ 2,000	\$ 5,000	\$ 9,675	\$ 4,675	\$ 8,263
Revenue from state sources	195,000	235,000	229,977	(5,023)	226,737
Revenue from federal sources	1,716,000	2,238,000	2,220,654	(17,346)	2,139,422
Sales and other conversion of assets	2,087,000	2,122,000	2,084,558	(37,442)	2,035,210
Total revenues	<u>4,000,000</u>	<u>4,600,000</u>	<u>4,544,864</u>	<u>(55,136)</u>	<u>4,409,632</u>
Expenditures					
Current					
Food service	3,845,000	4,645,000	4,534,624	(110,376)	4,098,498
Capital outlay					
Food service	55,000	55,000	32,160	(22,840)	87,528
Total expenditures	<u>3,900,000</u>	<u>4,700,000</u>	<u>4,566,784</u>	<u>(133,216)</u>	<u>4,186,026</u>
Net change in fund balance	<u>\$ 100,000</u>	<u>\$ (100,000)</u>	(21,920)	<u>\$ 78,080</u>	223,606
Fund Balance					
Beginning of year			674,042		450,436
End of year			<u>\$ 652,122</u>		<u>\$ 674,042</u>

PRELIMINARY

Independent School District No. 720
Balance Sheet - Community Service Fund
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 635,400	\$ 492,848
Current property taxes receivable	286,306	263,319
Delinquent property taxes receivable	1,761	1,695
Due from Department of Education	<u>95,261</u>	<u>76,525</u>
Total assets	<u>\$ 1,018,728</u>	<u>\$ 834,387</u>
Liabilities		
Accounts payable	\$ 4,720	\$ 7,830
Salaries and benefits payable	163,872	122,066
Due to other Minnesota school districts	64	-
Due to other governmental units	-	591
Unearned revenue	<u>72,001</u>	<u>52,848</u>
Total liabilities	240,657	183,335
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	586,043	548,983
Unavailable revenue - delinquent property taxes	<u>1,761</u>	<u>1,695</u>
Total deferred inflows of resources	587,804	550,678
Fund Balance		
Restricted for		
Early Childhood and Family Education Programs	120,562	55,576
School Readiness	223,272	62,665
Unassigned	<u>(153,567)</u>	<u>(17,867)</u>
Total fund balance	<u>190,267</u>	<u>100,374</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,018,728</u>	<u>\$ 834,387</u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property taxes	\$ 548,035	\$ 548,940	\$ 542,294	\$ (6,646)	\$ 519,131
Other local and county revenues	968,940	1,098,453	1,242,198	143,745	1,037,011
Revenue from state sources	948,025	952,607	975,535	22,928	782,435
Total revenues	<u>2,465,000</u>	<u>2,600,000</u>	<u>2,760,027</u>	<u>160,027</u>	<u>2,338,577</u>
Expenditures					
Current					
Community education and services	2,265,000	2,589,500	2,653,638	64,138	2,247,122
Capital outlay					
Community education and services	-	10,500	16,496	5,996	3,762
Total expenditures	<u>2,265,000</u>	<u>2,600,000</u>	<u>2,670,134</u>	<u>70,134</u>	<u>2,250,884</u>
Net change in fund balance	<u>\$ 200,000</u>	<u>\$ -</u>	89,893	<u>\$ 89,893</u>	87,693
Fund Balance					
Beginning of year			<u>100,374</u>		<u>12,681</u>
End of year			<u>\$ 190,267</u>		<u>\$ 100,374</u>

Independent School District No. 720
Balance Sheet - Debt Service Fund
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	2017	2016
Assets		
Cash and investments	\$ 12,674,348	\$ 11,881,680
Cash with fiscal agent	17,570,927	17,997,615
Current property taxes receivable	9,281,165	9,072,179
Delinquent property taxes receivable	54,584	48,411
Due from Department of Education	148,971	34,304
Total assets	\$ 39,729,995	\$ 39,034,189
 Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	\$ 19,004,667	\$ 18,906,525
Unavailable revenue - delinquent property taxes	54,584	48,411
Total deferred inflows of resources	19,059,251	18,954,936
 Fund Balance		
Restricted	20,670,744	20,079,253
Total deferred inflows of resources and fund balance	\$ 39,729,995	\$ 39,034,189

PRELIMINARY

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Debt Service Fund
Year Ended June 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Variance with Final Budget - Over (Under)	2016
	Original and Final Budget	Actual Amounts		Actual Amounts
Revenues				
Local property taxes	\$ 18,896,100	\$ 18,728,951	\$ (167,149)	\$ 12,656,261
Other local and county revenues	-	150,709	150,709	29,558
Revenue from state sources	1,368,900	1,494,488	125,588	338,289
Total revenues	<u>20,265,000</u>	<u>20,374,148</u>	<u>109,148</u>	<u>13,024,108</u>
Expenditures				
Debt service				
Principal	11,135,000	11,135,000	-	8,860,000
Interest and fiscal charges	8,135,000	8,647,657	512,657	6,721,538
Total expenditures	<u>19,270,000</u>	<u>19,782,657</u>	<u>512,657</u>	<u>15,581,538</u>
Excess of revenues over (under) expenditures	995,000	591,491	(403,509)	(2,557,430)
Other Financing Sources				
Bond issuance	-	-	-	16,553,674
Bond premium	-	-	-	3,145,721
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,699,395</u>
Net change in fund balance	<u>\$ 995,000</u>	591,491	<u>\$ (403,509)</u>	17,141,965
Fund Balance				
Beginning of year		<u>20,079,253</u>		<u>2,937,288</u>
End of year		<u>\$ 20,670,744</u>		<u>\$ 20,079,253</u>

Independent School District No. 720
Balance Sheet - Capital Projects Fund
June 30, 2017
(with Comparative Totals as of June 30, 2016)

	2017	2016
Assets		
Cash and investments	\$ 63,205,276	\$ 101,554,586
Interest receivable	159,695	273,783
Prepaid items	-	77,687
	\$ 63,364,971	\$ 101,906,056
Liabilities		
Accounts payable	\$ 475,739	\$ 445,871
Contracts payable	9,523,232	948,069
Salaries and benefits payable	-	4,287
Total liabilities	9,998,971	1,398,227
Fund Balance		
Nonspendable	-	77,687
Restricted	53,366,000	100,430,142
Total fund balance	53,366,000	100,507,829
Total liabilities and fund balance	\$ 63,364,971	\$ 101,906,056

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			0	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	\$ 450,000	\$ 450,000	\$ 598,814	\$ 148,814	\$ 895,793
Expenditures					
Current					
Sites and buildings	-	400,000	440,785	40,785	665,006
Capital outlay					
Sites and buildings	48,000,000	48,000,000	47,299,858	(700,142)	10,288,992
Debt service					
Principal	-	-	-	-	333,773
Interest and fiscal charges	-	-	-	-	761,510
Total expenditures	<u>48,000,000</u>	<u>48,400,000</u>	<u>47,740,643</u>	<u>(659,357)</u>	<u>12,049,281</u>
Excess of revenues over (under) expenditures	(47,550,000)	(47,950,000)	(47,141,829)	808,171	(11,153,488)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	21,600
Bond issuance	-	-	-	-	95,631,326
Bond premium	-	-	-	-	7,660,110
Bond discount	-	-	-	-	(24,812)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,288,224</u>
Net change in fund balance	<u>\$ (47,550,000)</u>	<u>\$ (47,950,000)</u>	(47,141,829)	<u>\$ 808,171</u>	92,134,736
Fund Balance					
Beginning of year			<u>100,507,829</u>		<u>8,373,093</u>
End of year			<u>\$ 53,366,000</u>		<u>\$ 100,507,829</u>

PRELIMINARY

INTERNAL SERVICE FUNDS

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Combining Statement of
Net Position - Internal Service Funds
As of June 30, 2017

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Assets			
Current			
Cash and cash equivalents	\$ 1,006,043	\$ 72,610	\$ 1,078,653
Accounts receivable	-	161	161
Total assets	\$ 1,006,043	\$ 72,771	\$ 1,078,814
Liabilities			
Current			
Accounts payable	\$ 1,586	\$ -	\$ 1,586
Incurred but not reported claims	749,217	30,943	780,160
Total liabilities	750,803	30,943	781,746
Net Position			
Unrestricted	255,240	41,828	297,068
Total liabilities and net position	\$ 1,006,043	\$ 72,771	\$ 1,078,814

Independent School District No. 720
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2017

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Operating Revenue			
Charges for services	\$ 7,918,687	\$ 872,224	\$ 8,790,911
Operating Expenses			
Insurance	7,733,144	858,406	8,591,550
Operating income	185,543	13,818	199,361
Nonoperating Revenues			
Interest revenue	56	18	74
Change in net position	185,599	13,836	199,435
Net Position			
Beginning of year	69,641	27,992	97,633
End of year	\$ 255,240	\$ 41,828	\$ 297,068

Independent School District No. 720
Combining Statement of Cash Flows -
Internal Service Funds
Year Ended June 30, 2017

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Cash Flows - Operating Activities			
Receipts from district contributions	\$ 7,918,687	\$ 872,222	\$ 8,790,909
Employee claims paid	(7,625,455)	(859,326)	(8,484,781)
Net cash flows - operating activities	<u>293,232</u>	<u>12,896</u>	<u>306,128</u>
 Cash Flows - Investing Activities			
Interest received	<u>56</u>	<u>18</u>	<u>74</u>
Net change in cash and cash equivalents	293,288	12,914	306,202
 Cash and Cash Equivalents			
Beginning of year	<u>712,755</u>	<u>59,696</u>	<u>772,451</u>
End of year	<u>\$ 1,006,043</u>	<u>\$ 72,610</u>	<u>\$ 1,078,653</u>
 Reconciliation of Operating Income to Net Cash Flows - Operating Activities			
Operating income	\$ 185,543	\$ 13,818	\$ 199,361
Adjustments to reconcile operating income to net cash flows - operating activities			
Accounts payable	1,586	-	1,586
Incurred but not reported claims	106,103	(920)	105,183
Accounts receivable	-	(2)	(2)
Net adjustments	<u>107,689</u>	<u>(922)</u>	<u>106,767</u>
Net cash flows - operating activities	<u>\$ 293,232</u>	<u>\$ 12,896</u>	<u>\$ 306,128</u>

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

PRELIMINARY

UFARS COMPLIANCE TABLE

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 720
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2017

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 General Fund				06 Building Construction Fund			
Total revenue	\$ 92,327,693	\$ 92,327,693	\$ -	Total revenue	\$ 598,814	\$ 598,814	\$ -
Total expenditures	97,233,076	97,233,078	(2)	Total expenditures	47,740,643	47,740,644	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable fund balance	657,884	657,884	-	460 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
406 Health and Safety	-	-	-	413 Building Projects Funded by COP/LP	-	-	-
407 Capital Projects Levy	(303,080)	(303,080)	-	467 Long-term Facilities Maintenance	-	-	-
408 Cooperative Programs	-	-	-	<i>Restricted:</i>			
409 Alternative Facility Program	-	-	-	464 Restricted fund balance	53,366,000	53,366,000	-
413 Building Projects Funded by COP/LP	-	-	-	<i>Unassigned:</i>			
414 Operating Debt	-	-	-	463 Unassigned fund balance	-	-	-
416 Levy Reduction	-	-	-	07 Debt Service Fund			
417 Taconite Building Maintenance	-	-	-	Total revenue	\$ 20,374,148	\$ 20,374,149	\$ (1)
424 Operating Capital	-	-	-	Total expenditures	19,782,657	19,782,659	(2)
426 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
427 Disabled Accessibility	-	-	-	460 Nonspendable fund balance	-	-	-
428 Learning and Development	-	-	-	<i>Restricted/reserved:</i>			
434 Area Learning Center	-	-	-	425 Bond refundings	17,570,927	17,570,927	-
435 Contracted Alternative Programs	-	-	-	451 QZAB and QSCB payments	-	-	-
436 State Approved Alternative Program	-	-	-	<i>Restricted:</i>			
438 Gifted and Talented	-	-	-	464 Restricted fund balance	3,099,817	3,099,816	1
440 Teacher Development and Evaluation	-	-	-	<i>Unassigned:</i>			
441 Basic Skills Programs	-	-	-	463 Unassigned fund balance	-	-	-
445 Career Technical Programs	-	-	-	08 Trust Fund			
448 Achievement and Integration Revenue	-	-	-	Total revenue	\$ 12,196	\$ 12,195	\$ 1
449 Safe School Crime	-	-	-	Total expenditures	13,000	13,000	-
450 Transition for Pre-Kindergarten	-	-	-	<i>Unassigned:</i>			
451 QZAB and QSCB Payments	-	-	-	422 Unassigned fund balance (net position)	26,689	26,689	-
452 OPEB Liabilities not Held in Trust	-	-	-	20 Internal Service Fund			
453 Unfunded Severance and Retirement Levy	-	-	-	Total revenue	\$ 8,790,985	\$ 8,790,984	\$ 1
467 Long-term Facilities Maintenance	-	-	-	Total expenditures	8,591,550	8,591,550	-
472 Medical Assistance	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				422 Unassigned fund balance (net position)	297,068	297,066	2
464 Restricted fund balance	-	-	-	25 OPEB Revocable Trust			
<i>Committed:</i>				Total revenue	\$ -	\$ -	\$ -
418 Committed for separation	-	-	-	Total expenditures	-	-	-
461 Committed	-	-	-	<i>Unassigned:</i>			
<i>Assigned:</i>				422 Unassigned fund balance (net position)	-	-	-
462 Assigned fund balance	20,882	20,882	-	45 OPEB Irrevocable Trust			
<i>Unassigned:</i>				Total revenue	\$ 265,955	\$ 265,956	\$ (1)
422 Unassigned fund balance	691,568	691,569	(1)	Total expenditures	173,000	173,000	-
02 Food Service Fund				<i>Unassigned:</i>			
Total revenue	\$ 4,544,864	\$ 4,544,865	\$ (1)	422 Unassigned fund balance (net position)	4,726,221	4,726,221	-
Total expenditures	4,566,784	4,566,785	(1)	47 OPEB Debt Service			
<i>Nonspendable:</i>				Total revenue	\$ -	\$ -	\$ -
460 Nonspendable fund balance	49,221	49,221	-	Total expenditures	-	-	-
<i>Restricted/reserved:</i>				<i>Nonspendable:</i>			
452 OPEB liabilities not held in trust	-	-	-	460 Nonspendable fund balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
464 Restricted fund balance	602,901	602,901	-	425 Bond refundings	-	-	-
<i>Unassigned:</i>				464 Restricted fund balance	-	-	-
463 Unassigned fund balance	-	-	-	<i>Unassigned:</i>			
04 Community Service Fund				463 Unassigned fund balance	-	-	-
Total revenue	\$ 2,760,027	\$ 2,760,029	\$ (2)	05 OPEB Debt Service			
Total expenditures	2,670,134	2,670,135	(1)	Total revenue	-	-	-
<i>Nonspendable:</i>				Total expenditures	-	-	-
460 Nonspendable fund balance	-	-	-	<i>Nonspendable:</i>			
<i>Restricted/reserved:</i>				460 Nonspendable fund balance	-	-	-
426 \$25 Taconite	-	-	-	<i>Restricted:</i>			
431 Community Education	(153,567)	(153,568)	1	425 Bond refundings	-	-	-
432 ECFE	120,562	120,562	-	464 Restricted fund balance	-	-	-
440 Teacher Development and Evaluations	-	-	-	<i>Unassigned:</i>			
444 School Readiness	223,272	223,272	-	463 Unassigned fund balance	-	-	-
447 Adult Basic Education	-	-	-				
452 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-				

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

**Independent School District No. 720
Statistical Section (Unaudited)
June 30, 2017**

III. Statistical Section (Unaudited)

This part of the Independent School District No. 720's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. The statistical section includes information related to these five sections:

Contents

Page

Financial Trends

This section contains trend information to help the reader understand how the District's financial performance and well-being have changed over time. 126

Revenue Capacity

This section contains information to help the reader assess the District's most significant local revenue source, property taxes.. 135

Debt Capacity

This section presents information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. 142

Demographic and Economic Information

This section contains demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. 145

Operating Information

This section contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to services provided and activities performed. 147

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year.

