

INTERMEDIATE SCHOOL DISTRICT NO. 917  
ROSEMOUNT, MINNESOTA

Financial Statements and  
Supplemental Information

Year Ended  
June 30, 2015

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INTRODUCTORY SECTION

INTERMEDIATE SCHOOL DISTRICT NO. 917

School Board and Administration  
as of June 30, 2015

**SCHOOL BOARD**

<u>Board of Directors</u>	<u>Member District</u>	<u>Position on Board</u>
Jill Lewis	ISD No. 199	Chairperson
Deb Clark	SSD No. 6	Vice Chairperson
Ron Hill	ISD No. 191	Treasurer
Vanda Pressnall	ISD No. 195	Clerk
Dick Bergstrom	ISD No. 271	Director
Dan Cater	ISD No. 200	Director
Bob Erickson	ISD No. 194	Director
Joanne Mansur	ISD No. 197	Director
Melissa Sauser	ISD No. 192	Director

**ADMINISTRATION**

John Christiansen	Superintendent
Melissa Schaller	Director of Special Education
Eric Van Brocklin	Secondary Education Principal
Nicolle Roush	Business Manager

FINANCIAL SECTION

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PRINCIPALS

Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Intermediate School District No. 917  
Rosemount, 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 Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **EMPHASIS OF MATTER**

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other information section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

(continued)

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

### **Prior Year Comparative Information**

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 30, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
October 30, 2015

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## INTERMEDIATE SCHOOL DISTRICT NO. 917

### Management's Discussion and Analysis Year Ended June 30, 2015

This section of Intermediate School District No. 917's (the District) financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the other components of the District's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's assets and deferred outflows of resources were lower than liabilities and deferred inflows of resources at June 30, 2015 by \$10,098,787 (net position). The District's total net position increased by \$517,349 during the fiscal year ended June 30, 2015, exclusive of the change in accounting principle reported in the current year as discussed below.
- The District recorded a change in accounting principle in the current year for reporting the District's participation in the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans. This change reduced beginning net position in the government-wide financial statements by \$16,090,287.
- The District's total General Fund balance at June 30, 2015 is \$6,277,007.
- The District's governmental funds Balance Sheet reflects a \$4,807,307 unassigned fund balance.

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

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District maintains the following kinds of funds:

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

**Proprietary Funds** – Internal service fund services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. These services have been included with governmental activities in the government-wide financial statements. The District currently has two internal service funds, including funds for accounting for post-employment severance and other post-employment benefits (OPEB) and the dental self-insurance plan.

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current and other assets	\$ 10,537,842	\$ 9,854,161
Capital assets, net of accumulated depreciation	<u>6,998,185</u>	<u>7,248,954</u>
<b>Total assets</b>	<b><u>\$ 17,536,027</u></b>	<b><u>\$ 17,103,115</u></b>
<b>Deferred outflows of resources</b>		
Pension plan deferments – PERA and TRA	<b><u>\$ 2,496,992</u></b>	<b><u>\$ –</u></b>
<b>Liabilities</b>		
Current and other liabilities	\$ 3,181,913	\$ 2,861,832
Long-term liabilities, including due within one year	<u>22,633,143</u>	<u>8,767,132</u>
<b>Total liabilities</b>	<b><u>\$ 25,815,056</u></b>	<b><u>\$ 11,628,964</u></b>
<b>Deferred inflows of resources</b>		
Pension plan deferments – PERA and TRA	<b><u>\$ 4,316,750</u></b>	<b><u>\$ –</u></b>
<b>Net position</b>		
Net investment in capital assets	\$ 516,185	\$ 560,535
Restricted for capital projects	815,115	769,936
Restricted for other purposes	94,525	127,282
Unrestricted	<u>(11,524,612)</u>	<u>4,016,398</u>
<b>Total net position</b>	<b><u>\$ (10,098,787)</u></b>	<b><u>\$ 5,474,151</u></b>

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

Total net position decreased by \$15,572,938. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year, which changed employer reporting of participation in pension plans such as the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA). This change in accounting principle reduced beginning unrestricted net position by \$16,090,287. This change in accounting principle for pensions significantly increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources, as presented in the table above.

