

## **Business Committee - Regular School Board Meeting**

Tuesday, January 22, 2019 6:30 PM

Historic Old Central High School - Board Room, 2nd Floor, 215 N 1st Ave E,  
Duluth, MN 55802

### **1. Financial Report**

#### **A. Financial Report**

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

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

#### **C. Budget Revisions**

#### **D. Wire Transfers**

#### **E. Investment Transactions**

#### **F. APU Projections**

#### **G. Fundraisers**

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

#### **A. Bid - None**

#### **B. RFPs - None**

#### **C. Quotes - None**

### **3. Policies and Regulations**

#### **A. New Policy 714 - Fund Balances**

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

#### **B. Delete Policy 3017 - General Fund Reserve Balance**

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

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

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

#### **D. Annual Review of Policy 250 - School Board Compensation**

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

### **4. Contracts, Change Orders, and Leases**

#### **A. Contracts**

##### **1) The Costin Group**

Attached is an agreement with The Costin Group to perform government relations, public relations, and related services directed and approved by the Duluth Public Schools.

#### **B. Change Orders**

##### **1) PLACEHOLDER - Other Change Orders**

#### **C. Leases**

##### **1) The Welch Center, Inc., dba Valley Youth Center**

Attached is a five year lease with the Valley

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

5. **Resolutions**

- A. B-1-19-3623 - Acceptance of Donations
- B. B-1-19-3624 - Authorized Bank Account Signer
- C. B-1-19-3625 - 2019 Legislative Platform
- D. **PLACEHOLDER - Sale of Property**

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

A. Expenditure Contracts

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

B. Extension or Renewal Contracts - None

C. No Cost Contracts

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

D. Revenue Contracts

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

E. Change Orders Signed - None

F. Facilities Management & Capital Project Status Report

G. Property Sale Updates

H. Compensatory Revenue Expenditures Update

7. **Future Items**

- A. Policy Updates
- B. Audit Engagement Letter (February 2019)

Independent School  
District No. 709  
Duluth, Minnesota

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

Prepared by the Finance Department



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

DULUTH  
INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

215 North First Avenue East  
Duluth, MN 55802

Prepared by the  
Finance Department

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

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

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## **INTRODUCTORY SECTION**

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

ORGANIZATION  
JUNE 30, 2018

School Board Directors

Term Expires

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

Ex Officio Members

Superintendent  
William Gronseth, Appointed February, 2012  
Deputy Clerk  
Douglas Hasler, November, 2016-June, 2018

## **FINANCIAL SECTION**

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

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

**FINANCIAL HIGHLIGHTS**

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position (Deficit)

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

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

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

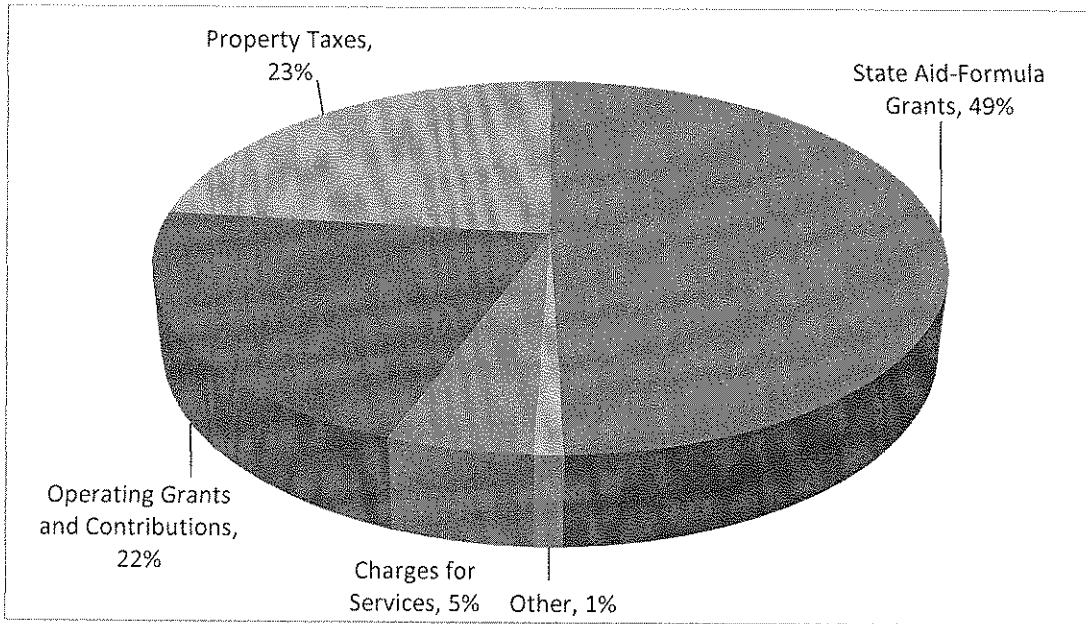
Deferred outflows of resources includes approximately \$99.5 million for pension related items and \$1.3 million for OPEB related items.

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

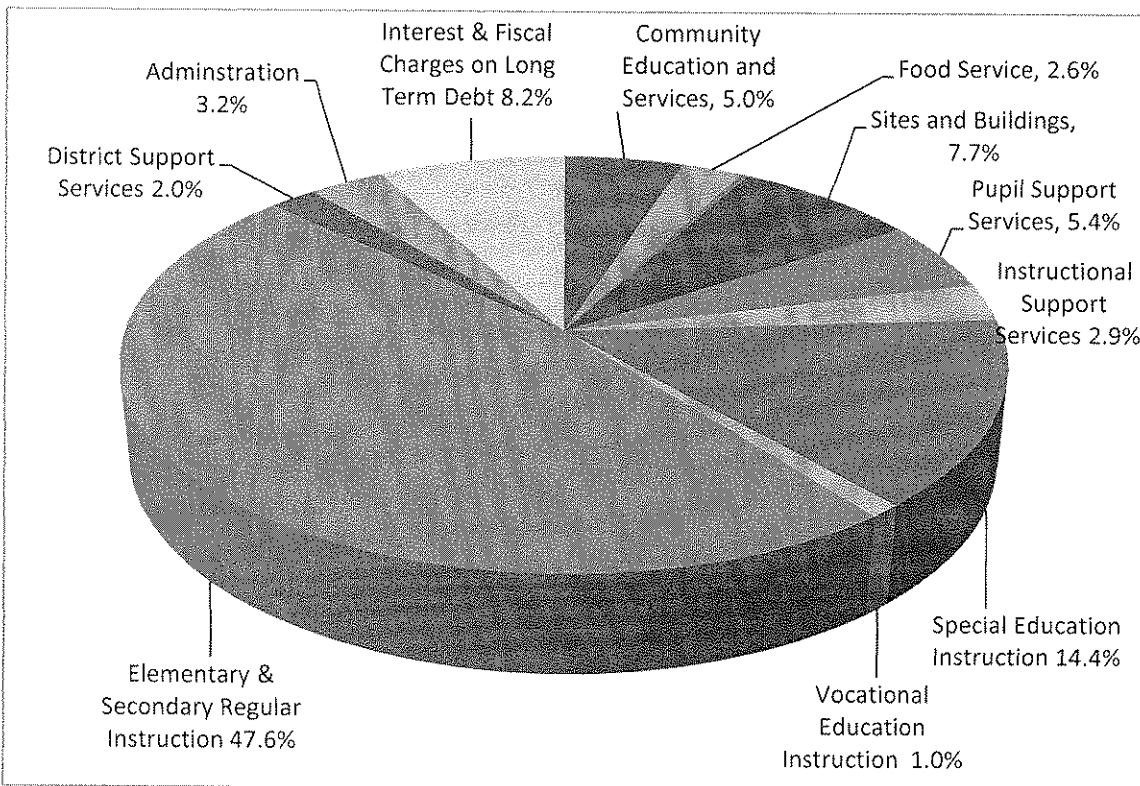
Deferred Inflows of Resources of \$33.5 million includes \$30.5 million of property taxes levied for subsequent years' expenditures and \$3 million for pension and OPEB related items.

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

Source of Revenues for Fiscal Year 2018



Expenses for Fiscal Year 2018



### Changes in Net Position (Deficit)

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

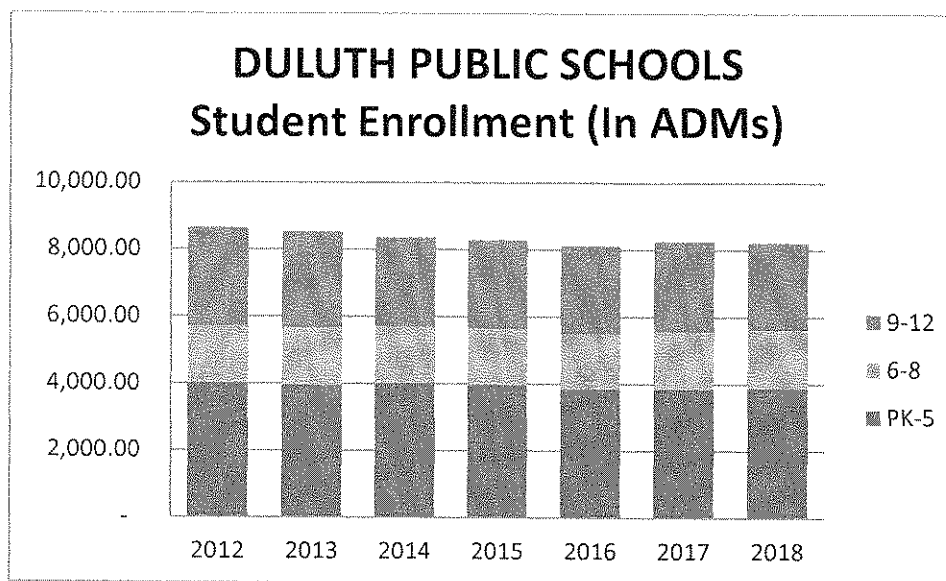
At the end of the 2017-18 fiscal year, the District's governmental funds reported a combined fund balance of \$89 million, a decrease of \$51.9 million from the prior year combined fund balance of \$140.9 million. This resulted from the use of escrow funds to pay off the General Obligation Bond Series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

### General Fund

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

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

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



### General Fund Budgetary Highlights

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

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

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

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

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

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

### **Food Service Fund**

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

### **Community Services Fund**

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

### **Capital Projects Fund**

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

### **Debt Service Fund**

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

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

### Long-Term Liabilities

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

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

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

## **ECONOMIC AND BUDGETARY FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

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

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

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

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

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

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

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

## **DISTRICT FINANCIAL CONTACT**

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

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

Financial and other district information is also available on the District website at  
[www.isd709.org](http://www.isd709.org)

## **BASIC FINANCIAL STATEMENTS**

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 1

Statement of Net Position (Deficit)  
June 30, 2018

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Statement of Activities  
For the Year Ended June 30, 2018

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

Exhibit 2

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Balance Sheet  
GOVERNMENTAL FUNDS  
June 30, 2018

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

Exhibit 3

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

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

**Balance Sheet  
GOVERNMENTAL FUNDS  
June 30, 2018**

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

**Exhibit 3  
(Continued)**

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

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

**Balance Sheet  
GOVERNMENTAL FUNDS  
June 30, 2018**

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

Exhibit 3  
(Continued)

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 4

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

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

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

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

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

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

Exhibit 5

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 6

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

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

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

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

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

The issuance of capital leases is reported in the governmental funds as a source of financing. Capital leases are not revenues in the Statement of Activities, but constitute a long-term liability. (22,138)

The amount of Bond proceeds are reported in the governmental funds as a source of financing. Bond proceeds are not revenues in the statement of activities, but rather constitute long-term liabilities. (4,255,000)

Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (deficit). 63,308,689

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues regardless of when it is due. 487,017

Net amortization of premiums and discounts. 1,785,615

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

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

Payment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 20,852

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

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

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditure and therefore are deferred in the funds. (98,164)

The change in net position of the internal service fund is reported with governmental activities. (85,104)

Change in net position (deficit) - governmental activities \$ (22,271,309)

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 7

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

**Assets**

Current Assets

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

Total Assets	<u>\$ 427,727</u>
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**Liabilities**

Current Liabilities

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

Total Liabilities	<u>\$ 348,970</u>
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**Net Position**

Unrestricted	<u>\$ 78,757</u>
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Total Net Position	<u>\$ 78,757</u>
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Total Liabilities and Net Position	<u>\$ 427,727</u>
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INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 8

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 9

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

**Cash Flows from Operating Activities**

Receipts from Interfund Services Provided	\$	527,595
Receipts from retirees		329,719
Payments for administrative costs		(57,555)
Payments for claims		<u>(752,375)</u>
Net Cash Provided by Operating Activities	\$	47,384
Cash and Cash Equivalents - Beginning		<u>378,955</u>
Cash and Cash Equivalents - Ending	\$	<u><u>426,339</u></u>

**Reconciliation of Operating Loss to Net Cash  
Provided by Operating Activities**

Operating loss	\$	<u>(85,104)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities		
(Increase) in Account Receivable	\$	(29)
Increase in Claims Payable		128,205
Increase in Unearned Revenue		<u>4,312</u>
Total Adjustments	\$	<u>132,488</u>
Net Cash Provided by Operating Activities	\$	<u><u>47,384</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 10

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Exhibit 11

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

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

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

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

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

**Basis of Presentation**

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

**Financial Reporting Entity**

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

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

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

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

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

**Basic Financial Statement Presentation**

The district-wide financial statements (i.e., the Statement of Net position (deficit) and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net position at the fund financial statement level.