Independent School District #720
Shakopee Public Schools
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities				
Net Investment in Capital Assets	\$ 9,268,330	\$ 11,437,140	\$ 13,164,032	\$ 15,056,846
Restricted	1,816,107	5,234,581	2,400,883	2,347,262
Unrestricted	10,145,205	6,181,158	9,508,637	11,515,977
Total Governmental Activities Net Position	\$ 21,229,642	\$ 22,852,879	\$ 25,073,552	\$ 28,920,085

PRELIMINARY

	Fiscal Year					
	2012	2013	2014	2015	2016	2017
\$	18,615,135	\$ 21,509,142	\$ 21,840,189	\$ 23,041,568	\$ 26,336,717	\$ 35,186,072
	2,470,265	2,103,662	2,411,568	3,150,431	1,241,034	-
	12,968,400	10,655,933	8,100,912	(45,145,697)	(51,864,194)	(85,542,839)
\$	34,053,800	\$ 34,268,737	\$ 32,352,669	\$ (18,953,698)	\$ (24,286,443)	\$ (50,356,767)

PRELIMINARY

Independent School District #720
Shakopee Public Schools
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
Administration	\$ 3,458,454	\$ 3,689,553	\$ 3,649,278	\$ 3,647,825
District Support Services	394,745	519,760	612,286	422,226
Regular Instruction	26,449,605	29,687,266	29,594,015	31,680,570
Vocational Education Instruction	612,798	540,568	526,251	482,322
Special Education Instruction	12,021,170	11,925,189	12,273,562	11,791,040
Instructional Support Services	3,488,676	3,424,674	3,573,266	3,859,985
Pupil Support Services	4,280,568	4,647,751	4,603,149	4,817,243
Sites and Buildings	7,575,410	4,877,314	4,335,243	5,664,493
Fiscal and Other Fixed Cost Programs	108,489	105,626	107,952	112,654
Food Service	2,641,557	2,736,350	2,834,998	2,935,096
Community Service	1,463,316	1,538,713	1,635,378	1,707,307
Depreciation Not Allocated to Other Functions	2,931,866	3,985,408	3,965,123	3,991,808
Interest and Fiscal Charges on Long-Term Debt	7,203,026	7,255,219	6,884,332	6,292,484
Total Governmental Activities Expenses	<u>72,629,680</u>	<u>74,933,391</u>	<u>74,594,833</u>	<u>77,405,053</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Administration	-	-	21,975	20,801
District Support Services	103,580	155,283	8,469	7,839
Regular Instruction	260,951	259,882	240,989	777,457
Vocational Education Instruction	-	-	-	5,539
Special Education Instruction	9,249	-	16,620	23,168
Instructional Support Services	-	-	-	1,489
Pupil Support Services	-	-	-	8,833
Sites and Buildings	-	-	127,194	16,950
Food Service	1,361,774	1,496,902	1,505,059	1,614,861
Community Service	474,291	538,230	543,761	632,333
Operating Grants and Contributions	7,988,314	6,779,729	16,536,678	18,434,638
Capital Grants and Contributions	-	-	380,744	69,194
Total Governmental Activities Program Revenues	<u>10,198,159</u>	<u>9,230,026</u>	<u>19,381,489</u>	<u>21,613,102</u>
Total Governmental Activities net expense	<u>(62,431,521)</u>	<u>(65,703,365)</u>	<u>(55,791,951)</u>	
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes:				
General Purpose	6,141,975	6,936,688	7,066,443	9,912,260
Community Service	473,431	419,130	588,453	702,304
Debt Service	9,816,515	10,727,596	11,611,209	12,266,179
General grants and aids	42,818,406	45,784,337	33,519,501	36,277,413
Investment Earnings	2,648,274	2,095,202	907,105	270,628
Gain on Sale of Capital Assets	-	-	1,074	6,000
Other general revenues	201,482	158,844	3,740,232	203,700
Total Governmental Activities	<u>62,100,083</u>	<u>66,121,797</u>	<u>57,434,017</u>	<u>59,638,484</u>
Total Net (Expense) Revenue	(331,438)	418,432	2,220,673	3,846,533
Net Position - Beginning, as Previously Stated	21,561,080	21,229,642	22,852,879	25,073,552
Change in accounting principle	-	1,204,805	-	-
Net Position - Beginning, as Restated	<u>21,561,080</u>	<u>22,434,447</u>	<u>22,852,879</u>	<u>25,073,552</u>
Net Position - Ending	<u>\$ 21,229,642</u>	<u>\$ 22,852,879</u>	<u>\$ 25,073,552</u>	<u>\$ 28,920,085</u>

Found on the statement of activities

128

		Fiscal Year									
		2012	2013	2014	2015	2016	2017				
\$	3,320,105	\$	4,196,548	\$	4,623,140	\$	5,547,166	\$	5,955,670	\$	7,523,283
	1,123,052		1,293,572		1,471,090		1,912,672		2,122,209		2,456,591
	35,835,287		37,728,992		40,000,664		42,847,228		45,554,644		63,959,236
	491,687		458,572		725,118		703,295		726,293		1,286,927
	13,004,305		14,503,636		15,085,785		15,515,994		17,425,823		25,091,784
	3,785,454		4,731,832		4,921,635		6,047,476		7,548,519		10,762,588
	5,653,320		5,768,903		6,213,364		6,905,267		7,377,729		8,401,426
	4,503,714		5,785,361		6,880,602		7,807,706		7,337,340		6,929,012
	125,742		130,635		181,473		215,914		211,184		191,091
	3,215,446		3,458,450		3,470,807		3,794,772		4,158,297		4,724,099
	1,829,186		1,891,348		1,838,544		2,056,634		2,322,011		3,286,539
	184,101		279,962		517,536		628,829		787,506		1,265,819
	6,520,580		7,523,483		7,146,210		5,254,492		8,055,214		7,322,643
	79,591,979		87,751,294		93,075,968		99,237,445		109,582,439		143,201,038
	23,308		26,300		23,151		23,040		14,225		12,993
	5,684		8,246		8,568		35,897		35,292		25,189
	816,793		852,858		981,266		448,664		474,275		438,789
	1,916		-		175		300		37		140
	12,198		24,748		1,810		228,614		179,203		200,061
	773		696		128		614		562		243
	8,023		8,634		10,859		29,502		107,857		221,004
	40,013		17,300		17,900		13		59		32,413
	1,637,500		1,642,702		1,747,412		1,958,315		2,035,210		2,084,558
	704,736		718,063		733,494		787,156		1,016,566		1,229,308
	18,311,523		19,506,678		20,373,579		21,935,044		24,000,053		25,885,369
	30,552		5,000		38,845		-		-		470,297
	21,593,019		22,811,225		23,937,187		25,447,159		27,863,339		30,600,364
	(57,998,960)		(64,940,069)		(69,138,781)		(73,790,286)		(81,719,100)		(112,600,674)
	7,385,811		8,666,535		5,445,658		9,264,493		9,114,215		13,310,119
	468,015		504,862		259,610		523,173		517,493		542,360
	12,356,247		13,906,651		12,933,157		12,470,062		12,620,244		18,735,124
	41,236,447		41,587,955		47,608,165		51,064,387		53,137,665		59,536,734
	103,512		344,424		331,125		119,007		938,932		657,661
	4,000		200		119,370		13,580		21,600		4,022
	1,578,643		614,821		525,628		33,402		36,206		78,576
	63,132,675		65,625,448		67,222,713		73,488,104		76,386,355		92,864,596
	5,133,715		685,379		(1,916,068)		(302,182)		(5,332,745)		(19,736,078)
	28,920,085		34,053,800		34,268,737		32,352,669		(18,953,698)		(24,286,443)
	-		(470,442)		-		(51,004,185)		-		(6,334,246)
	28,920,085		33,583,358		34,268,737		(18,651,516)		(18,953,698)		(30,620,689)
\$	34,053,800	\$	34,268,737	\$	32,352,669	\$	(18,953,698)	\$	(24,286,443)	\$	(50,356,767)

Independent School District #720
Shakopee Public Schools
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted (Formerly Reserved)	1,577,393	1,511,956	1,263,902	962,795
Assigned (Formerly Designated)	4,011,000	-	-	-
Unassigned (Formerly Unreserved)	8,871,041	7,965,010	7,542,398	9,572,538
Total General Fund	<u>\$ 14,459,434</u>	<u>\$ 9,476,966</u>	<u>\$ 8,806,300</u>	<u>\$ 10,535,333</u>
All Other Governmental Funds				
Nonspendable:				
Food Service	\$ -	\$ -	\$ -	\$ -
Capital Project Funds	\$ -	\$ -	\$ -	\$ 798,799
Community Service Fund	-	-	-	-
Nonmajor Funds	-	-	-	24,686
Restricted:				
Capital Project Funds	41,597,272	38,142,544	-	23,746,242
Food Service Fund				
Community Service Fund				
Debt Service Funds	12,913,549	12,885,180	-	2,185,834
Nonmajor Funds	234,006	238,384	272,743	576,293
Assigned Reported in:				
Food service fund	-	-	-	-
Unassigned Reported in:				
Food Service Fund	-	-	-	-
Community Service Fund	-	-	-	-
Capital project funds	-	-	-	0
Capital Project Funds	-	-	36,016,622	-
Debt Service Funds	1,062,561	1,037,007	1,657,105	-
Nonmajor Funds	285,086	274,160	262,183	-
Total All Other Governmental Funds	<u>\$ 56,092,474</u>	<u>\$ 52,577,275</u>	<u>\$ 38,208,653</u>	<u>\$ 27,331,854</u>
Total All Funds	<u>\$ 70,551,908</u>	<u>\$ 62,054,241</u>	<u>\$ 47,014,953</u>	<u>\$ 37,867,187</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 24,214	\$ 350,000	\$ 96	\$ 68,261	\$ 115,556	\$ 657,884
1,079,553	578,923	1,905,984	2,158,125	1,241,034	-
-	-	-	-	-	20,882
12,251,872	11,555,217	8,530,840	5,548,137	1,164,415	388,488
<u>\$ 13,355,639</u>	<u>\$ 12,484,140</u>	<u>\$ 10,436,920</u>	<u>\$ 7,774,523</u>	<u>\$ 2,521,005</u>	<u>\$ 1,067,254</u>
\$ -	\$ -	\$ -	\$ -	-	-
\$ 222,856	\$ 139,501	\$ 139,501	\$ 117,702	77,687	-
-	-	-	-	-	-
26,858	30,880	33,057	33,832	29,846	49,221
19,209,028	14,207,934	20,592,233	8,255,391	100,430,142	53,366,000
46,487,037	90,039,936	45,763,302	2,937,288	20,079,253	20,670,744
505,406	363,285	463,128	505,136	762,437	946,735
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0	0	0	0	0	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(75,851)	(17,867)	(153,567)
<u>\$ 66,451,185</u>	<u>\$ 104,781,536</u>	<u>\$ 66,991,221</u>	<u>\$ 11,773,498</u>	<u>\$ 121,361,498</u>	<u>\$ 74,879,133</u>
<u>\$ 79,806,824</u>	<u>\$ 117,265,676</u>	<u>\$ 77,428,141</u>	<u>\$ 19,548,021</u>	<u>\$ 123,882,503</u>	<u>\$ 75,946,387</u>

