

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT OF
MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
YEAR ENDED JUNE 30, 2018**

**PREPARED BY THE
BUSINESS SERVICES DEPARTMENT**

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MINNETONKA, MINNESOTA

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INTRODUCTORY SECTION



Minnetonka Public Schools
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Minnetonka, MN 55345
(952) 401-5000
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October 26, 2018

SERVING THE
COMMUNITIES OF:

To: Citizens of the District
School Board
Employees of the District

MINNETONKA
CHANHASSEN
DEEPHAVEN
EDEN PRAIRIE
EXCELSIOR
GREENWOOD
SHOREWOOD
TONKA BAY
VICTORIA
WOODLAND

PREFACE

The Comprehensive Annual Financial Report of Minnetonka Independent School District No. 276 (District) is submitted for the fiscal year (FY) ended June 30, 2018. The District Administration accepts full responsibility for the accuracy, completeness, and fairness in presentation of the enclosed financial reports. The report includes all funds of the District reported in compliance with Generally Accepted Accounting Principles (GAAP).

Minnetonka Independent School District No. 276, also known as Minnetonka Public Schools, is a public corporation of the State of Minnesota per Minnesota Statute #123A-55 established to function as an educational institution. The elected School Board is responsible for legislative and fiscal control of the Minnetonka School District. A Superintendent is appointed by the Board and is responsible for administrative control of the District. There are no other entities for which the District is considered financially accountable.

The Comprehensive Annual Financial Report is presented in three primary sections as follows:

- Introductory Section
- Financial Section
- Statistical Section

The introduction includes a list of principal officials, an organizational chart, and this transmittal letter. The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), basic financial statements, individual fund statements, and related schedules. The statistical section includes selected financial and demographic information generally presented on a multiyear comparative basis.

Management is required to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

Governmental Accounting Standards (GASB) established five broad objectives which are used to organize the Statistical Section: 1) Financial trends; 2) Revenue capacity; 3) Debt capacity 4) Demographics and economics; and 5) Operations.

DISTRICT OPERATIONS

The District is required to undergo an annual audit of its Federal Financial Assistance (Single Audit) in accordance with *Government Auditing Standards*, as issued by the Comptroller General of The United States, and the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to the Single Audit is issued separately and is not included in this report.

Since its inception in 1952, the Minnetonka School District has been preparing students to be thoughtful, contributing members of society. During that time, our district has deservedly earned a reputation for excellent teaching, exceptional student achievement, and outstanding fiscal management.

Ensuring that this legacy of success continues is the primary responsibility of the School Board as elected officials. Toward that end, during the 2002-2003 school year, the School Board commissioned significant planning efforts, including articulating their Vision for our schools. The Vision, Strategic Plan, and Accountability Plan adopted in August 2003 and amended in June 2006 and June 2009 has propelled Minnetonka schools to become a world-class public school system.

In articulating their vision, the School Board acknowledged the significant contributions of students, teachers, administrators, support staff, past school board members, parents, and other community members who built Minnetonka's first half-century of success. To review the Board's Vision in its entirety, please visit the District web page at www.minnetonkaschools.org/district/about/mission or call 952-401-5004 to request a copy be mailed.

Mission

A Statement of our Highest Aspirations

The mission of the Minnetonka School District, a community that transcends traditional definitions of excellence and where dreams set sail, is to ensure all students envision and pursue their highest aspirations while serving the greater good, through learning and teaching which—

- Value and nurture each individual,
- Inspire in everyone a passion to excel with confidence and hope, and
- Instill expectations that stimulate extraordinary achievement in the classroom and in life.

We, in the Minnetonka Public Schools, take the responsibility captured in our mission statement very seriously. In order to provide students and their families with the best education possible, we must continually anticipate, assess, and improve the programs and services we provide. It is a never-ending process of innovation. While focusing on student learning, we must set high and rigorous standards and always think and act creatively.

Our Objectives

Objectives are an expression of the desired measurable, observable, or demonstrable results for the organization. For a school district, objectives are restricted to student success, performance, and/or achievement.

- All students will meet or exceed District academic standards.
- All students will achieve according to their individual potential.
- All students will continually achieve their stated aspirations.
- All students will possess an enlightened view of themselves, others, and the world.

ORGANIZATIONAL INFORMATION

District Students Are Academically Competitive

- A 2018 Minnetonka parent survey found that 99 percent of District parents rate the quality of education in Minnetonka Schools as excellent or good.
- All students thrive in Minnetonka Schools. The average student performs above grade level. At third grade, our average student performs at the end of fifth grade in reading and math. By fifth grade, our average student performs beyond the eleventh grade level in reading and math – six grade levels ahead of national norms.
- The Minnetonka High School Class of 2018 posted an outstanding average ACT composite score of 27.7. The top 100 Minnetonka students earned an average score of 34.4; top 200, 33.2; and top 400, 30.9. Nine students earned a top score of 36 on the ACT exam (see Figure 1 for state, national, and Minnetonka comparative data from 2016-17).
- Minnetonka High School graduated 819 students on June 7, 2018. 99% of the Class of 2018 graduated, and 90% were college-bound, enrolling at 207 different institutions. This class included 158 students who graduated Summa Cum Laude with a 4.0 or higher GPA.
- In fall 2018, 17 Minnetonka High School students from the Class of 2018 were named National Merit Semifinalists and 31 were named National Merit Commended students.
- The College Board named 600 Advanced Placement (AP) Scholars from MHS for outstanding performance on AP exams. In 2018, 1,546 students took 2,766 AP exams with an 84% passing rate (score of 3 or higher). This passing rate far exceeds the state (66.7%) and global (61.3%) averages. For the graduating classes of 2018-2021, 73 students have now earned National AP Scholar honors; 269 are AP Scholars with Distinction; 119 are AP Scholars with Honor; and 212 are AP Scholars.
- Tonka Online expanded its offerings to more than 50 courses, including computer science courses, AP U.S. Government and Politics and world language courses. Students taking AP courses through Tonka Online earn scores of three or higher on their respective AP exams at the same rate as students who take the courses through a traditional classroom setting.
- Enrollment in the International Baccalaureate (IB) Diploma Programme is strong. In 2018, 65 MHS students earned the IB Diploma, which includes an extended essay, completion of the Creativity, Action, Service component, and passage of IB exams in each subject area. This is the largest group of IB graduates in Minnetonka High School history. One student earned the IB Bilingual Diploma. The number of students enrolling in at least one IB course increased from 714 students in 2016-17 to 736 students during the 2017-2018 school year. The total number of IB exams taken in spring 2018 was 1,470.
- 79 percent of students in the class of 2018 took at least one AP or IB course during their four years of high school.
- Minnetonka High School's VANTAGE: Minnetonka Advanced Professional Studies program continues to grow. Enrollment has increased from 40 students in 2013-14 to 180 for 2017-18. At the annual St. Thomas Business Plan Competition, VANTAGE students topped the high school division: Jacob Trebil '18 earned first place and Sara Butcher '18 took home second place.
- 45 students enrolled in Minnetonka Research (opened fall 2016), which gives students the opportunity to conduct authentic research based on their own questions and interests. Students are under the direction of a high school science teacher with further guidance from mentor-experts from around the world. Many students took advantage of the opportunity to compete in regional, state, and national science fairs in 2018. They earned monetary awards and honors at every level. Enrollment continues to grow in this program that is unique to any area high school.

District Students Are Academically Competitive (Continued)

- Annabel Cho '19 received the "Stand Up to Cancer" Emperor Science Award for her cancer research project.
- The MHS DECA Team sent 74 students to the state competition and 30 to the International Career Development Conference.
- Minnetonka High School is a certified Project Lead the Way (PLTW) Engineering program school. Enrollment continues to grow. In spring 2018, Minnetonka had a passing rate to earn college credit at 87%.
- Sloan Sprau won the Rose Rees Peace Award for her commitment to service, advocacy, community, and peace.
- Anna Heinen '18 earned top honors as a Scholastic Art Awards National Gold Medalist. Her sculpture was selected for display in New York City.
- National Scholastic Art Awards: 10 Gold Key winners, 12 Silver Key winners, 27 Honorable Mentions
- Scholastic Writing Awards: 1 Gold, 5 Silver, and 9 Honorable Mention.
- Offering both Spanish and Chinese, Minnetonka School District's Language Immersion Program is the state's premier program. About 50% of Minnetonka parents choose language immersion for their students beginning in kindergarten. The first class of Immersion students, who enrolled as first-graders in 2007, are now high school seniors. They are choosing to pursue immersion language courses, the IB Bilingual Diploma, or project-based work in their immersion language through VANTAGE.
- In the Continental Math League national-level competition, 168 teachers and 3,198 students participated in meets. Grades 2, 5, 7, and 8 tied for first place. In computer science, grades 3, 6, 7 and 8 placed second.
- 72% of all Minnetonka students in grades 7 and 8 who took the SAT I met or exceeded the Midwest mean score in the reading, math or writing section at their grade level.
- Three Minnetonka students placed in the top four in the You be the Chemist competition. Rory Cole '22 won first in state, advancing as one of 42 National Challenge participants.
- The Minnetonka High School Math Team qualified for the Minnesota Math League State Tournament for the ninth straight year. Frank Lu '19 was one of three students in the state to have a perfect season. He qualified for the USA Mathematical Olympiad for the third time.
- The MHS Robotics team qualified their 7-foot robot for the FIRST Robotics World Championship competition. They competed alongside 400 other qualifying teams for the first time in the team's 10-year history.
- Julia Luehr '18 was one of 161 students nationwide named a U.S. Presidential Scholar.
- The Minnetonka Middle School West Science Bowl Team won state for the third consecutive year and placed fifth in the national competition.
- Antonio De La Vega '19 was named a 2018 Minnesota Department of Education "Theater Arts Scholar of Distinction."
- Four students finished in the Top 100 on the National Geographic Bee; fourth-grader Cooper Dobbins was the only fourth-grader in Minnesota to finish in the Top 100.
- A sample of Minnetonka sophomores selected by The Organisation for Economic Co-operation and Development (OECD) took the OECD Test for Schools. Minnetonka students ranked number one in math and reading, and number two in science when compared to top-performing countries around the world (surpassing Singapore, Japan, Korea, Finland, and many others).

ORGANIZATIONAL INFORMATION (CONTINUED)

District Students Are Academically Competitive (Continued)

- Minnetonka students consistently meet or exceed state and national averages on standardized tests including the Iowa Tests of Basic Skills, Scholastic Aptitude Test (SAT) and the American College Test (ACT). In addition to national standardized tests and state assessments (Minnesota Graduation Standards), day-to-day observations and testing in the classroom are also used to determine how students are doing.

Figure #1

<u>2016-2017 ACT Results*</u>	<u>Number of Students</u>	<u>English</u>	<u>Math</u>	<u>Reading</u>	<u>Science</u>	<u>Composite</u>
Minnetonka	644	27.6	26.7	28.3	27.5	27.5
Minnesota	61,101	20.4	21.5	21.8	21.6	21.5
National	2,030,038	20.3	20.7	21.4	21.0	21.0
Minnetonka Top 100	100					34.4

*Most recent data available © 2017 by ACT, Inc. All rights reserved. www.act.org/research

Strong Community Support

The well-educated population strongly supports local education through parent teacher organizations and a thriving volunteer network.

Community support is also exemplified by the November 3, 2015 special election when District voters approved a unique two-step operating referendum levy increase of \$4.0 million in 2016, inflation increases in that amount for two years, followed by another \$4.0 million increase in 2019, with inflation increases through 2025. This 10-year increase in operating funds was approved by 72% of the voters. In that special election, the voters of the district also approve a 10-year extension of a \$5.3 million annual levy for technology in the District to run from 2016 through 2025.

Community support is the foundation for the District's continued ability to provide a quality education for the young people of our community.

ECONOMIC CONDITION AND OUTLOOK OF THE LOCAL ECONOMY

The District is part of the Minneapolis-St. Paul Metropolitan Statistical Area and is situated primarily in western Hennepin County with a small portion in Carver County. Minnetonka Schools encompasses 32.4 square miles and includes all or a part of the cities of Minnetonka, Greenwood, Deephaven, Woodland, Eden Prairie, Chanhassen, Excelsior, Shorewood, Tonka Bay, Orono, and Victoria. The District has a current population of 39,984. The community is residential and can be labeled a "bedroom community" with small pockets of retail development. Approximately 88% of the taxable valuation in the District is residential property. Within the District, there are 60 miles of lakefront residential property on the south shore of Lake Minnetonka, Christmas Lake, Lake Minnewashta, and Lotus Lake. The common jobs held by District residents are professional, managerial, and sales positions.

Projected Enrollment

The District has experienced significant enrollment growth over the past 12 years, growing from 7,665 students in FY2006 to 10,774 in FY2018. The strength of the District educational programs has drawn 3,404 open enrolled students to Minnetonka Public Schools, accounting for the bulk of the enrollment growth. In FY2018, students from 41 surrounding school districts attended Minnetonka Public Schools. Enrollment is projected to remain steady for the next several years at or above approximately 10,785 students for FY2019 and after. Because of the strength of the District's academic programs, it is anticipated that the District will be able to maintain enrollment at full capacity into the future.

ECONOMIC CONDITION AND OUTLOOK OF THE LOCAL ECONOMY (CONTINUED)

District Facilities

District educational facilities consist of 10 educational buildings originally constructed from 1929 to 1967, meaning the newest building completed its 52nd year of use in FY2018. Each building has had numerous additions over the years. In spite of the age of the facilities, all school buildings are maintained in a state of good repair, with building components modernized and updated on a systematic basis through the district’s Long-Term Facilities Maintenance Plan. Because of this continual renewal, all educational facilities should be able to effectively serve the district for a minimum of 50-60 additional years. The total district square footage, including one administrative building and a technology support building, is 1,787,067.

ENROLLMENT

Enrollment is a critical factor in Minnesota School funding formulas with approximately 85% of General Fund Operating revenue based on enrollment. The following chart shows that the total number of students in FY2018 increased by 253 students over FY2017.

**Figure #2
Five-Year Enrollment Trend
Average Daily Membership (ADM)**

Grade	13-14	14-15	15-16	16-17	17-18
Kdgt.	742	767	848	878	833
1-3	2,307	2,305	2,309	2,374	2,458
4-6	2,232	2,320	2,387	2,493	2,507
7-12	4,298	4,422	4,545	4,733	4,931
Total K-12	9,580	9,815	10,089	10,479	10,729
DEC/ECSE	45	43	42	42	45
Total Budget ADM	9,624	9,858	10,131	10,521	10,774
ADM Change	158	234	273	390	253
Percent Change	1.7%	2.4%	2.8%	3.9%	2.4%
Pupil Units	11,046	10,743	11,040	11,468	11,760
WADM Change	209	(303)	298	428	292
Percent Change	1.9%	-2.7%	2.8%	3.9%	2.5%

*Note: For fiscal year 14-15 and subsequent years, the state legislature adopted a new funding formula which reduced the weighting of pupils, but increased the revenue per pupil unit. Pupil units were reduced from five different values to two.

ENROLLMENT (CONTINUED)

In FY2018, resident pupil enrollment increased by 61 additional resident students compared to FY2017. The number of students from neighboring districts electing to enroll in Minnetonka Public Schools under the state's open enrollment program increased by 192. The District educational programs continue to be attractive to students from other communities. Non-resident students attending Minnetonka has increased from 2,459 in FY2014 to 3,404 in FY2018. Resident enrollment has remained stable, averaging 7,235 over that same time period. This is reflective of a mature community with nearly all residential lots built out.

**Figure #3
Five-Year Open Enrollment Trend**

ADM	13-14	14-15	15-16	16-17	17-18
In	2,459	2,699	2,957	3,212	3,404
Out	169	178	175	162	177
Difference	2,290	2,521	2,782	3,051	3,228
Total Enrollment	9,624	9,858	10,131	10,521	10,774
Percent	23.8%	25.6%	27.5%	29.0%	30.0%

Resident Enrollment	7,165	7,159	7,174	7,309	7,370
Resident %	74.4%	72.6%	70.8%	69.5%	68.4%

MINNETONKA SCHOOLS WELCOME ACCOUNTABILITY

Minnetonka residents are encouraged to look closely at Minnetonka School District's performance. Minnetonka students perform exceedingly well and the financial management of our school district is among the top in the State. We welcome the opportunity to be fully accountable to our community.

- In 2010, Moody's Investor Service upgraded the District's bond rating to Aaa, the highest rating on a 23-step scale. Only 88 school districts of almost 15,000 in the country, less than 6/10 of 1% carry a bond rating this high. The District bond rating is also higher than that of 35 states. This high bond rating allows the district to borrow money at relatively low rates.
- Student performance on state tests is consistently among the top in the State.
- Citizen's Finance & Audit Advisory Committee meets monthly to review district financial records and make recommendations to the School Board.
- Recognized for Excellence in Financial Reporting twenty-two consecutive years beginning with the 94-95 Comprehensive Annual Financial Reports. The Comprehensive Annual Financial Report is available to the public and posted to the District website annually. The Annual Budget is also posted to the District website.
- Fund Balance Policy: Commitment to maintain a minimum unassigned fund balance of 6% of annual operating budget for emergency purposes. The 6% fund balance is roughly enough to operate the school district for three weeks if state revenue payments are ever interrupted.

ACCOUNTABILITY (CONTINUED)

Prudent financial management has enabled the District to remain financially strong in the face of stagnant revenue. In a recent review of the District’s financial rating Moody’s Investment Services stated:

“We expect the district’s financial position to remain sound, supported by strong management and positive enrollment trends. The district has a history of stable operations...”

In FY2017 (most recent comparable data available), the District ranked 175 among 333 Minnesota public school districts in operating expenditures on a per pupil basis. Local operating referendum dollars allow for expenditures approaching the state average. Absent that local support, Minnetonka Public Schools would be much lower in the ranking.

Figure #4
COMPARISON OF MINNETONKA 16-17 SPENDING
WITH OTHER DISTRICTS
(Source: State Auditor Financial Trends 2012 to 2017)

	2011-2012 Per-Pupil Costs *	2016-2017 Per-Pupil Costs *	Dollar Change Percent Change
State Average	\$9,817	\$11,548	\$1,731 17.63%
Minnetonka	\$9,778	\$10,836	\$1,058 10.82%
Variance: State to Minnetonka	(\$39) -0.40%	(\$712) -6.17%	(\$673)

* Excludes food service costs and capital expenditures.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. Subsequent to the June 30 year-end, audited annual financial information must be provided to the State Department of Education no later than November 30.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or losses. Reasonable assurance means the cost of internal control is weighed against the benefits received. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. Specific expenditure, revenue and detail transaction reports are available through the District’s financial software system at all sites for individuals with budget responsibilities, and can be printed in hard copy at all sites if needed.

To accurately track and report financial activities with a focus on site based accounting, approximately 34,000 accounts have been defined in the District’s chart of accounts. The District has also developed a system of Cost Center Accounting to track expenses in a more detailed level than the minimum detail required by UFARS.

BUDGET INFORMATION

The District's budget and financial management practices are evidenced by the following District policies:

Fund Balance Policy: Requires the District to maintain a minimum General Fund Unassigned balance of 6% of budgeted expenditures.

Budget Administration Policy: This policy establishes lines of authority and procedures for the establishment of the school district's revenue and expenditure budgets. Budget planning is an integral part of program planning so that the annual budget will effectively express and implement school board goals and the priorities of the school district.

The District's budget process is initially based on development of a budget projection model to accurately predict resources and expenses over a multiple-year period. The budget projection is used to create the preliminary budget. The preliminary budget determines if action must be taken by the administration and Board to contain costs prior to setting the actual budget. As a result, the budget adopted in June is based upon actions taken by the School Board and administration during the budget planning process establishing program priorities and making budget adjustments. The board resolution adopting the budget includes a provision directing the administration to update the budget to reflect board decisions made subsequent to the start of the fiscal year. The budget is revised in January to reflect actual staff hiring and other dynamics, such as employee contract settlements, or legislative changes, that have taken place subsequent to approval of the budget in June.

Budgetary control regarding the level of staffing, compensation of employees, major capital expenses, and budgetary adjustments is maintained at the District Administration level. Budgets for the support of day-to-day operations for various supplies and smaller equipment are maintained at each school site and department within the District. Budget managers are assigned responsibility for managing accounts in the cost centers that reside in their areas of responsibility. The legal level of budgetary control is at the fund level. Budget managers must obtain approval from the Superintendent for any budget increase at the cost center level. The Superintendent can make budget amendments within each fund as necessary. Budget amendments at the fund level require School Board approval.

The results of operations for the District's General Fund Accounts for ongoing school site operations, administration, and extracurricular activities produced an operating surplus of ongoing revenues over ongoing expenses of \$1,828,020 for FY2018. Inclusive of all capital costs, the results of operations for the District's overall General Fund showed a surplus of \$1,798,311. The difference can be attributed to purchased services expenses of \$5.3 million in FY2018, declining by approximately \$1.3 million from the \$6.6 million expended in FY2017; and supply expenses of \$4.0 million in FY2018, declining by approximately \$700,000 from the \$4.7 million expended in FY2017. The District made a deliberate effort to reduce expenses in those areas from the prior year.

These results plus the results of all funds are discussed further in the accompanying Management Discussion & Analysis.

DEBT ADMINISTRATION

As of June 30, 2018, the District had approximately \$164.5 million of par value bonds outstanding. This amount equates to 13.3% of the statutory maximum allowable debt limit of \$1.234 billion established by Minnesota Statutes 475.53 at 15% of the estimated market value of all taxable property in the District.

The District has issued bonded debt primarily to bring the facilities of the District into a state of good repair. Approximately 59% of the District's facility square footage is 50 years old or older, requiring a measure of rebuilding over the past decade to replace major facility components and ready the buildings for an additional 50-60 years of use. The District has also issued bonded debt as needed to provide additional classroom capacity.

DEBT ADMINISTRATION (CONTINUED)

Resources for debt repayment are provided by property taxes and state aid revenues. School districts in Minnesota are required by statute to levy 105% of scheduled bonded debt payments to ensure sufficient resources are available to make scheduled bond payments even if there are property tax delinquencies.

Bonded debt financial management, including appropriate refundings and restructurings, is a key component of the overall District philosophy of affording capital improvements while keeping annual levies stable. The District constantly manages the status of all of its outstanding bond issues and seeks out refunding or restructuring opportunities by continually running simulations of potential transactions.

In FY2018, the District issued \$16,665,000 par value refunding General Obligation bonds and Certificates of Participation. The District also issued \$4,900,000 par value Certificates of Participation to fund construction of a gymnasium and classroom at Groveland Elementary School, and the initial phase of construction of gymnasiums and specialist rooms at Clear Springs Elementary School and Scenic Heights Elementary School. More information on these bond issues is available in the Management Discussion & Analysis and Note 5 to the Financial Statements.

As capital needs of the District recede due to facilities having been brought to a state of good repair and sufficient capacity having been constructed to house enrollment, the total par value of bonds outstanding will decline over time. Outstanding par value declined by \$1,648,266 at June 30, 2018 compared to June 30, 2017.

INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE

State statutes require an annual audit by independent certified public accountants. The accounting firm of CliftonLarsonAllen LLP was initially selected by the School Board to conduct the annual audit for fiscal year 1998-99.

This report has been prepared following the guidelines provided by the Association of School Business Officials International (ASBO) for their Certificate of Excellence in Financial Reporting Program. Achieving recognition by this program provides a clear indication of the District's high standards for financial reporting. The District intends to submit this report, its twenty-fourth Comprehensive Annual Financial Report, to the ASBO Certificate Program for consideration. The District has received the ASBO Certificate of Excellence in Financial Reporting twenty-three consecutive years beginning with the 94-95 Comprehensive Annual Financial Reports.

ACKNOWLEDGMENTS

We acknowledge the efforts of the entire accounting staff in providing complete and accurate data for this Comprehensive Annual Financial Report.