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

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

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

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

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Internal Service Fund are employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Basis of Presentation**

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

***Major Governmental Funds***

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

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

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

***Non-major Governmental Funds***

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

***Proprietary Funds***

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

***Fiduciary Funds***

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

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

**Budget Policies and Basis**

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

***Budget and Budgetary Accounting***

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

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

**Cash and Temporary Investments**

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

**Receivables**

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

**Inventory**

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

**Prepayments**

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

**Property Taxes**

Property tax levies are established by the School Board in December of each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

**Restricted Assets**

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

**Capital Assets**

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

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

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

**Deferred Outflows/Inflows of Resources**

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

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

**Compensated Absences**

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

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

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

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

**Pensions**

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

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

**Long-Term Liabilities**

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

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

**Fund Balances**

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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

**Net Position (Deficit)**

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

**Implementation of New Standards**

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

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Deposits**

Minn. Stat. § 118A.04 authorizes the District to deposit its cash and to invest in financial institutions designated by the District's Board. Minnesota Statutes require that all District deposits be covered by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes: treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit.

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

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

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**Custodial Credit Risk – Deposits**

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

**Investments**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

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

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

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

**Credit Risk**

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

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

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

**Custodial Credit Risk**

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

**Concentration of Credit Risk**

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

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

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

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

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

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

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

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

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

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

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

**NOTE 3 – TAXES AND CREDITS RECEIVABLE**

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 4 - INVENTORY**

Inventory at June 30, 2018, consisted of:

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

**NOTE 5 - LEASE OBLIGATIONS**

Operating Leases

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

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

Year Ending June 30

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

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

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

**NOTE 6 – CAPITAL ASSETS**

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

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

Depreciation expense was charged to governmental functions as follows:

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

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

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

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

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

**NOTE 7 – LONG-TERM LIABILITIES**

**Certificates of Participation**

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

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

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

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

The annual requirements to amortize the principal and interest are:

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

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

**Bonds Payable**

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

**INDEPENDENT SCHOOL DISTRICT NO. 709  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

The annual requirements to amortize the principal and interest are:

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

**Capital Leases**

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

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

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

Lease amortization is included in depreciation expense.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 709  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

Legal Debt Margin

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

**NOTE 8 - COMPENSATED ABSENCES**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 9 - SEVERANCE OBLIGATIONS**

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

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

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

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

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

**NOTE 10 – INTERFUND TRANSACTIONS**

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

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

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

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

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

**NOTE 11 – FUND BALANCE**

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

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

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

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

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

**NOTE 11 – FUND BALANCE (CONTINUED)**

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

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

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN**

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

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

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

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

**Plan Description**

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

**Employees covered by benefit terms**

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

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

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

**Actuarial Assumptions and Other Inputs**

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

Inflation rate	2.75%	
Discount rate	3.56%	
Healthcare trend rates	Fiscal Year	Medical
	Beginning	
	2017	6.80%
	2018	6.90%
	2019	6.30%
	2020	5.80%
	2021-2054	5.20%
		Transition
		ultimate
	2055-2073	rate
	2074	4.40%

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

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

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

**Changes in the Total OPEB Liability**

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

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

For the year ended June 30, 2018 the District recognized OPEB expense of \$1,480,054. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$	\$ 466,205
Contribution subsequent to measurement date	1,327,660	
Total	\$ 1,327,660	\$ 466,205

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

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

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

**NOTE 13 – DEFINED BENEFIT PENSION PLANS**

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Teachers' Retirement Association of Minnesota**

***Plan Description***

Certified employees of the District are covered by defined benefit plans administered by the Teachers' Retirement Association (TRA). TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members.

State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

***Benefits Provided***

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Tier II Benefits

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

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

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

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

***Contribution Rate***

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

**Basic**

Employee	11.00%
Employer	11.50%

**Coordinated**

Employee	7.50%
Employer	7.50%

**INDEPENDENT SCHOOL DISTRICT NO. 709  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

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

***Actuarial Assumptions***

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

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

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

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Mortality Assumption:

Pre-retirement:

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

Post-retirement:

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

Post-disability:

RP-2014 disabled retiree mortality table, without adjustment.

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

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

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

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

***Changes in actuarial assumptions since the 2016 valuation:***

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

***Discount Rate***

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

***Net Pension Liability***

At June 30, 2018, the District reported a liability of \$177,141,137 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.8874% at the end of the measurement period and 0.8681% for the beginning of the year.

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

District's proportional share of net pension liability	\$ 177,141,137
State's proportional share of net pension liability associated with the District	\$ 17,123,980

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

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***Pension Liability Sensitivity***

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.12%, as well as the liability measured using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	\$ 233,792,168	\$ 177,141,137	\$ 129,377,427

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

***Pension Plan Fiduciary Net Position***

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

**Public Employees Retirement Association (PERA)**

***Plan Description***

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***Benefits Provided***

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

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

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

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

***Contributions***

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

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

***Pension Costs***

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

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.2588%, which was an increase of 0.0041% from its proportion measured as of June 30, 2016.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 504,585
Net difference between projected and actual earnings on plan investments		793,618
Changes in assumptions	1,043,197	
Contributions paid to PERA subsequent to the measurement period	1,185,712	
Changes in proportion		1,908
Total	\$ 2,228,909	\$ 1,300,111

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

***Actuarial Assumptions***

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retiree, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years.

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

The following changes in actuarial assumptions occurred in 2017:

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

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

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

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

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

***Discount Rate***

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Pension Liability Sensitivity***

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

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

***Pension Plan Fiduciary Net Position***

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

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

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

**NOTE 14 - DENTAL SELF-INSURANCE PLAN**

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

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

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

Changes in the balance of dental claim liabilities for fiscal year 2018 were as follows:

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

**NOTE 15 - RISK MANAGEMENT**

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

**NOTE 16 - COMMITMENTS**

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 17 - CONTINGENT LIABILITIES**

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

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

**NOTE 18 - SUBSEQUENT EVENT**

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

**REQUIRED SUPPLEMENTARY  
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Statement A- 1

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

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

Statement A- 2

**Schedule of Changes in Total OPEB Liability and Related Ratios**

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

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

Statement A-3

Schedule of Employer Share of Net Pension Liability

Teacher's Retirement Association (TRA)

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

Duluth Teacher's Retirement Fund Association (DTRFA)

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

Public Employees Retirement Association (PERA)

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

Schedule of Employer Contributions

Teacher's Retirement Association (TRA)

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

Duluth Teacher's Retirement Fund Association (DTRFA)

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

Public Employees Retirement Association (PERA)

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

**SUPPLEMENTARY  
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Statement B-1

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Statement C-1

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Statement D-1

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Statement D-2

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

Year Ended June 30, 2018

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Schedule E - 1

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709  
DULUTH, MINNESOTA

Schedule F-1

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

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

INDEPENDENT SCHOOL DISTRICT 709  
DULUTH, MINNESOTA

Schedule G-1

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

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

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

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

Independent School District No. 709  
Audit Presentation  
Year Ended June 30, 2018  
Wipfli LLP



# Auditor Responsibility

- Issue an opinion on the basic financial statements
- Report on compliance and internal controls over financial reporting
- Report on compliance and internal controls over federal programs – Uniform Guidance
- Report on compliance with Minnesota statutes tested

# Auditor Results

- Unmodified opinion on the basic financial statements
- No internal controls finding over financial reporting
- No compliance or internal controls finding over federal programs
- No noncompliance with Minnesota statutes tested

# General Fund

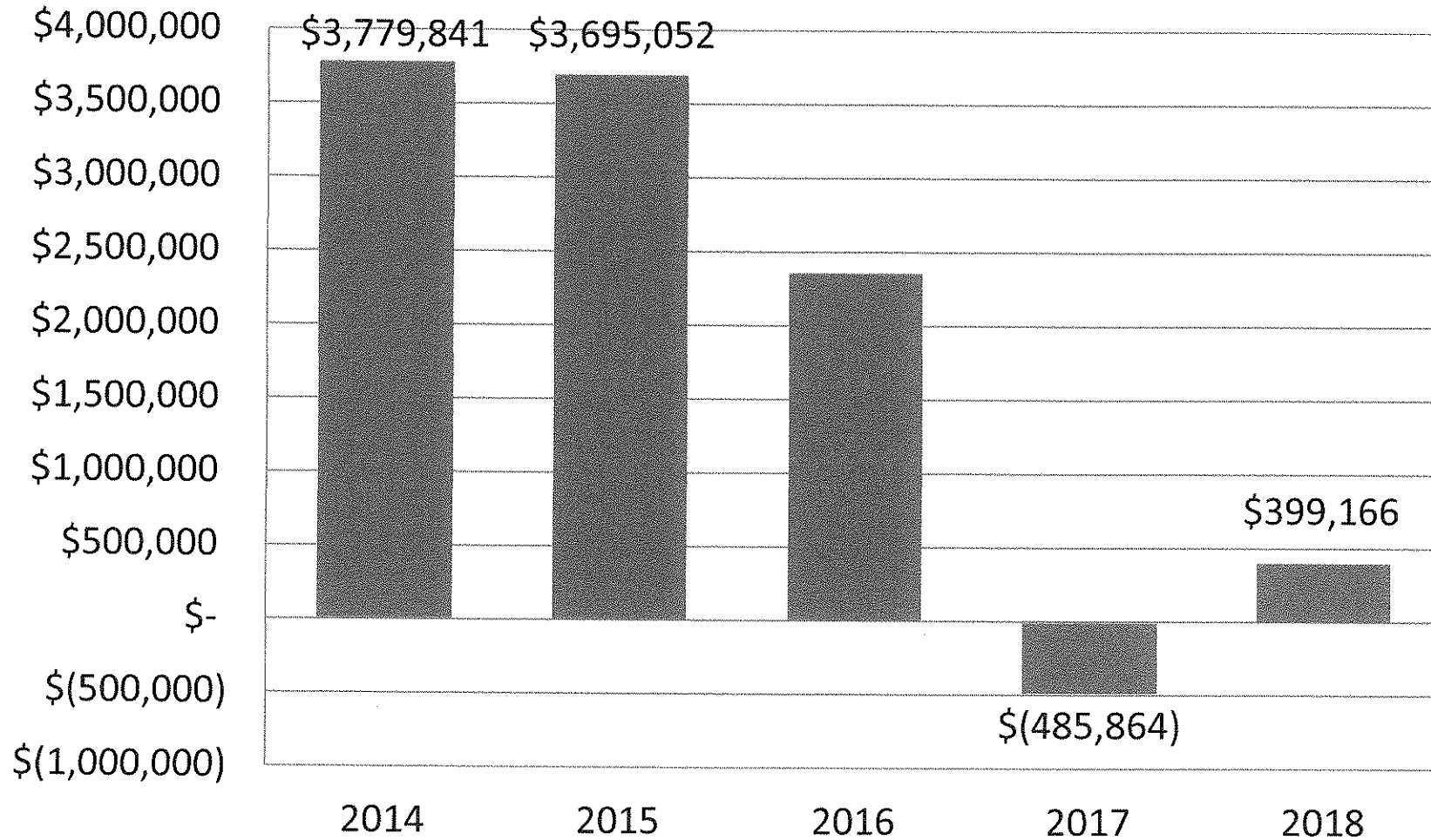
## Results of Operation

Results of Operation	Budget	Final	Over (Under) Budget
Revenues	\$ 105,101,758	\$ 104,927,847	\$ (173,911)
Expenditures	105,101,321	104,288,428	812,893
Deficiency of revenues over expenditures	437	639,419	638,982
Other financing sources		658,112	(658,112)
Net change in fund balance	\$ 437	1,297,531	\$ (19,130)
Fund balance, June 30, 2017		111,418	
Fund balance, June 30, 2018		\$ 1,408,949	