Independent School District #720
Shakopee Public Schools
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Local Sources:				
Property Taxes	\$ 16,402,016	\$ 17,972,063	\$ 19,104,727	\$ 22,894,058
Earnings on Investments	2,648,274	2,249,217	-	-
Other	2,410,802	2,609,141	2,256,931	1,858,844
State Sources	48,309,834	49,762,123	46,845,544	50,290,046
Federal Sources	2,496,886	2,801,943	6,835,260	4,418,360
Sales and Other Conversion of Assets	-	-	1,507,473	1,746,697
Total Revenues	<u>72,267,812</u>	<u>75,394,487</u>	<u>76,549,935</u>	<u>81,208,005</u>
Expenditures				
Current:				
Administration	3,485,222	3,708,544	3,623,526	3,646,172
District Support Services	394,745	519,760	615,427	549,423
Regular Instruction	26,420,846	32,978,568	29,547,022	30,407,294
Vocational Education Instruction	612,798	540,568	523,552	481,814
Special Education Instruction	12,029,914	11,925,189	12,185,750	12,365,973
Instructional Support Services	3,549,136	3,642,544	3,117,221	3,195,334
Pupil Support Services	4,297,296	4,672,734	4,603,285	4,814,363
Sites and Buildings	5,183,318	5,111,999	3,966,001	4,307,340
Fiscal and Other Fixed Cost Programs	108,489	105,626	107,952	112,654
Food Service	2,591,072	2,721,962	2,830,636	2,929,746
Community Service	1,456,487	1,535,615	1,628,953	1,700,616
Expendable Trust Support Programs				
Capital Outlay	5,424,237	4,774,642	4,258,497	13,633,606
Debt Service:				
Principal	3,510,000	4,345,000	4,680,000	5,755,000
Interest and Fiscal Charges	7,448,812	7,309,403	7,247,475	6,462,436
Total Expenditures	<u>76,512,372</u>	<u>83,892,154</u>	<u>78,935,297</u>	<u>90,361,771</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,244,560)	(8,497,667)	(2,385,362)	(9,153,766)
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	525		1,074	6,000
Debt Issuance				
Premium on Debt Issuance				
Discount on debt issuance				
Bonds Refunded			(12,655,000)	
Bond retirement from refunding escrow	(18,115,000)			
Proceeds from Insurance Recovery				
Proceeds from Bond Issuance	25,000,000			
Bond Premium	71,609			
Bond Discount				
Proceeds from Certificate of Participation				
Premium on Certificate of Participation				
Capital Lease Proceeds				
Payment to Refunded Bond Escrow Agent				
Transfer In				
Transfer Out				
Total Other Financing Sources (Uses)	<u>6,957,134</u>	<u>-</u>	<u>(12,653,926)</u>	<u>6,000</u>
Prior Period Adjustment				
Net Change in Fund Balances	<u>\$ 2,712,574</u>	<u>\$ (8,497,667)</u>	<u>\$ (15,039,288)</u>	<u>\$ (9,147,766)</u>
Debt Service as a Percentage of Noncapital Expenditures	15.4%	14.7%	16.0%	15.9%

		Fiscal Year									
		2012	2013	2014	2015	2016	2017				
\$	20,531,670	\$	23,015,692	\$	18,718,986	\$	22,314,253	\$	22,312,062	\$	32,575,051
	-		-		-		-		-		-
	1,877,808		2,165,621		2,277,734		2,331,605		3,468,932		3,810,443
	55,823,400		57,639,830		64,588,313		68,614,824		72,135,291		77,109,197
	5,031,601		3,790,555		3,656,143		3,600,238		4,172,968		4,829,246
	1,778,812		1,762,419		1,879,915		2,117,288		2,198,848		2,281,609
	85,043,291		88,374,117		91,121,091		98,978,208		104,288,101		120,605,546
	3,195,735		4,059,643		4,521,361		5,437,582		5,759,082		5,648,428
	1,034,206		1,178,509		1,348,643		1,780,294		2,067,743		2,175,658
	31,908,848		33,171,305		35,377,923		38,542,795		40,739,884		41,499,067
	490,161		457,254		718,252		683,688		747,306		868,774
	12,820,354		14,280,976		14,829,013		15,337,996		17,154,198		18,342,688
	3,282,279		4,583,789		4,544,911		5,405,273		6,459,308		8,185,448
	5,463,289		5,582,461		6,044,213		6,727,114		7,259,476		7,614,151
	4,273,353		4,564,335		5,361,523		5,742,925		6,151,407		5,852,566
	125,742		130,635		181,473		215,914		211,184		191,091
	3,187,982		3,392,964		3,421,835		3,740,537		4,098,498		4,534,624
	1,742,213		1,795,498		1,746,124		1,974,288		2,247,122		2,653,638
	6,812,841		6,691,205		8,452,578		14,020,032		13,601,299		52,761,602
	6,700,000		7,725,000		49,105,000		63,095,000		9,718,773		12,528,917
	6,494,170		7,737,467		8,791,140		7,222,016		7,965,462		9,136,642
	87,531,173		95,351,041		144,443,989		169,925,454		124,180,742		171,993,294
	(2,487,882)		(6,976,924)		(53,322,898)		(70,947,246)		(19,892,641)		(51,387,748)
	4,000		200		119,370		13,580		21,600		4,022
	39,000,000		38,325,000				12,055,000		112,185,000		
	5,423,519		6,110,576				998,546		10,805,831		
					13,175,000				(24,812)		
					190,993						
									1,239,504		3,447,610
	44,427,519		44,435,776		13,485,363		13,067,126		124,227,123		3,451,632
\$	41,939,637	\$	37,458,852	\$	(39,837,535)	\$	(57,880,120)	\$	104,334,482	\$	(47,936,116)
	16.3%		17.4%		42.6%		45.1%		16.0%		18.2%

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District #720
Shakopee Public Schools
Taxable Market Value of Properties
Last Ten Fiscal Years
(Unaudited)

Payable Year	(1) Residential Property	(2) Commercial Property	Total Assessed Value	Total Direct School Tax Rate
2008	\$ 3,588,395,900	\$ 759,831,500	\$ 4,348,227,400	26.103%
2009	3,601,356,000	812,212,900	4,413,568,900	27.274%
2010	3,276,302,800	952,886,100	4,229,188,900	29.352%
2011	3,116,975,600	962,850,900	4,079,826,500	31.182%
2012	3,044,731,900	800,998,000	3,845,729,900	35.512%
2013	2,739,797,200	796,576,600	3,536,373,800	39.715%
2014	2,841,717,800	844,413,500	3,686,131,300	36.963%
2015	3,252,532,100	897,436,700	4,149,968,800	35.577%
2016	3,423,877,400	949,275,900	4,373,153,300	53.484%
2017	3,473,072,500	1,099,461,700	4,572,534,200	49.282%

Notes:

- (1) Residential includes single family homes, townhomes and condominiums, and all other property including vacant land, farm, utilities, personal property and railroad property.
- (2) Commercial property above includes both commercial and industrial property.
- (3) The District has presented taxable market value, which is the best information available to represent estimated actual value of property, as the Counties do not provide this information to the District.

Source: Scott County Department of Property Tax and Public Records

Independent School District #720
Shakopee Public Schools
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)

Taxes Payable Year	ISD No. 720 Direct Rate					Overlapping Rates		
	RMV General Fund Rate	NTC General Fund Rate	NTC Community Service	NTC General Obligation Debt Service	NTC OPEB	Total Direct School Tax Rate	City of Shakopee	City of Savage
2008	0.114	3.094	0.767	22.242	-	26.103	31.925	48.356
2009	0.100	2.786	0.995	23.493	-	27.274	32.630	46.013
2010	0.120	2.911	1.017	25.424	-	29.352	33.710	47.335
2011	0.139	3.061	0.996	27.125	-	31.182	34.731	48.278
2012	0.125	3.410	1.129	30.973	-	35.512	36.655	51.123
2013	0.145	7.529	1.210	30.976	-	39.715	41.990	55.508
2014	0.128	7.694	1.181	28.088	-	36.963	41.437	55.278
2015	0.100	8.222	1.070	26.285	-	35.577	37.862	51.742
2016	0.123	14.369	1.104	38.011	-	53.484	37.902	49.905
2017	0.115	13.945	1.057	34.280	-	49.282	38.522	47.841

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all of the District's property owners (e.g., the rates for special districts apply only to the proportion of the District's property owners whose property is located within the geographic boundaries of the special district).

Sources: Overlapping Rate Data provided by the Scott County Department of Property Tax and Public Records School Tax Report from County Auditor's Office

Overlapping Rates

Prior Lake	Louisville Township	Jackson Township	Sand Creek Township	Metro Council	Metro Transit	Scott County	Total Direct and Overlapping Tax Rate City of Shakopee
28.064	3.978	11.729	14.509	0.820	1.237	32.646	92.73
27.947	4.548	15.130	15.406	0.803	1.203	32.684	94.59
29.442	4.635	10.546	15.699	0.795	1.381	33.237	98.47
30.710	4.724	10.209	17.362	0.828	1.440	35.541	103.72
29.740	4.810	13.212	18.660	0.959	1.647	38.802	113.58
31.887	4.896	12.207	18.864	1.017	1.744	40.674	125.14
30.736	4.507	12.719	18.717	1.034	1.624	39.720	120.78
31.988	4.641	11.162	18.059	0.959	1.524	36.628	112.55
31.953	4.959	10.843	17.476	0.921	1.485	36.175	129.97
32.685	5.004	12.129	17.761	0.850	1.407	35.896	125.96

PRELIMINARY

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY

Independent School District #720
Shakopee Public Schools
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Property Classification	2017			2008		
		Tax Capacity	Percentage of Total Tax Capacity	Rank	Tax Capacity	Percentage of Total Tax Capacity	Rank
Xcel Energy	Utility	\$ 952,512	1.67%	1	\$ 429,010	1.19%	2
REL P Shakopee, LLC	Commercial	579,250	1.02%	2			
Rahr Malting Company	Commercial	544,538	0.96%	3	398,582	1.11%	3
Canterbury Park Holding Corp.	Commercial	481,671	0.84%	4			
J & J Minneapolis LLC	Commercial	470,100	0.82%	5			
Seagate Technology LLC	Commercial	439,250	0.77%	6	479,250	1.33%	1
Lothenbach Properties & C/O Challenge Printing Inc.	Commercial	431,250	0.76%	7			
St. Francis Regional Medical Center	Commercial	430,900	0.76%	8			
Shakkin LLC	Commercial	429,250	0.75%	9			
Shakopee Mdewakanton Sioux Community	Commercial & Apartments	419,238	0.74%	10			
J & J Minneapolis LLC	Commercial						
Certain Teed Corporation	Commercial				316,294	0.88%	4
Shakopee Station LLC	Commercial						
OIRE Minnesota LLC	Industrial				299,780	0.83%	5
Shakopee Crossing LTD Partnership	Commercial				299,650	0.83%	6
K Mart Corporation	Industrial				293,992	0.82%	7
Inland Shak Valley Marketplace	Commercial				280,054	0.78%	8
Cedar Fair Limited Partnership	Commercial				258,800	0.72%	9
Individual	Industrial				226,570	0.63%	10
		<u>\$ 5,177,959</u>	<u>9.09%</u>		<u>\$ 3,281,982</u>	<u>9.14%</u>	

Source: Scott County Department of Property Tax and Public Records

Independent School District #720
Shakopee Public Schools
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Taxes Levied for the Fiscal Year

Fiscal Year	General Fund RMV Voter	General Fund RMV Other	General Fund Basic Levy	Community Service Levy	Debt Service Fund Levy	Total Tax Levy (1)
2007	3,805,337	893,096	1,379,945	403,381	10,293,644	16,775,403 (2)
2008	\$ 4,167,082	\$ 1,117,051	\$ 1,547,110	\$ 383,310	\$ 11,121,124	\$ 18,335,677 (2)
2009	4,300,485	1,246,707	1,425,398	509,091	12,021,833	19,503,514 (2)
2010	4,256,517	1,265,319	1,441,242	503,358	12,589,442	20,055,878 (2)
2011	4,760,430	1,370,198	1,469,727	478,007	13,022,791	21,101,153 (2)
2012	4,538,364	1,119,477	1,541,595	510,690	14,004,282	21,714,407 (2)
2013	4,538,113	1,385,315	3,145,294	505,382	12,940,079	22,514,181 (2)
2014	-	5,565,310	3,429,210	526,412	12,518,345	22,039,277 (2)
2015	-	4,854,563	4,042,762	526,061	12,922,978	22,346,365 (2)
2016	2,500,000	5,951,726	4,647,062	548,983	18,906,524	32,554,296 (2)
2017	3,011,717	5,991,217	4,719,435	586,043	19,004,667	33,313,079 (2)

Notes:

(1) State credits are included in the operating levy

(2) Original Gross Levy

Source: Scott County Department of Property Tax and Public Records - School Tax Report; State Auditor - Taxes Receivable Report

PRELIMINARY

Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percentage of Levy Outstanding
Current Tax Collection	Percentage of Levy		Total Tax Collection	Percentage of Levy		
8,052,049	48.0%	8,474,641	16,526,690	98.52%	248,713	1.50%
\$ 8,791,574	47.9%	\$ 9,265,485	18,057,059	98.48%	\$ 278,618	1.54%
9,470,602	48.6%	9,642,944	19,113,546	98.00%	389,969	2.04%
9,666,158	48.2%	9,849,374	19,515,532	97.31%	540,346	2.77%
10,333,871	49.0%	10,334,820	20,668,691	97.95%	432,462	2.09%
10,941,966	50.4%	10,556,005	21,497,972	99.00%	216,435	1.01%
11,344,873	50.4%	10,890,518	22,235,391	98.76%	278,791	1.25%
11,191,649	50.8%	10,649,397	21,841,046	99.10%	198,230	0.91%
11,392,345	51.0%	10,812,315	22,204,660	99.37%	141,705	0.64%
17,026,255	52.3%	15,446,446	32,472,701	99.75%	81,595	0.25%
17,036,841	51.1%	16,182,091	33,218,933	99.72%	94,146	0.28%

PRELIMINARY

Independent School District #720
Shakopee Public Schools
Outstanding Debt By Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			Total Primary Government	Estimated Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases Payable			
2008	\$ 171,290,000	\$ -	\$ -	\$ 171,290,000	40,051	4,277
2009	166,945,000	-	-	166,945,000	40,731	4,099
2010	149,610,000	-	-	149,610,000	41,423	3,612
2011	143,855,000	-	-	143,855,000	42,411	3,392
2012	176,155,000	-	-	176,155,000	44,290	3,977
2013	206,755,000	-	-	206,755,000	44,711	4,624
2014	157,650,000	13,175,000	-	170,825,000	44,941	3,801
2015	107,220,000	12,565,000	-	119,785,000	46,376	2,583
2016	210,545,000	12,040,000	905,731	223,490,731	47,110	4,744
2017	199,410,000	11,495,000	3,504,424	214,409,424	47,569	4,507