Sincerely,



Paul Bourgeois, CPA
Executive Director of Finance
and Operations



Dr. Dennis Peterson
Superintendent

**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2018**

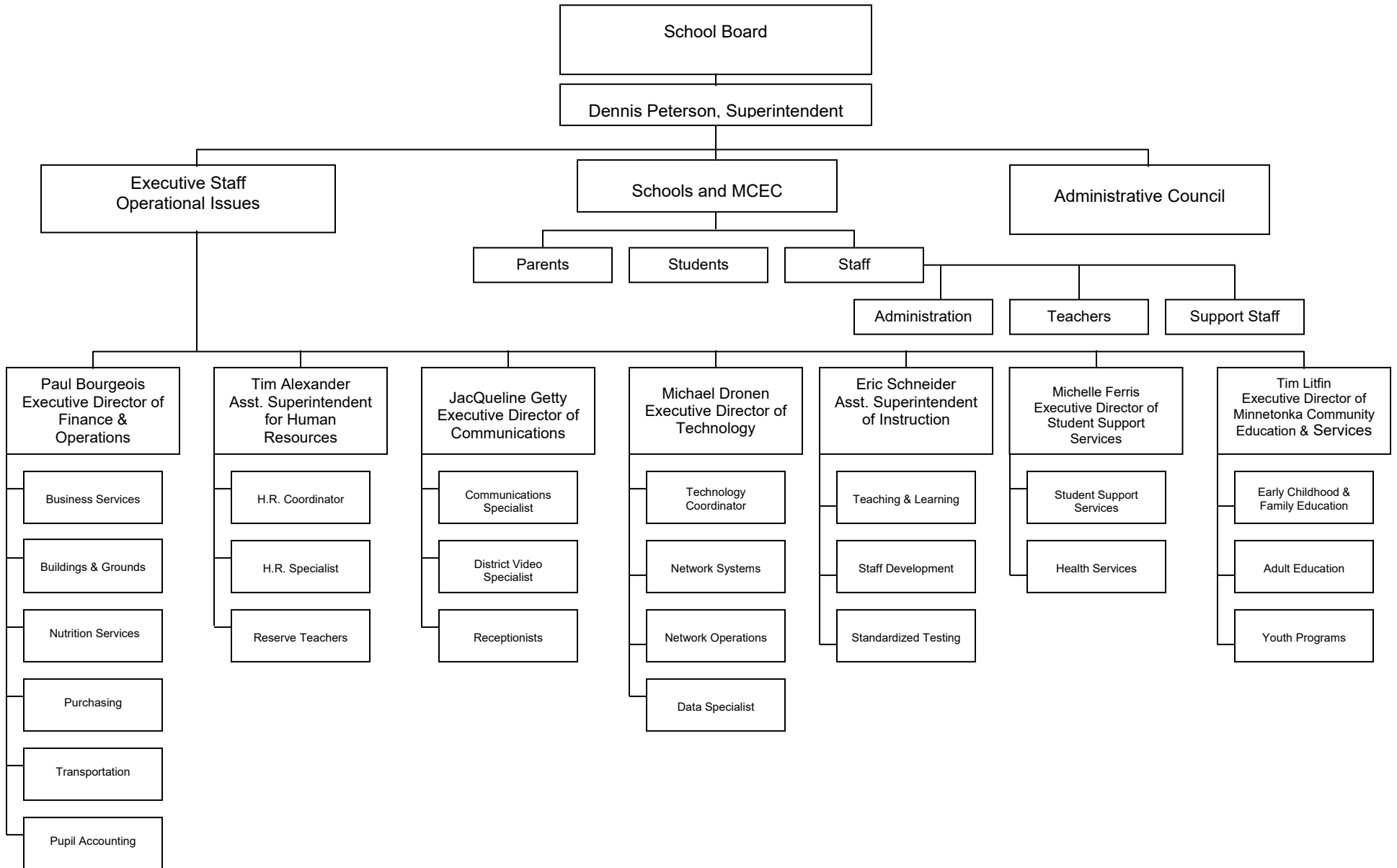
SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Lisa Wagner	01/2020	Chairperson
Katie Becker	01/2020	Vice Chairperson
Chris Vitale	01/2022	Treasurer
Lisa Sumner	01/2020	Clerk
Mark Ambrosen	01/2020	Director
John Holcomb	01/2022	Director
Mike Lesage	01/2022	Director

ADMINISTRATION

Dr. Dennis Peterson	Superintendent
Paul Bourgeois, CPA	Executive Director of Finance and Operations
Melissa Hallman, CPA (Inactive)	Controller
Bridget Merrill-Myhre, CPA	Coordinator of Accounting
District Offices:	Independent School District No. 276 Minnetonka Public Schools 5621 County Road 101 Minnetonka, MN 55345 (952) 401-5000

**MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
ORGANIZATIONAL CHART
JUNE 30, 2018**



MINNETONKA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 276
CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING
JUNE 30, 2018



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

Minnetonka Independent School District # 276

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

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



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written over a thin horizontal line.

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

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written over a thin horizontal line.

John D. Musso, CAE
Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

School Board
Independent School District No. 276
Minnetonka Public Schools
Minnetonka, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 276 Minnetonka Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Independent School District No. 276 Minnetonka Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 276 Minnetonka Public Schools as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Food Service, and Community Service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Summarized Information

We have previously audited Minnetonka Public Schools ISD No. 276's 2016 financial statements of the governmental activities, each major fund and the aggregate remaining fund information, and we have expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

During fiscal year ended June 30, 2018, Minnetonka Public Schools adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In 2018 the District also identified a prior period misstatement related to accreted interest on capital appreciation bonds. As a result of the implementation of this standard and the prior period misstatement, Minnetonka Public Schools reported a restatement of its beginning net position (see Note 14). Our auditor's opinion was not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 276 Minnetonka Public Schools' basic financial statements. The introductory section, combining and individual fund financial statements, the Uniform Financial Accounting and Reporting Standards (UFARS) compliance table and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of Independent School District No. 276 Minnetonka Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 276 Minnetonka Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 276 Minnetonka Public Schools' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 26, 2018

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

This section of Independent School District No. 276 Minnetonka Public Schools' annual financial report (the District) presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year (FY2018) and the prior year (FY2017) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018 fiscal year include the following:

- Net position of the District in total decreased by \$44,175,529 or 68.8% below 2017. A total of \$8,417,897 of the decrease was due to the District implementing GASB Statement No. 75 in 2018, which resulted in a prior period restatement of beginning net position for the revaluing of the District's OPEB liability. Another \$4,188,186 of the decrease related to a prior period restatement related to accreted interest on capital appreciation bonds that were refunded. Much of the remaining decrease was a result of pension expense incurred by the District as a result of being assigned a portion of the State Teachers Retirement Association (TRA) Unfunded Liability as required by GASB 68.
- Final FY2018 average daily membership of 10,774 was an increase of 253 over FY2017 average daily membership of 10,521, an increase of 2.4%.
- General Fund revenues increased from \$122,974,385 in FY2017 to \$134,117,169 in FY2018, an increase of \$11,142,784, or 9.1 %, primarily as a result of the following:
 - \$1.678 million in Basic Revenue, Operating Referendum, and Operating Capital formula increases for pupil units carrying over from FY2017.
 - \$2.292 million in all funding formulas generated by 253.12 additional pupil units over FY2017.
 - \$586,433 in additional Special Education Revenue.
 - \$143,259 in additional interest earnings.
 - \$457,988 in additional Categorical Revenue.
 - \$199,882 in additional donations and fees.
 - \$6.543 million in Capital Projects Fund revenue included in the General Fund for FY2018 as required by the Minnesota Department of Education.
- General Fund expenditures increased from \$120,974,763 in FY2017 to \$132,318,861 in FY2018, an increase of \$11,344,098 or 9.4%, primarily as the result of the addition of 40.14 teaching staff to support new students and program initiatives at a cost of approximately \$3.87 million, an increase in 33.29 other support staff at approximately \$2.05 million, and inclusion of \$6,190,699 of Capital Projects Fund expenses included in the General Fund for FY2018 as required by the Minnesota Department of Education.
- During 2018, the District maintained its Aaa bond rating from Moody's Investors Service, the highest rating on a 23-step scale.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the district operates *like businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

Government-Wide Statements

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

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

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

In the government-wide financial statements the District's activities are shown in one category:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Except for food services and community education, property taxes and state aids finance most of these activities. Both community education and food service derive 86% or more of resources from services provided to patrons. This reporting format has management limitations that will be explained later in this report.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- The District uses *internal service funds* to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds for self-insurance of health and dental benefits and other postemployment health care benefits.
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was \$(108,380,585) on June 30, 2018. This was a decrease of 68.80% from the prior year (see Table A-1). Net position decreased \$31,569,446 from current year activities, and \$12,606,083 from a period period restatement (\$8,417,897 related to the implementation of GASB Statement No. 75 and \$4,188,186 related to recognizing interest that was not previously accreted on capital appreciation bonds that were refunded in 2018).

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2018	2017	
Current and Other Assets	\$ 117,749,098	\$ 116,772,855	0.84 %
Capital Assets	156,621,023	154,315,198	1.49
Total Assets	<u>274,370,121</u>	<u>271,088,053</u>	1.21
Deferred Outflows of Resources	139,213,558	179,647,880	(22.51)
Current Liabilities	34,048,991	28,161,900	20.90
Net Pension Liability	242,388,667	283,214,157	(14.42)
Long-Term Liabilities	162,261,470	159,487,560	1.74
Total Liabilities	<u>438,699,128</u>	<u>470,863,617</u>	(6.83)
Deferred Inflows of Resources	<u>83,265,136</u>	<u>44,077,372</u>	88.91
Net Position:			
Net Investment in Capital Assets	13,441,105	15,659,175	(14.16)
Restricted	7,245,813	6,808,222	6.43
Unrestricted	(129,067,503)	(86,672,453)	48.91
Total Net Position	<u>\$ (108,380,585)</u>	<u>\$ (64,205,056)</u>	68.80

Changes in Net Position

Net position of the District in total decreased by \$44,175,529. This was partially due to a \$12.6 million reduction to beginning net position, \$8.4 million as a result of implementing GASB Statement No. 75 in 2018 and \$4.2 million as a result of recognizing previously unaccreted interest. The remaining decrease of \$31.6 million was primarily the result of pension expense incurred by the District as a result of being assigned a portion of the State Teachers Retirement Association (TRA) Unfunded Liability as required by GASB 68.

Prior to GASB 34, financial operations were reported strictly on a fund basis. In Table A-2, Change in Net Position, operations are reported on an enterprise wide basis with no reference to funds.

GASB 68 requires that the District recognize an assigned portion of the unfunded pension liabilities of the Minnesota Teachers Retirement Association (TRA) and Minnesota Public Employees Retirement Association (PERA), even though they are legal entities that are separate and distinct from the District. The combined liability that the District must record for those entities is \$242,388,667 as of June 30, 2018. Inclusion of the TRA and PERA liability is the sole reason why the District's Net Position is a negative \$108,432,757. Factoring in the related deferred inflows and outflows, under pre-GASB 68 accounting rules the District would have a positive Net Position of around \$36.5 million.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Changes in Net Position (Continued)

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2018	2017	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 17,306,933	\$ 16,119,508	7.37 %
Operating Grants and Contributions	19,259,894	22,145,571	(13.03)
Capital Grants and Contributions	1,640,719	1,335,854	22.82
<u>General Revenues</u>			
Property Taxes	44,611,912	43,296,774	3.04
Unrestricted State Aid	76,233,324	72,666,001	4.91
Investment Earnings	2,022,260	2,310,084	(12.46)
Other	1,191,246	379,433	213.95
Total Revenues	<u>162,266,288</u>	<u>158,253,225</u>	2.54
Expenses			
Administration	5,455,522	5,605,071	(2.67)
District Support Services	5,572,269	4,145,220	34.43
Regular Instruction	104,554,124	96,960,340	7.83
Vocational Education Instruction	866,784	1,108,400	(21.80)
Special Education Instruction	23,574,526	22,481,202	4.86
Instructional Support Services	8,647,660	8,066,439	7.21
Pupil Support Services	5,129,342	4,835,127	6.08
Sites and Buildings	10,542,688	19,441,992	(45.77)
Fiscal and Other Fixed Cost Programs	232,382	258,901	(10.24)
Food Service	5,634,791	5,632,435	0.04
Community Service	12,538,445	11,634,698	7.77
Transportation	4,948,779	4,771,172	3.72
Interest and Fiscal Charges on Long-Term Liabilities	6,138,422	5,603,309	9.55
Total Expenses	<u>193,835,734</u>	<u>190,544,306</u>	1.73
Change in Net Position	(31,569,446)	(32,291,081)	
Beginning Net Position	(64,205,056)	(31,913,975)	
Prior Period Adjustment	(12,606,083)	-	
Beginning Net Position, as Restated	<u>(76,811,139)</u>	<u>(31,913,975)</u>	
Ending Net Position	<u>\$ (108,380,585)</u>	<u>\$ (64,205,056)</u>	

Combining the various funds, as is reported in Table A-2, infers all resources are interchangeable and can be allocated at the discretion of the District, which in actuality is not the case. Special revenue types must be used for special purposes. For example, Food Service and Community Education are special revenue funds operated on an entrepreneurial basis. If the information in Table A-2 were taken literally, an uninformed reader could conclude that resources in the Food Service program or Community Education programs are available to hire classroom teachers.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Changes in Net Position (Continued)

When making General Fund budget reductions in past years, one suggestion of District residents was to increase lunch prices or fees for Community Education programs to offset increased costs in the General Fund. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received, for example, in the Food Service or Community Service Fund for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers for instructional programs or to avoid cuts in the instructional budget.

As a result, the above schedule does not reflect the relatively small latitude delegated to the District by the state legislature to allocate resources to instruction. By pooling all expenditures, the schedule implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is not an option due to statutory restrictions.

Consequently, while investment houses may find value in the single statement format, it is of little value to the School Board and administration as a management tool and may confuse the general public. The statement infers a school district is one financial entity, and while that may be theoretically true, it does not reflect the laws and regulations under which a Minnesota school district must operate. Decisions made at the local level reflect the state and federal laws and regulations under which a district must operate which in Minnesota is fund based.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is reflected in its governmental funds statement as well as the statement of activities. As noted above, Governmental Funds includes the General Fund, Food Service Fund, Community Education Fund, Capital Projects Fund, and Debt Service Fund. As of June 30, 2018, Governmental Funds reported a combined fund balance of \$33,215,076. The total fund balance for Governmental Funds decreased by \$3,022,079 compared to last year's ending fund balance of \$36,237,155 primarily due to the utilization of Debt Service excess fund balance in the amount of \$3,200,000 to pay for debt service interest and principal rather than levy for that portion of the debt service payments.

**Table A-3
Net Change in Fund Balance - All Governmental Funds**

	Year Ended		Change
	June 30, 2018	June 30, 2017	
Revenue	\$ 160,667,789	\$ 152,440,069	\$ 8,227,720
Expenditures	169,630,668	162,459,535	7,171,133
Difference	(8,962,879)	(10,019,466)	1,056,587
Other Financing Sources - Net	5,940,800	8,891,133	(2,950,333)
Net Change in Fund Balance	<u>\$ (3,022,079)</u>	<u>\$ (1,128,333)</u>	<u>\$ (1,893,746)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND

General Fund Revenue

General Fund revenue is one component of the previous statement on All Governmental Funds. The General Fund report does not include Food Service, Community Education, Capital Projects, or Debt Service.

Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without a net change on total revenue.

The following schedule presents a summary of General Fund Revenues.

**Table A-4
General Fund Revenues**

	Year Ended		Change	
	June 30, 2018	June 30, 2017	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 36,045,639	\$ 30,479,893	\$ 5,565,746	18.3 %
Earnings on Investments	212,350	69,091	143,259	207.3
Other	6,311,272	5,437,857	873,415	16.1
State Sources	89,582,947	85,209,652	4,373,295	5.1
Federal Sources	1,964,961	1,777,892	187,069	10.5
Total General Fund Revenue	<u>\$ 134,117,169</u>	<u>\$ 122,974,385</u>	<u>\$ 11,142,784</u>	9.1

Total General Fund revenues increased from \$122,974,385 in FY2017 to \$134,117,169 in FY2018, an increase of \$11,142,784, or 9.1%, primarily as a result of the following:

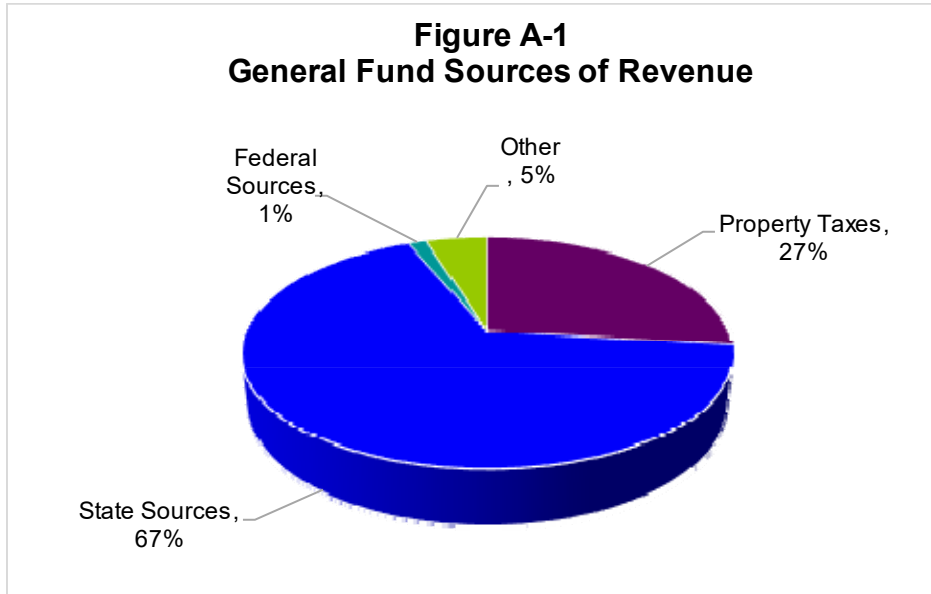
- \$1.678 million in Basic Revenue, Operating Referendum, and Operating Capital formula increases for pupil units carrying over from FY2017.
- \$2.292 million in all funding formulas generated by 253.12 additional pupil units over FY2017.
- \$586,433 in additional Special Education Revenue.
- \$143,259 in additional interest earnings.
- \$457,988 in additional Categorical Revenue.
- \$199,882 in additional donations and fees.
- \$6.543 million in Capital Projects Fund revenue included in the General Fund for FY2018 as required by the Minnesota Department of Education.

General Fund Revenue is used to fund operating expenses such as salaries, employee benefits, repairs, supplies, utilities, small capital expenses for operations such as classroom equipment and maintenance vehicles, lease purchase payments on classroom additions, and miscellaneous expenses such as land purchases, etc.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND

General Fund Revenue (Continued)



General Fund Expenditures

The following schedule presents a summary of General Fund expenditures.

**Table A-5
General Fund Expenditures**

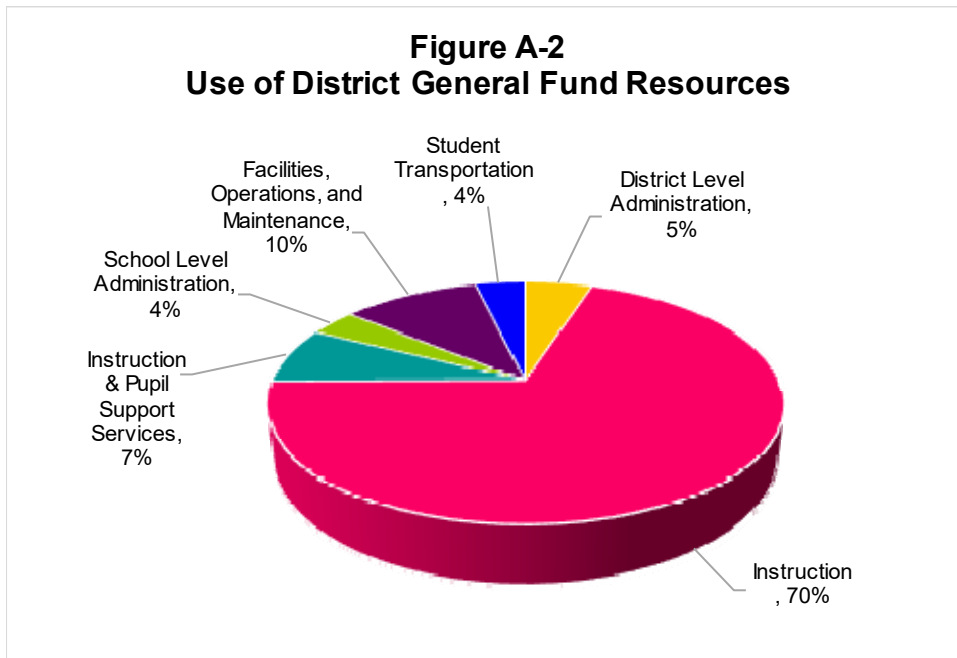
	Year Ended June 30, 2018	% of Total	Year Ended June 30, 2017	% of Total
USES OF REVENUE				
Instruction	\$ 92,428,652	69.9 %	\$ 84,417,988	69.8 %
Instructional and Pupil Support Services	9,907,204	7.5	8,783,030	7.3
School Level Administration	4,688,123	3.5	4,555,513	3.8
Facilities, Operations, and Maintenance	13,702,663	10.4	13,930,697	11.5
Subtotal, School Level Education Services	120,726,642	91.2	111,687,228	92.3
Student Transportation	4,948,779	3.7	4,771,172	3.9
District Level Administration	6,643,440	5.0	4,516,363	3.7
 Total General Fund Expenditures	 <u>\$ 132,318,861</u>		 <u>\$ 120,974,763</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND (CONTINUED)

General Fund Expenditures (Continued)

General Fund expenditures increased from \$120,974,763 in FY2017 to \$132,318,861 in FY2018, an increase of \$11,344,098 or 9.4%, primarily as the result of the addition of 40.14 teaching staff to support new students and program initiatives at a cost of approximately \$3.87 million, an increase in 33.29 other support staff at approximately \$2.05 million, and inclusion of \$6,190,699 of Capital Projects Fund expenses included in the General Fund for FY2018 as required by the Minnesota Department of Education.



**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND (CONTINUED)

Fund Balances – General Fund

Since implementation of the Fund Balance policy, the District has maintained a consistent unassigned fund balance of above 6% in the General Fund, which is key to maintaining the Aaa Bond Rating first received from Moody's in 2010.

**Table A-6
Undesignated/Unassigned General Fund Balance**

Year	Annual Expenditures	Undesignated/ Unassigned Fund Balance	Total Fund Balance	Undesignated/ Unassigned Percent	Total Percent
2000	\$ 58,268,217	\$ 2,874,577	\$ 3,953,323	4.93 %	6.78 %
2001	69,923,852	4,334,954	6,232,140 **	6.20	8.91
2002	61,852,250	5,020,969	7,283,331	8.12	11.78
2003	64,599,368	3,737,852	6,612,274	5.79	10.24
2004	66,023,507	4,591,901	6,272,136	6.95	9.50
2005	65,858,365	5,212,284	5,593,484	7.91	8.49
2006	66,657,817	6,133,090	7,061,237	9.20	10.59
2007	72,541,392	7,172,432	7,972,292	9.89	10.99
2008	76,280,966	8,463,830	10,100,999	11.10	13.24
2009	97,336,063 ***	11,915,358	13,765,928	12.24	14.14
2010	83,554,647	13,615,163	14,815,297	16.29	17.73
2011	86,847,689	10,551,950	16,904,256	12.15	19.46
2012	92,502,185	11,400,336	15,413,235	12.32	16.66
2013	94,897,463	14,400,463	20,284,928	15.17	21.38
2014	101,910,823	14,362,441	19,266,284	14.09	18.91
2015	109,080,060	13,821,183	19,055,503	12.67	17.47
2016	115,685,326	14,054,648	18,657,653	12.15	16.13
2017	120,974,763	16,065,042	21,102,336	13.28	17.44
2018	132,318,861	17,993,045	23,092,720	13.60	17.45

* For the years 2000 through 2010, prior to the implementation of GASB 54, the amounts represent Unreserved, Undesignated fund balance. For subsequent years the amounts presented represent Unassigned fund balance.

** Includes prior period adjustment

*** Includes transfers to OPEB Revocable Trust of \$17,742,555; without this transfer the Undesignated Percent would be 14.97% and the Total Percent would be 17.30%.

FOOD SERVICE FUND

Food Service Fund Revenue and Expenditure Comparison

Fund	Revenues			Expenditures		
	2018	2017	% Change	2018	2017	% Change
Food Service	\$ 6,060,079	\$ 5,847,979	3.63%	\$ 5,597,399	\$ 5,607,457	(0.18)%

The Food Service Fund supports 100% of the direct costs to provide nutritious meals to students and staff. It is important to note that 82.4% of all revenue is generated by local sales with the balance provided by per meal federal and state child nutrition program subsidies. A total of 6.6% of District students participate in federal free and reduced price meal programs.

The Food Service Fund is self-supporting for the department's cost of kitchen personnel, purchased services, supplies, direct utilities, custodial services associated with operation of the program and for lunchroom supervision, and replacement of capital equipment. Direct expenses charged to Nutrition Services are based upon a thorough analysis of General Fund operations to make certain all direct Nutrition Services expenses are included in the inter-department charge back calculation.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FOOD SERVICE FUND (CONTINUED)

Revenue increased by \$212,100 or 3.5% compared to FY2017 due to a 2.7% increase in meals served, up 26,895, from 997,274 in FY2017 to 1,024,169 in FY2018. A la carte sales also increased by \$26,700, up from \$1,932,334 in FY2017 to \$1,959,034 in FY2018.

Expenditures decreased by \$10,058 or 0.2% compared to actual expenses for FY2017 due primarily to Salaries and benefits decreasing by 18.41% or \$405,303, along with purchased services increasing \$314,385 due to a change in accounting for paraprofessional expenditures and the difficulty in filling open positions throughout the year. Supplies and materials costs, which consists primarily of food costs, increasing by \$39,849 or 1.46%. Salaries and benefits of staff account for 32.6% of operational expenses, and supplies and materials account for 50.5% of operational expenses.

As a result of the increase in revenue coupled with the slight decrease in expenditures, the Nutrition Services Program recorded revenues above expenses by \$462,680, increasing the fund balance to \$1,256,039, or 22.4% of expenses. It is important to note that the primary reason for maintaining a fund balance and operating at a slight surplus is to provide for equipment replacement. This allows the Nutrition Services Fund to operate without requiring a subsidy from the General Fund.

COMMUNITY SERVICE FUND

Community Service Fund Revenue and Expenditure Comparison

Fund	Revenues			Expenditures		
	2018	2017	% Change	2018	2017	% Change
Community Ed & Sv	\$ 12,328,621	\$ 11,381,289	8.32%	\$ 11,754,543	\$ 10,676,180	10.10%

The Community Service Fund recorded a surplus of revenues above expenditures of \$574,078. Community Education revenue from all sources increased by \$947,332, or 8.3% when compared to FY2017, due to an increase in overall class enrollment across all programs.