# General Fund – Fund Balances

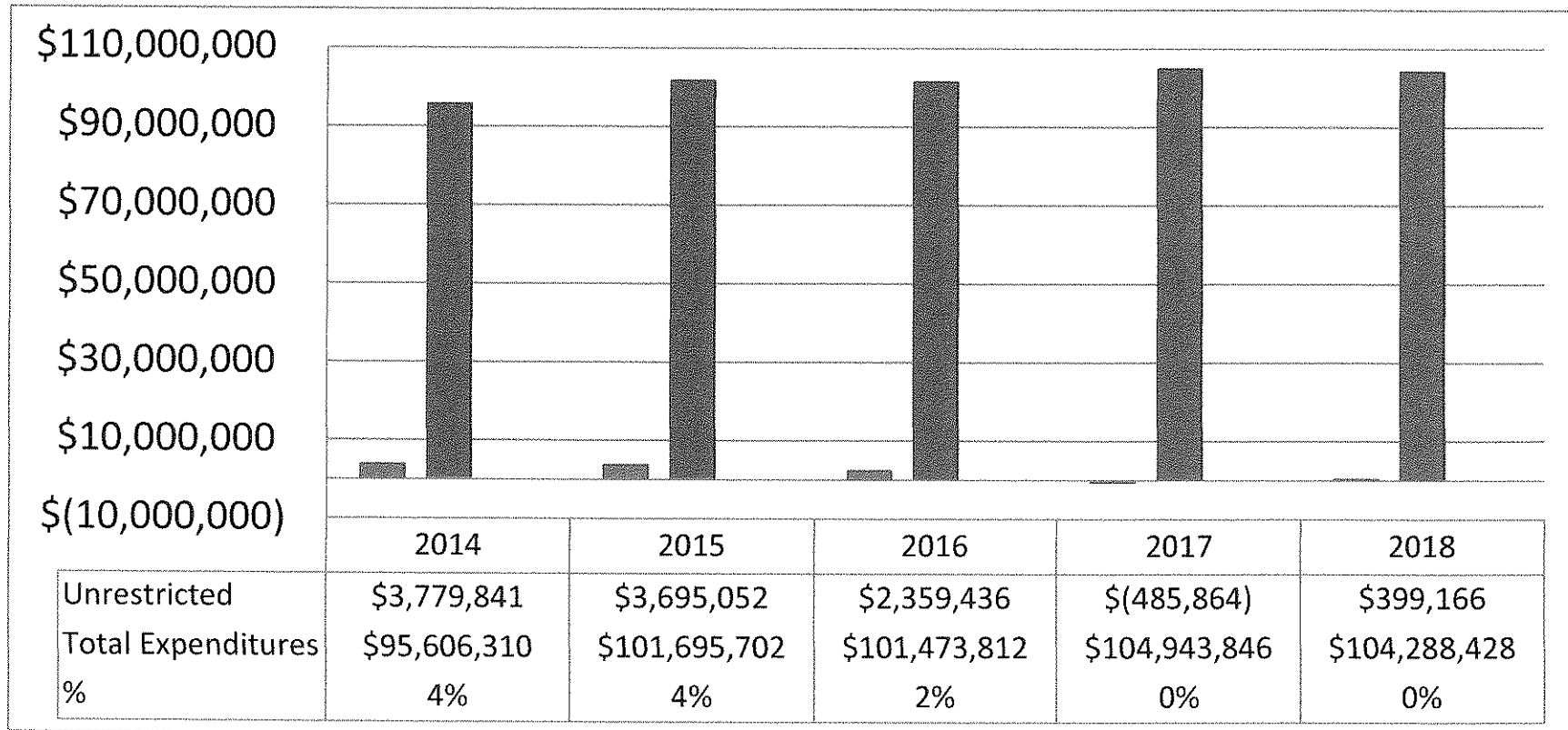
	<u>June 30, 2017</u>	<u>Change</u>	<u>June 30, 2018</u>
Nonspendable			
Inventory	\$ 65,202	\$ (7,550)	\$ 57,652
Prepayments	63,207	115,688	178,895
Restricted for:			
Staff development		12,479	12,479
Teacher development & evaluation	100,800	(25,164)	75,636
ALC	188,791	153,268	342,059
LTFM	179,282	163,780	343,062
Unassigned	<u>(485,864)</u>	<u>885,030</u>	<u>399,166</u>
 Total	 <u>\$ 111,418</u>	 <u>\$ 1,297,531</u>	 <u>\$ 1,408,949</u>

# General Fund - Unassigned Balance



# General Fund

## Unrestricted Fund Balance as a % of Expenditures



# Food Service Fund

## Results of Operation and Fund Balances

<b>Results of Operation</b>	Budget	Final	Over (Under) Budget
Revenues	\$ 3,786,400	\$ 4,268,962	\$ 482,562
Expenditures	4,178,604	4,197,291	(18,687)
Net change in fund balance	\$ (392,204)	71,671	\$ 463,875
Fund balance, June 30, 2017		902,048	
Fund balance, June 30, 2018		\$ 973,719	
 <b>Fund Balance</b>			
Nonspendable			
Inventory		\$ 101,777	
Prepayments		1,815	
Restricted		870,127	
Total		\$ 973,719	

# Community Service Fund

## Results of Operation and Fund Balances

<b>Results of Operation</b>	Budget	Final	Over (Under) Budget
Revenues	\$ 7,696,493	\$ 7,892,232	\$ 195,739
Expenditures	7,958,378	7,952,742	5,636
Net change in fund balance	\$ (261,885)	(60,510)	\$ 201,375
Fund balance, June 30, 2017		1,287,862	
Fund balance, June 30, 2018		\$ 1,227,352	
 <b>Fund Balance</b>			
Nonspendable			
Prepayments		\$ 13,473	
Restricted			
Community education		873,996	
Early childhood family education		100,048	
School readiness		124,391	
Adult basic education		85,439	
Community service		30,005	
Total		\$ 1,227,352	

# Capital Projects Fund

## Results of Operation and Fund Balance

<b>Results of Operation</b>	Budget	Final	Over (Under) Budget
Revenues	\$	\$ 20,271	\$ 20,271
Expenditures	3,600,000	3,030,698	569,302
Excess (deficiency) of revenues over expenditures	\$ (3,600,000)	(3,010,427)	\$ 589,573
Other financing sources (uses)			
Issuance of bonds	\$ 3,600,000	3,640,000	\$ 40,000
Transfer out		(4,000)	(4,000)
Premium on bonds		16,955	16,955
Other financing sources (uses)	3,600,000	3,652,955	52,955
Net change in fund balance	\$	642,528	\$ 642,528

# Debt Service Fund

## Results of Operation and Fund Balance

<b>Results of Operation</b>	Budget	Final	Over (Under) Budget
Revenues	\$ 22,686,699	\$ 20,922,753	\$ (1,763,946)
Expenditures	20,173,708	21,068,466	(894,758)
Excess (deficiency) of revenues over expenditures	2,512,991	(145,713)	(2,658,704)
Other financing sources (uses)			
Transfer in		143,467	143,467
Principal refunding payments from escrow	(48,305,000)	(48,305,000)	-
Interest refunding payments from escrow	(5,575,263)	(5,575,263)	-
Other financing sources (uses)	(53,880,263)	(53,736,796)	143,467
Net change in fund balance	\$ (51,367,272)	(53,882,509)	\$ (2,515,237)
Fund balance, June 30, 2017		138,597,855	
Fund balance, June 30, 2018		\$ 84,715,346	
 <b>Fund Balances</b>			
Restricted			
Bond refunding		80,069,866	
Debt service		4,645,480	
Total		\$ 84,715,346	



# Outstanding Debt

<u>G.O. Bonds</u>	<u>Balance</u> <u>06/30/17</u>	<u>New</u> <u>Debt</u>	<u>Refunded</u>	<u>Principal</u> <u>Paid</u>	<u>Balance</u> <u>06/30/18</u>
\$59,235,000 G.O. Alternative Facilities Bonds, Series 2008A	\$ 46,680,000		\$ 43,245,000	\$ 3,435,000	\$
\$44,320,000 G.O. Refunding Bonds, Series 2015B	43,765,000			35,000	43,730,000
\$3,640,000 G.O. Taxable Facilities Maintenance Bonds, Series 2017A		3,640,000		755,000	2,885,000
\$615,000 G.O. Taxable Capital Facilities Bonds, Series 2017B		615,000		130,000	485,000
<b>Total G.O. Bonds</b>	<b>90,445,000</b>	<b>4,255,000</b>	<b>43,245,000</b>	<b>4,355,000</b>	<b>47,100,000</b>
<b><u>Certificates of Participation</u></b>					
\$111,440,000 Full Term Certificates of Participation, Series 2008B	82,225,000			5,060,000	77,165,000
\$71,170,000 Full Term Certificates of Participation, Series 2009A	53,010,000			3,610,000	49,400,000
\$5,000,000 Full Term Refunding Certificates of Participation, Series 2010C	3,490,000			275,000	3,215,000
\$12,800,424.50 Full Term Capital Appreciation C.O.P., Series 2012A	12,800,425				12,800,425
\$82,605,000 Certificates of Participation, Series 2016A	78,135,000			4,860,000	73,275,000
\$35,400,000 US Bank Lease Purchase funded by COP, Series 2009B	27,075,000			1,555,000	25,520,000
\$1,650,000 Full Term Refunding Certificates of Participation, Series 2010D	1,125,000			70,000	1,055,000
\$6,340,000 Certificates of Participation, Series 2012B	5,275,000			275,000	5,000,000
<b>Total Certificates of Participation</b>	<b>263,135,425</b>			<b>15,705,000</b>	<b>247,430,425</b>
<b>Total Debt Outstanding</b>	<b>\$ 353,580,425</b>	<b>\$ 4,255,000</b>	<b>\$ 43,245,000</b>	<b>\$ 20,060,000</b>	<b>\$ 294,530,425</b>

Thank you for your time

**WIPFLI**<sup>LLP</sup>

CPAs and Consultants

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**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants

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

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

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

Percent of year

41.67%

**General Fund Unrestricted  
Nov-18**

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

Percent of year **41.67%**

**General Fund Restricted  
Nov-18**

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

Percent of year **41.67%**

**Food Service Fund  
Nov-18**

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

Percent of year **41.67%**

**Community Service Fund  
Nov-18**

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

Percent of year

41.67%

**Capital Projects Fund  
Nov-18**

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

Percent of year

41.67%

**Debt Service Fund  
Nov-18**

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

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

Percent of year **41.67%**

**Dental Internal Service Fund  
Nov-18**

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





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

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

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

**CHECK DATE**  
11/30/2018

**VENDOR ID**  
V79704

**DESCRIPTION**  
U S BANK - PY DIRECT DEPOSIT

**MSDLFA**  
1,833,571.09  
10,671,678.56

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

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

**Add Purchases:**

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

**Total Purchases \$ 5,000,000.00**

**Deduct Maturities/Calls/Sales:**

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

**Total Maturities \$ 8,247,000.00**

**Other items:**

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

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

**Total Other \$ 120.92**

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

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

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

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

\* Projected

\*\* Included in Grade level projections

PU: Pupil Unit

APU: Average Pupil Unit

PUW: Pupil Unit Weight

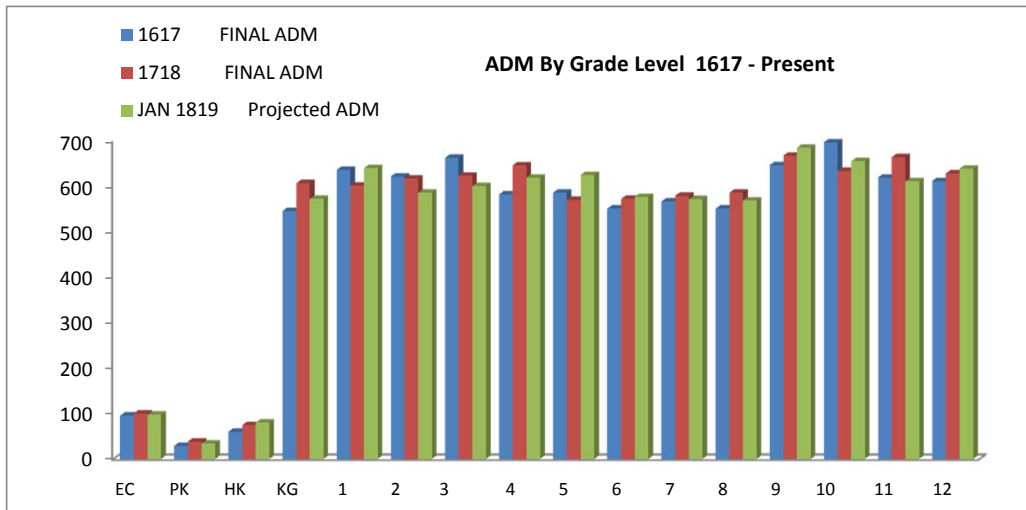
EOY: End of Year

MFR:MN Funding Reports

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

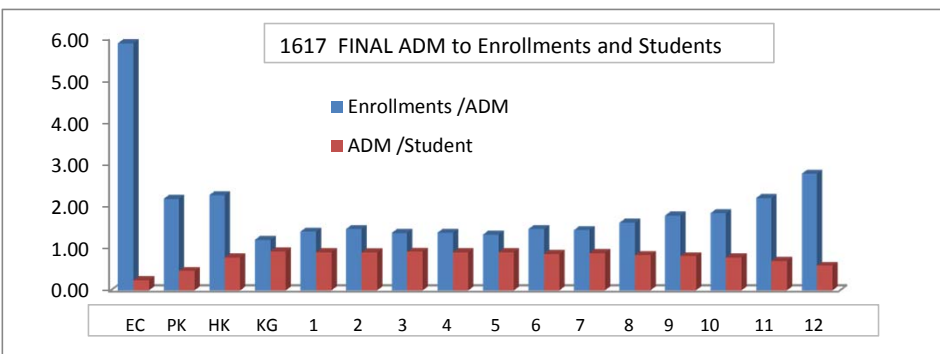
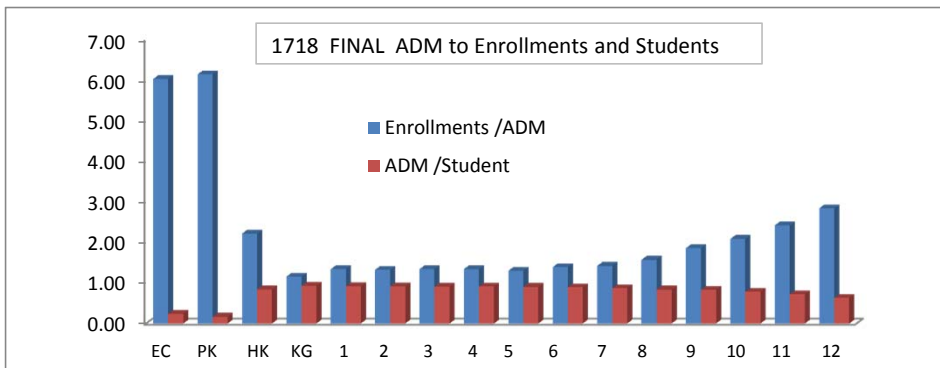
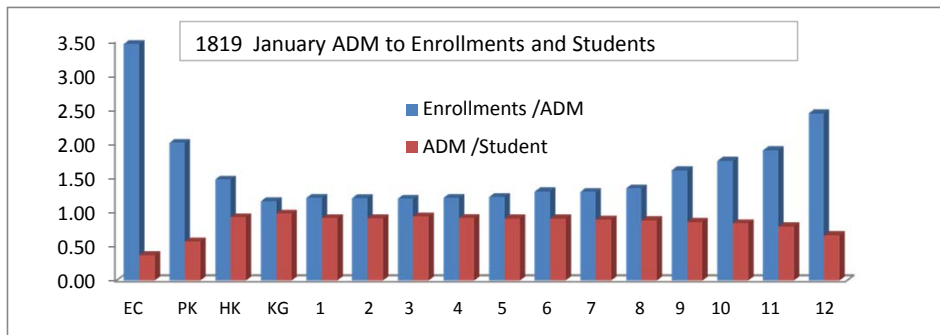
Grade	Total Number of Enrollments	Unique Student Count	Current Enrollments	Projected ADM	Budgeted ADM	Enrollments /ADM	ADM /Student
EC	337	262	224	97.21	97.00	3.47	0.37
PK	69	60	56	34.20	48.10	2.02	0.57
HK	118	86	80	79.77	67.00	1.48	0.93
KG	665	585	581.5	573.01	568.00	1.16	0.98
1	776	701	648	640.74	660.00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

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



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

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





## **714 FUND BALANCES**

### **I. PURPOSE**

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

### **II. GENERAL STATEMENT OF POLICY**

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

### **III. DEFINITIONS**

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

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

G. "Unassigned" fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of non-spendable, restricted, and committed fund balances exceed the total net resources of that fund.

H. "Unrestricted" fund balance is the amount of fund balance left after determining both non-spendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

#### **IV. CLASSIFICATION OF FUND BALANCES**

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

#### **V. MINIMUM FUND BALANCE**

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

#### **VI. ORDER OF RESOURCE USE**

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

#### **VII. COMMITTING FUND BALANCE**

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

#### **VIII. ASSIGNING FUND BALANCE**

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

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

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

**IX. REVIEW**

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

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

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

New Policy

Replacing: 3017

First Reading: 12-18-2018

Adopted:

### ~~3017 — GENERAL FUND RESERVE BALANCE~~

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

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

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

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

## **307 CONFLICTS OF INTEREST AND FIDUCIARY DUTY**

### **I. PURPOSE**

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

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

### **II. GENERAL STATEMENT OF POLICY**

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

#### **B. Responsibilities of Public Office**

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

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

#### **C. Dedicated Service and Fiduciary Duty**

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

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

#### D. Fair and Equal Treatment

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

#### E. Conflicts of Interest

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

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

#### F. Use of Position for Influence

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

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

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

## 2. Politics

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

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

### **III. APPLICABILITY**

#### A. This policy applies to all Duluth Public Schools

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

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

#### **IV. REPORTING SUSPECTED VIOLATIONS**

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

**V. INVESTIGATION AND RESOLUTION OF SUSPECTED VIOLATIONS**

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

**VI. REFRAINING FROM ABUSE**

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

**VII. RESPONSIBILITY**

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

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

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

## **250 - SCHOOL BOARD MEMBER COMPENSATION BYLAW**

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

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

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

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

Adopted: 02-10-1981 ISD 709  
Revised: 07-10-1984  
03-08-1988  
03-10-1992  
01-09-1995  
06-20-1995  
03-18-1997  
02-28-2006  
06-20-2006  
02-28-2007  
02-26-2008  
01-22-2013  
01-21-2014  
01-20-2015 ISD 709

Renumbered/Revised: 03-21-2017 (renumbered from 8030)  
Revised: 03-30-2017  
Updated: 02-27-2018  
Annual review:

## School Board Member Compensation Comparison

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

Reporting districts similar in size to Duluth per Adjusted ADM:

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

Other districts from another document:

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

Compiled, CAE 1.10.19 per request

# CONSULTANT AGREEMENT

THIS AGREEMENT, by and between COSTIN GROUP, INC. hereinafter referred to as “Consultant,” and the Duluth Public Schools, a political subdivision of the State of Minnesota, hereinafter referred to as “DPS.”

## RECITALS

WHEREAS, Consultant will provide government relations, public relations, and other related services assistance to the DPS; and

WHEREAS, DPS has asked for advice from the Consultant;

NOW, THEREFORE, DPS and Consultant, for good and valuable mutual consideration and with the intent of being legally bound, agree as follows:

1. **Scope of Services:** Consultant shall perform government relations, public relations, and related services directed and approved by the DPS Superintendent.

2. **Compensation to Consultant:** In consideration of the services to be performed by Consultant pursuant to this Agreement, DPS agrees to make payment to Consultant at the rate of \$ 3,000 per month retainer, no expenses. Consultant shall bill DPS not less frequently than quarterly for retainer incurred pursuant to this Agreement. Payment shall be made upon approval of DPS at its next regular monthly meeting following receipt of Consultant’s billing.

3. **Conditions of Payment:** All services provided by Consultant pursuant to this Agreement shall be performed by Gary Cerkenik or Jeff Anderson personally, unless DPS has given advance approval for services to be performed by another representative of Consultant. All services provided shall be performed to the satisfaction of DPS, and in accordance with all applicable federal, state and local laws, ordinances, rules and regulations.

All items of work to be performed by the Consultant shall be done in accordance with the requirements and recommendations of, and subject to the approval of, DPS. Consultant shall be responsible for the professional quality, technical accuracy and the coordination of all services furnished by Consultant under this Agreement. Consultant shall, without additional compensation, correct or revise any errors or deficiencies in Consultant’s final work product or services.

DPS shall not be obligated to pay for, nor shall consultant claim for, any services not specifically authorized pursuant to the terms of this Agreement, except upon advance written approval of DPS. Such approval shall be considered to be a modification of this

Agreement. Consultant shall notify DPS in writing before it begins any work which will be the basis for a claim for extra compensation. If such notification is not given or is not approved by DPS in writing before Consultant commences the work, then Consultant hereby waives and releases forever any claim or costs for such extra compensation. However, such notice shall not in any way be construed as proving the validity of any claim by Consultant except where approved in advance by DPS.

4. **Ownership of Work Product:** All data gathered, prepared or recorded by Consultant pursuant to the terms of this Agreement shall be the property of DPS. Upon request of any duly authorized agent of DPS, Consultant shall make every reasonable effort to explain or clarify the meaning of the data contained in the materials delivered to DPS.

5. **Term:** The term of this Agreement shall be from January \_\_, 2019, through January 1, 2020, unless earlier terminated in accordance with the provisions of this Agreement.

6. **Cancellation of Agreement:** Either party may cancel this Agreement at any time by giving written notice to the other party at least 3 months prior to the effective date of the termination. Consultant shall receive just and equitable compensation for all work satisfactorily performed pursuant to this Agreement. Notice to DPS shall be mailed or delivered to 215 North First Avenue East, Duluth, MN 55802. Notice to Consultant shall be mailed or delivered to Gary Cerkenik, Costin Group, Inc., 7226 Sand Lake Road, Britt, MN 55710.

7. **Independent Contractor:** It is agreed that nothing contained in this Agreement is intended or should be construed as creating the relationship of co-partner, joint venturer or an association with the Consultant and DPS. Consultant is an independent contractor and neither it, its employees, agents, subcontractors or representatives shall be considered employees, agents or representatives of DPS. Except as otherwise provided herein, Consultant shall maintain, in all respects, its present control over the means and personnel by which this Agreement is performed. From any amounts due consultant, there shall be no deductions for federal income tax or FICA payments nor for any state income tax, nor for any other purposes which are associated with an employer/employee relationship unless otherwise required by law. Payment of federal income tax, FICA payments, state income tax, unemployment compensation taxes, and other payroll deductions and taxes are the sole responsibility of Consultant.

8. **Assignment or Transfer:** No portion of the work or services required under this Agreement shall be transferred, assigned, or otherwise disposed of except with the prior written consent of DPS.

9. **Indemnity:** Consultant agrees, to the fullest extent permitted by law, to indemnify and hold DPS harmless from any damage, liability or cost (including reasonable attorneys' fees and costs of defense) to the extent caused by or arising from any professional errors and omissions and/or negligent acts and omissions of Consultant in performance of this Agreement and those of Consultant's sub-consultants or anyone for whom Consultant is legally liable. Consultant's indemnification obligation includes, but is not limited to, infringement of patent or copyright laws.

10. **Non-Discrimination:** Consultant shall not discriminate against employees or applicants for employment or in the rendering of work or services under this Agreement on the basis of race, creed, color, national origin, religion, sex, marital status, disability, sexual orientation, or status with respect to public assistance.

11. **Data Practices Act Compliance:** Consultant agrees to comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by DPS in accordance with this Agreement, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by Consultant in accordance with this Agreement. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to herein by either Consultant or DPS. In the event that Consultant receives a request to release the data referred to above, Consultant shall immediately notify DPS. DPS will provide instructions to Consultant concerning the release of the data to the requesting party before the data is released.

12. **Access to Records/Audit:** DPS, its authorized representative(s), or the State Auditor shall have full access to all records relating to the performance of this Agreement. Consultant agrees to maintain records relating to all services provided by it under the terms of this Agreement and shall retain all such records for one (1) year following the termination of this Agreement. Such records shall be made available for audit or inspection upon request of DPS or its authorized representative.

13. **Separability:** In the event any provision of this Agreement shall be held invalid and unenforceable, the remaining provisions shall be valid and binding upon the parties unless such invalidity or non-enforceability would cause the Agreement to fail of its purpose. One or more waivers by either party of any provision, term, condition or covenant shall not be construed by the other party as a waiver of a subsequent breach of the Agreement.

14. **Entire Agreement:** It is understood and agreed that the entire agreement of the parties is contained herein and that this Agreement supersedes all oral agreements and negotiations between the parties relating to the subject matter hereof as well as any previous contracts presently in effect between DPS and Consultant relating to the subject matter hereof.

15. **Modification of Agreement:** Any alterations, variations, modifications, or waivers of provisions of this Agreement shall only be valid when they have been reduced to writing, signed by authorized representatives of DPS and Consultant, and attached to the original of this Agreement.

IN WITNESS WHEREOF, DPS and Consultant have executed this Agreement as of this \_\_\_\_ day of \_\_\_\_\_, 2019.

DULUTH PUBLIC SCHOOLS

COSTIN GROUP, INC.