Notes:

- (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.
- (2) Personal income information for residents living within the District is not available

Independent School District #720
Shakopee Public Schools
Computation of Direct and Overlapping Bonded Debt
(Unaudited)

	2016/17 Adjusted Taxable Net Tax Capacity	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping:				
Scott County	\$177,230,896	\$56,590,000	30.99%	\$ 17,539,265
Cities/Townships				
Shakopee	49,217,473	4,845,000	95.29%	4,616,740
Savage	34,862,718	39,605,000	7.01%	2,775,159
Prior Lake	32,335,132	8,200,000	2.95%	241,641
Sand Creek	2,749,287	470,000	10.93%	51,385
Special Taxing Districts				
Metropolitan Council	173,509,412	10,440,000	31.66%	3,305,130
Prior Lake/Spring Lake Watershed	38,757,368	810,000	6.49%	52,544
Scott County WMO	87,412,460	-	20.15%	-
Scott County CDA	177,230,896	56,590,000	30.99%	17,539,265
Total Overlapping				<u>46,121,128</u>
Direct:				
Shakopee Public Schools ISD No. 720	54,930,192	193,885,000	100.00%	193,885,000
Total Direct and Overlapping Bonded Debt:				<u><u>\$240,006,128</u></u>

Sources: Taxable value data used to estimate applicable percentages and Debt outstanding data provided by Scott County Taxpayer Services Department

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**Independent School District #720
Shakopee Public Schools
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Net Bonded Debt (1)	Net Tax Capacity (1)	% of Net Debt to Net Tax Capacity	% of Bonded Debt to Market Value	Estimated Population (1)	Net Debt per Capita	Indicated Market Value (2)	Legal Debt Limit (3)	Legal Debt Margin (4)	Percent Bonded Debt to Debt Limit
2008	\$ 171,290,000	\$ 64,690,975	264.78%	3.94%	40,051	\$ 4,277	\$ 4,757,360,394	\$ 713,604,059	\$ 542,314,059	24.00%
2009	166,945,000	64,756,703	257.80%	3.78%	40,731	4,099	4,631,237,041	694,685,556	527,740,556	24.03%
2010	149,610,000	58,859,056	254.18%	3.54%	41,423	3,612	4,233,422,322	635,013,348	485,403,348	23.56%
2011	143,855,000	45,905,010	313.38%	3.53%	42,411	3,392	4,019,533,498	602,930,025	459,075,025	23.86%
2012	176,155,000	42,339,285	416.06%	4.58%	44,290	3,977	3,822,793,141	573,418,971	397,263,971	30.72%
2013	206,755,000	44,173,949	468.05%	5.85%	44,711	4,624	3,691,413,152	553,711,973	346,956,973	37.34%
2014	157,650,000	48,960,266	322.00%	4.28%	44,941	3,508	3,896,544,715	584,481,707	426,831,707	26.97%
2015	107,220,000	51,591,841	207.82%	2.58%	46,376	2,312	4,304,946,888	645,742,033	538,522,033	16.60%
2016	210,545,000	54,930,192	383.30%	4.81%	47,110	4,469	4,692,224,571	703,833,686	493,288,686	29.91%
2017	199,410,000	53,882,262	370.08%	4.36%	47,569	4,192	4,765,538,510	714,830,776	515,420,776	27.90%

Notes:

- (1) Net Bonded Debt, Net Tax Capacity and Estimated Population data is taken from other schedules within this
- (2) The Indicated Market Value is calculated by dividing the taxable market value by the sales ratio.
- (3) The legal debt limit for a school district in Minnesota is 15% of the indicated market value of all taxable property
- (4) The legal debt margin is calculated by subtracting outstanding net bonded debt from the legal debt limit.

**Independent School District #720
Shakopee Public Schools
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population (1)	Personal Income (<i>thousands of dollars</i>) (2)	Per Capita Personal Income (2)	Enrollment (3)	Scott Co. Unemployment Rate (4)
2008	40,051	-	-	6,136	4.9%
2009	40,731	-	-	6,384	7.6%
2010	41,423	-	-	6,686	6.7%
2011	42,411	-	-	7,055	6.0%
2012	44,290	-	-	7,297	5.1%
2013	44,711	-	-	7,405	4.7%
2014	44,941	-	-	7,593	3.7%
2015	46,376	-	-	7,791	3.2%
2016	47,110	-	-	8,012	3.4%
2017	47,569	-	-	8,153	3.2%

Sources:

- (1) Scott County Levy Documentation
- (2) Personal income information for residents living within the District is not available
- (3) MN Department of Education
- (4) MN Employment and Economic Development. The June rate is used.

**Independent School District #720
Shakopee Public Schools
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Employer	Product/Service	2017		2008	
		Employees	Rank	Employees	Rank
Shakopee Mdewakanton Sioux Community	Entertainment	4,200	1		
Seagate Technology LLC	Computer Equipment Manufacturing	1,800	2	1,227	2
Valleyfair	Entertainment Park	1,600	3	1,600	1
ISD 720, Shakopee Public Schools	Public Education	1,100	4	787	6
Imagine! Print Solutions	Commercial printing	850	5	517	8
St. Francis Regional Medical Center	Health Care	800	6	833	5
Scott County	County Government	750	7	724	7
Canterbury Park	Horse Racing	600	8	859	4
City of Shakopee	City government	590	9	350	9
Fabcon, Inc.	Cement and Concrete Products	400	10		
Te Connectivity	Cable Management Systems	400	11		
Northstar Auto Auction	Motor Vehicle Sales	350	12	301	10
ADC Telecommunication	Wired Telecommunications Carrier			876	3
		13,440		8,074	

Source: Information provided by City and County Comprehensive Annual Financial Reports

Note: Total employment for the area served by Shakopee Public Schools is not available and, therefore, a percentage of total employment

PRELIMINARY

Independent School District #720
Shakopee Public Schools
Full-time-Equivalent District Licensed Employees by Type
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administrative Staff										
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Principals	7.0	8.0	8.0	8.0	7.0	9.0	10.0	12.0	11.0	15.0
Administrative Assistants (Asst. Principals & Asst. Superintendent)	6.5	3.0	4.0	3.0	4.0	5.0	9.0	12.0	13.8	10.0
Supervisory Coordinator	0.5	1.0	1.0	1.0	1.0	0.0	2.0	4.0	4.0	3.0
Total Administrative Staff	15.0	13.0	14.0	13.0	13.0	15.0	22.0	29.0	29.8	29.0
Support Service Staff										
Other Non-Instructional Staff	8.3	12.2	12.5	19.79	41.0	40.7	21.9	48.4	43.9	46.4
Counselors/Deans	4.0	5.0	4.0	3.0	3.0	5.0	6.0	7.0	11.0	11.0
Media/Librarian	8.0	8.0	8.0	7.0	7.0	8.0	8.0	8.0	10.0	9.0
Nurse	2.3	3.0	3.0	3.0	3.0	4.7	5.0	5.6	6.3	4.8
Social Worker	9.0	8.0	8.0	6.0	6.0	6.0	9.0	10.0	9.8	12.0
Psychologists	5.0	5.0	6.0	6.0	4.8	6.8	7.0	7.0	7.0	8.0
Teacher on Sp Assignment	3.5	5.5	5.5	21.8	23.3	28.6	6.4	19.0	14.5	19.5
Total Support Service Staff	40.2	46.7	47.0	66.6	88.2	99.8	63.3	105.0	102.6	110.6
Special Education Teachers										
Speech Language	18.0	18.3	18.8	17.8	17.4	19.7	20.8	18.8	20.8	20.8
Other Special Education Teachers	73.4	77.1	75.3	70.3	68.8	71.4	79.6	79.4	94.9	86.4
Total Special Education Teachers	91.4	95.4	94.1	88.1	86.2	91.1	100.5	98.2	115.7	107.2
Classroom Teachers										
K-12 Teacher	300.1	329.6	343.52	330.17	328.2	347.4	397.1	394.7	426.3	414.8
Vocational Education Teacher	1.0	3.9	7.2	5.4	5.8	6.2	6.0	6.1	4.9	5.5
Pre-K, ECFE, and Other Teacher	10.0	10.9	9.1	9.2	10.5	10.4	9.0	8.8	11.2	8.9
Total Classroom Teachers	311.1	344.5	359.88	344.8	344.5	364.0	412.1	409.7	442.4	429.2
Total	457.7	499.5	514.99	512.4	531.9	570.0	597.9	641.9	690.4	676.0

Source: Minnesota Department of Education STARS data and District records for Licensed Staff.

PRELIMINARY

(THIS PAGE LEFT BLANK INTENTIONALLY

Independent School District #720
Shakopee Public Schools
Operating Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Total Governmental Fund Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>
2008	6,136	\$ 76,512,372	\$ 12,469	-26.73%	402.6	15.2
2009	6,384	83,892,154	13,140	5.38%	439.9	14.5
2010	6,686	78,935,297	11,805	-10.16%	454.0	14.7
2011	7,055	90,361,771	12,809	8.50%	432.9	16.3
2012	7,297	87,531,173	11,995	-6.35%	430.7	16.9
2013	7,405	95,351,041	12,876	7.34%	455.2	16.3
2014	7,593	144,443,989	19,024	47.75%	512.6	14.8
2015	7,791	169,925,454	21,809	14.64%	507.9	15.3
2016	8,012	124,180,742	15,499	-28.93%	558.0	14.4
2017	8,153	171,993,294	21,095	36.11%	536.4	15.2

Source: District records and teaching staff numbers from the Minnesota Department of Education STARS data.

**Independent School District #720
Shakopee Public Schools
School Building Information
Last Ten Fiscal Years
(Unaudited)**

School	Fiscal Year								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary									
Sweeney Elementary									
Square feet	84,171	84,171	84,171	84,171	84,171	84,171	84,171	94,914	94,914
Building Capacity	672	672	672	672	672	672	672	672	672
Program Capacity	672	672	672	672	672	672	672	672	672
Enrollment (1)	648	629	643	675	708	712	707	683	652
Sun Path Elementary									
Square feet	96,600	96,600	96,600	96,600	96,600	96,600	96,600	106,455	106,455
Building Capacity	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764
Enrollment (1)	542	560	680	733	770	768	745	728	730
Pearson Elementary									
Square feet	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235
Building Capacity	586	586	586	586	586	586	586	586	586
Program Capacity	586	586	586	586	586	586	586	586	586
Enrollment (1)	585	618	592	588	- (2)	577	582	624	659
Red Oak Elementary									
Square feet	97,000	97,000	97,000	97,000	97,000	97,000	97,000	106,818	106,818
Building Capacity	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764
Enrollment (1)	692	710	782	753	812	731	715	717	689
Eagle Creek Elementary									
Square feet	100,185	100,185	100,185	100,185	100,185	100,185	100,185	110,088	110,088
Building Capacity	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764
Enrollment (1)	611	706	765	839	670	720	771	810	847
Jackson Elementary									
Square feet	-	-	-	-	109,068	109,068	109,068	109,068	109,068
Building Capacity	-	-	-	-	764	764	764	764	764
Program Capacity	-	-	-	-	764	764	764	764	764
Enrollment (1)	-	-	-	-	698	759	806	835	852
Middle									
East Junior High									
Square feet	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917
Building Capacity	985	985	985	985	985	985	985	985	985
Program Capacity	985	985	985	985	985	985	985	985	985
Enrollment (1)	891	895	912	1,059	1,143	726	806	798	841
West Junior High									
Square feet	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941
Building Capacity	896	896	896	896	896	896	896	896	896
Program Capacity	896	896	896	896	896	896	896	896	896
Enrollment (1)	945	982	933	981	975	925	976	968	978

	Fiscal Year								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
High School									
Shakopee High School									
Square feet	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000
Building Capacity	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Program Capacity	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Enrollment (1)	1,151	1,208	1,313	1,361	1,451	1,381	1,379	1,494	1,611
Other									
Tokata Learning Center - ALC									
Square feet	-	-	-	-	-	12,351	12,351	12,351	12,351
Enrollment (1)	-	-	-	-	-	56	43	74	85
Central Family Center									
Square feet	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197
Enrollment (1)	70	76	67	66	69	50	63	66	68
Total									
Square feet	1,224,246	1,224,246	1,224,246	1,224,246	1,333,314	1,345,665	1,345,665	1,385,984	1,385,984
Building Capacity	7,043	7,043	7,043	7,043	7,807	7,807	7,807	7,807	7,807
Program Capacity	7,043	7,043	7,043	7,043	7,807	7,807	7,807	7,807	7,807
Enrollment	6,136	6,384	6,686	7,055	7,297	7,405	7,593	7,796	8,012
Athletics									
Football fields	1	1	1	1	1	1	1	1	1
Running tracks	1	1	1	1	1	1	1	1	1
Baseball/softball	22	22	22	22	23	23	23	23	23
Tennis courts	14	14	14	14	14	14	14	14	14
Multi-purpose fields (lacrosse, soccer)	11	11	11	11	11	11	11	11	11
Multi-purpose gyms	12	12	12	12	13	13	13	13	13
Swimming pools	1	2	2	2	2	2	2	2	2
Playgrounds	7	7	7	7	8	8	8	8	8

Notes:

- (1) Enrollment reflects average daily membership served by site. Resident students served under tuition agreements are excluded from this enrollment data.
(2) In fiscal year 2012, Pearson Elementary was closed as the school was remodeled and transitioned into a sixth grade center.

**Independent School District No. 720
Shakopee, Minnesota**

**Reports on *Government Auditing
Standards*, the Uniform Guidance,
and Legal Compliance**

June 30, 2017

PRELIMINARY



**Independent School District No. 720
Table of Contents**

Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	5
Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance	8
Report on Legal Compliance	12
Schedule of Findings and Corrective Action Plans on Legal Compliance	13

PRELIMINARY

Independent School District No. 720
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Agency/Pass Through Agency/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Program	10.555	\$ 357,268
School Breakfast	10.553	296,420
Type A Lunch	10.555	1,537,998
Special Milk	10.556	9,423
Summer Food Service	10.559	19,545
Total Child Nutrition Cluster and U.S. Department of Agriculture		2,220,654
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	700,948
Title III, Part A - English Language Acquisition	84.365	113,291
Title II, Part A - Supporting Effective Instruction	84.367	90,584
Special Education Cluster		
Special Education	84.027	1,570,537
Disabled Early Education	84.173	27,686
Total Special Education Cluster		1,598,223
Special Education - Infants and Toddlers	84.181	43,887
Through Southwest Metro Educational Cooperative		
Carl Perkins	84.048A	23,617
Direct		
Indian Education - Grants to Local Educational Agencies	84.060	37,996
Total U.S Department of Education		2,608,546
Total Federal Expenditures		\$ 4,829,200

Independent School District No. 720
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10% de minimis indirect cost rate.