Expenditures for FY2018 increased by \$1,078,363, or 10.1%. Personnel expenses increased by 9.3%, driven by a \$472,256 increase in wages and salaries and a \$163,753 increase in employee benefit costs related to scheduled compensation increases and an increase in staffing due to expanded enrollment related to expanded class offerings. Nonpersonnel costs increased by \$442,354 or 11.56%, primarily due to supply costs for the increased enrollment and one-time capital costs to purchase a support vehicle for Community Education events.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The following is a summary of the Capital Projects and Debt Service Funds Revenue and Expenditures (including other financing sources and uses).

Capital Projects and Debt Service Funds Revenue and Expenditure Comparison

Fund	Revenues and Other Financing Sources			Expenditures and Other Financing Uses		
	2018	2017	% Change	2018	2017	% Change
Debt Service	\$ 23,775,748	\$ 6,766,670	251.37%	\$ 29,503,818	\$ 7,980,024	269.72 %
Capital Project	5,773,218	14,360,879	-59.80%	8,541,698	17,666,172	(51.65)%

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

CAPITAL PROJECTS AND DEBT SERVICE FUNDS (CONTINUED)

In FY2018, the District performed major long-term facilities maintenance on all buildings, and completed construction in December 2017 of an approximately 8,600 square foot addition at Groveland Elementary School consisting of a gymnasium and one classroom. The District also started construction in June 2018 on a gymnasium and four specialist classrooms at Clear Springs Elementary School, and a gymnasium and four specialist classrooms at Scenic Heights Elementary School.

In support of these projects and to also keep the District's approximately 1.78 million square feet of facilities in a state of good repair, during FY2018 the District issued the following bond issues:

- In October 2017, the District issued \$14,415,000 General Obligation Refunding Bonds, Series 2017B. The proceeds of this issue will be used to refund and pay the principal and interest due on the February 1, 2020 through 2023 maturities of the 2008A bonds, the February 1, 2019 through 2024 maturities of the 2008B bonds, the February 1, 2019 and 2020 maturities of the 2010A bonds, and the February 1, 2019 through 2021 maturities of the 2010D bonds. The refunding resulted in a net present value savings of \$536,890.

Total General Obligation Bonded Debt of the District as of June 30, 2018 of \$111,860,000 in General Obligation Bonds along with \$2,051,912 in debt service funds available resulted in a net bonded debt of \$109,808,088. The value of taxable property in the District as of December 31, 2017 was \$8,451,010,768. The ratio of General Obligation bonded debt to taxable property is 1.32%.

The District also issued Certificates of Participation to finance the construction of new gymnasiums at Groveland, Clear Springs, and Scenic Heights Elementary Schools and a retention pond and other storm water improvements at Clear Springs Elementary School; and to refund the 2010E certificates.

- 2017A \$3,000,000 Certificates of Participation on August 23, 2017, at a true interest cost of 3.64%, were issued to finance the construction of a new gymnasium at Groveland Elementary School
- 2017C \$2,250,000 Refunding Certificates of Participation on October 25, 2017 at a true interest cost of 3.21% to refund the 2010E certificates.
- 2018A \$1,900,000 Certificates of Participation on January 29, 2018, at a true interest cost of 4.68% to finance a portion of the construction costs of new gymnasiums at Clear Springs and Scenic Heights Elementary Schools and a retention pond and other storm water improvements at Clear Springs Elementary School.

Total Certificates of Participation outstanding as of June 30, 2018 was \$52,670,000.

INTERNAL SERVICE FUNDS

Proprietary funds such as the Internal Service Fund use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

**INDEPENDENT SCHOOL DISTRICT NO. 276
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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INTERNAL SERVICE FUNDS (CONTINUED)

The Internal Service Fund consists of Other Postemployment Benefits Revocable Trust for retiree health benefits and a Self-Insurance Program for Health and Dental Benefits. The OPEB Trust had an increase in net position of \$947,785 due to earnings on investments of \$1,575,355 less OPEB payments in FY2018 of \$627,570.

At June 30, 2018, the OPEB Trust Fund had net position of \$22,456,562 available to fund the OPEB Liability of \$9,533,609, or 235.6% of the actuary-calculated liability.

The Self Insurance Program for health and dental benefits had a decrease in net position of \$602,904 as health care expenses per member were higher than revenues, primarily due to an elevated incidence of high cost claims related to cancer diagnoses.

The Self Insurance Program ended FY2018 with a net position of \$6,000,556, which equates to approximately 42.5% of operating expenses.

FUND BALANCES AND RESTRICTIONS

The General Fund Balance increased by a net \$1,990,384 primarily as a result of an increase in average daily membership by 253 over FY2017, an increase in Basic Revenue of \$121 per pupil, plus an inflation increase of \$38 per pupil to bring Operating Referendum revenue per pupil to \$1,628 in FY2018. The additional revenue allowed for ongoing revenues to exceed ongoing expenses for FY 2018. Ongoing revenues to expenses for school and administrative operations operated at a surplus of \$1,828,017 for FY2018.

The total Food Service Fund Balance of \$1,256,039 is retained to provide resources for the replacement of capital equipment. Any small net income margin in a given year is added to this restricted balance. It ensures that the Food Service Fund remains self-sufficient for revenues and expenses so that no contribution is needed from the General Fund, thereby ensuring that General Fund revenues can be fully utilized for educational needs. The increase in the Food Service Fund Balance of \$462,680 is due to an increase in meals served and in a la carte sales, coupled with saving in personnel expense due to the higher level of open positions during the course of the year, due to economic competition for workers.

Capital Projects restricted balances totaling \$2,650,289 represent bond proceeds that have been issued and retained for specific construction or long term facilities maintenance projects. Debt Service restricted fund balances totaling \$1,183,399 represent bond proceeds held for debt refunding and property tax revenues that have been collected for the purpose of paying scheduled interest payments and retiring debt principal.

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MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY2018, the District had completed approximately \$2.15 million in long-term major maintenance, and had approximately \$3.5 million in capacity additions and long-term maintenance in process. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was approximately \$6.4 million.

**Table A-7
Capital Assets**

	2018	2017	Percentage Change
Land	\$ 3,522,679	\$ 3,522,679	-
Construction in Progress	2,639,693	1,722,261	53.3
Land Improvements	22,912,820	21,179,917	8.2
Buildings and Improvements	198,477,320	193,574,012	2.5
Equipment	17,513,794	16,554,324	5.8
Less: Accumulated Depreciation	<u>(88,445,283)</u>	<u>(82,237,995)</u>	7.5
Total District Capital Assets	<u>\$ 156,621,023</u>	<u>\$ 154,315,198</u>	1.5

Construction – Next Five Years

As of June 30, 2018, building additions completed over the prior 9 years have brought the capacity of the District's facilities to approximately 11,000 depending on class size.

The only future capacity additions are the construction of a gymnasium and four small specialist classrooms at Clear Springs Elementary School, and the construction of a gymnasium and four small specialist rooms at Scenic Heights Elementary School. Both projects will be completed by December 31, 2018.

As of June 30, 2018, no other new construction projects are being considered. The only other facility project activity is the annual major long-term maintenance program to keep existing facilities in a state of good repair. After 10 years of intense rebuilding of District school facilities, the level of bonding necessary to maintain the facilities in a state of good repair is dropping relative to the average for the previous decade.

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MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had approximately \$164.5 million in general obligation bonds and certificates of participation payable. More detailed information about long-term liabilities can be found in Note 5 to the financial statements. The District continues to expect outstanding par value of long-term debt to decline each year.

The District estimates approximately \$10.5 million in postemployment severance and health benefits payable at June 30, 2018. The District also estimates Compensated Absences payable of approximately \$1.08 million.

**Table A-8
The District's Long-Term Liabilities**

	2018	2017	Percentage Change
General Obligation Bonds	\$ 111,860,000	\$ 115,798,266	(3.4)%
Net Bond Premium and Discount	5,248,093	3,395,974	54.5
Certificates of Participation Payable	52,670,000	50,380,000	4.5
Net Pension Liability	242,388,667	283,214,157	(14.4)
Other Postemployment Benefits Payable	9,533,609	10,067,760	(5.3)
Severance Benefits Payable	614,607	(7,898,527)	(107.8)
Compensated Absences Payable	1,083,420	1,027,564	5.4
Total Long-Term Liabilities	<u>\$ 423,398,396</u>	<u>\$ 455,985,194</u>	(7.1)
Bonds, Certificates of Participation, and Compensated Absences			
Due Within One Year	\$ 8,600,043	\$ 11,114,244	
Due in More Than One Year	162,261,470	159,487,560	
Total	<u>\$ 170,861,513</u>	<u>\$ 170,601,804</u>	

GENERAL FUND BUDGET

Included in this budget category are district operations, transportation, extra-curricular programs, capital, athletic equipment fees, Tonka Dome operations, Pagel Center operations, Art Center operations, and Capital Projects Levy. To provide focus to the budget management process, resources used to pay personnel costs, utilities, transportation, and supplies are separated from resources that are either restricted or committed for a specific purpose such as funds for capital, student fees collected to purchase extra-curricular equipment, funds designated to repay the other postemployment benefits commitment, and funds reserved for the Tonka Dome, Pagel Center or Art Center facility. Those funds are reserved and not projected as available for operational expenses. Table A-9 reflects the division of the General Fund for budget management purposes.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND BUDGET (CONTINUED)

**Table A-9
General Fund - Budget v. Actual**

	2017-2018		Variance	
	Budget	Actual	Over (Under)	Percent
Operational Budgets (includes Transportation, and Extra Curricular):				
Revenue	\$ 119,129,709	\$ 118,816,673	\$ (313,036)	(0.3)%
Expenditures	116,567,624	116,988,656	421,032	0.4
Revenue Over				
Expenditures	2,562,085	1,828,017	(734,068)	
Reserve General Fund Budgets:				
Revenue:				
Capital Expenditures	5,499,234	5,630,119	130,885	2.4
Athletic Equipment Fees	335,492	230,392	(105,100)	(31.3)
Fiduciary Funds	1,408,031	1,623,303	215,272	15.3
Arts Center	841,600	908,962	67,362	8.0
Tonka Dome	278,231	344,777	66,546	23.9
Pagel Center	495,937	495,937	-	-
Capital Projects Levy	5,687,873	6,543,758	855,885	15.0
Total Revenue	14,546,398	15,777,249	1,230,851	
Expenditures:				
Capital Expenditures	6,154,998	6,035,015	(119,983)	(1.9)
Athletic Equipment Fees	335,492	225,274	(110,218)	(32.9)
Fiduciary Funds	1,408,031	1,563,648	155,617	11.1
Arts Center	841,600	908,962	67,362	8.0
Tonka Dome	278,231	344,777	66,546	23.9
Pagel Center	540,965	538,582	(2,383)	(0.4)
Capital Projects Levy	5,728,804	6,190,699	461,895	8.1
Total Expenditures	15,288,121	15,806,958	518,837	
Revenue Over (Under) Expenditures	(741,723)	(29,709)	712,014	(96.0)
Summary:				
Total Revenues	133,676,107	134,593,922	917,815	0.7
Total Expenditures	131,855,745	132,795,614	939,869	0.7
Revenue Over (Under)				
Expenditures	<u>\$ 1,820,362</u>	<u>\$ 1,798,308</u>	<u>\$ (22,054)</u>	

* Intrafund transfers in the General Fund are shown gross in this table but netted elsewhere

Due to a drop of 50 students from October 2017 to June 2018 resulting in less Basic Formula Revenue than budgeted, and interest earnings coming in lower than budgeted even though they were higher than FY2017, actual operational revenues were \$313,036, or 0.3% less than budgeted.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND BUDGET (CONTINUED)

Actual operational expenditures were \$421,032, or 0.4% more than budgeted. The largest variances were due to utility costs coming in over budget by \$318,402 due to the harsher winter conditions of FY2018, and necessary legal expenses exceeding budget estimates by \$106,291.

The District maintains several significant separate sub-funds that are rolled into the Operational General Fund results for reporting in the Comprehensive Annual Financial Report. These funds either have very specific function orientation or are utilized to fund noncapital equipment needs for various programs. As a result they will typically maintain separate assigned fund balances and may accrue funds over several years for a specific project or purpose. As a result it is not unusual to for these funds to occasionally spend down a portion of their fund balance in addition to their annual revenues in a given year, with the expenses going for that targeted purpose.

Under GASB 54, unassigned General Fund balances plus General Fund assigned fund balances, at the discretion of the School Board, are the best measure of school district health. The fund balances at the School Board's discretion in the assigned and unassigned categories totaled \$21,187,880 or 16.1% of FY2018 expenses. The Board has had a fund balance policy in place since 1988 requiring maintenance of a general fund unassigned balance of a minimum 6% of expenditures.

The General Fund includes the operating expenses incurred in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects. Management of General Fund resources is the primary focus of the School Board and administration.

With the exception of interest earnings, tickets receipts, and other miscellaneous revenue, all General Fund revenue is controlled by a complex set of state funding formulas. State formulas determine the basic level of funding by setting a uniform per pupil allowance for all Minnesota school districts. In addition, state formulas determine the amount of aid received for programs such as special education, concentrations of poverty, geographic dispersion of students, integration, English language learners, and nonpublic transportation. State formulas also set the maximum operating referendum districts may request of voters. Once the revenue is determined, another set of state formulas calculates what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FACTORS BEARING ON THE DISTRICT'S FUTURE

For FY2018, the state of Minnesota provided funding increases including 2% on the main basic funding formula as the Minnesota economy has continued to recover from the Great Recession. Assuming the state is able to provide the revenues without any proration reductions, the major factor influencing the District's future will be the District's commitment to managing expenses so that they do not exceed available resources. The District received approval from the voters of the District on November 3, 2015 for an operating referendum revenue extension and increase of \$340 per pupil for FY2017 and an increase of \$340 per pupil in FY2020. With the approval, additional ongoing revenue of approximately \$4.3 million was generated in FY2017 and an estimated \$4.8 million in FY2020 will be generated. The approval rate was 72%.

The District has also received an extension of the technology referendum revenue on the November 3, 2015 ballot, which generates approximately \$5.8 million annually. The approval rate was 73%.

Primary drivers of the District General Fund expense budget continue to be personnel related:

- Staffing additions to address growing enrollment
- The cost of collectively-bargained contracts with employee groups and unions
- Health insurance costs that increase approximately in the mid-single digits on an annual basis

As of the end of FY2018, sufficient resources are projected to be available in the District General Fund Balance to fund District education programs for FY2019 through at least FY2023 assuming continued modest financial support from the State of Minnesota. The District should be able to maintain a minimum 6% fund balance through the end of FY2023. Finances will continue to be monitored very closely into the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 276, District Service Center, 5621 County Highway #101, Minnetonka, Minnesota 55345.

Bond Ratings

The District's bonds presently carry a Moody's "Aaa" rating.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently \$1.1 billion.

BASIC FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities <u>2018</u>
ASSETS	
Cash and Investments	\$ 81,433,910
Cash with Fiscal Agent	3,031,812
Receivables:	
Property Taxes	19,697,593
Other Governments	10,788,884
Other	781,514
Prepaid Items	1,706,228
Inventories	309,157
Capital Assets:	
Land and Construction in Progress	6,162,372
Other Capital Assets, Net of Depreciation	150,458,651
Total Assets	<u>274,370,121</u>
DEFERRED OUTFLOWS OF RESOURCES	
Losses on Debt Refunding	2,135,772
Deferred Outflows - Pension Payments	137,077,786
Total Deferred Outflows	<u>139,213,558</u>
LIABILITIES	
Salaries Payable	6,341,085
Accounts and Contracts Payable	4,006,395
Accrued Interest	1,799,004
Due to Other Governmental Units	142,975
Unearned Revenue	3,011,273
Long-Term Liabilities:	
Net Pension Liability	242,388,667
Severance and Health Benefits Payable	10,148,216
Other Long-Term Liabilities Due Within One Year	8,600,043
Other Long-Term Liabilities Due in More Than One Year	162,261,470
Total Liabilities	<u>438,699,128</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	43,345,230
Deferred Inflows - Pensions	39,656,262
Deferred Inflows - OPEB	263,644
Total Deferred Inflows of Resources	<u>83,265,136</u>
NET POSITION	
Net Investment in Capital Assets	13,441,105
Restricted for:	
General Fund Operating Capital Purposes	185,739
General Fund State-Mandated Reserves	41,720
Food Service	1,256,039
Community Service	4,164,768
Capital Projects - Building Construction	1,597,547
Unrestricted	<u>(129,067,503)</u>
Total Net Position	<u>\$ (108,380,585)</u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions	2018				Net (Expense) Revenue and Change in Net Position
	Expenses	Program Revenues		Capital Grants and Contributions	
		Charges for Services	Operating Grants and Contributions		
					Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	\$ 5,455,522	\$ -	\$ 21,959	\$ 195,883	\$ (5,237,680)
District Support Services	5,572,269	-	53,569	-	(5,518,700)
Regular Instruction	104,554,124	1,481,610	2,851,688	240,402	(99,980,424)
Vocational Education Instruction	866,784	-	28,103	-	(838,681)
Special Education Instruction	23,574,526	-	13,042,091	-	(10,532,435)
Instructional Support Services	8,647,660	196,370	49,006	-	(8,402,284)
Pupil Support Services	5,129,342	253,070	164,735	-	(4,711,537)
Sites and Buildings	10,542,688	-	722,689	1,203,226	(8,616,773)
Fiscal and Other Fixed Cost Programs	232,382	-	77,534	-	(154,848)
Food Service	5,634,791	4,988,142	1,060,675	-	414,026
Community Service	12,538,445	10,387,741	983,885	1,208	(1,165,611)
Transportation	4,948,779	-	203,960	-	(4,744,819)
Interest and Fiscal Charges on Long-Term Liabilities	6,138,422	-	-	-	(6,138,422)
Total School District	<u>\$ 193,835,734</u>	<u>\$ 17,306,933</u>	<u>\$ 19,259,894</u>	<u>\$ 1,640,719</u>	<u>(155,628,188)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purposes					35,987,087
Community Service					918,485
Debt Service					7,706,340
State Aid Not Restricted to Specific Purposes					76,233,324
Earnings on Investments					2,022,260
Miscellaneous					1,191,246
Total General Revenues					<u>124,058,742</u>
CHANGE IN NET POSITION					(31,569,446)
Net Position - Beginning					(64,205,056)
Prior Period Restatement, - See Note 14					<u>(12,606,083)</u>
Net Position - Beginning, as Restated					<u>(76,811,139)</u>
NET POSITION - ENDING					<u>\$ (108,380,585)</u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2018	2017
ASSETS							
Cash and Investments	\$ 35,050,531	\$ 1,468,883	\$ 5,976,806	\$ 560,956	\$ 6,406,092	\$ 49,463,268	\$ 41,217,180
Cash with Fiscal Agent	-	-	-	3,027,151	4,661	3,031,812	7,970,842
Receivables:							
Current Property Taxes	15,554,855	-	394,531	-	3,726,791	19,676,177	22,479,730
Delinquent Property Taxes	15,089	-	652	-	5,675	21,416	93,406
Accounts and Interest Receivable	360,936	-	415,769	4,809	-	781,514	714,870
Due from Other Minnesota School Districts	84,849	-	85,615	-	-	170,464	220,666
Due from Minnesota Department of Education	9,153,706	3,234	29,066	-	12,550	9,198,556	9,108,833
Due from Federal through Minnesota Department of Education	1,379,009	16,023	-	-	-	1,395,032	1,502,834
Due from Other Governmental Units	24,832	-	-	-	-	24,832	288,384
Due from Other Funds	627,570	-	-	-	-	627,570	667,874
Inventory	245,814	63,343	-	-	-	309,157	309,986
Prepays	1,431,567	660	137,970	-	927,501	2,497,698	2,086,955
Total Assets	\$ 63,928,758	\$ 1,552,143	\$ 7,040,409	\$ 3,592,916	\$ 11,083,270	\$ 87,197,496	\$ 86,661,560
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 5,241,089	\$ 10,471	\$ 433,595	\$ -	\$ -	\$ 5,685,155	\$ 4,958,852
Payroll Deductions and Employer Contributions Payable	654,067	354	1,509	-	-	655,930	651,997
Accounts and Contracts Payable	965,988	16,405	261,993	942,627	-	2,187,013	2,456,009
Due to Other Governmental Units	133,035	-	1,042	-	8,898	142,975	129,725
Unearned Revenue	452,873	268,874	1,222,954	-	-	1,944,701	1,854,472
Total Liabilities	7,447,052	296,104	1,921,093	942,627	8,898	10,615,774	10,051,055
Deferred Inflows of Resources:							
Levied for Subsequent Year	33,373,897	-	954,548	-	9,016,785	43,345,230	40,279,944
Unavailable Revenue - Delinquent Property Taxes	15,089	-	652	-	5,675	21,416	93,406
Total Deferred Inflows of Resources	33,388,986	-	955,200	-	9,022,460	43,366,646	40,373,350
Fund Balance:							
Nonspendable:							
Inventory	245,814	63,343	-	-	-	309,157	309,986
Prepays	1,431,567	660	137,970	-	927,501	2,497,698	2,086,955
Restricted for:							
Health and Safety	9,736	-	-	-	-	9,736	9,736
Capital Projects Levy	-	-	-	-	-	-	192,078
Projects Funded by Certificates of Participation	-	-	-	1,052,742	-	1,052,742	1,478,175
Operating Capital	185,739	-	-	-	-	185,739	459,773
Bond Refundings	-	-	-	-	4,661	4,661	1,347,813
Community Education	-	-	3,773,642	-	-	3,773,642	3,256,314
Early Childhood and Family Education	-	-	10,160	-	-	10,160	-
School Readiness	-	-	215,021	-	-	215,021	207,000
Adult Basic Education	-	-	14,524	-	-	14,524	14,524
Long-Term Facilities Maintenance	-	-	-	1,596,098	-	1,596,098	3,747,341
Restricted for Other Purposes	-	1,192,036	12,799	1,449	1,178,738	2,385,022	3,728,060
Restricted for Medical Assistance	31,984	-	-	-	-	31,984	-
Assigned for:							
Q Comp	570,357	-	-	-	-	570,357	581,660
Athletic Equipment	340,610	-	-	-	-	340,610	335,492
Operating Capital Deferred Use	807,587	-	-	-	-	807,587	1,065,839
Special Purposes	1,476,281	-	-	-	-	1,476,281	1,416,626
Unassigned	17,993,045	-	-	-	(58,988)	17,934,057	15,999,783
Total Fund Balance	23,092,720	1,256,039	4,164,116	2,650,289	2,051,912	33,215,076	36,237,155
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 63,928,758	\$ 1,552,143	\$ 7,040,409	\$ 3,592,916	\$ 11,083,270	\$ 87,197,496	\$ 86,661,560

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

	2018
Total Fund Balance for Governmental Funds	\$ 33,215,076
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	3,522,679
Construction in Progress	2,639,693
Land Improvements, Net of Accumulated Depreciation	14,904,833
Buildings and Improvements, Net of Accumulated Depreciation	129,039,554
Equipment, Net of Accumulated Depreciation	6,514,264
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds.	
	21,416
When a bond defeasance occurs the difference between the amount paid to the refunded bond escrow and the principal of the defeased debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges.	
	2,135,772
Interest on long-term debt which is paid prior to it becoming due is recorded as a prepaid item in the governmental funds, but for the government-wide purposes the interest accrues over time and, therefore, the prepaid is removed and expensed.	
	(791,470)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.	
	(1,799,004)
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:	
Net Pension Liability	(242,388,667)
Deferred Inflows of Resources - Pensions	(39,656,262)
Deferred Outflows of Resources - Pensions	137,077,786
The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year end are:	
Other Postemployment Benefits Liability	(9,533,609)
Deferred Inflows of Resources - Other Postemployment Benefits	(263,644)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:	
Bonds Payable	(111,860,000)
Unamortized Premiums	(5,254,328)
Unamortized Discounts	6,235
Certificates of Participation Payable	(52,670,000)
Severance Benefits Payable	(614,607)
Compensated Absences Payable	(1,083,420)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:	
	28,457,118
Total Net Position of Governmental Activities	\$ (108,380,585)