By: \_\_\_\_\_  
Its \_\_\_\_\_

By: \_\_\_\_\_  
Its \_\_\_\_\_

## LEASE AND COOPERATIVE OPERATING AGREEMENT

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

### RECITALS

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

### AGREEMENT

#### ARTICLE 1. DEFINITIONS

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

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

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

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

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

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

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

1.7 PREMISES shall mean the Leased Space and Shared Space.

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

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

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

ARTICLE 2.  
GRANT OF OCCUPANCY TO LEASED SPACE

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

ARTICLE 3.  
TERM

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

ARTICLE 4.  
RENT

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

ARTICLE 5.  
USE

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

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

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

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

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

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

## ARTICLE 6. MANAGEMENT

### 6.1 Scheduling.

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

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

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

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

ARTICLE 7.  
SUPERVISION AND EQUIPMENT

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

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

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

ARTICLE 8.  
ORDINANCES BUILDING RESTRICTIONS AND REGULATIONS

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

ARTICLE 9.  
ALTERATIONS

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

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

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

## ARTICLE 10. REPAIRS AND MAINTENANCE

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

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

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

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

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

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

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

## ARTICLE 11. INSURANCE

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

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

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

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

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

## ARTICLE 12. INDEMNITY

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

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

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

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

### ARTICLE 13. LESSOR 'S USE AND ACCESS TO PREMISES

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

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

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

#### ARTICLE 14. ASSIGNMENT

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

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

#### ARTICLE 15. NO AGENCY

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

ARTICLE 16.  
DEFAULT

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

ARTICLE 17.  
EMINENT DOMAIN

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

ARTICLE 18.  
SURRENDER

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

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

ARTICLE 19.  
ATTORNEYS' FEES

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

ARTICLE 20  
TERMINATION OF AGREEMENT

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

ARTICLE 21  
NOTICES

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

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

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

ARTICLE 22.  
CONDITION OF PROPERTY AT TERMINATION

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

ARTICLE 23.  
QUIET ENJOYMENT

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

ARTICLE 24.  
ENTIRE AGREEMENT

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

ARTICLE 25.  
HOLDOVER

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

ARTICLE 26.  
DESTRUCTION

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

ARTICLE 27.  
HEADINGS

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

ARTICLE 28.  
SITUS

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

ARTICLE 29.  
BINDING EFFECT

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

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

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

\_\_\_\_\_  
President

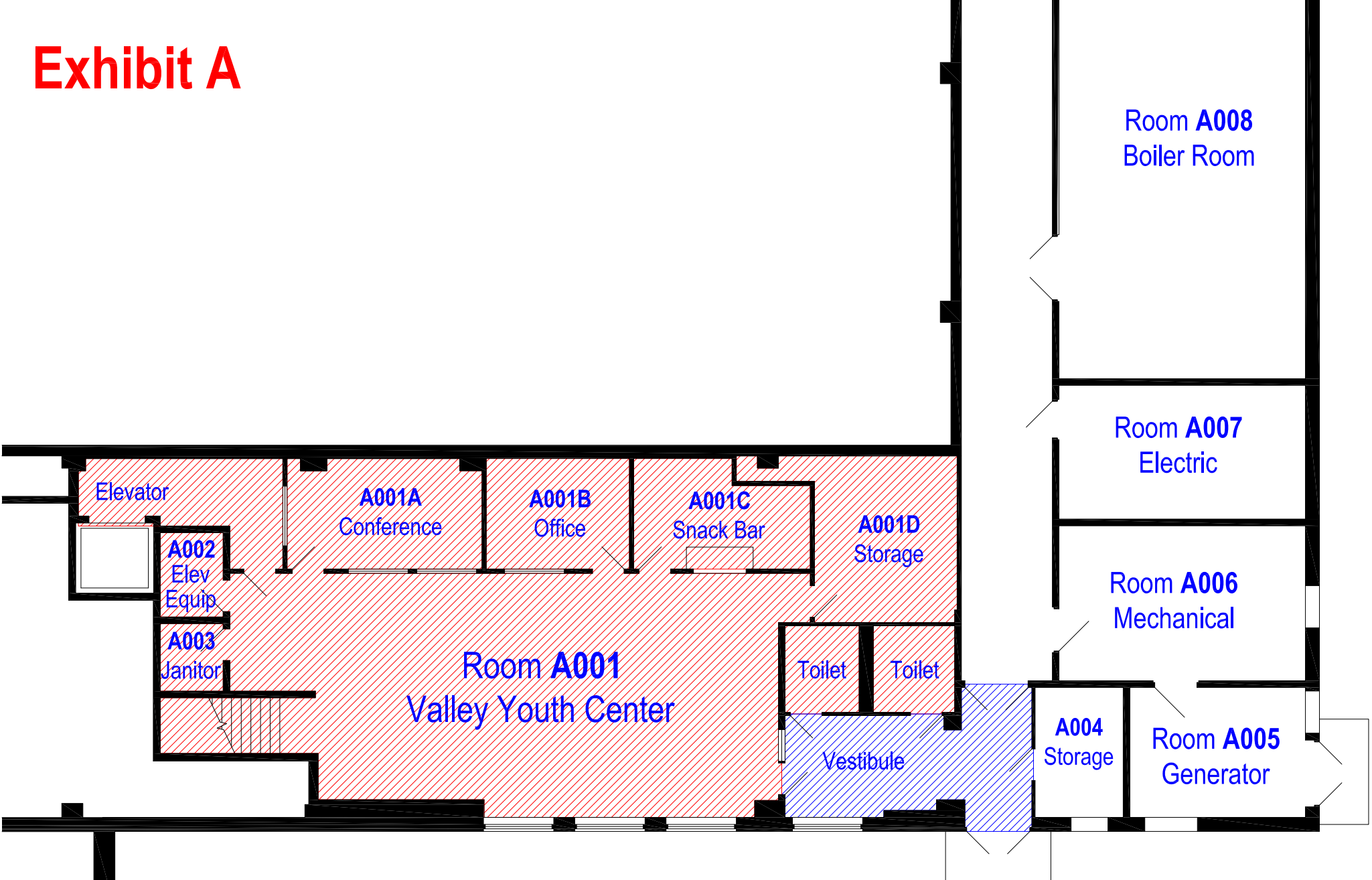
\_\_\_\_\_  
Executive Director

INDEPENDENT SCHOOL DISTRICT NUMBER 709

\_\_\_\_\_  
Board Chair

\_\_\_\_\_  
Board Clerk

# Exhibit A



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

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

## RESOLUTION

### Acceptance of Donations to Duluth Public Schools

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

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

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

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

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

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

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

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

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

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



**RESOLUTION**  
2019 Legislative Platform

RESOLVED, by the School Board of Independent School District No. 709, St. Louis County, Minnesota, that the attached 2019 Duluth School District Legislative Platform be adopted.

## Duluth Public Schools ISD 709 Profile

ISD 709 serves approximately 9,660 students in early childhood programs through grade 12. The district provides services to adults of all ages through the Area Learning Center and Community Education.

- 2 high schools
- 1 online high school
- 2 middle schools
- 9 elementary schools
- Birth to Age 5 programs
- Community Education for all ages
- 1 transportation office/bus garage
- 1 Area Learning Center with Adult Basic Education and offices for district administration and support staff
- Providing educational services and support to 8 alternative schools and community support programs

Total Students Grades K-12.....	8,458
High School Students Grades 9-12.....	2,896
Middle School Students Grades 6-8.....	1,790
Elementary Students Grades K-5.....	3,772
Birth to Age 5 Programs.....	1,202*
Receiving Free/Reduced Price Lunch.....	3,621
Students of Color.....	2,000
Receiving Special Education Services.....	1,396

3 schools with full-service community model

6,830 students provided with school breakfast and lunch per day

7,209 students provided with transportation services (includes non-public)

Maintain 2,477,826 square feet of building space and 346 acres of school grounds

\*All numbers from MDE as of 10/1/17 except Birth to Age 5 Programs; these are FY18.

# Legislative Platform 2019

**Graphics here**

Thank you for supporting these important issues during the 2019 legislative session. In the Duluth Public Schools we strive to reach every student every day. We all play a role in helping the young people of our community to be successful. Your efforts help to improve our schools, our community, and our future.

**School Board info here**

**Logo and contact info  
Facebook info here**

### **Special Education - funding that works for all**

In its fourth year of implementation, the State's special education funding formulas continue to be a challenge for many districts, including Duluth Public Schools. An artificially low base year revenue, caused by charter school tuition impacts, continues to limit the amount of reimbursable revenue available as more and more required services and programs are needed. To address this funding gap:

- Remove the growth limit ceiling to allow all eligible costs to be considered for reimbursement
- Eliminate the district enrollment factor as a component of the special education revenue calculation
- Provide tuition billing cross subsidy funding for districts impacted by charter school rate increases
- Allow participation by resident districts in Charter School IEP services
- Recalculate the "base" revenue with a "greater of" component

### **Increase Basic Formula Allowance**

The basic allowance is a universal district support that impacts every student, every day. Without adequate funding of the formula allowance, districts are forced to make reductions or delay implementations in order to avoid budget deficits. While recent increases have started to bridge the funding gap created by prior stagnant funding years, a committed increase in this biennium will help district fiscal stability and slow down the reduction of student programs and services.

- Increase base funding by 3% each year of the biennium
- Add an annual cost of living increase

### **Former Duluth Central High School**

In 2015, the legislature provided an opportunity for tax abatement for the development of the former Duluth Central High School site. While this was an attractive incentive, other challenges with the site prevented development. There is a renewed partnership with the City of Duluth and Saint Louis County to partner in supporting the development of this site.

- Provide incentive for the development of the former Central High School site with tax abatement on services and materials for up to \$5M

### **School Based Early Education Programs - for all learners**

Investments in early education throughout the state are making a difference for Pre-K learners. Now is the time to commit to this foundational funding by creating a categorical revenue stream based on student enrollments and regional impacts. Flexible revenue uses and opportunities for funding collaboration would be important components to best meet the needs of all early learners.

- Fully fund the expansion of school-based early education programs allowing school district flexibility in implementation and design to best meet the needs of the local community

### **Mental Health Professionals**

While over half of the schools in Minnesota are benefiting from School Linked Mental Health Services Grant funding, districts like Duluth Public Schools continue to see a gap in funding, with only partial elementary level services covered by the current grant. Expanding this grant, and providing complementary funding directly to districts, will allow greater support to students in need of critical care coordination and provide district staff and families mental health educational opportunities.

- Increase State grants to fully fund mental health professionals on an ongoing basis

### **Increase Support for Full-Service Community Schools Model**

Full Service Community Schools work to coordinate holistic systems of support to ensure the needs of all students are met. Recognizing the importance of this cooperative investment, Duluth Public Schools was one of the initial districts to develop a service model meant to grow and expand to meet K-12 needs. Additional and adequate funding is needed to help Duluth and other Full Service Community School districts address the vital supports for students and families through this collaborative model.

- Provide funding for planning and implementing Full Service Community Schools

**Expenditure Contracts Signed  
December 2018**

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

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



# Customer Agreement

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

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

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

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

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

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

**Services/Products (additional detail in Appendix A):**

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

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

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

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

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

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

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

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

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

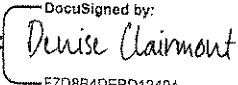
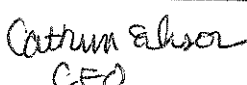
### Purchase Order Information

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

PO Number:

PO Amount: \$

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

Authorized Signature:   <small>DocuSigned by: F70864DEBD12494...</small>	Date of Signature: 12/5/2018
---	------------------------------

### Comment:

Newsela PRO Pilot License includes:

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

Power Words License:

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

All Access PD Pass:

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

Social Emotional Learning Collection:

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

Newsela

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

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

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

## Appendix A

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

1

Rockridge Elementary

Social Emotional Learning - High School Collection - Pilot



**DECC**  
**DULUTH ENTERTAINMENT CONVENTION CENTER**  
**RENTAL AGREEMENT**

*THE ENTIRE DECC COMPLEX IS A NON-SMOKING FACILITY*

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

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

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

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

Contact Name: **Jerry Upton**

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

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

**December 14-15, 2018 (Friday-Saturday)**

Symphony Hall (Friday Set-up/Saturday Concert)

Paulucci Hall (Saturday Staging)

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

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

**Plus the following:**

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

**Catering and/or Exhibit Arrangements by Separate Agreement**

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

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

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

***Dated this 3rd day of December, 2018***

DULUTH ENTERTAINMENT CONVENTION CENTER

By: \_\_\_\_\_  
Executive Director  
Duluth Entertainment Convention Center  
(DECC)

*Catherine Erickson*

\_\_\_\_\_  
Permittee Signature

*Catherine Erickson, CFO*

\_\_\_\_\_  
Permittee Title

*12/4/18*

\_\_\_\_\_  
Date



## UNIVERSITY OF MINNESOTA FACILITY USE AGREEMENT

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

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

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

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

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

May 30<sup>th</sup>, 2019 from 5:00 pm - 9:00 pm

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If to Licensee: Duluth East High School  
Attn: Jerry Upton  
301 N 40<sup>th</sup> Ave. E.  
Duluth, MN 55804  
Facsimile No.: 218-310-4309  
E-mail: [jerome.upton@isd709.org](mailto:jerome.upton@isd709.org)

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

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

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

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

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

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

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

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

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

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

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

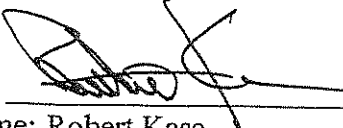
21. **Entire Agreement.** This Agreement (including all exhibits, if any) is intended by the parties as the final and binding expression of their agreement and as the complete and exclusive statement of its terms. This Agreement supersedes all prior negotiations, representations and agreements between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

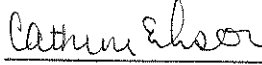
22. **Exhibits.** The terms and conditions of any and all exhibits attached to this Agreement are made a part of this Agreement as if fully set forth in this Agreement. To the extent that any of the terms and conditions of paragraphs 1 – 22 of this Agreement conflict with any of the terms and conditions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

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

Regents of the University of Minnesota

Duluth East High School

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

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



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

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

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

1.1 Licensee represents and certifies to University that:

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

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

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

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

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

The University and the Licensee further agree as follows:

**1. Licensee.**

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

**2. Term.**

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

**3. Fee.**

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

**Facility charge.**

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

**Technical charge.**

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



## AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 709

CONTRACTOR

*n/a*

Chair

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

*n/a*

Clerk

Title

*Mary Ann Marchel*  
Title Signature

Program Director

*[Signature]*

Taxpayer Identification Number

Director of Business Service

*Arthur Olson*



# WOLF RIDGE<sup>SM</sup>

ENVIRONMENTAL LEARNING CENTER

## Program Contract

### School Groups

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

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

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

*Cathy Elson 12/14/18*  


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 Cathy Elson, CFO

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

Today's Date: December 11, 2018



## Boosterthon Fun Run Contract

### SERVICES AGREEMENT

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

### RECITALS

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

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

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

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

CS  
M/D

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

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

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

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

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

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

9. *State Compliance and Registration.*

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

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

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

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

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

11. Termination.

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

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

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

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

13. Right to an Accounting.

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

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

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

14. *Intellectual Property.*

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

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

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

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

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

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

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

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

16. **Choice of Law/Venue.** This Agreement will be construed and enforced according to the laws of the State of Georgia, United States of America, without giving effect to any conflicts of law rule or principle that might require the application of the laws of another jurisdiction. The Client agrees that any action or proceedings arising out of this Agreement shall be brought and maintained in Georgia, and hereby consents to the jurisdiction of courts located in Georgia.
17. **Relationship of Parties.** Booster is an independent contractor and nothing herein shall be construed to make either Party the partner, employee, joint venture or agent of the other Party. Except as set forth in this Agreement, neither Party shall have the right or power to obligate or bind the other in any manner whatsoever. Except as expressly set forth otherwise herein, the Client shall not exercise direct supervision or control over Booster's day-to-day activities or over Booster's employees, agents or subcontractors. Each of Booster and the Client shall be solely responsible for its actions and the actions of its employees and agents. For the avoidance of doubt, neither Booster nor its employees, agents or subcontractors, including, without limitation, any temporary labor, shall be deemed the Client's employees, agents or subcontractors, and no such party or individual shall hold itself out as such. In no event shall the Client be responsible for providing any employee benefits to any such party or individual. Without limiting the generality of the foregoing, (a) the Client shall not withhold from any of the consideration hereunder, except when required by law, any amount for federal income taxes, social security, Medicare or any other legal deductions; and (b) the Client shall not make premium payments or contributions for any workers' compensation or unemployment compensation benefits for any employee or agent of Booster or its agents, payment of which shall be Booster's responsibility.
18. **Unavoidable Delay.** The Parties shall not be liable for failure to perform its complete obligations described in this Agreement, if such failure results from any act of God, inclement or severe weather, flood, earthquake, terrorist attack, riot, war, civil unrest or other cause outside of a Party's control that prevents such Party from fulfilling its obligation as outlined in this agreement (a "Force Majeure Event"). If a Boosterthon Fun Run is not staged due to a Force Majeure Event, Booster shall be permitted to keep the Base Cost for the Boosterthon Fun Run, and no

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

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

(signatures on the following page)

Exhibit A

Boosterthon Fun Run Schedule

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

DS  
MD



Exhibit B

Boosterthon LIVE Pricing Scale - Based on total gross collected amount

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

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

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

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

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



# INVOICE

Date



Bill To

**School** Homecroft Elementary  
**Address** 4784 Howard Gnesen Rd  
Duluth MN 55803

BASE COST DUE      **\$ 2000**

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

“Booster”

BOOSTER ENTERPRISES, INC.

DocuSigned by:  
By: Matt Deedrick  
-02AB85DD848E43F...  
Name: Matt Deedrick  
Title: General Manager  
Date: 11/29/2018

“Client”

Name of Client: Homecroft Elementary

a  
PTO

By: Tom Cawcutt  
Name: Tom Cawcutt  
Title: Principal  
Date: 12/6/18

By: Catherine Erickson  
Name: Catherine Erickson  
Title: CFO  
Date: 12/10/18



# WOLF RIDGE™

ENVIRONMENTAL LEARNING CENTER

## Program Contract

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

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

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

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

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

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

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

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

Contract due 30 days after receipt

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

Cathy Erickson 12/14/18  
Cathy Erickson, CFO



LEASE AGREEMENT

1720A Crete Street, Moberly, MO 65270
Phone: 800-662-3759, Fax: 800-426-2626

LESSEE LEGAL NAME: Independent School District 709
Telephone No: 2183368700

Billing Address: 215 N 1st Ave E, Duluth, MN 55802-2069
Equipment Location (if other than Billing Address): 301 North 40th Ave East, East High School, DULUTH, MN 55804

EQUIPMENT DESCRIPTION table with columns: Unit Quantity, Description of Equipment Leased, Make and Type, Model Number, Serial Number. Includes note: \* PLEASE REFER TO SCHEDULE A

BASE TERM IN MONTHS: 60
TOTAL NUMBER OF LEASE PAYMENTS: 60 @ \$344.58 (plus taxes)
END OF LEASE PURCHASE OPTION: [ ] Fair market value, plus taxes; [ ] 10% of Equipment cost, plus taxes; [X] \$1.00, plus taxes
(a) Advance Payment: \$0.00
(b) Security Deposit: \$0.00
(c) Documentation Fee: \$95.00
Total due a + b + c =: \$95.00

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

TERMS AND CONDITIONS

In this agreement ("Lease"), "we," "our," and "us" refers to LEAF Capital Funding, LLC as Lessor and "you" and "your" refer to the Lessee. You agree to lease the Equipment upon the following terms and conditions:
1. LEASE PAYMENTS AND TERM: The Lease is enforceable on you upon your execution. The term of the Lease shall commence on the date the Equipment is delivered to you ("Lease Commencement Date").
2. DELIVERY, ACCEPTANCE, USE AND REPAIR: You are responsible for Equipment delivery and installation. You unconditionally accept the Equipment upon the earlier of (a) your oral or written acceptance of the Equipment, or (b) 10 days after delivery of the Equipment.
3. INDEMNIFICATION: You agree to indemnify, defend and hold us harmless from and against any losses, damages, penalties, claims and suits, including attorneys' fees and expenses related to the ordering, manufacture, installation, ownership, condition, use, lease, possession, delivery or return of Equipment.
4. LEASE EXPIRATION, RENEWAL: Unless you notify us at least 90 days prior to the expiration of the Lease of your election to return or purchase the Equipment, this Lease will renew on a month-to-month basis at the same monthly Lease Payment until you either exercise the purchase option or provide us with at least 90 days notice and return the Equipment.
5. LATE FEES AND CHARGES: If any amount is not paid within three (3) days of when due, you agree to pay us a late charge equal to the lesser of 10% of the amount past due or the maximum legal amount.
6. NO WARRANTY: We do not manufacture the Equipment and you have selected the Equipment and the supplier. WE MAKE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THOSE OF MERCHANTABILITY OR FITNESS FOR A PURPOSE AND ARE NOT RESPONSIBLE FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES.
7. INSURANCE, RISK OF LOSS: You bear all risk of loss or damage to the Equipment from its order until it is returned in the required condition or purchased by you ("Risk Period").
8. OWNERSHIP AND TAXES: We own the Equipment (excluding licensed software). If you are deemed to own it, you grant us a security interest in the Equipment.
9. DEFAULT: If you or any guarantor do not pay us any amount within ten (10) days of its due date, or breach any terms of this Lease, any guaranty or any license relating to the Equipment, you will be in default.
10. ASSIGNMENT: You have no right to sell or assign the Equipment or Lease. We may sell or assign our rights in the Lease and/or Equipment and the new owner will have all our rights but will not be subject to any claim or defense you have against us.
11. ARTICLE 2A: You agree this Lease is a "finance lease" as defined in Article 2A of the Uniform Commercial Code. You waive all rights and remedies conferred upon a lessee by Article 2A (508-522) of the UCC.
12. CREDIT INFORMATION: You authorize us or any of our affiliates to obtain credit bureau reports, and make other credit inquiries that we deem necessary.
13. CHOICE OF LAW: THIS LEASE WILL BE GOVERNED BY PENNSYLVANIA LAW. YOU CONSENT TO JURISDICTION IN THE STATE OR FEDERAL COURTS IN PENNSYLVANIA AND WAIVE ANY RIGHT TO A TRIAL BY JURY.
14. MISCELLANEOUS: This Lease is the parties' entire agreement and can be amended only in writing signed by both parties. This Lease may be executed in counterparts (manually or by electronic means) and, when transmitted to us shall be binding upon you for all purposes. This Lease is not binding on us until we sign it. You agree not to raise as a defense to the enforcement of this Lease that it was executed or transmitted to us by electronic means. You will use the Equipment only for business purposes and not for personal, family or household use.

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

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

SIGNED X \_\_\_\_\_ Print Name: \_\_\_\_\_ E-Mail Address: \_\_\_\_\_

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



## State and Local Government Addendum

Reference: Application No. 487690

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

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

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

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

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

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

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

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

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

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

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



SCHEDULE A TO LEASE AGREEMENT  
(EQUIPMENT DESCRIPTION)

Lease Application No.: 487690

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

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

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

LESSEE: Independent School District 709

LEAF CAPITAL FUNDING, LLC

BY: Catherine Erickson

BY: \_\_\_\_\_

PRINT NAME: Catherine Erickson

PRINT NAME: \_\_\_\_\_

TITLE: CFO

TITLE: \_\_\_\_\_

DATE: 12/10/18

DATE: \_\_\_\_\_

## AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

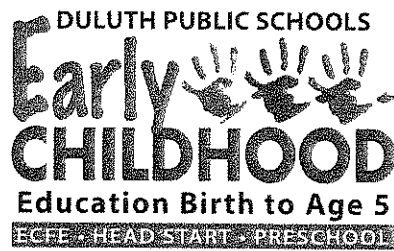
12. **Modification or Amendment.** No amendment, change or modification of this Agreement shall be valid unless in writing signed by the parties' hereto.

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

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

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





December 7, 2018

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

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

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

Sincerely,

Pam Rees

Duluth Preschool

A handwritten signature in black ink, appearing to read "Pam Rees", written over the printed name.



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

**CONTRACT FOR PRE-SCHOOL PLACEMENT**

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

WHEREAS, THE SCHOOL DISTRICT has determined that it is necessary to retain the services of a qualified agency to meet needs documented in ( )'s individual Education Plan (IEP).

Whereas the AGENCY is duly qualified to perform these services for preschool program as determined by student's IEP team.

NOW THEREFORE, the parties agree as follows:

1. The AGENCY shall provide the following services:  
Preschool programming for 3 hours (180 minutes) on F for the month of December (1 day) and 3 hours (180 minutes) on T and F starting the month of January (2 days) and up to 37 days.
  2. The AGENCY shall perform these services at: **2501 Woodland Avenue Duluth, MN 55803.**
  3. The approximate date the service will begin is, **December 4, 2018** and shall not extend beyond **May 21, 2019**; the contract not to exceed a total of **37 Days** and a total cost up to **\$840.** (\$90.00 for December and \$150.00 per month after that).
  4. The SCHOOL DISTRICT shall make payments for the services to the AGENCY as follows: **Upon receipt of monthly/quarterly billing statement**
  5. The SCHOOL DISTRICT shall monitor the services of the AGENCY provided as follows: Supervision will be provided by the Special Education Director located in the Special Services Department. **Student attendance will be provided to the Early Childhood Special Education (ECSE) program at Historical Old Central High School (HOCHS) on the 15<sup>th</sup> of each month for the preceding month.**
-

ISD  
709  
**Duluth**  
6 Public Schools

Page 2 - Contract for Purchase of Special Education Services

6. Either party may terminate this agreement as follows: Thirty (30) days written notice, or upon mutual agreement.

7. Both parties agree to comply with the terms of the Minnesota Data Practices Act, Minnesota Statutes, Chapter 13, in handling all data related to this Agreement.

SIGNED:

\_\_\_\_\_  
Name of Agency

By \_\_\_\_\_  
Authorized Agent

\_\_\_\_\_  
Date

INDEPENDENT SCHOOL DISTRICT #709

Duluth, Minnesota

Patricia E. Cho  
C.F.O. Executive Director of Business Services

Date 12/28/18

Special Services Department  
215 N. 1<sup>st</sup> Ave. East  
Duluth, MN 55802

By Jackie E. Ward  
Director

12/27/18

**No Cost Contracts Signed  
December 2018**

For your information, the Superintendent or the Executive Director of Business Services has signed the following no cost contracts during the month of December 2018:

<b>Name</b>	<b>Source</b>	<b>Description</b>
Duluth Heritage Sports Center	Lester Park	Ice skating field trip



# Essentia Health Duluth Heritage Sports Center

120 S 30th Ave West  
Duluth, MN 55806

Phone: 218-464-1711

Fax: 218-464-1713

## Account Schedule Report

### ESSENTIA HEALTH DULUTH HERITAGE SPORTS CENTER ICE/TURF RENTAL AGREEMENT (Revised June 1, 2016)

This agreement, made between This agreement, made between Essentia Duluth Heritage Center Ice Arena (hereinafter referred to as "Arena"), and the Essentia Duluth Heritage Center Board (hereinafter referred to as the "Board") and

Duluth Heritage Sports Center Foundation  
Gerald R. DeMeo  
120 South 30th Avenue West  
DuluthMN55806

jerry@essentiaduluthheritagecenter.com

#### 1. RENTAL RATES

A. The rental rates applicable for the use of the Sill or Seitz Arenas are:

- (1) Prime Ice Rental: \$185 Per Hour
- (2) Tournament Rate; \$185 Per Hour
- (2) Sub Prime Ice Rental: \$135 Per Hour
- (3) School Day Ice Rental: \$80 Per Hour
- (5) Winter Turf Rates Rate \$130 Per Hour
- (6) Birthday Skating Party \$210.00 per Hour
- (7) High School Game Rates \$850 per Hour

Now, therefore, the following provisions are mutually agreed on between the EDHC and the Tenant as follows:

#### 1. RENTAL RATES

A. The rental rates applicable for the use of the EDHC's facilities for the planned Event, in accordance with the EDHC's published rental rates.