PRELIMINARY

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Independent School District No. 720
Shakopee, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance as Audit Finding 2009-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Minneapolis, Minnesota
November 20, 2017

**Report on Compliance for Each Major Federal Program and on Internal
Control over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 720
Shakopee, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 720's, Shakopee, Minnesota compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 720 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Minneapolis, Minnesota
November 20, 2017

PRELIMINARY

**Independent School District No. 720
 Schedule of Findings and Questioned Costs in
 Accordance with the Uniform Guidance
 June 30, 2017**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 2009-001
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516	No

Identification of Major Programs

CFDA No.:	10.553, 10.555, 10.556, 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

Independent School District No. 720
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance
June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2009-001 – Lack of Segregation of Accounting Duties

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended June 30, 2017, the District had a lack of segregation of accounting duties.

This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Director of Business Services has access to all areas of the accounting system.
- A single individual has the ability to receipt money, prepare the deposit, take the deposit to the bank, and record the receipt in the general ledger.
- The Accountant enters capital asset additions and disposals, monitors and reviews asset lives and depreciation in the system, and maintains the master asset listing.
- The Accounts Payable Clerk reviews invoices, enters invoices in the system, and prints checks.
- The Payroll Specialist has the ability to enter time for an employee, prepare the payroll checks, and print checks.
- There is no formal documentation of the review of monthly bank reconciliations.

The District has implemented periodic spot checks of accounts payable and payroll to review activity after checks have been run. This helps mitigate the risk associated with the lack of segregation of accounting duties, but it does not eliminate the risk.

During our test work, we also noted the internal control procedures related to P card transactions appeared to be structured adequately, however, the execution of the control procedures was not adequate in some instances. We noted instances where adequate supporting documentation was not provided prior to payment, yet payment was still approved. There were also instances where there was not enough documentation to determine whether a purchase was related to District operations or not. We recommend the District always ensure proper documentation is obtained prior to making payment, employees responsible for approval are empowered to question the expenditures, and there is enough information included in that documentation to be able to ensure the activity is related to District operations.

Context:

This finding impacts the internal control for all significant accounting functions.

**Independent School District No. 720
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance
June 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2009-001 – Lack of Segregation of Accounting Duties (Continued)

Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are overlapping responsibilities and a breakdown in the control procedures occurred where the execution of the control was not adequate.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

Several controls were added December 1, 2010 in the Business Office to address the findings; including: The Accounting Specialist verifies a sample of information for each payroll. He will verify the information to the pay check document and initial the forms he reviews. The Director of Finance will continue to review gross and net pay reports for reasonableness compared to prior pay periods.

The Accounting Specialist will review the work of the Accounts Payable Clerk. He will take a sample of 10 items per check run and verify the documentation to the final check that will be mailed. The Director of Finance will continue to review total reports for reasonableness compared to prior months and prior years.

In addition to the controls added in December 2010, the Director of Finance will continue to review the operational reports of the departments for reasonableness. The Director of Finance will also continue to discuss with the departments, colleagues, and auditors to determine best practices with the limited staff available and implement changes that are economically feasible.

**Independent School District No. 720
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance
June 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2009-001 – Lack of Segregation of Accounting Duties (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

In addition, the District will take the following actions to remove the compliance findings:

- Change the Director of Finance and Operations system access to read only access
- Involve other members of Finance in the receipting process to prevent one person being responsible for all functions
- Perform a thorough review of our current process with the auditors and address areas of concern
- Effective October 11, 2017, the P card manual was revised to capture areas of risk in the P card process. Revisions included setting firm deadlines for turning in statements, defining required documentation and clarifying authorization requirements. In addition, procedures were established for handling non-compliance with the P card manual.
- Staff are empowered to question expenditures. The District will develop and communicate channels of communication in the event that an employee has an incident to report for which they do not feel they are being heard.

3. Official Responsible for Ensuring CAP

Suzanne Johnson, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The CAP will be monitored continually by the Director of Finance and Operations.

5. Plan to Monitor Completion of CAP

The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Report on Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 720
Shakopee, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, and have issued our report thereon dated November 20, 2017.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The purpose of this report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Minneapolis, Minnesota
November 20, 2017

Independent School District No. 720
Schedule of Findings and Corrective Action Plans
on Legal Compliance

CURRENT YEAR LEGAL COMPLIANCE FINDINGS:

Eliminate Old Outstanding Checks

According to *Minnesota Statutes* 345.38-.43, if the local government's records show unclaimed property over \$100 for more than three years, the property should be reported and paid or delivered to the State Commissioner of Commerce.

During our audit, we noted 35 outstanding checks over \$100 and more than three years old included as reconciling items on the bank reconciliation.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will report unclaimed property to the state as defined in statute.
3. Official Responsible for Ensuring CAP
Suzanne Johnson, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2018.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

Ensure Procurement Card Purchases are Proper Public Purpose Expenditures

During testing of purchases made on the District's procurement cards, it was noted there was insufficient documentation maintained to substantiate several of the purchases. In these occurrences, there were no itemized receipts attached or adequate documentation to validate the purchase.

**Independent School District No. 720
Schedule of Findings and Corrective Action Plans
on Legal Compliance**

CURRENT YEAR LEGAL COMPLIANCE FINDINGS (CONTINUED):

Ensure Credit Card Purchases are Proper Public Purpose Expenditures (Continued)

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Effective October 11, 2017, the P card manual was revised to capture areas of risk in the P card process. Revisions included setting firm deadlines for turning in statements, defining required documentation and clarifying authorization requirements. In addition, procedures were established for handling non-compliance with the P card manual.
3. Official Responsible for Ensuring CAP
Suzanne Johnson, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2018.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

PRIOR YEAR LEGAL COMPLIANCE FINDING:

Declaration of Payment of Claims

Minnesota Statute 471.38, subd. 1, requires a declaration for payment be signed to the effect that such account, claim, or demand is just and correct and that no part of it has been paid.

We noted the District changed checks in 2016 and their new checks no longer had the required declaration.

CORRECTIVE ACTION TAKEN:

The District ordered new checks that includes the required declaration.



Technology Update 2017

Purpose: This report allows us to provide a comprehensive overview of technology deployment in the district, updates on current and upcoming projects, and clarity on how technology funds are spent and how staff and students benefit as a result.

Contents

- TECHNOLOGY FINANCES** 2
 - DEVICE INSURANCE OVERVIEW 5
- STAFFING** 6
 - TECHNOLOGY STAFF ROLES AND RESPONSIBILITIES 7
- DEVICES** 9
 - SUPPORTED DEVICES/OPERATING SYSTEMS 9
 - DEVICE DISTRIBUTION/INVENTORY COUNTS (FY16-FY18) 9
 - DEVICE ALLOCATIONS 10
 - DEVICE REPLACEMENT CYCLE 12
- SERVICES, SUPPLIES, SOFTWARE & CAPITAL EXPENSES** 13
 - INFRASTRUCTURE – NETWORK, SERVERS & DATA SECURITY 13
 - INFRASTRUCTURE - SECURITY, LIFE SAFETY AND BUILDING OPERATIONS 17
 - MULTIMEDIA/AUDIO-VISUAL HARDWARE 18
 - INFRASTRUCTURE - PHONES 19
 - PRINTING & COPIERS 20
 - SOFTWARE – DISTRICT LEVEL 21
- DEPARTMENT INITIATIVES & UPDATES** 23
 - COMMUNICATIONS 23
 - SERVICE CENTER MODEL 24
 - TECH LEVY PROMISES 24
- SUMMARY** 25

Instructional Technology Department Vision

Shakopee Instructional Technology Services
will support the district's educational goals
by providing high levels of reliability, service, and support.

Technology Finances

This section provides an overview of technology-related spending over a 5-year span. It includes the current year (FY18), two years prior and anticipated expenditures two years into the future.

There are many ways to slice and dice financial data. The information in this section is intended to give a high-level overview of the major categories of spending. Each chart will be accompanied by relevant explanatory notes. One detail to be clear on from the outset is the revenue category: Any reference to the General Fund indicates that the revenue category was regular district funding, specifically allocated for technology expenses. Any reference to the Levy is funding derived from the voter-approved May 2015 Capital Projects Levy, for which funds became available for use in the 2016-2017 (FY17) school year.

Expenditure Category/Year	FY16	FY17	FY18	FY19	FY20
Gen Fund Salaries & Benefits	\$1,371,398	\$1,255,905	\$1,255,927	\$1,293,605	\$1,332,413
Gen Fund Leases-Devices	\$398,081				
Gen Fund Services, Supplies, Software & Capital Expenses	\$1,380,000	\$1,270,000	\$1,260,000	\$1,260,000	\$1,260,000
Levy Salaries & Benefits		\$628,940	\$963,985	\$992,905	\$1,022,692
Levy Devices & Cases	\$479,478	\$1,326,987	\$1,664,761	\$1,712,429	\$1,617,652
Levy Services, Supplies, Software & Capital Expenses		\$367,000	\$308,900	\$252,000	\$378,000
All Salaries & Benefits	\$1,371,398	\$1,884,845	\$2,219,912	\$2,286,510	\$2,355,105
All Devices & Cases	\$877,559	\$1,326,987	\$1,664,761	\$1,712,429	\$1,617,652
All Services, Supplies, Software & Capital Expenses	\$1,380,000	\$1,637,000	\$1,568,900	\$1,512,000	\$1,638,000
Total	\$3,628,958	\$4,848,832	\$5,453,573	\$5,510,938	\$5,610,757

One thing to note about Levy spending for devices is that 2018-2019 should be the peak year for expenditures on devices. The speedy pace at which the district moved into a 1:1 deployment of devices for students resulted in significant lease commitments. Over time we expect our lease commitments to stabilize.

Chart showing overall expenditures (combined General and Levy budgets)

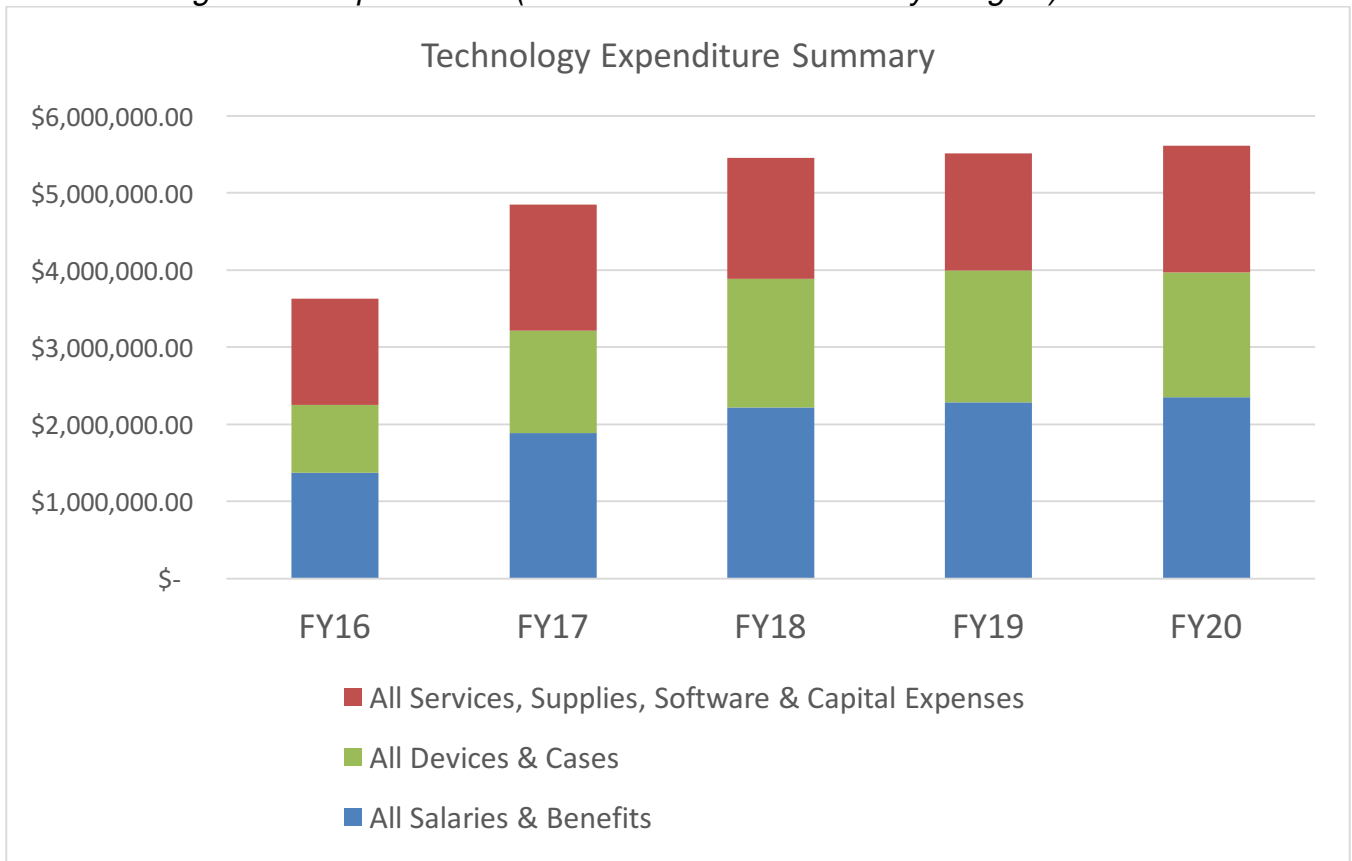
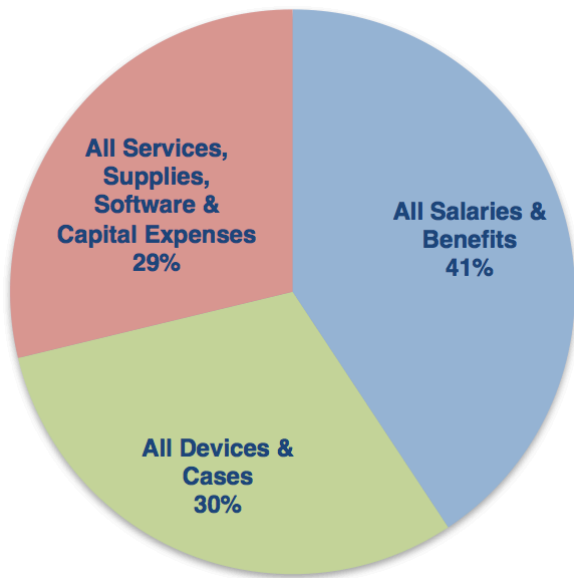


Chart showing percentage of major expenditures



The primary categories of revenue for technology spending are the General Fund and the Capital Projects (Technology) Levy. The next chart provides a breakdown of revenue categories, where the funding originates, and the frequency or stability of each revenue stream.