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2018	2017
REVENUES							
Local Sources:							
Property Taxes	\$ 36,045,639	\$ -	\$ 920,120	\$ -	\$ 7,718,143	\$ 44,683,902	\$ 43,346,798
Earnings and Investments	212,350	11,262	41,584	38,892	64,152	368,240	153,497
Other	6,311,272	4,989,013	10,916,007	136,667	-	22,352,959	20,366,116
State Sources	89,582,947	133,188	450,910	-	126,532	90,293,577	85,810,383
Federal Sources	1,964,961	926,616	-	-	77,534	2,969,111	2,763,275
Total Revenues	<u>134,117,169</u>	<u>6,060,079</u>	<u>12,328,621</u>	<u>175,559</u>	<u>7,986,361</u>	<u>160,667,789</u>	<u>152,440,069</u>
EXPENDITURES							
Current:							
Administration	4,124,131	-	-	-	-	4,124,131	4,040,778
District Support Services	5,814,329	-	-	-	-	5,814,329	3,753,805
Elementary and Secondary Regular Instruction	72,455,135	-	-	-	-	72,455,135	66,724,212
Vocational Education Instruction	624,342	-	-	-	-	624,342	834,722
Special Education Instruction	18,158,328	-	-	-	-	18,158,328	16,562,003
Instructional Support Services	6,939,347	-	-	-	-	6,939,347	6,051,941
Pupil Support Services	3,917,843	-	-	-	-	3,917,843	3,450,968
Sites and Buildings	7,342,946	-	-	-	-	7,342,946	7,712,195
Fiscal and Other Fixed Cost Programs	232,382	-	-	-	-	232,382	258,901
Food Service	-	5,499,699	-	-	-	5,499,699	5,537,865
Community Service	-	-	11,357,592	-	-	11,357,592	10,467,031
Transportation	4,948,779	-	-	-	-	4,948,779	4,771,172
Capital Outlay	3,386,608	97,700	396,951	8,349,622	-	12,230,881	19,849,561
Debt Service:							
Principal	2,495,000	-	-	-	7,915,000	10,410,000	6,924,417
Interest and Fiscal Charges	1,879,691	-	-	-	3,695,243	5,574,934	5,519,964
Total Expenditures	<u>132,318,861</u>	<u>5,597,399</u>	<u>11,754,543</u>	<u>8,349,622</u>	<u>11,610,243</u>	<u>169,630,668</u>	<u>162,459,535</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,798,308	462,680	574,078	(8,174,063)	(3,623,882)	(8,962,879)	(10,019,466)
OTHER FINANCING SOURCES (USES)							
Sale of Bonds	-	-	-	-	14,415,000	14,415,000	5,785,000
Bond Premium	-	-	-	-	1,374,387	1,374,387	196,666
Issuance of Certificates of Participation	-	-	-	4,900,000	2,250,000	7,150,000	2,775,000
Premium on Certificates of Participation	-	-	-	697,659	197,329	894,988	134,467
Payment to Refunded Bond Escrow Agent	-	-	-	-	(17,893,575)	(17,893,575)	-
Transfers In	192,076	-	-	-	-	192,076	445,061
Transfers Out	-	-	-	(192,076)	-	(192,076)	(445,061)
Total Other Financing Sources (Uses)	<u>192,076</u>	<u>-</u>	<u>-</u>	<u>5,405,583</u>	<u>343,141</u>	<u>5,940,800</u>	<u>8,891,133</u>
NET CHANGE IN FUND BALANCE	1,990,384	462,680	574,078	(2,768,480)	(3,280,741)	(3,022,079)	(1,128,333)
FUND BALANCES							
Beginning of Year	21,102,336	793,359	3,590,038	5,418,769	5,332,653	36,237,155	37,365,488
End of Year	<u>\$ 23,092,720</u>	<u>\$ 1,256,039</u>	<u>\$ 4,164,116</u>	<u>\$ 2,650,289</u>	<u>\$ 2,051,912</u>	<u>\$ 33,215,076</u>	<u>\$ 36,237,155</u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	2018
Net Change in Fund Balance - Total Governmental Funds	\$ (3,022,079)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:	
Capital Outlays	8,746,821
Loss on Disposal of Capital Assets	(15,338)
Depreciation Expense	(6,425,658)
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 unearned in the governmental funds.	
	(71,990)
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	
	(35,151,209)
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	
	(151,093)
Payments to the District's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB obligation and the related deferred inflows and outflows of resources are recognized in the statement of net position.	
	270,507
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
General Obligation and Certificates of Participation Bond Proceeds	(21,565,000)
Bond Premium or Discount	(2,269,375)
Payment to Refunded Bond Escrow Agent	17,893,575
Repayment of Bond Principal	7,915,000
Repayment of Certificates of Participation Payable	2,495,000
Change in Accrued and Accreted Interest Payable	(686,025)
Change in Prepaid Interest Expensed	21,738
Amortization of Bond Premium	417,840
Amortization of Bond Discount	(584)
Amortization of Deferred Charges on Refunding Bonds	(316,457)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	
	344,881
Total	\$ (31,569,446)

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 30,864,694	\$ 35,844,399	\$ 36,045,639	\$ 201,240
Earnings and Investments	145,000	292,665	212,350	(80,315)
Other	5,274,035	5,153,639	6,311,272	1,157,633
State Sources	87,645,314	89,418,728	89,582,947	164,219
Federal Sources	1,875,264	2,497,577	1,964,961	(532,616)
Total Revenues	<u>125,804,307</u>	<u>133,207,008</u>	134,117,169	910,161
EXPENDITURES				
Current:				
Administration	3,987,998	4,036,093	4,124,131	88,038
District Support Services	5,033,703	5,231,518	5,814,329	582,811
Elementary and Secondary Regular Instruction	67,665,287	71,943,611	72,455,135	511,524
Vocational Education Instruction	713,052	642,926	624,342	(18,584)
Special Education Instruction	17,868,431	18,711,730	18,158,328	(553,402)
Instructional Support Services	6,249,629	6,904,328	6,939,347	35,019
Pupil Support Services	3,415,320	3,892,653	3,917,843	25,190
Sites and Buildings	7,441,803	7,139,470	7,342,946	203,476
Fiscal and Other Fixed Cost Programs	236,090	236,090	232,382	(3,708)
Transportation	4,913,349	4,891,385	4,948,779	57,394
Capital Outlay	1,998,533	3,372,677	3,386,608	13,931
Debt Service:				
Principal	2,385,000	2,495,000	2,495,000	-
Interest and Fiscal Charges	1,837,895	1,889,166	1,879,691	(9,475)
Total Expenditures	<u>123,746,090</u>	<u>131,386,647</u>	<u>132,318,861</u>	<u>932,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,058,217	1,820,361	1,798,308	(22,053)
OTHER FINANCING SOURCES				
Transfers In	-	-	192,076	192,076
NET CHANGE IN FUND BALANCE	<u>\$ 2,058,217</u>	<u>\$ 1,820,361</u>	1,990,384	<u>\$ 170,023</u>
FUND BALANCE				
Beginning of Year			<u>21,102,336</u>	
End of Year			<u>\$ 23,092,720</u>	

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 8,500	\$ 8,500	\$ 11,262	\$ 2,762
Other - Primarily Meal Sales	5,007,480	5,007,480	4,989,013	(18,467)
State Sources	130,202	130,202	133,188	2,986
Federal Sources	840,161	840,161	926,616	86,455
Total Revenues	<u>5,986,343</u>	<u>5,986,343</u>	<u>6,060,079</u>	<u>73,736</u>
EXPENDITURES				
Current:				
Food Service	5,743,168	5,813,501	5,499,699	(313,802)
Capital Outlay	61,800	128,400	97,700	(30,700)
Total Expenditures	<u>5,804,968</u>	<u>5,941,901</u>	<u>5,597,399</u>	<u>(344,502)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 181,375</u>	<u>\$ 44,442</u>	462,680	<u>\$ 418,238</u>
FUND BALANCE				
Beginning of Year			<u>793,359</u>	
End of Year			<u>\$ 1,256,039</u>	

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 925,576	\$ 925,576	\$ 920,120	\$ (5,456)
Earnings and Investments	8,000	20,000	41,584	21,584
Other - Primarily Tuition and Fees	10,223,803	10,513,524	10,916,007	402,483
State Sources	<u>493,272</u>	<u>462,448</u>	<u>450,910</u>	<u>(11,538)</u>
Total Revenues	11,650,651	11,921,548	12,328,621	407,073
EXPENDITURES				
Current:				
Community Service	11,099,086	11,526,832	11,357,592	(169,240)
Capital Outlay	<u>263,600</u>	<u>439,294</u>	<u>396,951</u>	<u>(42,343)</u>
Total Expenditures	11,362,686	11,966,126	11,754,543	(211,583)
NET CHANGE IN FUND BALANCE	<u>\$ 287,965</u>	<u>\$ (44,578)</u>	574,078	<u>\$ 618,656</u>
FUND BALANCE				
Beginning of Year			<u>3,590,038</u>	
End of Year			<u>\$ 4,164,116</u>	

See accompanying Notes to Basic Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)

	Governmental Activities - Internal Service Funds	
	2018	2017
CURRENT ASSETS		
Cash and Investments	\$ 31,970,642	\$ 31,592,377
CURRENT LIABILITIES		
Accounts Payable	4,582	66,186
Claims Payable - Medical	1,814,800	1,778,600
Due to Other Funds	627,570	667,874
Unearned Revenue	1,066,572	967,480
Total Current Liabilities	3,513,524	3,480,140
NET POSITION		
Unrestricted	\$ 28,457,118	\$ 28,112,237

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	Governmental Activities - Internal Service Funds	
	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for Services:		
Health Insurance Premiums	\$ 12,399,833	\$ 11,659,725
Dental Insurance Premiums	<u>1,049,031</u>	<u>977,886</u>
Total Operating Revenues	13,448,864	12,637,611
 OPERATING EXPENSES		
Salaries	85,975	81,387
VEBA Contributions	711,924	798,484
Wellness Payments	38,430	36,600
Health Insurance Claim Payments	11,290,890	10,140,448
Dental Insurance Claim Payments	959,208	921,450
OPEB Payments	627,570	667,874
General Administration Fees	<u>1,044,006</u>	<u>1,062,928</u>
Total Operating Expenses	<u>14,758,003</u>	<u>13,709,171</u>
 OPERATING LOSS	(1,309,139)	(1,071,560)
 NONOPERATING INCOME		
Earnings on Investments	<u>1,654,020</u>	<u>2,156,587</u>
 CHANGE IN NET POSITION	344,881	1,085,027
Net Position - Beginning	<u>28,112,237</u>	<u>27,027,210</u>
 NET POSITION - ENDING	<u><u>\$ 28,457,118</u></u>	<u><u>\$ 28,112,237</u></u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	Governmental Activities - Internal Service Funds	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 13,547,956	\$ 12,677,575
Payments for Administrative Costs	(1,044,006)	(1,062,928)
Payments for Salaries	(85,975)	(81,387)
Payments for Medical Fees and Insurance Claims	(12,275,502)	(10,896,453)
Payments for Wellness	(38,430)	(36,600)
Payments to Employee VEBA Accounts	(711,924)	(798,484)
Payments for Retirement Benefits	(667,874)	(637,127)
Net Cash Used by Operating Activities	<u>(1,275,755)</u>	<u>(835,404)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	78,665	41,421
Proceeds from Sale of Investments	667,874	637,127
Net Cash Provided by Investing Activities	<u>746,539</u>	<u>678,548</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(529,216)	(156,856)
Cash and Cash Equivalents - Beginning	<u>9,415,726</u>	<u>9,572,582</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 8,886,510</u>	<u>\$ 9,415,726</u>
Total Cash and Investments per Statement of Net Position	\$ 31,970,642	\$ 31,592,377
Less: Investments Included in Cash and Investments	<u>(23,084,132)</u>	<u>(22,176,651)</u>
Total Cash and Cash Equivalents	<u>\$ 8,886,510</u>	<u>\$ 9,415,726</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,309,139)	\$ (1,071,560)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Increase (Decrease) in Accounts Payable	(61,604)	59,045
Increase in Claims Payable	36,200	106,400
Increase (Decrease) in Due to Other Funds	(40,304)	30,747
Increase in Unearned Revenue	99,092	39,964
Total Adjustments	<u>33,384</u>	<u>236,156</u>
Net Cash Used by Operating Activities	<u>\$ (1,275,755)</u>	<u>\$ (835,404)</u>
NONCASH INVESTING ACTIVITIES:		
Increase in Fair Value of Investments	<u>\$ 1,575,355</u>	<u>\$ 2,115,166</u>

See accompanying Notes to Basic Financial Statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Private-Purpose Trust
ASSETS	
Cash and Investments	\$ 308,050
LIABILITIES	
Accounts and Contracts Payable	1,602
NET POSITION	
Held In Trust	\$ 306,448

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

	Private-Purpose Trust
ADDITIONS	
Gifts and Donations	\$ 264,175
DEDUCTIONS	
Scholarships Awarded	137,678
CHANGE IN NET POSITION	126,497
Net Position - Beginning of Year	179,951
NET POSITION - END OF YEAR	\$ 306,448

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 276 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Independent School District No. 276 (the District) is an instrumentality of the state of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota state statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Separate Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: private purpose trust. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. Internal payments received in the internal service funds are eliminated on the government-wide statements as reductions to expenses and the net cost of these services is reported in the appropriate functional activity.

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

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

In 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. This resulted in a prior period restatement of beginning net position to revalue the District's beginning Other Postemployment Benefits (OPEB) liability. See Note 12 for more information on the District's OPEB plan and liability and Note 14 for more information on the prior period restatement.

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. 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. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month period of availability is generally used for other fund revenue.

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.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and balance sheet and revenue is recognized.

Description of Funds

The existence of the various District funds has been established by the state of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues recorded in this fund include meal sales to pupils along with state and federal reimbursements for meals.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues recorded in this fund include property taxes restricted for Community Service purposes and tuition and fees charged for Community Education.

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds (Continued)

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service, except for refunding bond issues, for which a separate refunding bond trust account has been established. Additionally, during fiscal year 2009, the District established a debt service fund to account for proceeds of taxable Other Postemployment Benefits bonds.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund includes its self-insured health and dental insurance plan for its employees. In fiscal year 2009, the District also established a revocable trust to account for cash and other assets held by the District for the payment of Other Postemployment Benefits, which is accounted for as an internal service fund.

Fiduciary Fund

The District maintains a Private Purpose Trust Fund which is used to account for money held by the District in the capacity of trustee or custodian, where both the principal and interest may be spent.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Capital Projects – Buildings Construction, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment which meet the criteria included in GASB Statement No. 79 are measured at amortized cost.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expensed in the periods benefitted.

J. Property Taxes

Property tax levies are established by the School Board in December 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 and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state 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 (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds 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."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$3,991,124) advance recognized as revenue in fiscal 2018 with no corresponding state aid adjustment. Certain other portions of the District's 2017 pay 2018 levy, normally revenue for the 2018-19 fiscal year, are also advance recognized as June 30, 2018, as required by state statute to match revenue with the same fiscal year as the related expenditures.

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 shown as a deferred inflow of resources 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. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2018, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Capital assets not being depreciated include land and construction 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two types of item that qualifies for reporting in this category. When refunding debt issuances, the difference between the reacquisition price of the refunded debt and the net carrying amount of that debt (net of any unamortized premium or discount) is considered a deferred outflow of resources and amortized as a component of interest expense over the shorter of the remaining life of the refunded debt or the life of the new refunding debt. The District also reports deferred outflows of resources related to pensions. See Note 8 for additional detail.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the financial statements 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 three types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred inflows reported is related to pensions and OPEB benefits. See Notes 8 and 12 for additional detail.

M. Long-Term Obligations

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

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

N. Accrued Employee Benefits

Vacation Pay

The long-term portion of vacation liabilities is recorded as compensated absences payable in long-term debt in the government-wide financial statements.

Sick Pay

Certain district employees are entitled to sick leave at various rates. Unused sick leave is a factor in the calculation of an employee's severance pay upon retirement for certain employee groups.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Severance and Health Benefits

Severance and health benefits consist of convertible sick leave and postemployment health care benefits. Accounting policies for severance and health benefits are described below.

1. Convertible Sick Leave

Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions. If convertible sick leave payments are owed at year-end, an accrual is made in the governmental fund incurring the liability. The amount of convertible sick leave is recorded as a liability in the long-term debt as it is earned and when it becomes probable that it will vest at some point in the future.

During fiscal year 2018, the District's expenditures for convertible sick leave totaled approximately \$149,093. At June 30, 2018, the long-term portion of the convertible sick leave liability is included as part of long-term debt and represents \$614,607 of that total severance and health benefits payable amount.

2. Postemployment Health Care Benefits

In addition to retirement benefits, the District provides postretirement medical insurance benefits to teachers, administrators, principals, food service workers, custodians, and clerical employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. See Note 12 for further information.

Pensions

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

O. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the Government-wide cash and investment management pool is considered to be cash equivalents. Amounts invested in the OPEB trust included in the proprietary fund are not considered to be cash and cash equivalents.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Restricted Assets

Restricted assets are cash and investments whose use is limited by legal requirements such as a bond indenture. Restricted assets in these financial statements are labeled "Cash and Investments Held by Trustee".

Q. Fund Balance

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

Nonspendable – portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained by outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the Board of Education.

Assigned – consists of internally imposed constraints. The Board of Education passed a resolution authorizing the Superintendent and Director of Business Affairs to assign fund balances and their intended uses.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District formally adopted a fund balance policy for the General Fund. The policy establishes a year-end minimum unassigned fund balance of 6% of the annual budget.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation is provided by SFM Insurance with property and casualty insurance provided by WRM America. Both plans are serviced through a local agent who assists the District in the annual review of coverage. In addition, safety specialists from SFM Insurance visit the District annually to inspect the work environment in an effort to assist District staff to identify unsafe work conditions. There were no insurance settlements exceeding claims in any of the previous three years.

S. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the Government-wide, Proprietary Fund, and Fiduciary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

T. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2018.

	Budget	Expenditures	Excess
General Fund	\$ 131,386,647	\$ 132,318,861	\$ 932,214

The overages in the General Fund were a result of utilities being over budget by \$318,402 due to the effects of the winter of 2017-18, an increase in the GASB TRA Contribution of \$238,203 as actuarially calculated after budget adoption, \$260,012 in Extracurricular and Co-curricular activities from reserved fund balances to meet programmatic needs, \$106,291 for legal services as necessary for activities that required the assistance of legal counsel, and \$33,346 for additional police services for traffic control at various school sites based on changing traffic conditions at school start-and-end times. The expenditures were largely offset by \$910,161 of additional revenues over budget.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

At June 30, 2018, the District's deposits had a bank balance of \$15,529,093 and a carrying amount of \$13,700,893. At June 30, 2018, the District's petty cash fund totaled \$3,600.

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Guaranteed investment contracts 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
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers
- Investments related to the OPEB Revocable Trust Fund may be invested in accordance with Minnesota Statute 356A.06

At June 30, 2018, the District’s investment balances were as follows:

Investments Measured at Fair Value	Fair Value
U.S. Treasuries with Maturities at Purchase of Greater Than 1 Year	\$ 1,037,764
Municipal Bonds	472,195
Federal Home Loan Mortgage Corporation	99,443
Corporate Bonds	5,677,898
Mutual Funds	2,140,700
Equities	10,996,599
Real Estate Investment Trusts	82,036
Real Asset Funds	2,314,305
Total Investments at Fair Value	\$ 22,820,940
Investments Measured at Amortized Cost	
Federated Treasury Cash Series	\$ 124,649
MSDLAF+	27,125,025
MN Trust Investment Shares	14,231,467
MN Trust Term Series	3,000,000
Money Markets	3,767,198
Total Investments at Amortized Cost	\$ 48,248,339

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.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District’s investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The credit ratings and maturities of the District's investments are as follows:

Type	Total	Maturity Duration in Years				No Maturities	Rating
		Less Than 1	1 to 5	6 to 10	More Than 10		
U.S. Treasury Notes	\$ 1,037,764	\$ -	\$ 1,037,764	\$ -	\$ -	\$ -	NR
Federal Home Loan Bank	99,443	-	99,443	-	-	-	AAA
Mutual Funds	2,140,700	-	-	-	-	2,140,700	NR
Real Estate Investment Trusts	82,036	-	-	-	-	82,036	NR
Real Asset Funds	2,314,305	-	-	-	-	2,314,305	NR
Equities	10,996,599	-	-	-	-	10,996,599	NR
Municipal Bonds	472,195	-	-	-	472,195	-	AAA
Corporate Bonds	5,677,898	1,394,166	4,283,732	-	-	-	BBB to AA+
Federated Treasury Cash Series	124,649	-	-	-	-	124,649	NR
MSDLAF+	27,125,025	-	-	-	-	27,125,025	AAAF
MN Trust Investment Shares	14,231,467	-	-	-	-	14,231,467	AAAm
MN Trust Term Series	3,000,000	-	3,000,000	-	-	-	AAAm
Money Market Funds	3,767,198	-	-	-	-	3,767,198	AAA
Total	\$ 71,069,279	\$ 1,394,166	\$ 8,420,939	\$ -	\$ 472,195	\$ 60,781,979	

Concentration of Credit Risk – The District places no limit on the amount that the District may invest in any one issuer. The District had no investments at June 30, 2018 which individually comprised more than 5% of total investments.

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 81,433,910
Cash and Investments Held by Trustee - Statement of Net Position	3,031,812
Cash and Investments - Statement of Fiduciary Net Position	308,050
Total Cash and Investments	\$ 84,773,772

Cash and Investments Held by Trustee – Cash and investments held by trustee are held by an escrow agent in accordance with escrow agreements established with the sale of various refunding bonds and capitalized interest.

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

Assets of the District measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Municipal Bonds	\$ -	\$ 472,195	\$ -	\$ 472,195
U.S. Treasuries with Maturities at Purchase of Greater Than 1 Year	1,037,764	-	-	1,037,764
Federal Home Loan Mortgage Corporation	-	99,443	-	99,443
Corporate Bonds	5,677,898	-	-	5,677,898
Mutual Funds	2,140,700	-	-	2,140,700
Equities	10,996,599	-	-	10,996,599
Real Estate Investment Trusts	82,036	-	-	82,036
Real Asset Funds	1,163,921	-	1,150,384	2,314,305
Total	<u>\$ 21,098,918</u>	<u>\$ 571,638</u>	<u>\$ 1,150,384</u>	<u>22,820,940</u>
Investments Measured at Amortized Cost				48,248,339
Total				<u>\$ 71,069,279</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 3,522,679	\$ -	\$ -	\$ 3,522,679
Construction in Progress	1,722,261	7,084,272	(6,166,840)	2,639,693
Total Capital Assets, Not Being Depreciated	<u>5,244,940</u>	<u>7,084,272</u>	<u>(6,166,840)</u>	<u>6,162,372</u>
Capital Assets, Being Depreciated				
Land Improvements	21,179,917	1,732,903	-	22,912,820
Buildings and Improvements	193,574,012	4,903,308	-	198,477,320
Equipment	16,554,324	1,193,178	(233,708)	17,513,794
Total Capital Assets, Being Depreciated	<u>231,308,253</u>	<u>7,829,389</u>	<u>(233,708)</u>	<u>238,903,934</u>
Accumulated Depreciation for:				
Land Improvements	(6,913,589)	(1,094,398)	-	(8,007,987)
Buildings and Improvements	(64,907,748)	(4,530,018)	-	(69,437,766)
Equipment	(10,416,658)	(801,242)	218,370	(10,999,530)
Total Accumulated Depreciation	<u>(82,237,995)</u>	<u>(6,425,658)</u>	<u>218,370</u>	<u>(88,445,283)</u>
Total Capital Assets, Being Depreciated, Net	<u>149,070,258</u>	<u>1,403,731</u>	<u>(15,338)</u>	<u>150,458,651</u>
Governmental Activities Capital Assets, Net	<u>\$ 154,315,198</u>	<u>\$ 8,488,003</u>	<u>\$ (6,182,178)</u>	<u>\$ 156,621,023</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Administration	\$ 2,203
District Support Services	113,478
Regular Instruction	6,044,621
Vocational Education Instruction	1,015
Special Education Instruction	1,018
Instructional Support Services	27,996
Pupil Support Services	554
Sites and Buildings	11,827
Food Service	93,282
Community Service	129,664
Total Depreciation Expense, Governmental Activities	<u>\$ 6,425,658</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES

The District has issued general obligation school building bonds and lease purchase obligations to finance the construction of capital facilities or to refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies are dedicated for the retirement of these bonds and loans. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding		
					Due Within One Year	Total	
7/30/2009	2.65% - 4.20%	2009F	\$ 5,925,000	2015-2026	\$ 70,000	\$ 5,660,000	
9/22/2010	0.8% - 4.9%	2010C	7,020,000	2012-2030	395,000	5,480,000	
11/1/2011	1.8% - 2.2%	2011D	2,140,000	2013-2022	220,000	910,000	
3/1/2012	0.45% - 3.0%	2012B	1,800,000	2014-2033	80,000	1,405,000	
7/1/2012	0.65% - 3.0%	2012C	1,400,000	2014-2033	65,000	1,110,000	
11/1/2012	0.7% - 2.5%	2012F	1,205,000	2015-2023	135,000	690,000	
10/1/2012	0.5% - 3.0%	2012G	1,245,000	2015-2034	55,000	1,025,000	
1/1/2013	0.55% - 2.6%	2013B	2,200,000	2015-2034	100,000	1,815,000	
2/1/2013	0.35% - 3.3%	2013E	24,095,000	2014-2031	850,000	21,985,000	
7/1/2013	1.0% - 2.9%	2013F	1,230,000	2015-2029	75,000	930,000	
7/1/2013	0.5% - 2.75%	2013G	3,475,000	2015-2023	385,000	1,995,000	
11/7/2013	2.0% - 4.0%	2013H	13,325,000	2015-2026	1,040,000	9,525,000	
1/1/2014	0.55% - 4.0%	2014A	1,650,000	2015-2034	70,000	1,380,000	
7/1/2014	0.65% - 3.75%	2014D	1,950,000	2015-2035	85,000	1,730,000	
2/11/2015	2.0% - 4.0%	2015A	3,005,000	2015-2035	125,000	2,765,000	
2/11/2015	3.0% - 4.0%	2015B	1,765,000	2015-2034	-	1,765,000	
2/25/2015	1.5% - 4.5%	2015C	1,395,000	2015-2034	65,000	1,275,000	
4/25/2015	2.0% - 3.0%	2015D	1,595,000	2016-2024	245,000	1,355,000	
7/13/2015	3.0% - 3.5%	2015E	4,000,000	2024-2035	-	4,000,000	
11/30/2015	2.55% - 4.4%	2016A	705,000	2021-2038	25,000	660,000	
11/30/2015	2.0% - 4.0%	2016B	2,540,000	2017-2038	90,000	2,365,000	
1/12/2016	2.0% - 4.0%	2016E	5,870,000	2018-2036	245,000	5,630,000	
2/2/2016	2.0% - 3.0%	2016I	15,260,000	2017-2028	260,000	14,940,000	
3/2/2016	1.2% - 3.3%	2016J	1,420,000	2019-2031	100,000	1,420,000	
7/6/2016	2.0% - 3.0%	2016M	5,785,000	2017-2037	235,000	5,630,000	
10/23/2017	3.0% - 5.0%	2017B	14,415,000	2019-2038	400,000	14,415,000	
Total General Obligation Bonds						<u>\$ 5,415,000</u>	<u>\$ 111,860,000</u>
Bond Premiums						\$ -	\$ 5,254,328
Bond Discounts						-	(6,235)

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Debt (Continued)

<u>Certificates of Participation</u>	<u>Principal Outstanding</u>	
	<u>Due Within</u>	
	<u>One Year</u>	<u>Total</u>
Certificates of Participation 2008H	\$ 80,000	\$ 1,085,000
Certificates of Participation 2009B	185,000	2,520,000
Certificates of Participation 2009E	270,000	3,680,000
Certificates of Participation 2010B	295,000	4,770,000
Certificates of Participation 2011A	105,000	1,700,000
Certificates of Participation 2011B	75,000	1,340,000
Certificates of Participation 2012A	160,000	2,670,000
Certificates of Participation 2012D	210,000	995,000
Certificates of Participation 2013A	-	2,400,000
Certificates of Participation 2013D	55,000	980,000
Certificates of Participation 2014B	70,000	1,500,000
Certificates of Participation 2014C	210,000	4,100,000
Certificates of Participation 2016C	70,000	1,940,000
Certificates of Participation 2016D	70,000	1,940,000
Certificates of Participation 2016F	155,000	4,210,000
Certificates of Participation 2016G	35,000	925,000
Certificates of Participation 2016H	100,000	2,710,000
Certificates of Participation 2016K	110,000	1,390,000
Certificates of Participation 2016L	80,000	1,965,000
Certificates of Participation 2016N	45,000	1,160,000
Certificates of Participation 2016O	60,000	1,540,000
Certificates of Participation 2017A	-	3,000,000
Certificates of Participation 2017C	60,000	2,250,000
Certificates of Participation 2018A	-	1,900,000
Total Certificates of Participation	<u>2,500,000</u>	<u>52,670,000</u>
Compensated Absences Payable	685,043	1,083,420
Total	<u>\$ 8,600,043</u>	<u>\$ 170,861,513</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance and health benefits payable are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds Payable</u>		<u>Certificates of Participation Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2019	\$ 5,415,000	\$ 3,760,352	\$ 2,500,000
2020	5,740,000	3,513,661	2,675,000	1,983,982
2021	5,930,000	3,520,659	2,755,000	1,897,723
2022	6,135,000	3,553,086	2,845,000	1,805,743
2023	6,165,000	4,541,379	2,820,000	1,703,055
2024-2028	49,245,000	11,000,774	16,085,000	6,715,773
2029-2033	23,800,000	2,549,723	13,060,000	3,395,642
2034-2038	9,430,000	353,428	8,300,000	1,281,550
2039-2043	-	-	1,630,000	61,238
Total	<u>\$ 111,860,000</u>	<u>\$ 32,793,062</u>	<u>\$ 52,670,000</u>	<u>\$ 20,991,518</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

General Obligation School Building Bonds

These bonds were issued to finance acquisitions and/or construction of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to the retirement of these bonds. Total deferred tax levies are available to retire bond principal and interest payable. These levies are subject to reduction if fund balances exceed limitations imposed by Minnesota law. In addition, assets are available in an escrow account to be used for the repayment of certain refunded bonds.