B. A sales use tax of .08375 percent will be charged to all users, unless a Minnesota Sales Tax Exempt form ST3, is furnished at the time of payment.

#### 2. PAYMENT

A. A non-refundable deposit equal to 20% of the rental rate shall be made before the rental may be confirmed.

B. Full payment will be made in full prior to the rental, unless special credit arrangements have been approved in advance of the rental taking place. Such special credit arrangements will be defined in accordance with the terms and conditions shown on the EDHC's invoice, a copy of which is attached hereto.

C. Tenants having approved credit shall be invoiced following the fulfillment of the rental Agreement. Tenants having approved credit with contracts spanning more than one (1) week shall be invoiced for such rental weekly. This invoice shall be due and payable in accordance with the terms and conditions stipulated on the invoice.

D. Any unpaid balance shall be subject to the finance charge rate of 1.5% (annual percentage rate of 18%). Said finance charges will be based on the balance due for the number of days the balance remains unpaid.

E. Any unpaid balance due beyond thirty (30) days of the dated invoice shall be sufficient reason for denying and selling the Tenant use of said premises during the remainder of the term of this contract.

#### 3. CANCELLATION

A. In the event the Tenant finds it necessary to cancel any of the rental periods of the EDHC for which it has contracted, the Tenant shall give to the EDHC's representative designated herein prior notice, in writing, of intent to cancel. Upon receipt of such notice, the EDHC shall use reasonable efforts to rent such cancelled rental periods. If the rental periods are used by another tenant, and the Tenant has paid for such rental periods, the EDHC will credit amounts received against Tenant's account and, if Tenant has no account balance owing at the time, the EDHC shall issue a check to refund such amounts. If the EDHC is unable to rent the cancelled rental periods, the Tenant shall pay for the cancelled contracted time at the specified rate.

B. All notices of cancellation of contracted rental time by the Tenant must be in writing and given to, mailed to, or faxed to the EDHC's designee.

#### 4. SUPPLEMENTAL SERVICES

A. At the Tenant's request, the EDHC may

- (1) Provide amenities such as tables, chairs and other furniture.
- (2) Supply food and/or beverages from the EDHC's concessions.
- (3) Employ personnel (i.e. security, minor game officials and the like)
- (4) Rent/purchase any equipment of the EDHC does not have access to.

B. All supplemental services & equipment, with appropriate costs, shall be defined and included in this Agreement. The cost(s) incurred for such services and/or equipment (hereinafter referred to as Miscellaneous Costs) will be borne by the Tenant, with payment due in accordance with the terms defined in Section 2. The EDHC may, at its option, require advanced payment for these Miscellaneous Costs.

#### 5. SECURITY.



# Essentia Health Duluth Heritage Sports Center

120 S 30th Ave West  
Duluth, MN 55806

Phone: 218-464-1711

Fax: 218-464-1713

## Account Schedule Report

A. The Tenant agrees, at its expense, to provide qualified security personnel to prevent any spectators or other persons not germane to the conducting of the event from accessing the other areas of the facilities other than those defined in this Agreement.

### 6. PARKING

A. The Tenant understands that the Tenant and guest parking is limited to the parking lot that is on the west side of 30th Avenue West (West Lot). Other parking areas located on the north (North Lot) and east (East Lot) sides of Seitz Arena are controlled by businesses neighboring the EDHC and are restricted exclusively for their use.

B. The Tenant and Tenant's guests may have temporary access to Seitz Arena via the East Lot to load and/or unload merchandise and/or supplies but may not park their vehicles in the East Lot for their event. Once merchandise and supplies have been loaded/unloaded, vehicles must be moved to the West Lot for parking.

### 7. OUTSIDE VENDORS

A. Outside vendors recruited by the Tenant may be permitted to display and/or sell their products within the facilities, with the EDHC's prior approval. Such approval will not be unreasonably withheld provided such vendor products are not offensive to the EDHC's regular tenants and do not conflict with those offered by the EDHC or its sponsors. Each vendor shall limit its product display and sales to an area assigned by the EDHC's personnel and shall pay the EDHC, in advance, the sum of \_\_\_\_\_ per table used for such product display and sales. Approved vendors are required to execute the EDHC's waiver of liability form. Approved vendors will be attached hereto as Exhibit A.

### 8. SIGNS & BANNERS

A. No signs or banners of any type, including hand written signs, shall be placed in or on the EDHC facilities without the prior written consent of EDHC. When the placement of signs and/or banners is approved by the EDHC, the Tenant agrees to place such signs and/or banners in accordance with the EDHC's policies. The Tenant will be invoiced for any damage which may result to the EDHC's property from the improper placement of signs and/or banners.

### 9. FOOD & BEVERAGES

A. The Tenant shall not sell, give away or otherwise bring or provide any food or beverages to, at or in the EDHC facilities for any purpose and at any time without the written consent of the EDHC.

B. The EDHC has a strict policy regarding the service and consumption of adult-specific beverages. If the Tenant and/or its guests plan to serve and/or consume any alcoholic beverages within the EDHC or its adjacent property, such service and/or consumption must be done in accordance with the EDHC's policy. Arrangement for adult beverage service and/or consumption must be made with the EDHC at least fourteen (14) days in advance of the date the Event commences.

C. The Tenant acknowledges and agrees that the EDHC's concession stand will be open at the EDHC's discretion during the Event.

### 10. ADMISSION FEES

A. Unless otherwise specified herein, the Tenant may not charge an admission fee to the EDHC facilities without the written consent of the EDHC.

### 11. INSURANCE

A. Tenant shall maintain liability insurance against claims for bodily injury death or property damage occurring on or about the ice EDHC. Such insurance shall be written on an occurrence basis with a combined single limit of not less than \$1,000,000 per occurrence. If the insurance policy is written on a "claims-made basis", the party will maintain coverage for a minimum of three years past the expiration of this Agreement. The retroactive date of this policy shall be indicated on the certificate of insurance outlining coverage. In addition the renter shall name the EDHC as an additional insured with respect to its own operations on said policies of insurance and will provide a certificate that such insurance is in force. Both parties will maintain all workers compensation insurance required by law.

### 12. INCLEMENT WEATHER

A. The Facilities Manager will determine any closures due to inclement weather. If the EDHC is not able to reschedule the rental in a manner satisfactory to suit the Tenant, the EDHC shall provide a full refund of all rental fees and deposits. Refunds for supplemental equipment may also be given, depending upon the EDHC's ability to obtain such refunds from the EDHC's suppliers.

B. In the event of cancellation due to inclement weather, the EDHC's sole liability will be limited to the refund of any deposits. At no time with the EDHC be liable for any expenses, direct, indirect or consequential, incurred by the Tenant as a result of cancellation due to inclement weather.

### 13. ASSIGNMENT AND SUBLETTING

A. The Tenant hereby agrees that they cannot and will not assign nor sublet any part of the said premises without the consent in writing of the Facilities Manager, and the completion of a DHSC Ice EDHC Contract by other party.

### 14. INDEMNIFICATION

A. The Tenant and each of its members/guests in consideration of being allowed to use the EDHC's facilities defined herein agrees to indemnify, defend, save the EDHC, and voluntarily assumes all risks of accident or damage to its property and to the person and property of said members and hereby releases the EDHC, Board, its officers and employees from every claim, liability or damage of any kind sustained by it and each and every of its officers and employees.

### 15. EDHC RULES

A. It is agreed by and between the parties hereto that the Rules and Regulations of the EDHC and its Board of Directors are hereby made a



# Essentia Health Duluth Heritage Sports Center

120 S 30th Ave West  
Duluth, MN 55806

Phone: 218-464-1711

Fax: 218-464-1713

## Account Schedule Report

part of this rental Agreement, and receipt of the said Rules and Regulations is hereby acknowledged. Violation of any of the rules and regulations by any player, parent, coach, team officials, spectator or employee of the said Tenant shall be grounds for the offending party's removal from the EDHC.

B. Any damage to the EDHC or its equipment caused by any player, parent, coach, team officials, spectator or employee of the said Tenant, including any Sub-Tenant's shall be repaired and/or replaced and the EDHC shall be reimbursed for all costs involved by the Tenant.

### 16. MECHANICAL EQUIPMENT FAILURE

A. In the event of mechanical failure of the EDHC equipment, the Tenant will be notified by the EDHC staff as soon as possible. The EDHC's management shall have the exclusive authority to determine whether the ice sheet is in usable condition, and shall not be liable to the Tenant for the consequences of any cancellation other than to supply the Tenant with substitute ice time acceptable to the Tenant or a refund of its deposit.

### 17. CONSIDERATION AND TERM

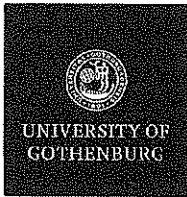
A. In consideration of the conditions contained in this Ice Rental Agreement, the EDHC through its appointed agent(s) leases and lets to the Tenant, the EDHC's facilities, and the Tenant agrees to pay the following amounts for the attached contracted ice on or before the dates mentioned in the payment section of this contract.

Signature Cathy Erickson, CFO Print

Signature Cathy Erickson

Date 12/14/18





THE FACULTY OF EDUCATION

The Faculty of Education
Sara Haug Andersson
International Education Officer
E-mail: sara.haug.andersson@gu.se
Phone: +46 31 786 2101

Lowell Elementary School
Duluth Public Schools ISD #709
Crystal Goldman
Email: crystal.goldman@isd709.org

Agreement of School Placement

The Faculty of Education, University of Gothenburg, Sweden, and Lowell Elementary School, Duluth, USA, hereby confirms that Ms Karolin Ardstedt, Ms Daniesa Lövgren and Ms Karoline Gordon, students at the Teacher Education Program for extended school at the University of Gothenburg, will do two weeks of school placement at Lowell Elementary School.

The placement will take place January 28- February 8, 2019, and is part of a course at the University of Gothenburg.

Lowell Elementary School will receive 750 SEK/week/student from the University of Gothenburg for the supervision of the students. The amount of 4500 SEK will be transferred to the school when the placement is finished.

It is the responsibility of the school to provide information about bank details. To enable us to transfer the amount, you need to fill out the attached form completely.

Lowell Elementary School provides a cooperating teacher who has the time to supervise and discuss teaching and education issues with the students.

The students are supposed to observe and assist in the classroom/after school activities and furthermore take part in planning the teaching, and if possible conduct some teaching.

Lowell Elementary School is not expected to assess the students or to give any academic credits, but a short report of the activities would be helpful.

The students will cover their own expenses for travelling, accommodation etc. during the stay. The students are fully insured through the University of Gothenburg.

Date: 2018-12-17

Date and official stamp:

Signature

Signature

[Handwritten signature of Sara Haug Andersson]

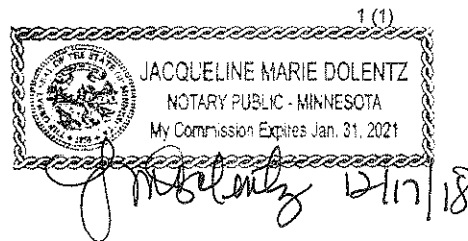
[Handwritten signature of Catherine Erickson]

Sara Haug Andersson
International Education Officer

International Student Office
Pedagogen

Name:
Title:

Catherine Erickson
CTO



**Information payments to non- EU countries**

Please fill out all the blank boxes to the right with your information and send this form back.

Name of receiver:	MN Trust
Adress:	5301 Kylee Ave NE.
Zipcode:	55301
City:	Albertville, MN
Accountnumber:	2283150346
Name of the bank:	Associated Bank
Adress of the bank:	1200 Hansen Rd., Green Bay, WI
Zipcode of the bank:	54304 - 5448
SWIFT/bic:	ABGBUS44
ABA/routingnr/Fedwire:	(Only USA) 075 900 575

**Explanation:**

*Swift/BIC- code always starts with 6 letters and is at least 8 signs, it can be a total of 11 signs, in that case the last three are numbers and they are the areacode/officecode for the bank.*

*Example of BIC: SWEDSESS, DEUTDEFF501*

*ABA/Fedwire/Routingnummer (only for payment to USA)*

# Lloyd K. Johnson

F O U N D A T I O N

December 18, 2018

Duluth Public Schools ISD 709  
Bill Gronseth, Superintendent  
215 North 1<sup>st</sup> Avenue East, Room 213  
Duluth, MN 55802

EXECUTIVE DIRECTOR  
Joan E. Gardner-Goodno

BOARD OF DIRECTORS  
Mark Smithson  
*President/CEO*  
Bill Hansen  
*Vice President*  
Scott Harrison  
*Treasurer/CFO*  
Darryl E. Coons  
Ruth Ann Eaton  
Susan Michels  
Stephen Surbaugh

Dear Bill:

The Board of the Lloyd K. Johnson Foundation is pleased to inform you that a grant to Duluth Public Schools ISD 709 in the amount of \$15,000 has been approved to support the Pathways2Teaching Program.