Category	Source	Frequency
General Fund	State	Annual
Capital Projects (Tech) Levy	Local	FY17-FY26 (10 years)
E-rate	Federal via a tax on phone service	Annual
Equity aid	State	Annual
Mi-Fi Grant	State	FY17-FY19
Surplus equipment sales	3 rd Party/Commercial	Whenever surplus equipment is identified.
Recycling	3 rd Party/Commercial	Whenever recyclable items are identified.

Revenue categories beyond the General Fund and Levy are not a significant contributor to the technology budget, but they are helpful. E-rate aid is diminishing as the federal government reduces the types of qualifying expenses, but still helps with costs related to our Internet service. Equity aid is a state allocation that also helps offset some of the Internet access costs. The Mi-Fi grant was a competitive grant awarded to the district last year, with a fixed amount of funds that will be expended next year when the grant ends. Surplus equipment sales represent an area that we intend to pursue more aggressively and strategically as a counterpart to our device replacement cycle. Lastly, recycling of items such as unused wires and cables, bulk metal, and obsolete technology with no other resale value brings in the least amount of money but allows us to squeeze every last dollar out of unused (and unusable) items.

Device Insurance Overview

The district currently offers 1:1 device insurance at rates of \$25 annually for iPads and \$75 annually for MacBooks. The charts below show the amount collected for the past three years and annual expenditures.

Rates for the upcoming year are generally set sometime around April. It should be noted that insurance pool money is only used for repair of devices for which the family has actually paid into the pool. Repair costs for any device for which insurance was waived (due to financial hardship) are covered from the general tech budget. If insurance is declined, repair fees are billed back to the family.

Insurance Pool Collections and Expenditures

	Insurance Pool Collections	Debits from Pool	Pool Annual Balance	% Used	Pool Running Balance
FY16	\$76,432	\$19,125	\$57,307	25%	\$57,307
FY17	\$110,858	\$79,694	\$31,164	72%	\$88,471
FY18	\$128,308	\$-	\$128,308	0%	\$216,779

Repair Costs and Funding Sources for Student Devices

	Insurance Paid - Insurance Pool	Insurance Waived – Tech Budget	Insurance Declined - Billed Back to Family	Totals
FY16	\$19,125	\$3,936	\$-	\$23,061
FY17	\$79,694	\$29,974	\$7,082	\$116,750
FY18	No data yet			

Staffing

As the quantity of devices and overall dependence on technology throughout the district has increased, staff have been added to ensure that we have qualified personnel in place to support all of our users and systems. To put this in the context of the budget, current staffing listed below notes the funding source, which encompasses salaries and benefits.

Tier	Role	Name	Building	Fund
4	Director of Instructional Tech	Bryan Drozd	District Office	General
4	Instructional Tech Manager	Chris Lee	District Office	General
	Administrative Assistant	Holly Anderson	District Office	General
3	Sysadmin (Student Systems)	Ty Willmsen	District Office	General
3	Sysadmin (Finance Software)	Michele Carpenter	District Office	General
3	Sysadmin (Network)	Quazi Jahangir	District Office	General
3	Sysadmin (Apple)	Nathaniel Strauss	District Office	General
3	Sysadmin (Windows)	Dave Ryan	District Office	General
2	Tech Systems Support Specialist	Gary Pikal	District Office	General
2	Tech Systems Support Specialist	Colin O'Brien	District Office	General
1	Building Tech	Linda Paul	High School	General
1	Building Tech	Amanda Holm	HS/Comm Ed	General
1	Building Tech	Brandon Buck	High School	Levy
1	Building Tech	Alyssa Hawes	East JH	Levy
1	Building Tech (.5)	Drew Churchill	East JH	General
1	Building Tech	Adam Althoff	West JH	General
1	Building Tech	Jonathan Benz	West JH	Levy
1	Building Tech (.5)	Jen Reis	Pearson	General
1	Building Tech	Douglas Lopez	Pearson	General
1	Building Tech	Joel Strehl	Sweeney	Levy
1	Building Tech	Pilar Rodriguez	Jackson	Levy
1	Building Tech	Steve Scofield	Eagle Creek	General
1	Building Tech	Bradly McGarr	Red Oak	Levy
1	Building Tech	Chris Fleming	Sun Path	General
1	Building/Assistive Tech	Bob Cole	CFC	Special Education
1	Building Tech	Maria Hawes	District Office/TLC	General
AT	Assistive Tech Coach	Stephanie Betley	CFC	Special Education
DLC	Digital Learning Coordinator	Kara Osmundson	High School/TLC	Levy
DLC	Digital Learning Coordinator	Eric Hills	East Junior High	East Junior High
DLC	Digital Learning Coordinator	Zach Eidelbes	West Junior High	West Junior High
DLC	Digital Learning Coordinator (.6)	Sandra Riehl	High School/CFC	Levy
DLC	Digital Learning Coordinator	Amy Sticha	Pearson	Levy
DLC	Digital Learning Coordinator	Brianna Buck	Sweeney	Levy
DLC	Digital Learning Coordinator	Natalie Weatherman	Jackson	Levy
DLC	Digital Learning Coordinator	Kari Gerhart	Red Oak	Levy
DLC	Digital Learning Coordinator	Bob Lincoln	Sun Path	Levy
DLC	Digital Learning Coordinator	Doug Keddie	Eagle Creek	Levy

Technology Staff Roles and Responsibilities

The staffing of the technology department has kept pace with the deployment of technology and the expectations for how it will be used. Previous charts included budget allocations for staffing from the general fund and the technology levy, and the staff chart also notes the specific funding source for staff. It should also be noted that two key areas identified for use of levy funding were training and tech support staffing; the growth of the department has been consistent with that directive.

Building Tech/Tier 1

These are our front-line tech support personnel, each assigned to a specific building. They have the most direct contact with staff and students and handle a wide array of issues each day.

Tech Systems Support Specialist/Tier 2

This position focuses on identifying common issues amongst buildings, noting problems to be escalated to Tier 3, and working with vendors for support or repair tasks.

System Admins & Database Support/Tier 3

Staff in this group handle the more system-specific tasks, such as maintaining staff and student databases, network functionality, global management of devices, and resolution of issues that are escalated beyond Tiers 1 & 2.

Tech Support Supervisor and Director/Tier 4

Decisions affecting the department or district are made at this level. Staff in this group are also responsible for maintaining the budget and coordinating the efforts and direction of the department.

Whereas the staff at various Tiers of tech support are tasked to ensure that technology is functional and equitably allocated throughout the district, the Digital Learning Coordinators (DLC) have a focus on how that technology is integrated into the classroom to be used as an effective tool for our staff and students. Much of their work has parallels to what our Instructional Coaches do and crosses over into the realm of our Teaching & Learning staff. The work of the DLC staff is summarized below.

Digital Learning Coordinators

Significant areas of work for the DLCs involve professional development, communication, advocacy of best practices in technology integration, and managing the

Learning Commons spaces (formerly the media centers). A few examples of these efforts are noted here:

Professional Development

- On-going PD opportunities scheduled at the buildings by request of staff or administration
- Various “Tech Institutes” (which are very popular) with a range of courses, including:
 - Canvas - personalized learning
 - Google Drive - collaboration
 - MacBook personalization, productivity, and creativity apps
 - iPad creation apps
 - Social media tools to build professional learning networks
- Summer workshops
- Self-paced learning modules (in Canvas)

Communication and Best Practices

- Newsletter (see below)
- Involvement at Parent/Community Information Events (Pearson, Referendum)
- Tech Tools website: blog, tools, resources
- Ongoing PLC Meetings
- District and building technology committees
- District open houses/parent nights
- Device rollouts
- Consulting on curriculum articulation committees

AuthenTech – Digital Learning Updates

<http://shakopeetech.org/digital-learning-pd>

Catching Creativity Newsletter

Here are links to a few examples of the DLC newsletter

May 13, 2017: <https://slate.adobe.com/cp/H0iz1/>

April 22, 2017: <https://slate.adobe.com/cp/MTsu2/>

April 1, 2017: <https://slate.adobe.com/cp/jusKS/>

October 2017: <https://spark.adobe.com/page/umdAmy3yKUsn9/>

November 2017: <https://spark.adobe.com/page/CJTKe7uTMFDbg/>

Devices

This section focuses on student and staff devices to be found throughout the district. It should be noted that one of the goals of the Capital Projects Levy was to provide much greater access for students to technology. As of this year, the student device goals that were outlined in encouraging a “yes” vote for the Levy have been met.

Supported Devices/Operating Systems

We try to standardize wherever possible in order to increase reliability and make our systems easier to maintain. However, meeting a variety of needs from both a curriculum perspective and a business process point of view means that we have to support a wide variety of hardware and software. The chart below provides an overview of the most common hardware and operating systems in use throughout the district.

MacBooks – Apple OSX	PCs – Microsoft Windows	Chromebooks - ChromeOS
MacBooks run the Apple OSX operating system. The most current version is called Sierra (version number 10.12.x). We are still migrating devices off of the previous version, called El Capitan.	PCs are almost all running Windows 7. We will skip Windows 8 and expect to jump to Windows 10 within the next year. Updates to the operating system are centrally managed using a management tool called SCCM.	Chromebooks use ChromeOS. Updates are centrally managed to a large extent, but can be forced or delayed on machines by the user.
iPads – Apple iOS	Tablets – Microsoft Windows	Android Tablets – Android OS
iPads, iPods and iPhones run the Apple iOS operating system, with most devices currently on version 10 or 11. Updates are generally initiated and run by the user.	There are a handful of Microsoft Surface tablets still in use from a pilot project; these run Windows 8.	We have a small batch of tablets running the Android operating system; this is similar to what one would find on an Android phone.

Device Distribution/Inventory Counts (FY16-FY18)

Computers are just one category of many pieces of hardware in use throughout the district. Later sections of this report will speak to “everything else. As the district that has aggressively pursued a 1:1 program and increases in device availability and mobility over the past several years, it makes sense to start with those totals. The chart below provides totals for each major category of device over the past 3 years. As of FY18, we effectively have full deployment for iPads and MacBooks. As one would expect, the number of PCs has dropped and will likely

drop a little more before stabilizing. We maintain a PC lab at each building and the PLTW curriculum is still heavily (although not entirely) dependent on the PC platform. Chromebooks exist almost exclusively in carts and are handy for situations such as assessment and keyboard intensive assignments.

Device Totals	PC	iPad	MacBook	Chromebook	District Total
FY16	2673	3375	1593	933	8574
FY17	2560	3736	3466	731	10493
FY18	1422	5805	3401	1184	11812

Device totals are expected to hold steady around FY18 levels for the next few years.

Device Allocations

This section provides an overview of where many of our devices are allocated. There may be some minor differences between buildings, but we strive to provide equitable resources across grade levels and schools. Classroom labs (such as those using Project Lead the Way curriculum, which generally uses a PC lab) are not included here.

CFC

2 iPad carts (approximately 70 devices)
1 Chromebook cart

K-5 Buildings

1 iPad cart (for checkout)
4 Chromebook carts
K-2 classrooms: iPad carts 1:2 ratio (1 device for every 2 students)
3-5 classrooms: iPad carts 1:1 ratio
1 PC lab