In July 2009, the District issued \$5,925,000 of General Obligation Alternative Facilities Bonds, Series 2009F. The proceeds of this issue were used to finance long-term maintenance projects.

In September 2010, the District issued \$7,020,000 of General Obligation Alternative Facilities Bonds, Series 2010C. The proceeds of this issue were used to finance long-term maintenance projects.

In November 2011, the District issued \$2,140,000 of General Obligation Refunding Bonds, Series 2011D. The proceeds of this issue were used to restructure the principal and interest due for fiscal year 2012 for the District's 2004B Alternative Facilities bonds.

In March 2012, the District issued \$1,800,000 of General Obligation Alternative Facilities bonds, Series 2012B. The proceeds of this issue were used to pay for long-term maintenance projects in FY2013 and FY2014 as part of the District's Alternative Facilities 10-Year Plan.

In July 2012, the District issued \$1,400,000 of General Obligation Alternative Facilities bonds, Series 2012C. The proceeds of this issue were used to pay for long-term maintenance projects in FY2013 and FY2014 as part of the District's Alternative Facilities 10-Year Plan.

In November 2012, the District issued \$1,205,000 of General Obligation Refunding bonds, Series 2012F. The proceeds of this issue were used to restructure the principal and interest due for FY2013 for the District's 2004B Alternative Facilities bonds. This refunding allowed the District to distribute the payments due in FY2013 over a 10-year period.

In October 2012, the District issued \$1,245,000 General Obligation Alternative Facilities bonds, Series 2012G. The proceeds of this issue were used to pay for long-term maintenance projects at the Minnetonka Middle School West pool as part of the District's Alternative Facilities 10-Year Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Description of Long-Term Debt (Continued)

General Obligation School Building Bonds (Continued)

In January 2013, the District issued \$2,200,000 General Obligation Alternative Facilities bonds, Series 2013B. The proceeds of this issue were used to pay for long-term maintenance projects at the Minnetonka Middle School West pool as part of the District's Alternative Facilities 10-Year Plan.

In July 2013, the District issued \$1,230,000 General Obligation Alternative Facilities bonds, Series 2013F. The proceeds of this issue were used to finance future capital projects as part of the District's Capital Improvement Plan.

In July 2013, the District issued \$3,475,000 General Obligation Alternative Facilities bonds, Series 2013G. The proceeds of this issue were used to finance future capital projects as part of the District's Capital Improvement Plan.

In November 2013, the District issued \$13,325,000 General Obligation Refunding bonds, Series 2013H. The proceeds of this issue were used to refund, in advance of their stated maturities, the District's 2004B General Obligation Refunding bonds.

In January 2014, the District issued \$1,650,000 General Obligation Alternative Facilities bonds, Series 2014A. The proceeds of this issue were used to finance future capital projects as part of the District's Capital Improvement Plan.

In July 2014, the District issued \$1,950,000 General Obligation Alternative Facilities bonds, Series 2014D. The proceeds of this issue were used to finance future capital projects as part of the District's Capital Improvement Plan.

In February 2015, the District issued \$3,005,000 General Obligation Alternative Facilities bonds, Series 2015A. The proceeds of this issue were used to finance future capital projects as part of the District's Capital Improvement Plan.

In February 2015, the District issued \$1,765,000 General Obligation Alternative Facilities Refunding bonds, Series 2015B. The proceeds of this issue were used to refund and pay the principal and interest due on the February 1, 2015 maturity of the Series 2008B.

In February 2015, the District issued \$1,395,000 Taxable General Obligation Alternative Facilities Refunding bonds, Series 2015C. The proceeds of this issue were used to refund and pay the principal and interest due on the February 1, 2016 maturity of the Series 2010A, 2010C, 2010D, and 2011D.

In April 2015, the District issued \$1,595,000 Taxable General Obligation Alternative Facilities bonds, Series 2015D. The proceeds of this issue were used to finance future capital projects as part of the District's Capital Improvement Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

General Obligation School Building Bonds (Continued)

In July 2015, the District issued \$4,000,000 General Obligation Alternative Facilities Bonds, Series 2015E. The proceeds of this issue were used to finance projects including: replacement of windows, mechanical air handling systems, roof repair and replacement, pavement repair, plumbing repairs, tuck-pointing, pool tire repair, and deferred maintenance projects.

In November 2015, the District issued \$705,000 General Obligation Refunding Bonds, Series 2016A. The proceeds of this issue were used to refund and pay the principal and interest due on the February 1, 2017 maturities of the 2010A and 2010D bonds.

In November 2015, the District issued \$2,540,000 General Obligation Refunding Bonds, Series 2016B. The proceeds of this issue were used to refund and pay the principal and interest due on the February 1, 2016 maturity of the Series 2008B bonds and the principal and interest due on the February 1, 2017 maturities of the Series 2010C and 2011D bonds.

In January 2016, the District issued \$5,870,000 General Obligation Facilities Maintenance Bonds, Series 2016E. The proceeds of this issue were used to finance projects including the replacement of major school building infrastructure components that require long-term periodic replacement, such as roofing systems, pavement and parking areas, plumbing systems, electrical systems, lighting systems, etc.

In February 2016, the District issued \$15,260,000 General Obligation Refunding Bonds, Series 2016I. The proceeds of this issue were used to refund and pay the principal and interest due on the February 1, 2019 through February 1, 2029 maturities of the Series 2008E bonds.

In July 2016, the District issued \$5,875,000 General Obligation Facilities Maintenance Bonds, Series 2016M. The proceeds of this issue were used to finance projects including the replacement of major school building infrastructure components including such items as roofing systems, ceiling grid, heating, ventilation and cooling systems, flooring, doors, wall tile systems, and exterior window systems.

In October 2017, the District issued \$14,415,000 General Obligation Refunding Bonds, Series 2017B. The proceeds of this issue will be used to refund and pay the principal and interest due on the February 1, 2020 through 2023 maturities of the 2008A bonds, the February 1, 2019 through 2024 maturities of the 2008B bonds, the February 1, 2019 and 2020 maturities of the 2010A bonds, and the February 1, 2019 through 2021 maturities of the 2010D bonds. The refunding resulted in a cash flow loss of \$2,056,724 and a net present value savings of \$536,890.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Certificates of Participation Payable

The District raised funds through the issuance of Certificates of Participation during various fiscal years.

The 2008H issue, in the amount of \$1,685,000 and sold on October 1, 2008 was used for the purchase of two parcels of land and the construction of an additional parking lot. The 2009B issue, in the amount of \$3,830,000 and sold on March 1, 2009 was used for Elementary Classroom Additions.

The Series 2009E issue, in the amount of \$5,350,000 and sold on July 1, 2009 were used for elementary classroom additions. In May 2010, the District issued \$6,500,000 in Refunding Certificates of Participation, 2010B. The proceeds of this issue were used to refund three outstanding debt issues, Certificates of Participation 1999A and two capital leases, in addition to providing additional proceeds to finance building projects at Minnetonka High School, including the construction of Fine Arts classrooms, eight tennis courts and the conversion of the existing tennis courts to 159 student parking spots.

The 2011A issue, in the amount of \$2,365,000 and sold on March 1, 2011 was used for classroom additions.

The Series 2011B issue, in the amount of \$1,700,000 and sold on July 1, 2011, was issued to finance the Clear Springs and Excelsior Parking Lot Projects. The 2012A issue, in the amount of \$3,425,000 and sold on February 1, 2012, was issued to finance middle school classroom additions and the Groveland Media Center.

In July 2012, the District issued \$2,130,000 in Refunding Certificates of Participation, Series 2012D. The proceeds of this issue were used to refund the Certificates of Participation 2009D. This refunding allowed the District to distribute the payments due in FY2014 through 2018 over a 10-year period.

The 2013A issue, in the amount of \$2,400,000 and sold on January 1, 2013, was issued to finance a multipurpose room at Excelsior Elementary. The 2013D issue, in the amount of \$1,200,000 and sold on January 1, 2013, was used to finance classroom construction at Scenic Heights Elementary.

The 2014B issue, in the amount of \$1,700,000 and sold on February 27, 2014, and the 2014C issue, in the amount of \$4,700,000 and sold on May 15, 2014, were issued to finance the construction of additional classrooms at the elementary school level to provide space for all-day kindergarten classes and increased music room space.

The 2016C issue, in the amount of \$2,120,000 and sold on January 12, 2016, and the 2016D issue, in the amount of \$2,115,000 and sold on January 12, 2016, were issued to refund the 2008F and 2008G Certificates.

**INDEPENDENT SCHOOL DISTRICT NO. 276
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Certificates of Participation Payable (Continued)

The 2016F issue, in the amount of \$4,510,000 and sold on February 2, 2016, was issued to finance the renovation and conversion of the second floor wing of Minnetonka High School into science lab space. The 2016G issue, in the amount of \$1,000,000 and sold on February 2, 2016, was issued to finance the construction of two parking lots at Minnetonka High School. The 2016H issue, in the amount of \$2,975,000 and sold on February 2, 2016, was issued to refund the 2008C Certificates. The 2016K issue, in the amount of \$1,620,000 and sold on March 30, 2016, was issued to refund the 2008D Certificates. The 2016L issue, in the amount of \$2,125,000 and sold on April 20, 2016, was issued to refund the 2013C certificates. The 2016N issue, in the amount of \$1,190,000 and sold on September 30, 2016, was issued to finance the Groveland Land and Parking Project. The 2016O issue, in the amount of \$1,585,000 and sold on September 30, 2016, was issued to finance the Minnetonka High School Instructional Venue Project.

The 2017A issue, in the amount of \$3,000,000 and sold on August 23, 2017, were issued to finance the construction of a new gymnasium at Groveland Elementary School. The 2017C issue, in the amount of \$2,250,000 and sold on October 25, 2017, were issued to refund the 2010E certificates. The 2018A issue, in the amount of \$1,900,000 and sold on January 29, 2018, were issued to finance a portion of the construction costs of new gymnasiums at Clear Springs and Scenic Heights Elementary Schools and a retention pond and other storm water improvements at Clear Springs Elementary School.

General Obligation Taxable OPEB Bonds

The District raised funds for Other Postemployment Benefits through the issuance of General Obligation Taxable Bonds beginning in fiscal year 2009.

In February 2013, the District issued \$24,095,000 of General Obligation OPEB Refunding Bonds, Series 2013E. A portion of the proceeds of this issue, \$7,740,000, were used to pay the remaining payments of the 2008I General Obligation Taxable OPEB Bonds in fiscal year 2016. The remaining proceeds were paid into an irrevocable escrow to pay the remaining payments of the 2009A General obligation Taxable OPEB Bonds, which were called in fiscal year 2016.

In March 2016, the District issued \$1,420,000 of General Obligation OPEB Refunding Bonds, Series 2016J. The proceeds from this issue were paid into an irrevocable escrow to pay the 2019 through 2031 maturities of the 2010F Bonds.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
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NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Severance and Health Benefits Payable

Severance and health benefits payable consist of convertible sick leave, other severance pay, and postretirement health insurance benefits payable to employees upon retirement. Severance and health benefits are paid by the General and Special Revenue Funds. Annual payments to retire the severance and health benefits liability have not been determined and will depend on actual employee turnover. Resources for the payment of severance and compensated absences payable included in long-term debt will be provided primarily by the General Fund.

During fiscal 2004, the District initiated a Health Reimbursement Plan. The purpose of the Plan is to provide certain Employees with an opportunity to receive reimbursement for certain Health Care Expenses as provided in the Plan. It is the intention of the Adopting Employer that the benefits payable under this Plan be eligible for exclusion from the gross income of Participants as provided by Sections 105(b) and 106 of the Code. In addition, it is the intention of the Adopting Employer that the Plan qualify as a Health Reimbursement Arrangement (HRA) under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002). As part of this plan, the District implemented a Voluntary Employees' Benefit Association (VEBA) as a component of this program whereby the District contributes retirement benefits and other contributions as specified by contract to the VEBA.

Arbitrage Rebate Liability

The Tax Reform Act of 1986 requires school districts and other governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986.

Certain bond issues of the District are subject to the arbitrage rebate requirements. However, management does not expect to incur any significant arbitrage rebate liability.

D. Changes in Long-Term Debt

	June 30, 2017	Additions	Retirements	June 30, 2018
Bonds Payable	\$ 120,251,368	\$ 15,052,207	\$ 23,443,575	\$ 111,860,000
Unamortized Premiums	3,402,793	2,269,375	417,840	5,254,328
Unamortized Discounts	(6,819)	-	(584)	(6,235)
Certificates of Participation	50,380,000	7,150,000	4,860,000	52,670,000
Compensated Absences Payable	1,027,564	992,511	936,655	1,083,420
Total	<u>\$ 175,054,906</u>	<u>\$ 25,464,093</u>	<u>\$ 29,657,486</u>	<u>\$ 170,861,513</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

E. Debt Issued Subsequent to Year-End

Certificates of Participation Payable

On July 2, 2018, the District issued \$1,000,000 Refunding Certificates of Participation, Series 2018B, to refund the 2008H Certificates of Participation. On July 18, 2018, the District issued \$4,800,000 Certificates of Participation, Series 2018C, to finance a portion of the construction costs of new gymnasiums and related improvements at Clear Springs and Scenic Heights Elementary Schools.

F. Outstanding Balances of Defeased Debt

Over the years the District has issued refunding bonds which result in the in-substance defeasance of previous bond issuances, where the debt is removed from the District's books even though the debt has not yet been called and paid. The outstanding balance of refunded bonds which have not yet been called was \$11,245,000 at June 30, 2018.

NOTE 6 FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

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

A. Restricted for Health and Safety

Represents available resources from the levy to be used for health and safety.

B. Restricted for Capital Projects Levy

Represents available resources from the capital projects levy to be used for technology projects.

C. Restricted for Projects Funded by Certificates of Participation

Represents resources available from issuance of certificates of participation.

D. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment, books, and vehicles and to purchase, rent, improve and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

E. Restricted for Bond Refundings

Represents escrowed funds which are legally restricted by the terms of crossover refunding bonds.

**INDEPENDENT SCHOOL DISTRICT NO. 276
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NOTE 6 FUND BALANCES (CONTINUED)

- F. Restricted for Community Education Programs
Represents accumulated resources available to provide general community education programming.
- G. Restricted for Early Childhood and Family Education
Represents accumulated resources available to provide for services for early childhood family education programming.
- H. Restricted for School Readiness
Represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.
- I. Restricted for Adult Basic Education
Represents accumulated resources available to provide adult basic education services.
- J. Restricted for Long-Term Facilities Maintenance
Represents resources received from the capital projects levy to be used for long-term facilities maintenance.
- K. Restricted for Other Purposes
Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- L. Restricted for Medical Assistance
Represents available resources to be used for medical assistance expenditures.
- M. Assigned for Q Comp
Represents dollars assigned for the Quality Compensation – Alternative Teacher Professional Pay program.
- N. Assigned for Athletic Equipment
Represents dollars assigned for Athletic Fees and Athletic Equipment.
- O. Assigned for Operating Capital Deferred Use
Represents amounts which are assigned for Operating Capital, but are not restricted or committed.
- P. Assigned for Special Purposes
Represents amounts which were either donated to the District or funds to be utilized for specific purposes.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 INTERFUND BALANCES AND OPERATING TRANSFERS

The District had the following interfund receivable and payable at June 30, 2018:

	<u>Due from Other Fund</u>	<u>Due to Other Fund</u>
General Fund	\$ 627,570	\$ -
Internal Service Fund:		
OPEB Revocable Trust	-	627,570
Total	<u>\$ 627,570</u>	<u>\$ 627,570</u>

The purpose of these interfund balances is as follows:

The Revocable Trust Fund owes the General Fund \$627,570 for OPEB payments which the General Fund has made.

The District had the following interfund transfers at June 30, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 192,076	\$ -
Capital Projects Fund	-	192,076
Total	<u>\$ 192,076</u>	<u>\$ 192,076</u>

The transfer was related to the District's technology levy activity being moved from the capital projects fund, where it was recorded in years prior to 2018, into the General Fund. As a result, the beginning fund balance related to the technology levy activity was transferred into the General Fund.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
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JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS

Substantially all employees of the District are required by state law to belong to the pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (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 city of St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by 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.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

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

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

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

**INDEPENDENT SCHOOL DISTRICT NO. 276
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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.

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

Tier II Benefits

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

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

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

C. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2018. In fiscal year 2018, the District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2018 were \$1,678,079. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	2018	
	Employee	Employer
Basic	11.0%	11.5%
Coordinate	7.5%	7.5%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2018, were \$4,818,597. The District's contributions were equal to the required contributions for each year as set by state statute.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2018, the District reported a liability of \$20,632,875 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing District 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 \$259,463. 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, 2018, the District's proportion was 0.3232%, which was an increase of .0034 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$2,311,525 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$51,712 as pension expenditures (and corresponding grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 679,997	\$ 1,327,364
Changes in Actuarial Assumptions	3,425,503	2,068,448
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	892,301
Changes in Proportion	155,484	490,415
District Contributions Subsequent to the Measurement Date	1,678,079	-
Total	<u>\$ 5,939,063</u>	<u>\$ 4,778,528</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

A total of \$1,678,079 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30.	Pension Expense Amount
2019	\$ (472,664)
2020	1,169,845
2021	(338,899)
2022	(875,826)
2023	-
Thereafter	-

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of \$221,755,792 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 1.1109% at the end of the measurement period and 1.0785% for the beginning of the period.

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 221,755,792
State's Proportionate Share of the Net Pension Liability Associated with the District	21,436,647

For the year ended June 30, 2018, the District recognized pension expense of \$38,831,878. It also recognized \$411,134 as pension expense for the support provided by direct aid.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 1,669,892	\$ 1,557,208
Changes in Actuarial Assumptions	120,595,915	31,064,485
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	1,737,681
Changes in Proportion	4,054,319	518,360
District Contributions Subsequent to the Measurement Date	4,818,597	-
Total	<u>\$ 131,138,723</u>	<u>\$ 34,877,734</u>

A total of \$4,816,597 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ 24,016,477
2020	27,780,310
2021	25,054,335
2022	20,629,183
2023	(6,037,913)
Thereafter	-

The District recognized total pension expense of \$41,554,537 in total pension expenses for all of the pension plans in which it participates.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

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

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50% per Year
Active Member Payroll Growth	3.25% per Year	2.85% - 3.25%
Investment Rate of Return	7.50%	5.12%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables, with slight adjustments to fit PERA's and TRA's experience. Cost of living benefit increases for retirees are assumed to be 1.0% per year for all future years for the General Employees Plan. Cost of living benefit increases for retirees are assumed to be 2.0% per year for all future years for the TRA.

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 and TRA was completed in 2015.

The following changes in actuarial assumptions for General Employees Fund occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60.0% for vested and nonvested 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 nonvested deferred member liability.
- The assumed postretirement 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 following changes in actuarial assumptions for TRA occurred in 2017:

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- 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 nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.00% to 7.50%.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10%
International Equity	19	6.30%
Bonds	20	0.75%
Alternative Assets	20	5.90%
Cash	2	0.00%
Totals	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the General Employee's Fund and 5.12% for TRA. For TRA, this was 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 and employer contributions will be made at the rate specified in Minnesota Statutes.

Based on PERA's 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.

Based on TRA's 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 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%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the GERF Net Pension Liability	\$ 32,003,122	\$ 20,632,875	\$ 11,324,262
<u>TRA Discount Rate</u>	4.12%	5.12%	6.12%
District's Proportionate Share of the TRA Net Pension Liability	\$ 292,674,915	\$ 221,755,792	\$ 161,962,344

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

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; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

NOTE 9 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made. Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 FLEXIBLE BENEFIT PLAN (CONTINUED)

Amounts withheld for medical reimbursement and dependent care are deposited into the District checking account on a monthly basis. All assets of the plan are held in the District bank account. The plan is administered by Further, a third party administrator. Payments are made by Further to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Further submits a monthly ACH to the District bank account for the total employee reimbursements and administrative fees.

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Construction Commitments

At June 30, 2018, the District is committed to approximately \$5,850,000 of contracts in progress.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 SELF-INSURANCE

Health Self-Insurance Plan

The District maintains an Internal Service Fund to account for and finance a self-insurance program for health benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed for amounts under its stop-loss limit of \$250,000 at which point reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 125% of the prior years' claims. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for health expenses.

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims. At June 30, 2018, there is a reserve of \$6,000,556.

District 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 such complex factors 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. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$8,886,510 in cash and investments at June 30, 2018, for payment of claims.

Changes in the balances of claim liabilities during FY2018 and FY2017 were as follows:

	<u>2018</u>	<u>2017</u>
Beginning of Fiscal Year Liability - July 1,	\$ 1,778,600	\$ 1,672,200
Current Year Claims, Changes in Estimates, and Other Charges	12,250,098	11,061,898
Current Year Claims Paid, Including an Estimate of Claims Incurred But Not Reported (IBNR)	<u>(12,213,898)</u>	<u>(10,955,498)</u>
End of Fiscal Year Liability - June 30,	<u>\$ 1,814,800</u>	<u>\$ 1,778,600</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 SELF-INSURANCE (CONTINUED)

General Liability and Property Insurance

As of July 1, 2014, the District entered into an intergovernmental agreement with two other Minnesota school districts to create the Alliance for Liability and Property Services (ALPS) to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, and group coverages and other protections for the Member Districts so as to effectively manage and contain costs for insurance coverage and related administration. Annual payment amounts into the plan for each District are based on its pro rata share of insurance costs for mandatory and optional coverage and are to be determined at least 60 days prior to the start of each fiscal year. For fiscal year 2018, the District's payment into the plan totaled \$230,446.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PAYABLE

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 169 active participants and 115 retired participants. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. For the ended June 30, 2018, the District contributed \$627,570 to the plan.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of June 30, 2018, and the total used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2017. Procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	4.00%
Investment Rate of Return	N/A
20-Year Municipal Bond Yield	3.10%
Health Care Trend Rates	8.0% Decreasing to 4.5% Over 15 Years

Mortality rates were based on the RP-2000 employee generational mortality tables with male and female rates set forward five years and three years, respectively, for healthy preretirement and no adjustment to make rates and female rates set back two years for healthy postretirement.

The discount rate used to measure the total OPEB liability was 3.10%. The discount rate is based on the current twenty-year tax-exempt general obligation municipal bond index.