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

<b>Table 2</b>		
<b>Summary Statement of Activities</b>		
<b>for the Years Ended June 30, 2015 and 2014</b>		
	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 7,876,725	\$ 7,619,433
Operating grants and contributions	18,073,067	17,064,879
Capital grants and contributions	559,401	581,454
General revenues		
Other	96,383	66,237
Investment earnings	29,332	31,483
<b>Total revenues</b>	<u>26,634,908</u>	<u>25,363,486</u>
<b>Expenses</b>		
Administrative and support services	1,867,491	1,892,695
Secondary vocational/DCALS	3,182,362	3,483,868
Special education programs	20,634,460	19,239,348
Food service	116,426	108,123
Interest and fiscal charges on debt	316,820	326,431
<b>Total expenses</b>	<u>26,117,559</u>	<u>25,050,465</u>
<b>Change in net position</b>	517,349	313,021
<b>Net position – beginning, as previously reported</b>	5,474,151	5,161,130
<b>Change in accounting principle</b>	(16,090,287)	–
<b>Net position – beginning, restated</b>	<u>(10,616,136)</u>	<u>5,161,130</u>
<b>Net position – ending</b>	<u><b>\$ (10,098,787)</b></u>	<u><b>\$ 5,474,151</b></u>

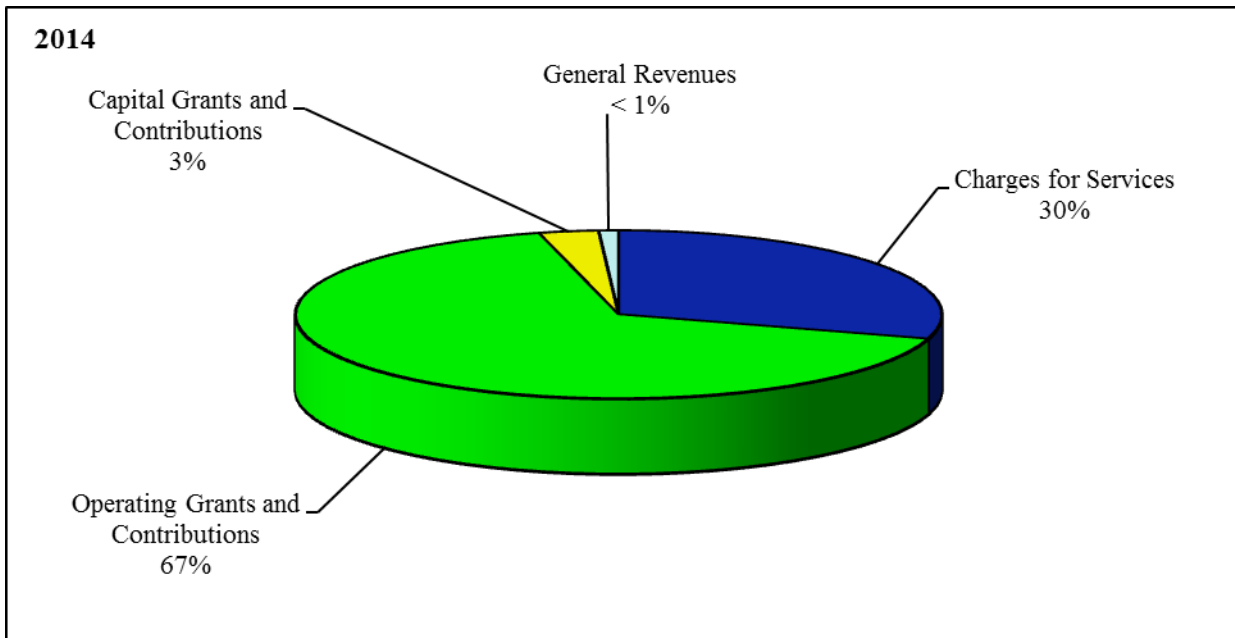
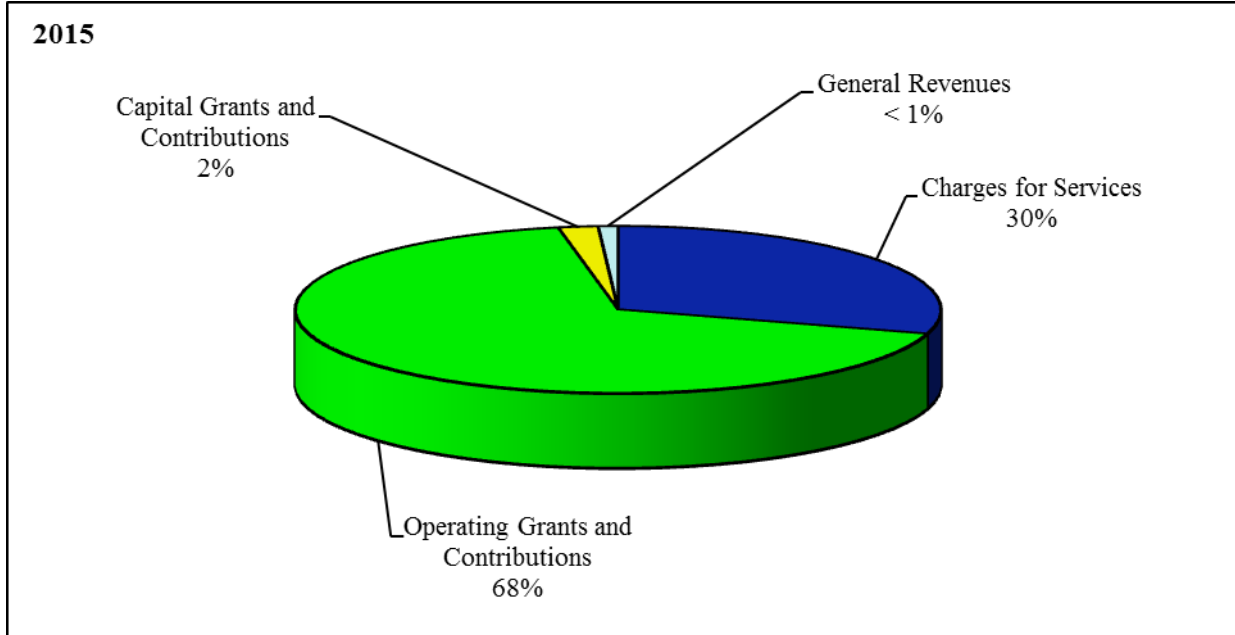
This format is similar to fund financial statements except that this is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