Pearson 6th grade center

1 iPad cart (for checkout)
4 Chromebook carts
1:1 iPad deployment

Junior Highs

3 Chromebook carts
1:1 iPads in 7th and 8th grade
1:1 MacBooks in 9th grade
1 PC lab

High School

1:1 MacBooks
2 PC Labs

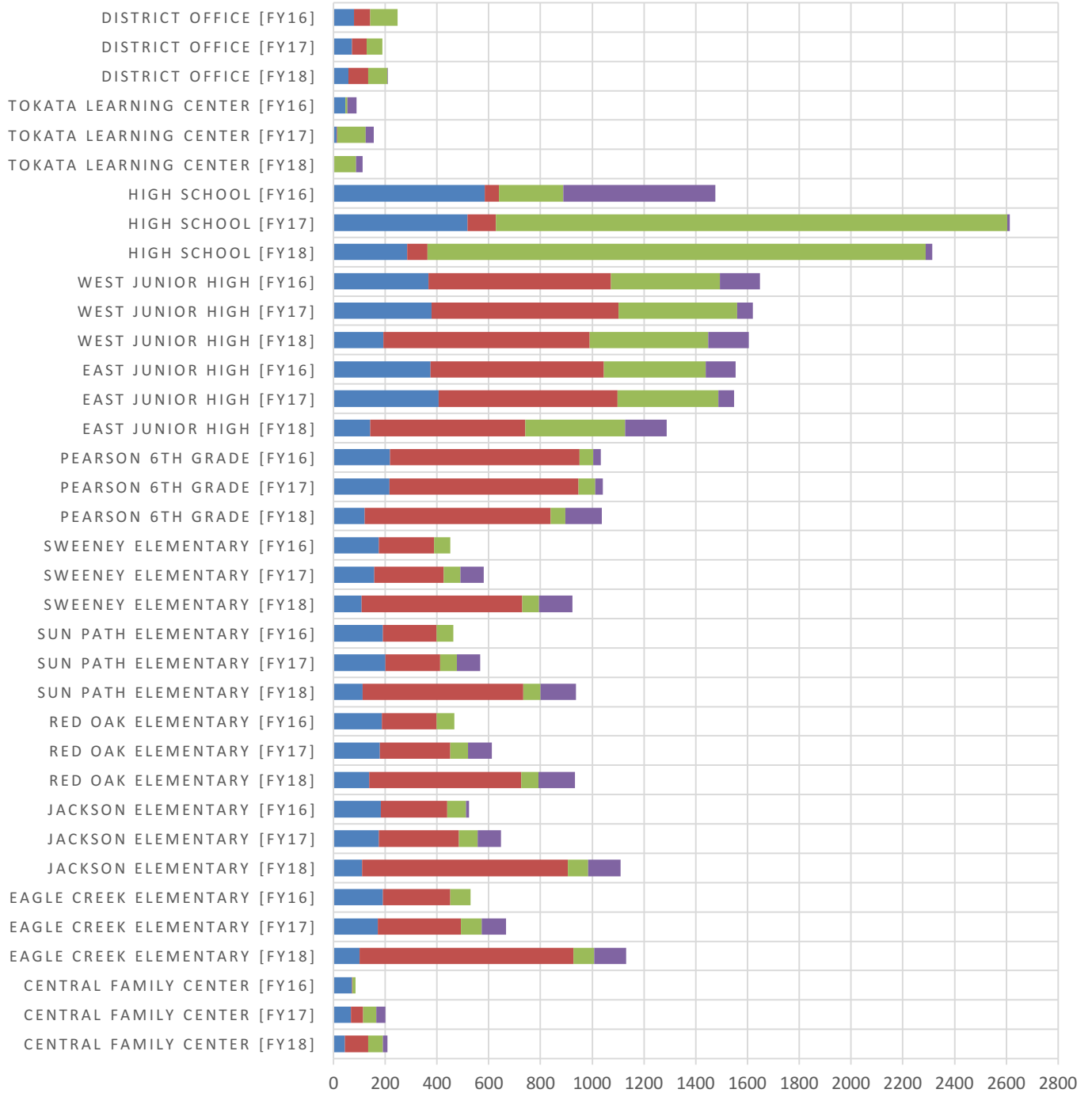
Tokata

1:1 MacBooks
1 Chromebook cart

The chart on the next page is (admittedly) not the easiest to read, but provides a sense of the growth at each building in the number of devices and also the shift between device types over time.

DEVICE DISTRIBUTION FY16-FY18

■ PC
 ■ iPad
 ■ MacBook
 ■ Chromebook



Device Replacement Cycle

Establishing a clear and specific replacement cycle for devices helps in accomplishing several goals:

- Ensure that devices can handle the latest software requirements.
- Reduce expenditures on maintaining older devices.
- Allow the district to recoup some costs by selling off surplus devices while they still have value.

It should be noted that many of our devices are currently being acquired through lease agreements with a buyout option at the end of the lease. In many cases, devices are repurposed beyond their replacement cycle. If there is not another use for a device, we will declare it surplus and sell it to the highest bidder. The flexibility of being able to use devices beyond the lease agreement and the ability to recoup value for devices through resale are why we do a buyout to take ownership of the devices. Leasing has been necessary as part of establishing a 1:1 technology program, but the long-term goal should be to reduce our dependence on leases.

Device Group	Replacement Cycle
K-2 Carts (1:2 iPads)	4 years
3-5 Carts (1:1 iPads)	4 years
6-8 1:1 iPads	3 years
9-12 1:1 MacBooks	4 years
Staff MacBooks	4-5 years
Staff iPads	4 years
PLTW Labs (PCs)	3-4 years
Office Staff PCs	4-5 years
Chromebooks	4 years

At this point, 6th grade iPads and 9th grade MacBooks are always deployed as new devices to students, meaning they are an annual purchase. For the 2018-2019 school year, new devices will be acquired for Kindergarten, 6th grade and 9th grade. We also anticipate additional Project Lead the Way Labs at the High School and a possible round of Chromebook refreshes.

Project Highlight – 1:1 Home Internet Access

One of the challenges for a 1:1 program is Internet access at home for students. While the majority of our households have Internet access at home, some do not. Students have the option to request a wireless hotspot device (also known as a “mi-fi”) for use outside of school. The district underwrites the cost of these devices, though a portion of that cost has been covered for the past year or so thanks to a \$36,000 grant from the state.

Services, Supplies, Software & Capital Expenses

So far in this report we have been looking at technology in order of how much each area costs. This next set of items follows that pattern, though there is particular focus on our systems related to technology infrastructure (capital expenses) and our most widely utilized software. Services and supplies are not covered much here; they are not a huge portion of the budget but include more of the mundane aspects of technology such as bulbs for projectors, outsourcing for repair, annual service contracts, and so forth.

Infrastructure – Network, Servers & Data Security

Disclaimer: This section is a tad boring, but important in the context of the commitments our district has made to technology use and deployment and getting a basic understanding of the underlying infrastructure necessary to support our staff and students.

Each year we have more devices on the network and increase our reliance on local and cloud-hosted services. We are continuously monitoring how the network functions and taking time to identify current and potential bottlenecks or trouble spots. This section details various components of our infrastructure and how each plays a role in maintaining a well-functioning network and systems.

Network Traffic (Local and Internet)

We purchase access to the Internet through Jaguar as a member of the Scott County Network Consortium. As a member of this group, we also contribute to the maintenance of regional fiber-optic lines that carry data traffic.

Our incoming/outgoing network bandwidth is 4 gigabits(gb)/second. Our connection is capable of higher speeds, but we are limited by our firewall hardware to that amount (more on that momentarily).

On a typical day we utilize this connection to transfer about 3.5 terabytes (TB) of data. To put this into context, the potential amount of data we can transfer in an 8 hour time span is about 14.4 terabytes (or 43.2 in 24 hours, but most of our traffic occurs between 7 a.m. to 3 p.m.). Put another way, we generally use about 25% of our potential bandwidth at any given time.

Network traffic within the district is distributed via 10gb fiber-optic connections to all buildings. Our internal traffic capacity is higher because much of our network traffic consists of internal communications, such as access to shared folders, printing, internal databases, storage of back-ups, phone routing, and so on.

For now and possibly for the next several years, our network bandwidth should be sufficient to handle our needs. However, as we continue to grow the 1:1 device deployment and rely ever

more on cloud-based software, network traffic will be closely monitored so that we can anticipate the need for expanded capacity.

Network Devices/Hardware

Various hardware is in place on our network to manage the flow of traffic while also maintaining a measure of security and privacy.

Firewall

A firewall is the first line of defense. It is the traffic cop, looking at every piece of data flowing in and out of our network and sending it to the proper destination.

We currently use redundant Palo Alto firewalls purchased in 2014. We expect them to handle our needs for about 5 years. When purchased those devices cost about \$40K each. It is critical that the capacity of a firewall be properly matched up to the peak potential traffic on the network. Therefore, any effort to increase external network bandwidth (the 4 gb line out to the world) will likely prompt an upgrade to the firewall hardware. We acquire firewall hardware in pairs quite simply because if this device fails, the whole network goes down with it, making it a mission critical device.

Network Switches/Routers/Infrastructure

All of that network cable has to plug in somewhere. Traffic in a building is routed primarily through network switches. Most of our network devices are about 3-4 years old. We do not have any immediate critical needs in this area but will monitor performance of the network and develop a replacement plan to ensure optimal operation. The addition of more security cameras has required tapping into network switch capacity and adding cabling.

Wireless Access Points

As with our network switch infrastructure, our system of wireless access points and controllers was recently updated. At the moment there are about 665 wireless access points in use, with an expectation that we will add about 50 more in the next year (primarily upon completion of the high school addition but also in any “weak” spots for wireless access throughout the district). The access points are centrally managed through a proprietary control unit, which can handle about 1000 access points.

	Wireless Access Point
Central Family Center	39
Eagle Creek	54
Jackson	59
Red Oak	54
Sun Path	56
Sweeney	51
Pearson 6th Grade Center	40
East Junior High	69
West Junior High	75
High School	125
Tokata Learning Center	9
District Office	34
	665

Physical & Virtual Servers

We are continuously upgrading servers and moving as many as possible to virtual environments. This allows more uptime, lower cost, and easier upgrades. A significant example of a physical system being replaced was our move from an on-site e-mail server (which had become unstable to the point where we had recurring district-wide e-mail outages) to the cloud-hosted Office 365 mail system. We still need physical hardware to run virtual servers, but we can aggregate those virtual servers onto fewer physical systems and therefore lower our overall costs and reduce the need for replacement cycles on a variety of aging hardware.

Project Highlight – E-mail Migration

Exchange Server Migration: Migrating the contents and functionality of an on-site e-mail system to a cloud-hosted system is a significant task. We spent months on the planning and execution of this project. We moved massive amounts of data, 1252 e-mail accounts, 59 shared calendars, and didn't lose anyone's data along the way. It was very much like a house rehab project; we ran into some unexpected issues along the way but they were all handled in a timely manner.

Server Hosting & Storage

In order to maintain virtual servers and shared network storage & databases we have had to increase our available capacity. We started the 2015-2016 school year with a 20TB device that was being fully utilized. After exploring various options we acquired an additional storage solution with more flexibility that allowed us to increase virtual server hosting and storage to about 48TB. This is an on-going project related not only to storage and servers but also disaster recovery.

Disaster Recovery

When we talk about “disaster recovery”, we are referring to several distinct situations. Can we handle a temporary disruption to the network? Can we ensure access to our local data? Can we continue to provide functionality after a catastrophic event? At this moment, the answer to any of those questions is a less than satisfying “mostly”. That being said, we have identified many of our weak spots and have already made some progress in addressing those deficiencies. As noted earlier, we have several examples of redundant systems, including our firewall and wireless access point controller. We took a big step last year in acquiring additional server hosting and storage capacity, and will set up a redundant device this year. Once that is in place, we will be able to repurpose some existing storage hardware to implement a better short and long term data storage method. We also have a long term objective to set up the High School and West Junior High as redundant data centers, meaning that if one site goes down the system can “fail-over” to the other site. In the long term, we will

work with Jaguar (our Internet vendor) to ensure that our Internet access can also sustain an interruption to the High School or West (presently, all of our Internet traffic routes through the High School). None of this is to say that our current systems are in bad shape, in fact they are probably better than what one would typically find in a school setting. The take-away for disaster recovery is that we are aware of our weaknesses and have plans in development to address those areas.

Network Software & Services

Content Filter

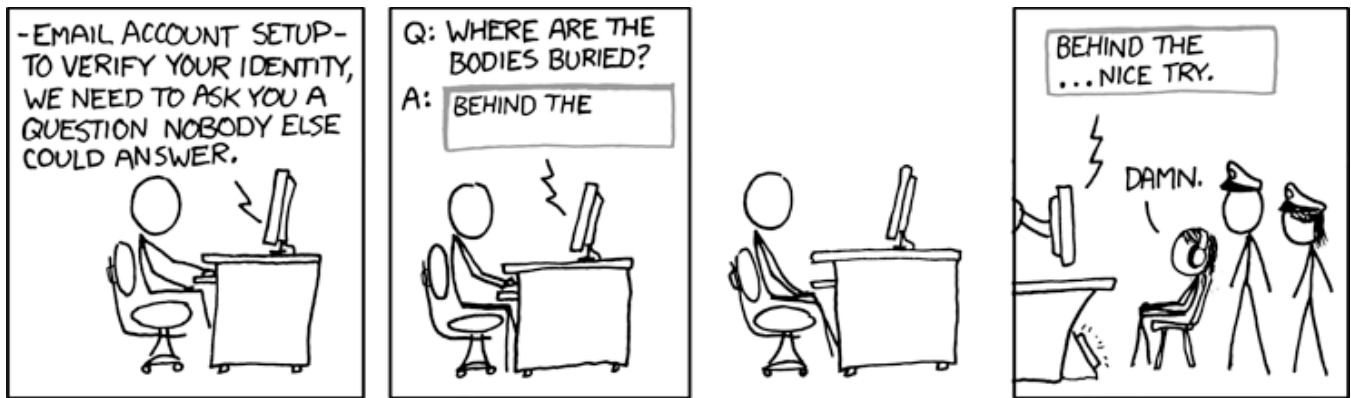
The content filter (or Internet filter) is the device that scans all of our Internet usage and blocks inappropriate sites. This includes porn, malware, illegal file sharing, and things of that nature. As malware in particular has become more prevalent and devious, we have had to increase our restrictions somewhat. This does create false positives and we occasionally block a harmless or legitimate site, but we have a process in place for staff to request access to such sites and we generally correct any false positives within an hour. The challenges of filtering in a 1:1 environment (which includes off-site filtering) and with such a wide variety of devices led us to sign on with a company called Securly for filtering. While not a perfect solution (and it is debatable whether any “perfect” solution for an environment like ours actually exists) we have been able to make it work for the majority of our needs.

E-mail Spam & Virus Filter

E-mail filters are designed to scan e-mail, strip out viruses, and scan for high risk or illicit content. Without it, our e-mail system would be overloaded with spam or other forms of junk mail. Of course, no system can be 100% effective against the deluge of junk that gets sent out, but a large percentage of it never makes it to anyone’s inbox. This type of filtering is currently handled as part of our Office 365 E-mail system.

E-mail Archiver

We presently use an on-site system called GFI Archiver to back-up all of our incoming and outgoing e-mail (just the perceived legitimate items, not any spam that doesn’t make it past the filter). We also redundantly archive using an option built into Office 365 for this purpose. Meanwhile, in our Google environment (@shakopeeschools.org, used primarily by students but all staff also have a Google account) we use the free Google Vault service for e-mail archiving (more about Vault here: <https://apps.google.com/products/vault/>).



Source: XKCD: <https://xkcd.com/565/>

Phishing Training

This year the district is using a service called KnowBe4 to help train staff on how to recognize and avoid attempts at e-mail phishing. “Phishing” is a technique for disguising the sender or intent of an e-mail in order to trick users into clicking a potentially malicious link or in some way providing information to a third party. It can also be used to deliver damaging malware or ransomware to devices. Since there is no way to completely block these devious e-mails, our strategy now is to try to train staff as best as possible in recognizing the warning signs and avoiding being “phished”.