Since the most recent GASB Statement No. 45, *Other Postemployment Benefits* valuation, the following changes have been made:

- The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal as a level-%-of-payroll, as prescribed by GASB 75.
- The discount rate decreased from 5.80% to 3.10% based on the current twenty-year tax-exempt general obligation municipal bond index.
- Per-capita costs were updated to reflect experience since the previous valuation.
- The healthcare trend was updated to the current schedule, in which the ultimate rate was decreased from 5.25% to 4.50%.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

D. Changes in the OPEB Liability

The following table shows the components of the changes in the District's OPEB liability:

	Total OPEB Liability
Balances at July 1, 2017	\$ 10,067,760
Changes for the Year:	
Service Cost	130,550
Interest Cost	304,284
Changes of Assumptions	(341,415)
Benefit Payments	(627,570)
Net Changes	(534,151)
Balances at July 1, 2018	\$ 9,533,609

E. OPEB Liability Costs

For the year ended June 30, 2018, the District recognized OPEB expense of \$357,063. At June 30, 2018, the District also reported deferred inflows of resources resulting from a change in assumptions of \$263,644. Amounts reported as deferred inflows of resources related to the OPEB liability will be recognized in OPEB expense as follows:

Year Ending June 30,	Future Recognition
2019	\$ (77,771)
2020	(77,771)
2021	(77,771)
2022	(30,331)
Total	\$ (263,644)

F. OPEB Liability Sensitivity

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

	1% Decrease (2.1%)	Discount Rate (3.1%)	1% Increase (4.1%)
Net OPEB Liability (Asset)	\$ 10,796,591	\$ 9,533,609	\$ 8,697,673

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

F. OPEB Liability Sensitivity (Continued)

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

	Healthcare Cost		
	1% Decrease (7.00% Decreasing to 3.5% over 15 Years)	Current Trend Rates (8.00% Decreasing to 4.5% over 15 Years)	1% Increase (9.00% Decreasing to 3.5% over 15 Years)
Net OPEB Liability (Asset)	\$ 8,784,986	\$ 9,533,609	\$ 10,697,929

NOTE 13 NET INVESTMENT IN CAPITAL ASSETS

The District's net investment in capital assets as of June 30, 2018 is calculated as follows:

Capital Assets, Net of Depreciation	\$ 156,621,023
Bonds Payable at June 30, 2018	(111,860,000)
Certificates of Participation and Capital Leases Payable at June 30, 2018	(52,670,000)
Add back: OPEB Bonds Payable at June 30, 2018 (Noncapital)	23,405,000
Unspent Bond and Certificate of Participation Proceeds	1,057,403
Deferred Outflows - Deferred Loss on Bond Refundings	2,135,772
Unamortized Premiums and Discounts at June 30, 2018	(5,248,093)
Net Investment in Capital Assets	<u>\$ 13,441,105</u>

NOTE 14 PRIOR PERIOD RESTATEMENT

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the June 30, 2017 net position of the governmental activities. The District also restated its beginning net position for accreted interest related to its 2008B capital appreciation bonds which had not previously been recognized. The effects of this restatement are summarized below:

Net Position, June 30, 2017, as Previously Reported	\$ (64,205,056)
Cumulative Affect of Application of GASB 75, Revaluation of OPEB Liability	(8,417,897)
Cumulative Affect of Recording Previously Unaccreted Interest	(4,188,186)
Net Position, June 30, 2017, as Restated	<u>\$ (76,811,139)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

Measurement Date	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 130,550
Interest	304,284
Changes of Assumptions	(341,415)
Benefit Payments	<u>(627,570)</u>
Net Change in Total OPEB Liability	(534,151)
Total OPEB Liability - Beginning	<u>10,067,760</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 9,533,609</u></u>
Covered-Employee Payroll	\$ 94,184,542
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	10.12%

NOTE: The District implemented GASB Statement No. 75 in fiscal year 2018, the above table will be expanded to 10 years of information as the information becomes available.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
LAST FOUR MEASUREMENT PERIODS ***

TRA Schedule of the District's Proportionate Share of the Net Pension Liability

	Measurement Date June 30,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	1.1109%	1.0785%	1.0517%	1.1065%
District's Proportionate Share of the Net Pension Liability	\$ 221,755,792	\$ 257,247,983	\$ 65,058,046	\$ 50,986,723
State's Proportionate Share of the Net Pension Liability Associated with District	21,436,647	25,822,002	7,979,983	3,586,724
Total	<u>\$ 243,192,439</u>	<u>\$ 283,069,985</u>	<u>\$ 73,038,029</u>	<u>\$ 54,573,447</u>
District's Covered Payroll	\$ 59,980,707	\$ 56,489,813	\$ 53,376,373	\$ 50,509,200
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	369.71%	455.39%	121.89%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.57%	44.88%	76.80%	81.50%

GERF Schedule of the District's Proportionate Share of the Net Pension Liability

	Measurement Date June 30,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.3232%	0.3198%	0.3254%	0.3502%
District's Proportionate Share of the Net Pension Liability	\$ 20,632,875	\$ 25,966,174	\$ 16,863,917	\$ 16,450,641
State's Proportionate Share of the Net Pension Liability Associated with District	259,463	339,152	-	-
Total	<u>\$ 20,892,338</u>	<u>\$ 26,305,326</u>	<u>\$ 16,863,917</u>	<u>\$ 16,450,641</u>
District's Covered Payroll	20,876,400	19,945,773	19,127,119	18,385,503
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	98.83%	130.18%	88.17%	89.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%	78.70%

*Ten years of data is not available.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
LAST FIVE FISCAL YEARS ***

**TRA Schedule of District Contributions
Last Five Fiscal Years**

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 4,818,597	\$ 4,498,553	\$ 4,236,736	\$ 4,003,228	\$ 3,535,644
Contributions in Relation to the Statutorily Required Contribution	(4,818,597)	(4,498,553)	(4,236,736)	(4,003,228)	(3,535,644)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 64,247,960	\$ 59,980,707	\$ 56,489,813	\$ 53,376,373	\$ 50,509,200
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.00%

**GERF Schedule of District Contributions
Last Five Fiscal Years**

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 1,678,079	\$ 1,565,730	\$ 1,495,933	\$ 1,410,625	\$ 1,332,949
Contributions in Relation to the Statutorily Required Contribution	(1,678,079)	(1,565,730)	(1,495,933)	(1,410,625)	(1,332,949)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 22,374,387	\$ 20,876,400	\$ 19,945,773	\$ 19,127,119	\$ 18,385,503
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.38%	7.25%

*Ten years of data is not available.

SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
GENERAL FUND
BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
ASSETS		
Cash and Investments	\$ 35,050,531	\$ 28,163,431
Receivables:		
Current Taxes	15,554,855	18,112,485
Delinquent Taxes	15,089	73,641
Accounts and Interest Receivable	360,936	346,791
Due from Other Minnesota School Districts	84,849	126,522
Due from Minnesota Department of Education	9,153,706	9,073,764
Due from Federal Through the Minnesota Department of Education	1,379,009	1,485,067
Due from Other Governmental Units	24,832	251,885
Due from Other Funds	627,570	667,874
Inventory	245,814	253,093
Prepays	1,431,567	915,075
	\$ 63,928,758	\$ 59,469,628
Total Assets		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 5,241,089	\$ 4,462,438
Payroll Deductions and Employer Contributions Payable	654,067	646,200
Accounts and Contracts Payable	965,988	934,797
Due to Other Minnesota School Districts	132,742	129,008
Due to Other Governmental Units	293	692
Unearned Revenue	452,873	489,922
Total Liabilities	7,447,052	6,663,057
Deferred Inflows:		
Unavailable Revenue - Property Taxes Levied for Subsequent Year	33,373,897	31,630,594
Unavailable Revenue - Delinquent Taxes	15,089	73,641
Total Deferred Inflows of Resources	33,388,986	31,704,235
Fund Balance:		
Nonspendable:		
Inventory	245,814	253,093
Prepays	1,431,567	915,075
Restricted for:		
Health and Safety	9,736	9,736
Operating Capital	185,739	459,773
Restricted for Medical Assistance	31,984	-
Assigned for:		
Q Comp	570,357	581,660
Athletic Equipment	340,610	335,492
Operating Capital Deferred Use	807,587	1,065,839
Special Purposes	1,476,281	1,416,626
Unassigned	17,993,045	16,065,042
Total Fund Balance	23,092,720	21,102,336
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 63,928,758	\$ 59,469,628

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018
SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		2017	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 35,844,399	\$ 36,045,639	\$ 201,240	\$ 30,479,893
Earnings and Investments	292,665	212,350	(80,315)	69,091
Other	5,153,639	6,311,272	1,157,633	5,437,857
State Sources	89,418,728	89,582,947	164,219	85,209,652
Federal Sources	2,497,577	1,964,961	(532,616)	1,777,892
Total Revenues	133,207,008	134,117,169	910,161	122,974,385
EXPENDITURES				
Current:				
Administration:				
Salaries	2,746,645	2,819,742	73,097	2,711,692
Employee Benefits	897,334	886,916	(10,418)	876,412
Purchased Services	175,792	193,503	17,711	178,319
Supplies and Materials	152,923	163,449	10,526	202,230
Other Expenditures	63,399	60,521	(2,878)	72,125
Total Administration	4,036,093	4,124,131	88,038	4,040,778
District Support Services:				
Salaries	3,284,886	3,268,873	(16,013)	2,133,391
Employee Benefits	1,097,229	1,082,813	(14,416)	692,890
Purchased Services	281,410	571,860	290,450	642,205
Supplies and Materials	551,955	874,213	322,258	269,824
Other Expenditures	16,038	16,570	532	15,495
Total District Support Services	5,231,518	5,814,329	582,811	3,753,805
Elementary and Secondary Regular Instruction:				
Salaries	50,450,581	50,571,896	121,315	47,008,868
Employee Benefits	14,492,655	14,372,298	(120,357)	13,538,388
Purchased Services	1,667,646	2,285,327	617,681	2,295,735
Supplies and Materials	4,750,287	4,360,473	(389,814)	2,981,885
Other Expenditures	582,442	865,141	282,699	899,336
Total Elementary and Secondary Regular Instruction	71,943,611	72,455,135	511,524	66,724,212

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		2017	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 455,497	\$ 457,751	\$ 2,254	\$ 404,523
Employee Benefits	117,792	116,356	(1,436)	114,831
Purchased Services	52,942	27,270	(25,672)	293,040
Supplies and Materials	15,300	19,561	4,261	18,959
Other Expenditures	1,395	3,404	2,009	3,369
Total Vocational Education Instruction	<u>642,926</u>	<u>624,342</u>	<u>(18,584)</u>	<u>834,722</u>
Special Education Instruction:				
Salaries	13,720,543	13,239,771	(480,772)	11,920,775
Employee Benefits	3,989,455	4,070,813	81,358	3,667,831
Purchased Services	707,673	546,356	(161,317)	776,856
Supplies and Materials	215,415	219,201	3,786	128,044
Other Expenditures	78,644	82,187	3,543	68,497
Total Special Education Instruction	<u>18,711,730</u>	<u>18,158,328</u>	<u>(553,402)</u>	<u>16,562,003</u>
Instructional Support Services:				
Salaries	4,897,306	4,960,807	63,501	3,994,573
Employee Benefits	1,255,486	1,213,808	(41,678)	947,851
Purchased Services	149,239	185,117	35,878	592,729
Supplies and Materials	559,912	523,739	(36,173)	485,357
Other Expenditures	42,385	55,876	13,491	31,431
Total Instructional Support Services	<u>6,904,328</u>	<u>6,939,347</u>	<u>35,019</u>	<u>6,051,941</u>
Pupil Support Services:				
Salaries	2,703,156	2,880,611	177,455	2,554,571
Employee Benefits	818,680	813,618	(5,062)	708,412
Purchased Services	278,947	128,766	(150,181)	102,348
Supplies and Materials	100,149	76,085	(24,064)	71,743
Other Expenditures	(8,279)	18,763	27,042	13,894
Total Pupil Support Services	<u>3,892,653</u>	<u>3,917,843</u>	<u>25,190</u>	<u>3,450,968</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018			2017
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 3,266,090	\$ 3,367,494	\$ 101,404	\$ 3,253,039
Employee Benefits	1,215,378	1,193,091	(22,287)	1,144,240
Purchased Services	1,701,049	1,795,066	94,017	2,066,856
Supplies and Materials	912,161	963,222	51,061	1,220,856
Other Expenditures	44,792	24,073	(20,719)	27,204
Total Sites and Buildings	<u>7,139,470</u>	<u>7,342,946</u>	<u>203,476</u>	<u>7,712,195</u>
Fiscal and Other Fixed Costs:				
Purchased Services	236,090	232,382	(3,708)	258,901
Transportation:				
Salaries	264,713	269,474	4,761	267,475
Employee Benefits	100,835	101,295	460	99,806
Purchased Services	4,487,787	4,565,177	77,390	4,383,188
Supplies and Materials	13,050	3,485	(9,565)	11,481
Other Expenditures	25,000	9,348	(15,652)	9,222
Total Transportation	<u>4,891,385</u>	<u>4,948,779</u>	<u>57,394</u>	<u>4,771,172</u>
Capital Outlay:				
Administration	350,367	331,196	(19,171)	463,809
District Support Services	251,895	48,085	(203,810)	1,027
Regular Instruction	556,065	986,119	430,054	159,212
Vocational Education Instruction	9,547	12,626	3,079	16,821
Special Education Instruction	73,732	49,928	(23,804)	95,394
Instructional Support Services	11,500	8,316	(3,184)	21,225
Sites and Buildings	2,119,571	1,950,338	(169,233)	1,592,221
Total Capital Outlay	<u>3,372,677</u>	<u>3,386,608</u>	<u>13,931</u>	<u>2,349,709</u>
Debt Service:				
Principal	2,495,000	2,495,000	-	2,550,000
Interest and Fiscal Charges	1,889,166	1,879,691	(9,475)	1,914,357
Total Debt Service	<u>4,384,166</u>	<u>4,374,691</u>	<u>(9,475)</u>	<u>4,464,357</u>
Total Expenditures	<u>131,386,647</u>	<u>132,318,861</u>	<u>932,214</u>	<u>120,974,763</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,820,361	1,798,308	(22,053)	1,999,622
OTHER FINANCING SOURCES				
Transfers In	-	192,076	192,076	445,061
NET CHANGE IN FUND BALANCE	<u>\$ 1,820,361</u>	1,990,384	<u>\$ 362,099</u>	2,444,683
FUND BALANCE				
Beginning of Year		21,102,336		18,657,653
End of Year		<u>\$ 23,092,720</u>		<u>\$ 21,102,336</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
ASSETS		
Cash and Investments	\$ 1,468,883	\$ 983,407
Receivables:		
Due from Minnesota Department of Education	3,234	3,852
Due from Federal Through the Minnesota Department of Education	16,023	17,767
Inventory	63,343	56,893
Prepays	660	1,028
Total Assets	\$ 1,552,143	\$ 1,062,947
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 10,471	\$ 10,659
Payroll Deductions and Employer Contributions Payable	354	431
Accounts and Contracts Payable	16,405	1,212
Unearned Revenue	268,874	257,286
Total Liabilities	296,104	269,588
Fund Balance:		
Nonspendable:		
Inventory	63,343	56,893
Prepays	660	1,028
Restricted for:		
Other Purposes	1,192,036	735,438
Total Fund Balance	1,256,039	793,359
Total Liabilities and Fund Balance	\$ 1,552,143	\$ 1,062,947

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		2017	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings and Investments	\$ 8,500	\$ 11,262	\$ 2,762	\$ 4,254
Other - Primarily Meal Sales	5,007,480	4,989,013	(18,467)	4,810,758
State Sources	130,202	133,188	2,986	128,132
Federal Sources	840,161	926,616	86,455	904,835
Total Revenues	<u>5,986,343</u>	<u>6,060,079</u>	<u>73,736</u>	<u>5,847,979</u>
EXPENDITURES				
Current:				
Salaries	1,436,908	1,392,115	(44,793)	1,694,456
Employee Benefits	546,134	403,177	(142,957)	506,139
Purchased Services	760,359	755,258	(5,101)	440,873
Supplies and Materials	2,912,100	2,777,661	(134,439)	2,737,812
Other Expenditures	158,000	171,488	13,488	158,585
Capital Outlay	128,400	97,700	(30,700)	69,592
Total Expenditures	<u>5,941,901</u>	<u>5,597,399</u>	<u>(344,502)</u>	<u>5,607,457</u>
NET CHANGE IN FUND BALANCE	<u>\$ 44,442</u>	462,680	<u>\$ 418,238</u>	240,522
FUND BALANCE				
Beginning of Year		<u>793,359</u>		<u>552,837</u>
End of Year		<u>\$ 1,256,039</u>		<u>\$ 793,359</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ 5,976,806	\$ 5,167,284
Receivables:		
Current Taxes	394,531	465,294
Delinquent Taxes	652	2,287
Accounts and Interest Receivable	415,769	334,012
Due from Other Minnesota School Districts	85,615	94,144
Due from Minnesota Department of Education	29,066	28,395
Due from Other Governmental Units	-	4,401
Prepays	<u>137,970</u>	<u>171,049</u>
Total Assets	<u>\$ 7,040,409</u>	<u>\$ 6,266,866</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 433,595	\$ 392,661
Payroll Deductions and Employer Contributions Payable	1,509	1,355
Accounts and Contracts Payable	261,993	251,719
Due to Other Governmental Units	1,042	25
Unearned Revenue	<u>1,222,954</u>	<u>1,107,264</u>
Total Liabilities	1,921,093	1,753,024
Deferred Inflows:		
Property Taxes Levied for Subsequent Year	954,548	921,517
Unavailable Revenue - Delinquent Taxes	<u>652</u>	<u>2,287</u>
Total Deferred Inflows of Resources	955,200	923,804
Fund Balance:		
Nonspendable:		
Prepays	137,970	171,049
Restricted for:		
Community Education	3,773,642	3,256,314
Early Childhood and Family Education	10,160	-
School Readiness	215,021	207,000
Adult Basic Education	14,524	14,524
Other Purposes	12,799	6,410
Unassigned	-	<u>(65,259)</u>
Total Fund Balance	<u>4,164,116</u>	<u>3,590,038</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 7,040,409</u>	<u>\$ 6,266,866</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		2017	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 925,576	\$ 920,120	\$ (5,456)	\$ 915,855
Earnings and Investments	20,000	41,584	21,584	17,523
Other - Primarily Tuition and Fees	10,513,524	10,916,007	402,483	10,003,530
State Sources	462,448	450,910	(11,538)	444,381
Total Revenues	11,921,548	12,328,621	407,073	11,381,289
EXPENDITURES				
Current:				
Salaries	5,960,034	5,862,807	(97,227)	5,390,551
Employee Benefits	1,728,447	1,621,813	(106,634)	1,458,060
Purchased Services	2,473,001	2,538,585	65,584	2,267,390
Supplies and Materials	1,210,519	1,138,315	(72,204)	1,074,644
Other Expenditures	154,831	196,072	41,241	276,386
Capital Outlay	439,294	396,951	(42,343)	209,149
Total Expenditures	11,966,126	11,754,543	(211,583)	10,676,180
NET CHANGE IN FUND BALANCE	\$ (44,578)	574,078	\$ 618,656	705,109
FUND BALANCE				
Beginning of Year		3,590,038		2,884,929
End of Year		\$ 4,164,116		\$ 3,590,038

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
ASSETS		
Cash and Investments	\$ 560,956	\$ 127,059
Cash with Fiscal Agent	3,027,151	6,623,029
Receivables:		
Accounts and Interest Receivable	4,809	34,067
Total Assets	\$ 3,592,916	\$ 6,784,155
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ -	\$ 93,094
Payroll Deductions and Employer Contributions Payable	-	4,011
Accounts and Contracts Payable	942,627	1,268,281
Total Liabilities	942,627	1,365,386
Fund Balance:		
Restricted for:		
Capital Projects Levy	-	192,078
Projects Funded by Certificates of Participation	1,052,742	1,478,175
Long-Term Facilities Maintenance	1,596,098	3,747,341
Restricted for Other Purposes	1,449	1,175
Total Fund Balance	2,650,289	5,418,769
Total Liabilities and Fund Balance	\$ 3,592,916	\$ 6,784,155

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ -	\$ -	\$ -	\$ 5,323,907
Earnings and Investments	-	38,892	38,892	35,009
Other	136,667	136,667	-	113,971
Total Revenues	<u>136,667</u>	<u>175,559</u>	<u>38,892</u>	<u>5,472,887</u>
EXPENDITURES				
Current:				
Salaries	20,000	-	(20,000)	1,645,709
Employee Benefits	-	-	-	517,607
Purchased Services	1,028,735	1,237,614	208,879	1,650,343
Supplies and Materials	8,071	-	(8,071)	2,308,920
Other Expenditures	2,565	-	(2,565)	125
Capital Outlay	7,631,000	7,112,008	(518,992)	11,098,407
Total Expenditures	<u>8,690,371</u>	<u>8,349,622</u>	<u>(340,749)</u>	<u>17,221,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,553,704)	(8,174,063)	379,641	(11,748,224)
OTHER FINANCING SOURCES (USES)				
Sale of Bonds	-	-	-	5,785,000
Bond Premium	-	-	-	193,525
Issuance of Certificates of Participation	4,900,000	4,900,000	-	2,775,000
Premium on Certificates of Participation	697,659	697,659	-	134,467
Transfers Out	-	(192,076)	(192,076)	(445,061)
Total Other Financing Sources (Uses)	<u>5,597,659</u>	<u>5,405,583</u>	<u>(192,076)</u>	<u>8,442,931</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,956,045)</u>	(2,768,480)	<u>\$ 187,565</u>	(3,305,293)
FUND BALANCE				
Beginning of Year		<u>5,418,769</u>		<u>8,724,062</u>
End of Year		<u>\$ 2,650,289</u>		<u>\$ 5,418,769</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Regular Debt Service	OPEB Debt Service	Refunding Bond Trust Account	Totals	
				2018	2017
ASSETS					
Cash and Investments	\$ 5,476,244	\$ 929,848	\$ -	\$ 6,406,092	\$ 6,775,999
Cash with Fiscal Agent	4,645	-	16	4,661	1,347,813
Receivables:					
Current Taxes	3,031,766	695,025	-	3,726,791	3,901,951
Delinquent Taxes	4,940	735	-	5,675	17,478
Due from Minnesota Department of Education	12,550	-	-	12,550	2,822
Due from Other Governmental Units	-	-	-	-	32,098
Prepays	598,696	328,805	-	927,501	999,803
Total Assets	\$ 9,128,841	\$ 1,954,413	\$ 16	\$ 11,083,270	\$ 13,077,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Due to Other Governmental Units	\$ 6,615	\$ 2,283	\$ -	\$ 8,898	\$ -
Deferred Inflows:					
Property Taxes Levied for Subsequent Year	7,335,207	1,681,578	-	9,016,785	7,727,833
Unavailable Revenue - Delinquent Taxes	4,940	735	-	5,675	17,478
Total Deferred Inflows of Resources	7,340,147	1,682,313	-	9,022,460	7,745,311
Fund Balance:					
Nonspendable:					
Prepays	598,696	328,805	-	927,501	999,803
Restricted for:					
Bond Refunding	4,645	-	16	4,661	1,347,813
Restricted for Other Purposes	1,178,738	-	-	1,178,738	2,985,037
Unassigned	-	(58,988)	-	(58,988)	-
Total Fund Balance	1,782,079	269,817	16	2,051,912	5,332,653
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 9,128,841	\$ 1,954,413	\$ 16	\$ 11,083,270	\$ 13,077,964