In order to receive the grant funding, please review and sign the attached agreement and return the signed agreement to the: Lloyd K Johnson Foundation 130 West Superior Street, Suite 710 Duluth, Minnesota 55802. A check will be mailed to your organization shortly after we receive the signed grant agreement.

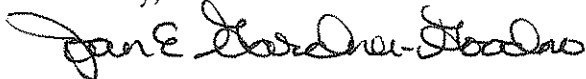
Please note that these grant funds must be used substantially in accordance with the budget included with your grant application and that no substantial changes in the budget or the grant period may be made without prior written approval from the Foundation. Any funds not used for the purposes stated in the approved grant application or any unspent funds must be returned to the Foundation.

A condition of the grant agreement is that you submit a Final Report to the Foundation which includes a narrative of the progress made towards the goals described in the grant application as well as a final report of expenditures made from grant funds. A reminder e-mail that your Final Report is due will be sent to you one month prior to the due date, and a blue hyperlink will appear on your grant application online homepage under the "requirements" tab for you to complete and submit.

We request that in any publicity given this grant, acknowledgement be made that the funds were received from the Lloyd K. Johnson Foundation. Please enclose copies of any publicity with your Final Report as an attachment.

Congratulations on receiving funding from the Lloyd K. Johnson Foundation! If you have any additional questions, please feel free to contact me at 218.726.9000.

Sincerely,



Joan Gardner-Goodno  
Executive Director  
Lloyd K. Johnson Foundation  
[jgardner@lloydjohnsonfoundation.org](mailto:jgardner@lloydjohnsonfoundation.org)

cc: Sumair Sheikh, Career & College Readiness Specialist

**Lloyd K. Johnson Foundation**  
**~Grant Agreement~**

**ORGANIZATION:** Duluth Public Schools ISD 709

**AMOUNT:** \$15,000

**PURPOSE:** Pathways2Teaching Program

**GRANT PERIOD:** 1/1/2019 - 12/31/2019

1. Use of Grant Funds: You may use grants funds only as described in the approved grant application. Any significant deviation from the approved itemized budget must be approved by the Foundation prior to expenditure. Any unspent funds must be returned to the Foundation.
2. Payment of Grant Funds: The grant funds will be paid by the Foundation after receipt of the signed grant agreement according to the following schedule of payment(s): **One payment of \$15,000.**
3. Certification and Maintenance of Exempt Organization Status: You certify that you have been determined by the Internal Revenue Service to be a tax-exempt organization under Section 501 (c)(3) of the Code, and "not a private foundation", within the meaning of Code Section 509 (a), or in the absence of such a determination, that you are a state or any political subdivision thereof within the meaning of Code Section 170 (c)(1) (referred to hereafter as a "Public Charity"). You will immediately inform the Foundation of any change in or challenge to your status as a Public Charity. Furthermore, you hereby affirm that this grant will not cause you to fail to qualify as a Public Charity. You will comply with the provisions of the Code and the regulation applicable to you where such violation materially affects your ability to carry out the goals of the grant.
4. Interim Reports: In addition to a Final Report, the Foundation may require an Interim Report(s) regarding expenditures, records and progress of the grant project. Failure to provide an Interim Report indicating satisfactory progress towards defined grant outcomes may result in the Foundation withholding payment(s) until interim goals have been achieved.
5. Final Report: On or before **02/28/2020** you will make a final report to the Foundation with respect to all expenditures made from such grant funds (including salaries, travel and supplies) and indicate the progress made towards the goals of the grant.
6. Records: You will maintain your books and records in such a manner that the receipts and expenditures of the grant funds will be shown separately on such books and records in an easily checked form. You will keep records of receipts and expenditures of grant funds as well as copies of the reports submitted to the Foundation and supporting documentation for at least four (4) years after the completion of the use of the grant funds, and will make such books, records and supporting documentation available to the Foundation for inspection at reasonable times from the time of your acceptance of this grant through such period.

7. Acknowledgement of Support: All publicity- publications, press releases, brochures, videotapes, and other public relations materials or communication dealing with the activities and achievement of the work of the grant shall acknowledge the Foundation's support.
8. Violation of Terms; Change of Status: In the case of any violations by you of the terms and conditions of the grant, including but not limited to not executing the work of the grant in substantial compliance with the proposal, or in the event of any change in or challenge by the Internal Revenue Service of your status as a Public Charity, the Foundation reserves the right in its absolute discretion to terminate the grant. The Foundation's determination will be final and will be binding and conclusive upon you. If an Interim Report has been requested and the report is not received in a timely manner, the Foundation may withhold payment until the outstanding report is received, and may terminate the grant if any such report is not received within a reasonable time (no more than sixty [60] days) following the date on which it was due.
9. Termination: Upon termination of this grant for any reason, the Foundation will withhold any further payments of grant funds and you will repay to the Foundation any portion of the grant funds that were not spent for the grant period.
10. Future Funding: You acknowledge that the Foundation and its representatives have made no actual or implied promise of funding except for the amounts specified by this agreement. If any of the grant funds are returned or if the grant is rescinded, you acknowledge that the Foundation will have no further obligation to you in connection with this grant as a result of return or rescission. However, the foregoing is not intended to prohibit the Foundation from providing you an additional grant at the termination of the grant described in this agreement upon the submission of a new proposal, if the Foundation in its sole discretion determines that an additional grant is appropriate.
11. Modification: This agreement sets forth all terms of the grant and replaces all prior understandings and agreements. Any modification or amendment will be made only in writing signed by an authorized officer of your organization and of the Foundation.
12. Applicable Law: This agreement will be construed in accordance with the laws of the State of Minnesota.

Lloyd K. Johnson Foundation

*Gene Edward Goodno*

Date: 12/18/18

Accepted by:

Name: *Wm Jonseth*

Title: *Supt*

Date: 01/02/19

# Facilities Management & Capital Project Status Report

## December 2018

### **Facilities Management – Maintenance and Operations - General**

- In the past month the Facilities maintenance crews have completed 202 work orders, and are currently working on 480 open work orders.
- Facilities maintenance trade crews are currently scheduled at OEMS.
- The Valley Youth lease at MacArthur is finalized and executed.
- Continuing to work with Human Resources and Firemen and Oilers Union to review and update position descriptions.
- The clay tile sewer line that failed at Congdon is now repaired.
- Through efforts with Minnesota Power's Conservation Improvement Plan (CIP), we have received a rebate check for \$9,119.24. This is related to energy conservation measures taken in materials chosen in the renovations at Rockridge.

### **Capital Construction:**

- The FY19 HOCHS audit will begin shortly.
- Design efforts are ongoing with bid documents to be prepared shortly for the PSS Track Replacement project.
- The Denfeld stairwell ceiling project is being designed and will be completed with Kraus Anderson utilizing Gordian /ez/IQC.

### **Building Operations**

- Operations have been busy filling several open positions. Operations have filled three open engineer positions at Lowell, Myers and Congdon Elementary Schools from within. This has resulted in an engineer opening at Lakewood Elementary, a fireperson position open at Ordean East Middle School, and a maintenance custodian position open at a site yet to be determined due to the current open transfer process. A request for transfer within the custodian II class has resulted in an entry level custodian II vacancy at East High School.

### **Health, Safety & Environmental Management**

#### Environmental/Health/Safety

- A quote request was sent out for Radon testing in all the schools. Responses were received and a contractor will be selected after administration reviews the quotes.
- Lincoln Park fire re-inspection was completed with no issues found.
- Began adding carbon monoxide alarms to the boiler rooms of each school.

#### Emergency Response Crisis Management

- Continued planning ALICE training and implementation beyond certified staff. Letters to parents and instructional power points for implementation are being reviewed.

#### Workers' Compensation Activities

- OSHA Recordables for the month: 3
- First report of injuries: 38



230 East Superior Street • Duluth, MN 55802 • 218.310.0013 • [gregfollmer@gmail.com](mailto:gregfollmer@gmail.com)

December 28, 2018

William Gronseth  
Superintendent of Schools

David J. Spooner, C.P.E.  
Manger of Facilities

Duluth Public Schools  
215 N 1<sup>st</sup> Ave E  
Duluth, MN 55802

RE: Marketing Update  
800 E Central Entrance "Central High School Property"  
"Hartley Lots"

**Hartley Residential Lots**

- All marketing in place and active.
- No new updates or inquiries.
- Signage is recommended but some brush clearing and lot line locations are needed.

**800 E. Central Entrance "Central High School Property"**

- No new inquiries or showings this month.

Discussions with parties are continuing in regards to the Central site, however as of the date of this letter, no LOI's have been written. The site continues to generate inquiries from various Developers, Brokers and Investors as expected.

Please do not hesitate to reach out with any questions.

Respectfully,

Greg Follmer  
Broker

**FY 19 Discretionary Compensatory Fund Usage**

Site	Discretionary Dollars Allocated	Uses								
		FTE Bud	FTE Assgn	Description	Std Cost	Non-Labor Budget	Non-Labor Spent as of 12/21/2018			
Denfeld	\$ 514,708.00	1.20	1.20	Teachers	115,200.00					
			1.00	1.00	MTSS PLC Coordinator	96,000.00				
			1.00	1.00	MTSS SEB Coordinator	96,000.00				
			0.15	0.15	Parent involvement coord	7,500.00				
			0.21	0.21	Dean to Asst Principal	20,749.00				
			1.00	1.00	School Counselor	96,000.00				
			0.18		BARR Coordinator	17,280.00				
			0.10		Supervisory Para	5,500.00				
			0.13		Career Center Coordinator	6,600.00				
					Professional Dev/Materials		50,000.00	8,222.79		
					Materials		3,879.00			
East	85,740.00	0.80	0.80	Interventionists	76,800.00					
				Staff Development		8,574.00	0.00			
				Materials		366.00	0.00			
Lincoln Park	601,100.00	4.65	2.45	Teachers	235,200.00					
					1.80	SEL Interventionists	172,800.00			
						Substitute teachers	4,000.00			
					0.40	SPED Resource Teacher	38,400.00			
					1.00	1.00	School Counselor	96,000.00		
							Leadership stipends	24,000.00		
							WIN Curriculum		2,000.00	2,000.00
			Materials		28,700.00	2,776.90				
Ordean East	95,701.00	0.80		Teacher	76,800.00					
					0.10	Social worker	9,600.00			
						Staff Development		9,301.00	0.00	
Congdon	57,773.00	0.35		Interventionists	33,600.00					
						Stipends/Subs	3,055.00			
						Monitor support	1,933.00			
						Tutors		3,500.00	1,750.00	
						Curriculum		3,800.00	0.00	
						Staff Development		8,885.00	1,100.00	
							Transportation		3,000.00	0.00
Homecroft	37,162.00	0.35	0.35	Interventionist	33,600.00					
						Materials		3,562.00	0.00	
Lakewood	42,065.00	0.43	0.43	Teacher	41,280.00					
						Materials		785.00	0.00	

**FY 19 Discretionary Compensatory Fund Usage**

Site	Discretionary Dollars Allocated	Uses					
		FTE Bud	FTE Assgn	Description	Std Cost	Non-Labor Budget	Non-Labor Spent as of 12/21/2018
Lester Park	28,848.00	0.20	0.20	Social/Emotional Teacher	19,200.00		
				Substitute teacher	3,132.00		
				Materials		6,516.00	0.00
Lowell	172,131.00	1.80	1.80	Teachers	171,631.00		
				Materials		500.00	90.00
L. MacArthur	639,334.00	1.00		Teacher	96,000.00		
		2.00		Interventionists	192,000.00		
		0.50	0.50	EBD Teacher	48,000.00		
		1.00		Dean	96,000.00		
		1.00		Social Worker	96,000.00		
		0.40		Paraprofessional	20,000.00		
			0.25	Clerical	14,250.00		
				Mastery Connect		4,000.00	3,950.00
				LLI Material		25,000.00	26,860.40
				Staff Development		47,584.00	1,088.75
				Materials		500.00	99.98
Myers-Wilkins	739,670.00	0.25	0.25	Phy Ed Teacher	24,000.00		
		1.00	1.00	Reading Interventionist	96,000.00		
		1.00	1.00	Math Interventionist	96,000.00		
		0.50	0.50	SPED Resource Tchr	48,000.00		
		1.00	1.00	Dean	96,000.00		
		1.00	1.00	Social Worker	96,000.00		
		1.00	1.00	Paraprofessional	58,000.00		
				Community Sch Coord		63,000.00	19,960.65
				Staff Development		74,000.00	2,500.00
				Materials		88,670.00	6,360.12
Piedmont	537,886.00	3.00	2.00	Classroom Teachers	288,000.00		
		1.00	1.00	Interventionist	96,000.00		
			0.125	Monitor	3,245.00		
			1.00	Social Worker	96,000.00		
				Classroom Materials		20,464.00	5,440.04
				Materials		34,177.00	1,103.38
Stowe	338,976.00	3.00	3.00	Classroom teachers	288,000.00		
				Subs/Stipends	16,000.00		
				Elem Club Supplies		3,000.00	0.00
				Materials		31,976.00	451.72