Account Management

Over the summer we put in place a new system for account management. This was necessary in order to automate processes related to account creation, password maintenance, and assignment of accounts to security and distribution groups. The system (referred to as RapidIdentity) also gives staff greater control over managing their accounts and handling time-sensitive issues without intervention from technology staff, such as unlocking student accounts (which can be necessary after multiple failed login attempts) and helping students with password issues.

Infrastructure - Security, Life Safety and Building Operations

We are currently cooperating with Buildings & Grounds on implementing additions and upgrades to security-related systems and providing a more unified and interconnected design for those systems. This will likely be covered in more depth at a later date. The district’s current systems include:

- Keycard door entry
- Visitor background check and badge (Lobbyguard)
- Internal and external surveillance cameras
- Bell/clock systems
- Entrance camera and intercoms
- Building intercoms
- Phone system (potential for integration with security)

As noted, integration and future upgrades to these systems are being explored. In addition, systems for emergency alerts, panic buttons, and other mass communications tools are also being examined. Ultimately, our goal is to have systems in place that are simple to use, consistent between buildings, and which function just as reliably in day to day use as in an emergency situation.

Multimedia/Audio-Visual Hardware

A typical classroom has some form of digital projection (interactive whiteboard with digital projector, digital projector alone, or large screen television) and audio support. The K-5 buildings are more likely to have a Smart brand interactive whiteboard, Junior High buildings are mixed, and the high school tends to have digital projectors or large screen TVs.

The chart below gives a sense of the scale of these deployments. One of our challenges over the next few years will be to maintain and upgrade these systems. A goal for this year is to review options moving forward and develop a multi-year plan to do just that. Typically, a ground-up refresh of classroom multi-media can easily cost between \$5000-\$7000.

	Interactive Whiteboard - Smartboard (with Digital Projector)	Interactive Whiteboard - Starboard (with Digital Projector)	Interactive TV	TV	Digital Projector (Stand-alone)	Apple TV
Central Family Center	4	2				2
Eagle Creek	39	6		2	3	50
Jackson	43	2		1	2	47
Red Oak	41	7		2	2	55
Sun Path	44	2		4		46
Sweeney	41	1		1	1	42
Pearson 6th Grade Center	32	4			1	43
East Junior High	24	6	2	1	22	68
West Junior High	20	7		2	30	67
High School	3	5		38	73	94
Tokata Learning Center	6			1	1	8
District Office	6			12	7	16
	303	42	2	64	142	538

Project Highlight – Classroom Multimedia

We will be working with staff and with the Teaching & Learning department to identify a long-term plan for the future of interactive whiteboards in the district. The availability of student devices through 1:1 or classroom carts along with advances in software for group interactivity could result in decreased dependence on interactive whiteboard hardware solutions. Another factor is the cost to maintain and replace such systems over time; we have already begun to see multiple failures requiring full replacement of SmartBoard hardware in schools that were early adopters of the technology. Developing a more targeted and curriculum aware plan for replacement will be to everyone's benefit and should help us be in a better position to maintain those systems over time.

Infrastructure - Phones

Our current phone system is produced by ShoreTel and was installed in June of 2006. It has been well maintained and updated as needed, and we should be able to get several more years of use out of it. It is an IP-based system, meaning it runs off of network cabling and integrates into systems such as e-mail, as well as being configured to properly route 911 calls. It can also be set up for elaborate call-routing as needed, such as how the tech department uses it to route help desk calls to our buildings and back out to the district office line if a building tech is not available.

The system can support up to 2,320 lines; we are presently licensed for 1,150 lines. In other words, even at this point we are using it at half capacity. So far we have had no issue with expanding it to support additional extensions at the high school or anywhere else we may need them.



Project Highlight – Upgrade or Replace Phones

Given the age of the phone system, we will soon be exploring future options. Transitioning to a new system successfully, in an organization this size, is a project that requires a minimum lead time of 6 months, preferably longer. (It's not just swapping out phones; there is a lot of behind the scenes work that has to happen as well.) Other factors to consider are the recent acquisition of ShoreTel by Mitel, and how that impacts the product line. We expect to start investigating options in spring of 2018, giving us plenty of lead time to determine impact on infrastructure and budget.

Printing & Copiers

Our current printer inventory consists of almost 200 printers. Last year we upgraded the oldest portions of our fleet (replacing printers from 10-15 years old). We also have a number of color LaserJet and multi-function (MFP; usually scanning, copying, and faxing) models.

Inkjet Color	Laser BW	Laser BW MFP	Laser Color	Laser Color MFP	Grand Total
2	149	26	15	11	203

The fleet is stable as far as functionality is concerned, but strategic upgrades and replacements continue to be needed. We also have 9 copiers, located primarily at the district office, high school and the copy center at CFC.

Presently we have service contracts with two vendors that support our printer and copier fleet:

- BusinessWare (printers)
- AIS (Konica copiers and print center)

One investment that has already paid for itself was the addition of Papercut printer monitoring software. It allowed us to add print release stations for common area printers used by students. A print release station helps manage the flow of print jobs to a shared printer, deletes any jobs that are never released (avoiding the problem of stacks of unclaimed papers sitting on the printer at the end of each day), and reduces wait time for students during high usage periods.

Project Highlight – Printer Updates

The next set of upgrades for printers will involve our aging and highly used fleet of MFP (multi-function) printers. Our 10 most used MFP devices have a combined 10 million pages printed between them. Technology will be working with the Finance Department to identify cost-effective options for updating the most heavily used portions of the MFP segment of our fleet.

Software – District Level

The district spends a significant amount each year at the district level on software and web-based applications. Some of the purposes/functions of these include: Managing student data, student learning tools, network management and security, and office/school communications and efficiency. Provided below is a list of the more significant pieces of software.

Software	Purpose	Annual Cost
Adobe Suite	Collection of photo editing, video editing and creation, website design, publishing and PDF software.	\$19,000
Aesop & Veritime	Employee leave time and time-clock.	\$5,000
Apple iTunes (Various)	Paid app purchases – annual cost will fluctuate based on need.	\$20,000
Applitrack	Employment applications.	\$5,000
Canvas (Instructure)	Learning management system.	\$70,000
Casper (JAMF)	iPad, Macbook & AppleTV management tool.	\$70,000
Follett/Destiny	Library collection management & database.	\$24,000
Infinite Campus – Finance	Payroll, HR, Finance database.	\$70,000
Infinite Campus – Student	Student Info, Gradebooks, Transcripts, Food Service, Communications.	\$95,000
Keepcertified (TIES)	Employee professional development database.	\$8,900
Microsoft (EnPointe)	MS licensing – all operating system (Windows), server, Office, Office365, and Exchange e-mail.	\$42,000
Network Performance Monitor (Solarwinds)	Monitors network traffic for trouble spots and allows better diagnosis and correction of performance issues.	\$7,000
NWEA-MAP	Assessment tool.	\$70,000
Laserfiche	Document archiving.	\$14,000
SchoolWires (Blackboard)	District & School websites.	\$17,000
Seesaw	E-5 classroom communications and student work portfolio.	\$18,000
Tableau	Data warehouse and analysis tool integrated into Infinite Campus (launching December 2017).	\$40,000
TIES	Training, EdSpring data warehouse, etc.	\$78,000
WebHelpDesk	Technology help desk and inventory.	\$4,000

There are numerous other software applications in use throughout the district, but this chart represents some of the most widely used and also provides a sense of the annual budgetary impact. Whenever possible, we look for more cost-effective options.

Software Highlight - Canvas

Canvas LMS

Canvas is the district's learning management system (LMS). The primary function of Canvas is to allow teachers to create an on-line environment for delivering instruction, distributing and collecting assignments, and providing formative and summative assessment. It is also being used for some professional development, particularly training of new staff but expanding into other on-going training as well.

1st semester data from Fall of 2015 to Fall of 2017

CANVAS DATA	2015-2016	2017-2018
1. Courses	158	775
2. Teachers	72	257
3. Students	1,599	5,626
4. Assignments	2,414	21,571
5. Discussion Topics	253	914
6. Files Uploaded	14,779	64,158
7. Media Recordings	596	2,980

The chart above provides a snapshot of the amount of activity in Canvas; usage has grown in step with the deployment of 1:1 devices. While Canvas is best suited to situations where each student has a device, it is also an effective tool for all staff to organize and deliver class content.

Department Initiatives & Updates

Communications

One persistent goal for the department has been to improve the manner in which we handle all aspects of communications. This encompasses internal memos within the department and district, more strategic use of the district website and other means for parent and community news, and more timely and understandable information. This will be a continuous effort, but good progress has been made as evidenced by the following examples:

- District website additions: A Technology section under the Parents/Students menu on the district website includes information about device roll-outs and procedures, software commonly used by parents, and Internet safety. (Found here: <http://www.shakopee.k12.mn.us/domain/1962>)
- More frequent tech updates to staff: Timely information about technology issues or anything that may be impacting staff are sent out as needed.
- Tech newsletter: Every month or so a tech newsletter goes out to all staff with a more detailed overview of current or planned technology initiatives. We also occasionally use the newsletter format for troubleshooting updates. Here are some recent newsletters (links available here: <https://www.shakopee.k12.mn.us/Page/8416>):
 - [October 2017](#) – KnowBe4, iOS 11, Sierra update.
 - [September 2017](#) - RapidIdentity, HS tech updates.
 - [Tech Troubleshooting: Passwords and Hold for Authentication](#)
 - [August 2017 \[2\]](#) - RapidIdentity, wireless changes, room booking system.
 - [August 2017 \[1\]](#) - Rollout news and updates.
 - [May 2017](#) - Mostly summer items, but also wireless AP troubleshooting and an explanation of the wireless changes that were planned.
 - [March 2017](#) - Features: Apple TV notes and troubleshooting, blinking smartboard fix, explanation of assistive tech ticket types in help desk.
- Department communications: To address concerns within the department about how well everyone was being kept informed, we now provide a weekly overview of current and resolved issues, projects, and other useful information.
- DLC Communications: As mentioned in previous section.
- Help Desk: In spring of 2016 we switched to a different help desk software solution that is more user friendly, intuitive, and allows for a better overall support interaction with staff. (Overview of new software: <http://www.webhelpdesk.com/help-desk-software>). We have since opened up access to that system to students and parents.

Looking ahead, we will continue to build on our efforts to improve communications and to identify any areas of weakness or frustration so that those can be addressed and the role of the technology department as an effective service provider can be built up and reinforced.

Project Highlight – WebHelpDesk

A weakness we identified in the tech department was our previously used system for staff to submit help tickets. That system, called RemedyForce, was analyzed to determine if it could be improved or should be replaced; ultimately we decided to replace it. After several months of reviewing alternatives, we chose the solution that best met our needs in terms of usability and cost. It also allowed us to open up help desk access to students and parents. In addition to providing a more effective help ticket tool, WebHelpDesk is also used to maintain a district technology inventory.

Service Center Model

The Instructional Technology department continuously works to function as a service center for the district. Some examples of concrete steps we have taken over the past few years to do so include:

- Improved routing of help desk calls to make it more likely that calls will be answered.
- Continual refinement of WebHelpDesk to make it easier to submit a help ticket.
- Addition of options for students and parents to submit help requests.
- Improved process for internal documentation.
- Better defined steps for tech staff onboarding and on-going training.
- More consistent presence of building technology staff as part of the Learning Commons (formerly media center).

Many of these efforts are on-going; we recognize that meeting the needs of a district with such a vast and varied deployment of technology resources requires a persistent commitment to improvement.

Tech Levy Promises

One piece of documentation provided to voters prior to the Capital Projects (Technology) Levy in May 2015 was a timeline covering various goals for the use of the increased funding. In reviewing those goals, it should be noted that many have been met or are on track toward completion (we are in year 2 of the chart now). In fact, out of all of the goals listed the only one that we have had to push back to later in the timeline is the replacement of classroom multimedia systems (Smartboards and projectors).

Shakopee Public Schools Proposed Initial Plan for Technology Levy Funding *If voters approve Question 2 on May 5, 2015*

Technology has become a critical part of all learning environments, but it has to compete with other important needs for funding. If voters approve the technology levy request, it would provide a stable and dedicated source of annual funding to give students access to the technology they need to learn, teachers the technology they need to teach and staff the training they need to use technology effectively.

GOAL	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Network/ Infrastructure	Replace network switches on 6-year replacement cycle					
	Increase and update data storage and capacity			Monitor use; increase as demand dictates		
	Replace 6 year old Smartboards/Projectors with Interactive Projectors increasing teaching space				Projectors: 6-year replacement cycle	
	Wireless access; target dead zones in academic areas		Replace access points on a cycle to ensure capacity and speed			
	Update aging systems (e-mail, telephone, information system for HR/Finance)					
Devices for students & staff	Replace/Add Computers and devices in Elem. Schools (approx. 1510)	Replace/Add Computers and devices in Elem. Schools (approx. 645)	Replace/Add Computers and devices in Elem. Schools (approx. 2090)	Replace/Add Computers and devices in Elem. Schools (approx. 1275)	Replace/Add Computers and devices in Elem. Schools (approx. 1375)	Replace/Add computers and devices in Elem. Schools on cycle
	Replace/Add computers and devices in Sec. Schools (approx. 2500)	Replace/Add computers and devices in Sec. Schools (approx. 2215)	Replace/Add computers and devices in Sec. Schools (approx. 365)	Replace/Add computers and devices in Sec. Schools (approx. 910)	Replace/Add computers and devices in Sec. Schools (approx. 2620)	Replace/Add computers and devices in Sec. Schools on cycle
Technology Support	Add additional tech support staff to provide technology training and support		Continue to provide instructional and technical support across all buildings and programs			
Training	Provide teacher training that directly supports academic design and curriculum needs. Training will be on demand, just-in-time, and personalized for teachers to support them in high quality uses of technology.					

Summary

As lengthy as this report is, there are plenty of other items that could have been included. This version is intended to be a foundational document, with the hope of providing annual revisions and updates, along with occasional addendums to highlight some of the items not included this time around.