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018					2017	
	Final Budgeted Amounts	Regular Debt Service	OPEB Debt Service	Refunding Bond Trust Account	Total Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES							
Local Sources:							
Property Taxes	\$ 7,727,838	\$ 6,025,205	\$ 1,692,938	\$ -	\$ 7,718,143	\$ (9,695)	\$ 6,627,143
Earnings and Investments	5,000	56,332	7,820	-	64,152	59,152	27,620
State Sources	125,487	126,529	3	-	126,532	1,045	28,218
Federal Sources	77,408	77,534	-	-	77,534	126	80,548
Total Revenues	<u>7,935,733</u>	<u>6,285,600</u>	<u>1,700,761</u>	<u>-</u>	<u>7,986,361</u>	<u>50,628</u>	<u>6,763,529</u>
EXPENDITURES							
Debt Service:							
Bond Principal	4,809,991	7,000,000	915,000	-	7,915,000	3,105,009	4,374,417
Bond Interest	3,994,143	2,650,495	733,058	-	3,383,553	(610,590)	3,603,132
Paying Agent Fees and Other	311,190	311,195	495	-	311,690	500	2,475
Total Expenditures	<u>9,115,324</u>	<u>9,961,690</u>	<u>1,648,553</u>	<u>-</u>	<u>11,610,243</u>	<u>2,494,919</u>	<u>7,980,024</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,179,591)	(3,676,090)	52,208	-	(3,623,882)	(2,444,291)	(1,216,495)
OTHER FINANCING SOURCES (USES)							
Sale of Bonds	18,236,716	14,415,000	-	-	14,415,000	(3,821,716)	-
Bond Premium	-	1,374,387	-	-	1,374,387	1,374,387	3,141
Issuance of Certificates of Participation	-	2,250,000	-	-	2,250,000	2,250,000	-
Premium on Certificates of Participation	-	197,329	-	-	197,329	197,329	-
Payment to Refunded Bond Escrow Agent	(19,067,994)	(16,573,575)	(1,320,000)	-	(17,893,575)	1,174,419	-
Total Other Financing Sources (Uses)	<u>(831,278)</u>	<u>1,663,141</u>	<u>(1,320,000)</u>	<u>-</u>	<u>343,141</u>	<u>1,174,419</u>	<u>3,141</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,010,869)</u>	<u>(2,012,949)</u>	<u>(1,267,792)</u>	<u>-</u>	<u>(3,280,741)</u>	<u>\$ (1,269,872)</u>	<u>(1,213,354)</u>
FUND BALANCE							
Beginning of Year		3,795,028	1,537,609	16	5,332,653		6,546,007
End of Year		<u>\$ 1,782,079</u>	<u>\$ 269,817</u>	<u>\$ 16</u>	<u>\$ 2,051,912</u>		<u>\$ 5,332,653</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
INTERNAL SERVICE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Self- Insurance Accounts	OPEB Revocable Trust	Totals	
			2018	2017
ASSETS				
Cash and Investments	\$ 8,886,510	\$ 23,084,132	\$ 31,970,642	\$ 31,592,377
LIABILITIES				
Accounts Payable	4,582	-	4,582	66,186
Claims Payable - Medical	1,814,800	-	1,814,800	1,778,600
Due to Other Funds	-	627,570	627,570	667,874
Unearned Revenue	1,066,572	-	1,066,572	967,480
Total Liabilities	<u>2,885,954</u>	<u>627,570</u>	<u>3,513,524</u>	<u>3,480,140</u>
NET POSITION				
Unrestricted	<u>\$ 6,000,556</u>	<u>\$ 22,456,562</u>	<u>\$ 28,457,118</u>	<u>\$ 28,112,237</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
INTERNAL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	Self- Insurance Accounts	OPEB Revocable Trust	Totals	
			2018	2017
OPERATING REVENUES				
Charges for Services:				
Health Insurance Premiums	\$ 12,399,833	\$ -	\$ 12,399,833	\$ 11,659,725
Dental Insurance Premiums	1,049,031	-	1,049,031	977,886
Total Operating Revenues	<u>13,448,864</u>	-	<u>13,448,864</u>	<u>12,637,611</u>
OPERATING EXPENSES				
Salaries	85,975	-	85,975	81,387
VEBA Contributions	711,924	-	711,924	798,484
Wellness Payments	38,430	-	38,430	36,600
Health Insurance Claim Payments	11,290,890	-	11,290,890	10,140,448
Dental Insurance Claim Payments	959,208	-	959,208	921,450
OPEB Payments	-	627,570	627,570	667,874
General Administration Fees	1,044,006	-	1,044,006	1,062,928
Total Operating Expenses	<u>14,130,433</u>	<u>627,570</u>	<u>14,758,003</u>	<u>13,709,171</u>
OPERATING LOSS	(681,569)	(627,570)	(1,309,139)	(1,071,560)
NONOPERATING INCOME				
Earnings on Investments	<u>78,665</u>	<u>1,575,355</u>	<u>1,654,020</u>	<u>2,156,587</u>
CHANGE IN NET POSITION	(602,904)	947,785	344,881	1,085,027
Net Position - Beginning	<u>6,603,460</u>	<u>21,508,777</u>	<u>28,112,237</u>	<u>27,027,210</u>
NET POSITION - ENDING	<u>\$ 6,000,556</u>	<u>\$ 22,456,562</u>	<u>\$ 28,457,118</u>	<u>\$ 28,112,237</u>

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2018**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 134,117,169	\$ 134,117,169	\$ -	Total Revenue	\$ 175,559	\$ 175,559	\$ -
Total Expenditures	132,318,861	132,318,853	8	Total Expenditures	8,349,622	8,349,620	2
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	1,677,381	1,677,382	(1)	460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	-	-	-	409 Alternative Facility Program	-	-	-
406 Health and Safety	9,736	9,736	-	413 Projects Funded by COP	1,052,742	1,052,742	-
407 Capital Project Levy	(232,209)	(232,209)	-	467 LTFM	1,596,098	1,596,098	-
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	1,449	1,449	-
413 Projects Funded by COP	-	-	-	<i>Unassigned:</i>			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-				
417 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE			
424 Operating Capital	185,739	185,739	-	Total Revenue	6,285,600	6,285,600	-
426 \$25 Taconite	-	-	-	Total Expenditures	9,961,690	9,961,685	5
427 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
428 Learning and Development	-	-	-	460 Nonspendable Fund Balance	598,696	598,696	-
434 Area Learning Center	-	-	-	<i>Restricted:</i>			
435 Contracted Alternative Programs	-	-	-	425 Bond Refunding	4,661	4,661	-
436 State-Approved Alternative Programs	-	-	-	451 OZAB and QSCB Payments	-	-	-
438 Gifted and Talented	-	-	-	464 Restricted Fund Balance	1,178,738	1,178,739	(1)
440 Teacher Development and Evaluations	-	-	-	<i>Unassigned:</i>			
441 Basic Skills Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career and Technical Programs	-	-	-				
448 Achievement and Integration	-	-	-	08 TRUST			
449 Sage Schools Crime Levy	-	-	-	Total Revenue	264,175	264,174	1
451 OZAB Payments	-	-	-	Total Expenditures	137,678	137,678	-
452 OPEB Liability Not Held in Trust	-	-	-	<i>Net Position:</i>			
453 Unfunded Severance & Retirement Levy	-	-	-	422 Net Position	306,448	306,448	-
467 LTFM	-	-	-				
472 Medical Assistance	31,984	31,984	-	20 INTERNAL SERVICE			
<i>Restricted:</i>				Total Revenue	13,527,529	13,527,529	-
464 Restricted Fund Balance	-	-	-	Total Expenditures	14,130,433	14,130,434	(1)
<i>Committed:</i>				<i>Net Position:</i>			
418 Committed for Separation	-	-	-	422 Net Position	6,000,556	6,000,555	1
461 Committed Fund Balance	-	-	-				
<i>Assigned:</i>				25 OPEB REVOCABLE TRUST			
462 Assigned Fund Balance	3,194,835	3,194,834	1	Total Revenue	1,575,355	1,575,355	-
<i>Unassigned:</i>				Total Expenditures	627,570	627,570	-
422 Unassigned Fund Balance	18,225,254	18,225,256	(2)	<i>Net Position:</i>			
				422 Net Position	22,456,562	22,456,562	-
02 FOOD SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	6,060,079	6,060,078	1	Total Revenue	-	-	-
Total Expenditures	5,597,399	5,597,398	1	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Net Position:</i>			
460 Nonspendable Fund Balance	64,003	64,003	-	422 Net Position	-	-	-
<i>Restricted:</i>							
452 OPEB Liability Not Held in Trust	-	-	-	47 OPEB DEBT SERVICE			
464 Restricted Fund Balance	1,192,036	1,192,035	1	Total Revenue	1,700,761	1,700,761	-
<i>Unassigned:</i>				Total Expenditures	1,648,553	1,648,553	-
463 Unassigned Fund Balance	-	-	-	<i>Nonspendable:</i>			
				460 Nonspendable Fund Balance	328,805	328,805	-
				<i>Restricted:</i>			
				425 Bond Refunding	-	-	-
				464 Restricted Fund Balance	-	-	-
				<i>Unassigned:</i>			
				463 Unassigned Fund Balance	(58,988)	(58,988)	-
04 COMMUNITY SERVICE							
Total Revenue	12,328,621	12,328,619	2				
Total Expenditures	11,754,543	11,754,542	1				
<i>Nonspendable:</i>							
460 Nonspendable Fund Balance	137,970	137,970	-				
<i>Restricted:</i>							
426 \$25 Taconite	-	-	-				
431 Community Education	3,773,642	3,773,642	-				
432 E.C.F.E.	10,160	10,160	-				
440 Teacher Development and Evaluations	-	-	-				
444 School Readiness	215,021	215,021	-				
447 Adult Basic Education	14,524	14,524	-				
452 OPEB Liability Not Held in Trust	-	-	-				
464 Restricted Fund Balance	12,799	12,797	2				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

STATISTICAL SECTION (UNAUDITED)

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 19,432,519	\$ 22,351,709	\$ 22,850,325	\$ 23,626,432	\$ 21,078,480	\$ 21,319,503	\$ 19,627,253	\$ 18,430,241	\$ 14,644,246	\$ 13,441,105
Restricted	6,625,996	5,646,136	6,283,759	7,155,824	15,037,395	11,068,622	11,838,485	7,074,898	6,808,222	7,245,813
Unrestricted	11,529,995	7,648,067	9,360,757	4,493,191	7,744,165	10,070,598	(63,764,777)	(57,419,114)	(85,657,524)	(129,067,503)
Total Governmental Activities Net Position	<u>\$ 37,588,510</u>	<u>\$ 35,645,912</u>	<u>\$ 38,494,841</u>	<u>\$ 35,275,447</u>	<u>\$ 43,860,040</u>	<u>\$ 42,458,723</u>	<u>\$ (32,299,039)</u>	<u>\$ (31,913,975)</u>	<u>\$ (64,205,056)</u>	<u>\$ (108,380,585)</u>

Source: District's financial records.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental Activities:				
Administration	\$ 3,698,271	\$ 3,528,385	\$ 3,771,059	\$ 3,638,171
District Support Services	3,063,564	3,193,686	3,093,044	3,546,891
Regular Instruction	42,198,819	48,111,276	50,730,777	54,464,423
Vocational Education Instruction	882,533	839,513	741,661	837,772
Special Education Instruction	12,953,599	13,881,491	13,849,572	14,936,756
Instructional Support Services	4,404,471	4,430,463	4,639,035	4,895,421
Pupil Support Services	6,240,203	6,495,539	6,643,683	6,851,422
Sites and Buildings	12,196,046	11,924,654	10,381,527	10,925,785
Fiscal and Other Fixed Cost Programs	132,321	125,100	122,837	162,738
Food Service	4,021,963	4,471,613	4,279,333	5,415,967
Community Service	7,172,425	7,832,252	8,603,968	9,288,795
Interest on Long-Term Debt	4,085,041	4,912,560	5,491,717	5,074,997
Total Governmental Activities Expenses	<u>\$ 101,049,256</u>	<u>\$ 109,746,532</u>	<u>\$ 112,348,213</u>	<u>\$ 120,039,138</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Regular Instruction	\$ -	\$ -	\$ -	\$ -
Instructional Support Services	-	-	-	-
Pupil Support Services	-	-	-	-
Food Service	3,625,985	3,787,568	3,961,705	4,105,407
Community Service	5,825,797	6,109,239	6,572,122	7,494,306
Operating Grants and Contributions	16,743,432	22,121,523	20,741,942	17,552,515
Capital Grants and Contributions	151,224	174,824	239,606	422,120
Total Governmental Activities Program Revenue	<u>\$ 26,346,438</u>	<u>\$ 32,193,154</u>	<u>\$ 31,515,375</u>	<u>\$ 29,574,348</u>
Net Expense				
Governmental Activities	<u>\$ (74,702,818)</u>	<u>\$ (77,553,378)</u>	<u>\$ (80,832,838)</u>	<u>\$ (90,464,790)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes:				
General Purposes and Capital Projects	\$ 22,994,866	\$ 23,125,102	\$ 30,231,088	\$ 26,814,510
Community Service	752,989	757,253	989,945	926,919
Debt Service	8,158,439	8,204,646	10,725,807	6,294,303
Unrestricted Grants and Contributions	46,500,346	42,867,131	39,131,806	53,456,827
Unrestricted Investment Earnings	1,248,896	608,533	2,595,214	(281,808)
Miscellaneous	10,489	48,115	7,907	34,645
Total Governmental Activities	<u>\$ 79,666,025</u>	<u>\$ 75,610,780</u>	<u>\$ 83,681,767</u>	<u>\$ 87,245,396</u>
Change in Net Position	\$ 4,963,207	\$ (1,942,598)	\$ 2,848,929	\$ (3,219,394)
Net Position - Beginning	38,139,506	37,588,510	35,645,912	38,494,841
Prior Period Adjustment	(5,514,203)	-	-	-
Net Position - Ending	<u>\$ 37,588,510</u>	<u>\$ 35,645,912</u>	<u>\$ 38,494,841</u>	<u>\$ 35,275,447</u>

Source: District's financial records.

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 3,586,179	\$ 3,710,055	\$ 3,949,395	\$ 4,132,706	\$ 5,605,071	\$ 5,455,522	
3,101,352	3,539,681	3,351,697	3,811,676	4,145,220	5,572,269	
53,132,307	59,493,857	64,252,046	67,818,975	96,960,340	104,554,124	
609,015	488,223	515,227	562,427	1,108,400	866,784	
13,652,545	14,950,426	15,431,007	16,064,977	22,481,202	23,574,526	
4,774,986	5,212,539	5,476,973	6,018,678	8,066,439	8,647,660	
7,102,738	7,171,368	7,507,312	7,822,508	9,606,299	10,078,121	
12,576,151	14,914,742	13,769,610	16,084,512	19,441,992	10,542,688	
215,023	244,628	225,994	262,090	258,901	232,382	
4,873,049	4,902,588	4,849,625	5,406,639	5,632,435	5,634,791	
10,339,649	10,625,866	9,029,666	9,682,970	11,634,698	12,538,445	
6,617,640	5,516,550	6,196,996	6,521,940	5,603,309	6,138,422	
<u>\$ 120,580,634</u>	<u>\$ 130,770,523</u>	<u>\$ 134,555,548</u>	<u>\$ 144,190,098</u>	<u>\$ 190,544,306</u>	<u>\$ 193,835,734</u>	
\$ -	\$ -	\$ -	\$ 1,309,999	\$ 1,403,750	\$ 1,481,610	
-	-	-	222,990	195,169	196,370	
-	-	-	252,275	239,780	253,070	
4,308,862	4,146,997	4,358,266	4,628,754	4,806,658	4,988,142	
8,237,658	8,447,774	7,019,527	8,768,689	9,474,151	10,387,741	
21,853,403	21,611,798	22,129,831	17,222,701	22,145,571	19,259,894	
616,445	731,378	1,271,341	1,293,101	1,335,854	1,640,719	
<u>\$ 35,016,368</u>	<u>\$ 34,937,947</u>	<u>\$ 34,778,965</u>	<u>\$ 33,698,509</u>	<u>\$ 39,600,933</u>	<u>\$ 38,207,546</u>	
<u>\$ (85,564,266)</u>	<u>\$ (95,832,576)</u>	<u>\$ (99,776,583)</u>	<u>\$ (110,491,589)</u>	<u>\$ (150,943,373)</u>	<u>\$ (155,628,188)</u>	
\$ 26,991,246	\$ 17,872,428	\$ 29,302,585	\$ 31,079,686	\$ 35,766,057	\$ 35,987,087	
894,413	415,723	1,012,885	948,638	914,505	918,485	
6,794,959	7,691,916	6,788,554	8,041,734	6,616,212	7,706,340	
56,403,315	68,173,589	63,077,322	70,294,970	72,666,001	76,233,324	
1,394,595	2,488,096	344,758	(25,408)	2,310,084	2,022,260	
36,896	52,440	280,137	537,033	379,433	1,191,246	
<u>\$ 92,515,424</u>	<u>\$ 96,694,192</u>	<u>\$ 100,806,241</u>	<u>\$ 110,876,653</u>	<u>\$ 118,652,292</u>	<u>\$ 124,058,742</u>	
\$ 6,951,158	\$ 861,616	\$ 1,029,658	\$ 385,064	\$ (32,291,081)	\$ (31,569,446)	
35,275,447	43,860,040	42,458,723	(32,299,039)	(31,913,975)	(64,205,056)	
1,633,435	(2,262,933)	(75,787,420)	-	-	(12,606,083)	
<u>\$ 43,860,040</u>	<u>\$ 42,458,723</u>	<u>\$ (32,299,039)</u>	<u>\$ (31,913,975)</u>	<u>\$ (64,205,056)</u>	<u>\$ (108,380,585)</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 1,422,433	\$ -	\$ -	\$ -
Unreserved	12,343,495	-	-	-
Nonspendable	-	924,492	926,215	363,650
Restricted	-	1,353,370	1,987,164	2,233,733
Assigned	-	475,765	3,438,927	1,415,516
Unassigned	-	12,061,670	10,551,950	11,400,336
Total General Fund	<u>13,765,928</u>	<u>14,815,297</u>	<u>16,904,256</u>	<u>15,413,235</u>
All Other Governmental Funds				
Reserved	19,939,257	-	-	-
Unreserved, Reported in:				
Food Service Fund	1,191,347	-	-	-
Community Service Fund	8,430	-	-	-
Capital Projects Fund	2,340,138	-	-	-
Debt Service Funds	5,041,293	-	-	-
Nonspendable	-	669,493	636,968	785,644
Restricted, Reported in:				
Food Service Fund	-	1,204,039	1,724,479	1,308,264
Community Service Fund	-	1,323,841	1,272,524	1,635,961
Capital Projects Fund	-	7,445,196	8,455,999	6,600,072
Debt Service Funds	-	9,365,205	10,371,502	6,865,551
Unassigned, Reported in:				
Community Service Fund	-	-	(4,798)	(19,322)
Debt Service Funds	-	-	-	(396,518)
All Other Governmental Funds	<u>28,520,465</u>	<u>20,007,774</u>	<u>22,456,674</u>	<u>16,779,652</u>
Total All Funds	<u>\$ 42,286,393</u>	<u>\$ 34,823,071</u>	<u>\$ 39,360,930</u>	<u>\$ 32,192,887</u>

Source: District's financial records

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
531,999	590,355	781,333	779,705	1,168,168	1,677,381
1,905,185	411,185	29,151	628,474	469,509	227,459
3,447,281	3,902,303	4,173,836	3,194,826	3,399,617	3,194,835
14,400,463	14,362,441	13,821,183	14,054,648	16,065,042	17,993,045
20,284,928	19,266,284	18,805,503	18,657,653	21,102,336	23,092,720
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
421,693	765,935	1,441,573	905,977	1,228,773	1,129,474
1,616,011	778,523	352,237	493,812	735,438	1,192,036
1,925,296	1,654,874	1,914,375	2,804,355	3,484,248	4,026,146
6,551,716	5,673,567	309,828	8,724,062	5,418,769	2,650,289
11,256,786	9,558,975	11,018,614	6,070,506	4,332,850	1,183,399
(29,618)	(53,686)	(44,630)	(67,795)	(65,259)	-
-	-	-	(223,082)	-	(58,988)
21,741,884	18,378,188	14,991,997	18,707,835	15,134,819	10,122,356
\$ 42,026,812	\$ 37,644,472	\$ 33,797,500	\$ 37,365,488	\$ 36,237,155	\$ 33,215,076

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Local Sources:				
Property Taxes	\$ 31,811,686	\$ 32,098,779	\$ 42,028,912	\$ 34,058,153
Earnings on Investments	1,157,632	329,922	110,503	82,559
Other	11,626,468	12,479,091	14,073,789	15,536,692
State Sources	58,722,923	54,582,707	51,815,665	64,755,660
Federal Sources	2,507,882	8,044,799	4,765,634	2,773,468
Total Revenues	<u>105,826,591</u>	<u>107,535,298</u>	<u>112,794,503</u>	<u>117,206,532</u>
Expenditures				
Current:				
Administration	4,299,846	3,350,380	3,618,804	3,487,541
District Support Services	3,452,290	3,034,938	2,923,525	3,356,463
Regular Instruction	50,112,829	42,899,862	45,430,710	48,133,853
Vocational Education Instruction	1,021,938	814,426	715,770	821,442
Special Education Instruction	15,945,990	13,533,567	13,678,815	14,636,744
Instructional Support Services	5,232,925	4,334,022	4,559,203	4,777,572
Pupil Support Services	6,720,291	6,410,333	6,572,972	6,749,024
Sites and Buildings	6,909,977	6,023,757	5,865,019	6,089,213
Fiscal and Other Fixed Cost Programs	132,321	125,100	122,837	162,738
Food Service	3,898,050	4,064,810	4,195,977	4,424,455
Community Service Fund	7,149,933	7,766,180	8,526,237	9,192,032
Capital Outlay	38,721,734	22,817,488	15,146,027	16,675,428
Debt Service:				
Principal	7,073,013	10,629,582	6,246,692	5,885,000
Interest and Fiscal Charges	2,768,316	5,302,961	5,178,813	5,429,393
Total Expenditures	<u>153,439,453</u>	<u>131,107,406</u>	<u>122,781,401</u>	<u>129,820,898</u>
Deficiency of Revenues Under Expenditures	(47,612,862)	(23,572,108)	(9,986,898)	(12,614,366)
Other Financing Sources (Uses)				
Insurance Recovery	-	1,803	-	-
Capital Lease Proceeds	3,525,000	350,000	-	-
Issuance of Bonds and Certificates of Participation	36,415,000	19,975,000	17,040,000	9,065,000
Premiums on Bonds and Certificates of Participation	103,038	101,508	202,122	145,457
Payment to Refunded Bond Escrow Agent	(382,044)	(4,319,525)	(2,717,365)	(3,764,134)
Transfers In	4,158,374	3,088,517	-	-
Transfers Out	(4,220,874)	(3,088,517)	-	-
Total Other Financing Sources (Uses)	<u>39,598,494</u>	<u>16,108,786</u>	<u>14,524,757</u>	<u>5,446,323</u>
Net Change in Fund Balances	(8,014,368)	(7,463,322)	4,537,859	(7,168,043)
Fund Balance - Beginning	50,300,761	42,286,393	34,823,071	39,360,930
Prior Period Adjustment	-	-	-	-
Fund Balance - Ending	<u>\$ 42,286,393</u>	<u>\$ 34,823,071</u>	<u>\$ 39,360,930</u>	<u>\$ 32,192,887</u>
Debt Service as a Percentage of Noncapital Expenditures	8.60%	14.70%	10.60%	10.00%

Sources: District's financial records

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 34,706,680	\$ 25,930,101	\$ 37,214,541	\$ 40,114,162	\$ 43,346,798	\$ 44,683,902	
(59,996)	116,925	45,092	176,546	153,497	368,240	
18,551,066	18,427,849	17,708,928	19,210,588	20,366,116	22,352,959	
70,037,796	81,858,493	77,679,938	82,500,253	85,810,383	90,293,577	
2,861,974	2,877,634	2,747,558	2,819,671	2,763,275	2,969,111	
<u>126,097,520</u>	<u>129,211,002</u>	<u>135,396,057</u>	<u>144,821,220</u>	<u>152,440,069</u>	<u>160,667,789</u>	
3,651,182	3,816,573	4,024,247	3,943,877	4,040,778	4,124,131	
3,169,627	3,507,294	3,345,636	3,763,882	3,753,805	5,814,329	
50,433,184	54,604,424	59,736,890	63,494,232	66,724,212	72,455,135	
640,262	491,507	524,218	549,081	834,722	624,342	
14,418,187	15,065,041	15,741,744	15,985,969	16,562,003	18,158,328	
4,982,039	5,242,570	5,551,204	5,831,692	6,051,941	6,939,347	
7,211,567	7,173,492	7,550,330	7,703,284	8,222,140	8,866,622	
5,946,473	8,309,773	8,665,464	7,273,494	7,712,195	7,342,946	
215,023	244,628	225,994	262,090	258,901	232,382	
4,782,099	4,813,827	5,015,606	5,365,527	5,537,865	5,499,699	
10,150,874	10,608,808	9,297,612	9,613,374	10,467,031	11,357,592	
18,713,971	19,846,429	16,959,572	15,657,282	19,849,561	12,230,881	
8,972,367	7,359,633	5,370,000	7,533,187	6,924,417	10,410,000	
6,016,778	5,482,607	5,260,757	6,108,765	5,519,964	5,574,934	
<u>139,303,633</u>	<u>146,566,606</u>	<u>147,269,274</u>	<u>153,085,736</u>	<u>162,459,535</u>	<u>169,630,668</u>	
(13,206,113)	(17,355,604)	(11,873,217)	(8,264,516)	(10,019,466)	(8,962,879)	
5,743	-	-	-	-	-	
-	-	-	-	-	-	
38,845,000	26,080,000	9,710,000	46,260,000	8,560,000	21,565,000	
145,681	958,264	376,245	1,956,415	331,133	2,269,375	
(17,589,821)	(14,065,000)	(1,810,000)	(36,633,911)	-	(17,893,575)	
-	-	-	621,368	445,061	192,076	
-	-	-	(621,368)	(445,061)	(192,076)	
<u>21,406,603</u>	<u>12,973,264</u>	<u>8,276,245</u>	<u>11,582,504</u>	<u>8,891,133</u>	<u>5,940,800</u>	
8,200,490	(4,382,340)	(3,596,972)	3,317,988	(1,128,333)	(3,022,079)	
32,192,887	42,026,812	37,644,472	34,047,500	37,365,488	36,237,155	
1,633,435	-	-	-	-	-	
<u>\$ 42,026,812</u>	<u>\$ 37,644,472</u>	<u>\$ 34,047,500</u>	<u>\$ 37,365,488</u>	<u>\$ 36,237,155</u>	<u>\$ 33,215,076</u>	
12.40%	10.10%	8.20%	9.40%	8.23%	9.94%	

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(UNAUDITED)**

Payable Year	Hennepin County Residential Property	Carver County Residential Property	Hennepin County Commercial Property	Carver County Commercial Property	Hennepin County Industrial Property
2009	\$ 6,372,538,600	\$ 1,308,485,387	\$ 553,697,700	\$ 5,947,980	\$ 14,093,600
2010	6,140,355,300	1,227,850,887	631,058,000	5,947,980	14,752,400
2011	5,733,128,500	1,227,136,973	608,707,800	5,355,060	14,383,700
2012	5,560,100,100	1,165,938,687	598,639,200	4,014,780	19,260,700
2013	5,321,136,800	1,152,074,000	521,519,100	3,938,800	18,778,100
2014	5,278,778,900	1,338,971,313	603,332,100	4,215,920	18,768,000
2015	5,737,769,500	1,338,975,413	613,118,800	4,215,920	19,160,400
2016	6,101,387,100	1,386,241,207	774,298,100	4,305,860	19,312,000
2017	6,279,630,658	1,469,462,080	787,395,300	4,448,120	20,046,900
2018	6,692,151,700	1,572,785,318	795,547,500	4,523,840	21,437,000

Source: Hennepin County Taxpayer Services Department & Carver County Assessors Office

Notes:

- (1) The tax capacity (assessed taxable value) of the property is calculated by applying a statutory formula to the estimated market value of the property.
- (2) Carver County - Tax-Exempt Property is already deducted from each category.
- (3) The estimated actual value of property is not available as the Counties do not provide this information to the District.

<u>Carver County Industrial Property</u>	<u>Carver County Agricultural Property</u>	<u>Hennepin Cty Less Tax-Exempt Property</u>	<u>Hennepin County Assessed Value</u>	<u>Carver County Assessed Value</u>	<u>Total Direct School Tax Rate</u>
\$ 5,292,933	\$ 662,900	\$ 244,196,100	\$ 6,696,133,800	\$ 1,320,389,200	17.19
5,292,933	662,900	323,776,400	6,462,389,300	1,239,754,700	18.66
6,802,367	459,000	323,776,400	6,032,443,600	1,239,753,400	21.27
6,818,933	434,700	323,776,400	5,854,223,600	1,177,207,100	23.02
6,697,700	416,400	323,776,400	5,537,657,600	1,163,126,900	24.49
6,830,767	468,600	323,776,400	5,577,102,600	1,350,486,600	24.37
6,830,747	468,600	323,776,400	6,046,272,300	1,350,490,680	25.09
7,165,133	-	469,804,000	6,425,193,200	1,397,712,200	22.89
6,630,400	-	469,804,000	6,617,268,858	1,480,540,600	22.77
6,767,633	-	469,804,000	7,039,332,200	1,584,076,791	-

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Tax Collection Year	ISD 276 Direct Rate			Overlapping Rates				
	Basic Rate	General Obligation		Municipalities				
		Debt Service	ISD No. 276	Chanhassen	Deephaven	Eden Prairie	Excelsior	Greenwood
2009	11.963	5.223	17.186	22.993	15.091	27.092	27.342	18.627
2010	11.844	6.813	18.657	25.185	15.603	28.553	30.666	17.936
2011	13.705	7.569	21.274	26.604	17.229	31.034	35.117	19.107
2012	16.163	6.852	23.015	28.532	17.798	33.036	35.463	20.336
2013	16.094	8.393	24.487	28.429	18.594	34.397	36.859	20.897
2014	16.173	8.201	24.374	27.238	19.169	34.493	37.045	22.246
2015	16.268	8.825	25.093	24.634	17.381	33.749	32.462	19.819
2016	16.543	6.344	22.887	24.253	16.338	32.137	30.253	18.963
2017	16.028	6.742	22.770	23.856	15.664	32.480	28.802	17.033
2018	15.379	7.754	23.133	22.667	15.316	32.348	27.133	16.102

- (1) Tax Capacity Rate Method
- (2) Special District includes Metropolitan Council Transit Operations, Metropolitan Mosquito Control, Metropolitan Council, Parks/Museum.

Source: Hennepin County Auditor Office
Carver County Auditor Office

Overlapping Rates

Municipalities						Counties		Special	Total Direct &
Minnetonka	Orono	Shorewood	Tonka Bay	Victoria	Woodland	Carver	Hennepin	District (2)	Overlapping Tax Rate
28.868	13.183	27.797	14.514	37.409	7.969	17.186	40.413	6.684	322.354
30.686	13.677	26.154	15.373	37.409	8.466	18.657	42.640	6.897	336.559
33.511	14.991	28.461	16.514	37.422	8.754	21.274	45.840	7.529	364.661
35.384	16.283	29.984	17.518	39.554	9.613	23.015	48.231	7.529	385.291
36.996	17.667	31.554	18.889	39.574	10.518	24.487	49.461	8.050	400.859
37.651	17.815	32.713	19.583	37.887	11.470	24.374	49.959	8.256	404.273
36.565	17.387	30.723	18.081	31.730	11.380	25.093	46.398	7.497	377.992
35.674	17.325	30.227	18.117	31.520	10.692	22.887	45.356	7.212	363.841
36.378	16.759	29.450	17.685	31.432	10.169	22.770	44.087	6.897	356.232
35.710	16.555	28.635	17.025	31.495	10.148	23.133	42.808	6.554	348.762

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Taxpayer	2018			2010		
	Net Tax Capacity	Rank	Percentage of Total Tax Capacity \$89,353,408	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
ORP SW LLC	\$ 357,000	1	0.40%			
Target Corporation	324,990	2	0.36%	\$ 364,250	1	0.16%
Brixmor Spe 5 LLC	269,250	3	0.30%			
MMB Medical Partners LLC	222,450	4	0.25%			
Mattamy Minneapolis LLC	180,000	5	0.20%			
Kraus Anderson	158,530	6	0.18%			
Minnesota Associates LTD	145,360	7	0.16%	118,256	8	0.05%
St Therese Senior Living	141,563	8	0.16%			
Excelsior Bay Harbor	131,050	9	0.15%			
Big Box One LLC	130,310	10	0.15%	159,250	4	0.07%
Centro Bradley Spec				256,250	2	0.12%
Real Estate Equities-Apts				250,750	3	0.11%
Haug Investment Properties LTD				134,250	5	0.06%
Towle Real Estate				129,250	6	0.06%
Minco Realty Partners				121,750	7	0.06%
Individual				111,213	9	0.05%
Individual				98,700	10	0.04%
Total	\$ 2,060,503		2.31%	\$ 1,743,919		0.78%

Source: Hennepin County Property Tax Division

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Tax Collection Year	Taxes Levied for the Fiscal Year			Collected within the Fiscal Year of Levy		Collections in Subsequent Years (1)	Total Collections to Date		Outstanding Delinquent Taxes	Percentage of Levy Outstanding
	Operating Tax Levy	Debt Tax Levy	Total Tax Levy	Current Tax Collection	Percentage of Levy		Total Tax Collection	Percentage of Levy		
2008	\$ 26,157,103	\$ 5,705,926	\$ 31,863,029	\$ 31,372,139	98.5%	\$ 490,890	\$ 31,863,029	100.0%	\$ -	0.0%
2009	27,213,860	4,649,170	31,863,030	31,475,961	98.8%	387,069	31,863,030	100.0%	-	0.0%
2010	26,528,837	5,916,495	32,445,331	32,147,187	99.1%	298,144	32,445,331	100.0%	-	0.0%
2011	27,735,733	6,388,854	34,124,587	33,825,367	99.1%	299,220	34,124,587	100.0%	-	0.0%
2012	27,320,639	6,803,948	34,124,587	33,826,686	99.1%	288,255	34,114,941	100.0%	9,646	0.0%
2013	27,566,607	7,687,627	35,254,234	35,026,683	99.4%	222,582	35,249,265	100.0%	4,969	0.0%
2014	30,169,983	6,814,387	36,984,369	36,708,555	99.3%	266,352	36,974,907	100.0%	9,462	0.0%
2015	31,811,829	8,058,616	39,870,445	39,608,364	99.3%	237,670	39,846,033	99.9%	24,412	0.1%
2016	36,460,412	6,626,471	43,086,884	42,769,714	99.3%	351,975	43,121,690	100.1%	(34,806)	-0.1%
2017	36,793,440	7,727,838	44,521,278	43,850,177	98.5%	663,368	44,513,545	100.0%	7,733	0.0%
2018	38,588,794	9,016,785	47,605,579	27,929,401	58.7%	-	27,929,401	58.7%	19,676,178	41.3%

Notes:

(1) Includes Abatements

Source: Tax Receivables Report from County Treasurer

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities							Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Improvement Loans	Special Assessments Payable	Certificates of Participation	Capital Lease	Other Long-Term Debt	Resources Restricted for Repayment			
2009	\$ 94,079,548	\$ -	\$ 884	\$ 20,455,000	\$ 11,721,555	\$ -	\$ (13,656,136)	\$ 112,600,851	{a}	\$ 2,545
2010	97,764,548	-	-	30,965,000	2,761,698	-	(9,915,784)	121,575,462	{a}	2,362
2011	103,449,548	-	-	35,720,000	-	-	(10,927,269)	128,242,279	{a}	3,207
2012	98,789,548	-	-	39,410,000	-	-	(7,024,611)	131,174,937	{a}	3,281
2013	107,882,181	-	-	44,635,000	-	-	(11,440,420)	141,076,761	{a}	3,528
2014	108,067,548	-	-	49,105,000	-	-	(10,029,289)	147,143,259	{a}	3,680
2015	113,075,169	-	-	47,045,000	-	-	(32,525,922)	127,594,247	{a}	3,191
2016	114,387,683	-	-	50,155,000	-	-	(6,546,006)	157,996,677	{a}	3,951
2017	118,111,979	-	-	51,462,261	-	-	(5,332,649)	164,241,591	{a}	4,108
2018	115,237,322	-	-	54,540,771	-	-	(2,051,912)	167,726,181	{a}	4,195

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

{a} Due to personal income information being unavailable for the school district, the percentage of personal income is not available. See the Demographic and economic Statistics schedule for population data of the school district.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
RATIO OF NET GENERAL OBLIGATIONS BONDED DEBT
TO TAX CAPACITY AND NET OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds on Hand</u>	<u>Net Bonded Debt</u>	<u>Market Value of Taxable Property</u>	<u>Percent Net Debt to Market Value</u>	<u>Percent of Estimated Actual Market Value of Property (1)</u>	<u>Estimated Population</u>	<u>Net Bonded Debt per Capita</u>
2009	\$ 94,079,548	\$ 13,656,136	\$ 80,423,412	\$ 7,922,606,400	1.02%	1.00 %	51,480	\$ 1,562
2010	97,764,548	9,915,784	87,848,764	7,756,758,200	1.13%	1.14 %	51,480	1,706
2011	103,449,548	10,927,269	92,522,279	7,156,127,942	1.29%	1.27 %	39,984	2,314
2012	98,789,548	7,024,611	91,764,937	6,931,929,130	1.32%	1.31 %	39,984	2,295
2013	107,882,181	11,440,420	96,441,761	6,670,583,639	1.45%	1.44 %	39,984	2,412
2014	108,067,548	10,029,289	98,038,259	6,688,470,723	1.47%	1.42 %	39,984	2,452
2015	113,075,169	32,525,922	80,549,247	7,307,055,627	1.10%	1.09 %	39,984	2,015
2016	114,387,683	6,546,006	107,841,677	7,738,688,845	1.39%	1.38 %	39,984	2,697
2017	118,111,979	5,332,649	112,779,330	8,021,915,058	1.41%	1.39 %	39,984	2,821
2018	115,237,322	2,051,912	113,185,410	8,451,010,768	1.34%	1.31 %	39,984	2,831

Source: Annual school district census, U.S. census and Minnesota Department of Education levy limitation and certification reports

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
(UNAUDITED)**

<u>Taxing Unit (a)</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (b)</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Direct Debt:</u>			
ISD #276	\$ 115,237,322	100.00%	\$ 115,237,322
<u>Overlapping Debt:</u>			
Carver County	35,448,000	11.79%	4,179,319
Hennepin County	950,945,000	4.29%	40,795,541
Three Rivers Park District	60,415,000	6.02%	3,636,983
Hennepin County Railroad Authority	33,145,000	4.29%	1,421,921
Cities:			
Chanhassen	8,555,000	31.67%	2,709,369
Eden Prairie	16,940,000	2.20%	372,680
Excelsior	3,150,000	100.00%	3,150,000
Minnetonka	5,375,000	23.86%	1,282,475
Orono	2,795,000	0.64%	17,888
Shorewood	-	95.40%	-
Woodland	94,155	100.00%	94,155
Victoria	11,875,000	14.45%	1,715,938
Metropolitan Council	4,650,000	4.84%	225,060
Metropolitan Transit District	181,455,000	5.35%	<u>9,707,843</u>
Total Overlapping Debt			<u>69,309,170</u>
Total Debt			<u><u>\$ 184,546,492</u></u>

(a) Only those taxing units with general obligation debt outstanding are included here.

(b) Excludes general obligation debt supported by revenues and revenue debt.

Source: District's financial advisor

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)
(UNAUDITED)**

	Fiscal Year			
	2009	2010	2011	2012
Debt Limit	\$ 1,265,344,390	\$ 1,265,344,390	\$ 1,095,495,418	\$ 1,095,495,418
Total Net Debt Applicable to Limit	<u>104,460,574</u>	<u>104,061,856</u>	<u>113,034,585</u>	<u>114,889,548</u>
Legal Debt Margin	<u><u>\$ 1,160,883,816</u></u>	<u><u>\$ 1,161,282,534</u></u>	<u><u>\$ 982,460,833</u></u>	<u><u>\$ 980,605,870</u></u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.26%	8.22%	10.32%	10.49%

Source: District's financial records.

Legal Debt Margin Calculation for Fiscal Year 2018

\$ 8,623,408,991
 1,293,511,349
 146,373,093
\$ 1,147,138,256

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 1,039,547,906	\$ 1,056,695,363	\$ 1,168,770,551	\$ 1,210,739,461	\$ 1,214,671,419	\$ 1,293,511,349
118,572,181	124,307,548	130,310,169	138,497,683	146,757,683	146,373,093
<u>\$ 920,975,725</u>	<u>\$ 932,387,815</u>	<u>\$ 1,038,460,382</u>	<u>\$ 1,072,241,778</u>	<u>\$ 1,067,913,736</u>	<u>\$ 1,147,138,256</u>
11.41%	11.76%	11.15%	11.44%	12.08%	11.32%

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Population (1)	Personal Income (<i>thousands of dollars</i>)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2009	51,480	{a}	{a}	8,118	{b}
2010	51,480	{a}	{a}	8,407	{b}
2011	39,984	{a}	{a}	8,633	{b}
2012	39,984	{a}	{a}	9,057	{b}
2013	39,984	{a}	{a}	9,467	{b}
2014	39,984	{a}	{a}	9,624	{b}
2015	39,984	{a}	{a}	9,855	{b}
2016	39,984	{a}	{a}	10,131	{b}
2017	39,984	{a}	{a}	10,521	{b}
2018	39,984	{a}	{a}	10,774	{b}

Notes:

(1) Estimates from Metropolitan Council, except for 2011 which is per the U.S. Census.

{a} Information from State Demographers Office (Bureau of Economic Analysis Report) not available for the school district.

{b} Information from Jobs Training Research Statistics Department not available for the school district.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Taxpayer	2018			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment**
United Health Group	4,678	1	11.10%	1,200	11	
Eden Prairie Center	2,424	2	5.75%			
Cargill, Inc.	2,350	3	5.58%	3,000	1	
ISD #276 Minnetonka Schools	1,671	4	3.97%	1,050	12	
Emerson Process Mgmt-Rosemount, Inc.	1,600	5	3.80%			
C.H. Robinson	1,517	6	3.60%			
ISD #272 Eden Prairie Schools	1,500	7	3.56%			
Starkey Laboratories	1,440	8	3.42%	1,400	6	
Allina Health System/Medica	1,200	9	2.85%	980	13	
St. Jude Medical, Inc.	1,100	10	2.61%	1,300	7	
Carlson Companies	1,005	11	2.39%	2,700	2	
GE Capital Fleet Services	900	12	2.14%	1,200	10	
HSBC Bank Nevada, N.A.	900	13	2.14%			
SuperValu Stores, Inc.	850	14	2.02%			
Deli Express	673	15	1.60%			
Metris				1,215	8	
Advance Circuits				1,200	9	
MTS Systems Corporation				850	14	
Eaton Corporation				750	15	
Micro-Tech, Inc.				2,000	3	
Data Card Corporation				1,400	5	
Rosemount, Inc.				1,500	4	
Total	23,808		56.51%	21,745		0.00%

Source: District's Financial Advisor

**Historical Data is not available

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Elementary Teachers (K-5)	221.60	245.75	254.80	270.39	280.83	287.15	299.72	302.64	304.85	315.76
Secondary Teachers (6-12)	225.67	233.74	236.20	236.47	230.43	250.61	264.70	266.47	276.43	294.51
Special Education Teachers	95.07	93.67	92.50	94.58	94.61	98.11	100.10	99.61	103.32	111.03
ECFE Teachers	8.10	10.26	9.00	8.85	8.65	9.36	8.76	9.83	9.14	12.08
Guidance Counselors	14.00	14.00	14.00	14.30	14.30	14.80	14.80	14.80	17.20	18.20
Social Workers	7.65	8.00	8.00	8.00	8.30	8.00	7.10	7.10	5.20	5.70
Psychologists	3.00	3.00	3.00	3.00	4.00	4.00	3.70	4.00	4.20	4.70
Librarians	8.75	8.75	8.50	8.50	8.50	8.50	8.50	8.50	8.50	7.00
Total Teaching Staff	<u>583.84</u>	<u>617.17</u>	<u>626.00</u>	<u>644.09</u>	<u>649.62</u>	<u>680.53</u>	<u>707.38</u>	<u>712.95</u>	<u>728.84</u>	<u>768.98</u>
Instructional Administrators	5.00	5.00	4.00	4.00	5.00	5.00	5.00	7.00	7.00	8.00
Noninstructional Administrators	23.00	23.00	24.00	23.00	23.00	23.00	22.00	22.00	22.00	24.00
Principals and Asst. Principals	14.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00
Total Administration Staff	<u>42.00</u>	<u>42.00</u>	<u>41.00</u>	<u>40.00</u>	<u>41.00</u>	<u>41.00</u>	<u>40.00</u>	<u>42.00</u>	<u>42.00</u>	<u>46.00</u>
Non-Licensed Support Staff	14.40	19.60	19.45	22.11	23.12	26.14	25.56	26.86	25.34	26.70
Paraprofessionals	184.45	193.20	195.66	200.44	193.17	202.87	201.81	207.61	216.44	238.64
Clerical	65.43	66.26	66.60	66.96	66.06	67.19	66.59	65.99	65.73	67.99
Custodial	58.50	58.50	59.00	59.00	62.00	62.00	66.00	66.00	66.00	67.00
Service Worker - Technology Support	11.00	13.00	13.00	12.00	11.80	11.80	11.80	11.80	11.80	12.80
Service Worker - Food Service	47.83	47.92	47.83	47.83	46.71	47.71	54.79	54.79	54.79	57.25
Total Support Staff	<u>381.61</u>	<u>398.48</u>	<u>401.54</u>	<u>408.35</u>	<u>402.86</u>	<u>417.71</u>	<u>426.55</u>	<u>433.05</u>	<u>440.10</u>	<u>470.38</u>
	<u>1,007.45</u>	<u>1,057.65</u>	<u>1,068.54</u>	<u>1,092.44</u>	<u>1,093.48</u>	<u>1,139.24</u>	<u>1,173.93</u>	<u>1,188.00</u>	<u>1,210.94</u>	<u>1,285.36</u>

Source: District Records

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>	<u>Student Attendance Percentage</u>
2009	8,118	\$ 90,738,819 {1}	\$ 11,177	4.55%	584	13.9	6.85%	95.53
2010	8,407	95,814,813	11,397	5.59%	617	13.6	8.65%	94.96
2011	8,633	99,675,302	11,546	4.03%	626	13.8	8.68%	94.93
2012	9,057	107,209,688	11,837	7.56%	644	14.1	8.13%	94.99
2013	9,467	110,125,748	11,633	2.72%	650	14.6	8.17%	95.17
2014	9,624	118,552,746	12,318	7.65%	681	14.1	7.74%	95.15
2015	9,855	124,161,476	12,599	4.73%	707	13.9	7.78%	94.46
2016	10,131	130,815,453	12,912	5.36%	713	14.2	7.26%	94.42
2017	10,521	137,258,400	13,046	4.93%	729	14.4	6.98%	94.52
2018	10,774	149,670,793	13,892	9.04%	769	14.0	6.92%	94.24

Source: Nonfinancial and financial information from district records.

Notes: Operating expenditures include General Fund, Food Service and Community Service Funds

{1} Excludes expenditure related to transfer of bond proceeds for OPEB to Revocable Trust

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

School	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary										
Clear Springs										
Square feet	91,361	91,361	94,751	94,751	94,955	94,955	100,155	100,155	100,155	100,155
Capacity	700	700	700	700	700	700	850	850	880	880
Enrollment	540	581	615	678	767	774	798	824	860	864
Deephaven										
Square feet	75,431	75,431	75,431	75,431	75,431	76,180	79,241	79,241	79,241	79,241
Capacity	625	625	625	625	625	625	700	700	700	700
Enrollment	508	513	561	560	636	658	667	652	669	668
Excelsior										
Square feet	118,321	118,321	118,321	118,321	118,321	128,321	128,200	128,200	128,200	128,200
Capacity	750	750	750	750	750	750	850	850	850	850
Enrollment	653	721	771	813	792	769	740	773	802	806
Groveland										
Square feet	88,223	88,223	93,331	98,599	98,599	98,599	101,639	101,639	101,639	110,039
Capacity	700	700	700	700	700	700	850	850	880	880
Enrollment	510	567	619	670	723	756	781	825	843	857
Minnewashta										
Square feet	111,476	111,476	111,476	111,476	112,348	112,348	117,648	117,648	117,648	117,648
Capacity	775	775	775	775	775	775	900	900	900	900
Enrollment	719	760	817	860	875	856	846	868	894	893
Scenic Heights										
Square feet	86,205	86,205	86,205	86,205	86,948	86,948	98,260	98,260	98,260	98,260
Capacity	700	700	700	700	700	700	850	850	900	900
Enrollment	528	571	586	679	730	757	799	842	870	878
Middle										
Middle School East										
Square feet	197,370	197,370	198,250	203,250	205,495	205,495	206,009	206,009	206,009	206,009
Capacity	1,000	1,000	1,000	1,200	1,200	1,200	1,200	1,200	1,250	1,250
Enrollment	913	913	935	996	1,068	1,146	1,196	1,235	1,255	1,265
Middle School West										
Square feet	195,687	195,687	195,687	195,687	195,687	200,187	189,317	189,317	189,317	189,317
Capacity	1,000	1,000	1,000	1,200	1,200	1,200	1,200	1,200	1,250	1,250
Enrollment	919	908	884	937	982	1,062	1,047	1,077	1,182	1,226
High										
Minnetonka High School										
Square feet	575,043	583,321	583,321	583,321	583,321	587,821	577,055	577,065	577,065	577,065
Capacity	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Enrollment	2,828	2,828	2,800	2,825	2,814	2,822	2,959	3,017	3,103	3,240
Other										
Deephaven Education Center										
Square feet	77,207	77,207	77,207	77,207	77,207	77,207	70,730	70,730	70,730	70,730
District Service Center										
Square feet	24,110	24,110	24,110	24,110	24,110	24,110	24,108	24,108	24,108	24,108
Warehouse and Technology Center										
Square feet	8,000	8,000	8,000	8,000	8,000	8,000	7,760	7,760	7,760	7,760
Activity Center										
Square feet	63,365	63,365	63,365	63,365	63,365	63,365	63,365	63,365	63,365	63,365
Highway 7 Building										
Square feet									9,170	9,170
GRAND TOTAL SQUARE FEET									<u>1,772,667</u>	<u>1,781,067</u>

Source: District records.

Notes: The Deephaven Education Center is operated by Minnetonka Community Education serving both adult and youth programs.

**INDEPENDENT SCHOOL DISTRICT NO. 276
MINNETONKA PUBLIC SCHOOLS
SCHOOL BUILDING INFORMATION (CONTINUED)
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Schools										
Elementary										
Buildings	6	6	6	6	6	6	6	6	6	6
Square feet	571,017	571,017	579,515	584,783	586,602	597,351	625,143	625,143	625,143	633,543
Capacity	4,250	4,250	4,250	4,250	4,250	4,250	5,000	5,000	5,110	5,110
Enrollment	3,458	3,713	3,969	4,260	4,523	4,570	4,631	4,784	4,938	4,966
Middle										
Buildings	2	2	2	2	2	2	2	2	2	2
Square feet	393,057	393,057	393,937	398,937	401,182	405,682	395,326	395,326	395,326	395,326
Capacity	2,000	2,000	2,000	2,000	2,000	2,000	2,400	2,400	2,500	2,500
Enrollment	1,832	1,821	1,819	1,933	2,050	2,208	2,243	2,312	2,437	2,491
High										
Buildings	1	1	1	1	1	1	1	1	1	1
Square feet	575,043	583,321	583,321	583,321	583,321	587,821	577,055	577,065	577,065	577,065
Capacity	3,100	3,100	3,100	3,100	3,100	3,100	3,400	3,400	3,400	3,400
Enrollment	2,828	2,828	2,800	2,825	2,814	2,822	2,959	3,017	3,103	3,240
Other										
Buildings	2	2	2	2	2	2	3	3	4	4
Square feet	85,207	85,207	85,207	85,207	85,207	85,207	141,855	141,855	141,855	141,855
Administrative										
Buildings	1	1	1	1	1	1	1	1	1	1
Square feet	24,110	24,110	24,110	24,110	24,110	24,110	24,108	24,108	24,108	24,108
Athletics										
Football fields	3	3	3	3	3	3	3	3	3	3
Soccer fields	6	6	6	6	6	6	6	6	6	6
Running tracks	3	3	3	3	3	3	3	3	3	3
Baseball/softball	7	7	7	7	7	7	7	7	7	7
Swimming pools	2	2	2	2	2	2	2	2	2	2
Playgrounds	8	8	8	8	8	8	8	8	8	8
Total Capacity									11,010	11,010

Source: District records.

Notes:

Capacity is based on 25 students per classroom grades K-12, allowing space for special education programs and other special