The total cost of all programs and services was \$26,117,559. The District's expenses are predominantly related to educating students. In fiscal 2014–2015, 91 percent of the District's expenses were devoted to this purpose. The administrative and support services activity of the District accounted for 7 percent of total expenses for the year. It should be noted that the District allocated \$1,399,511 in administrative and support services expenses to the secondary vocational/Dakota County Alternative Learning School (DCALS) and special education programs in fiscal 2015.



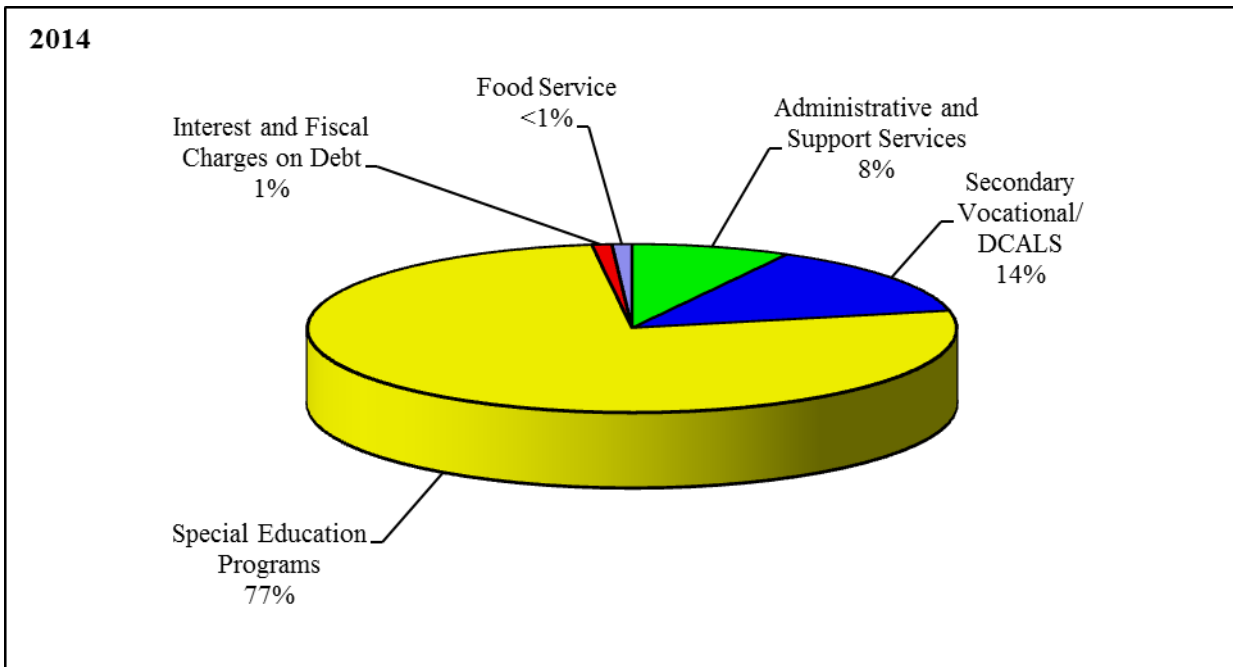
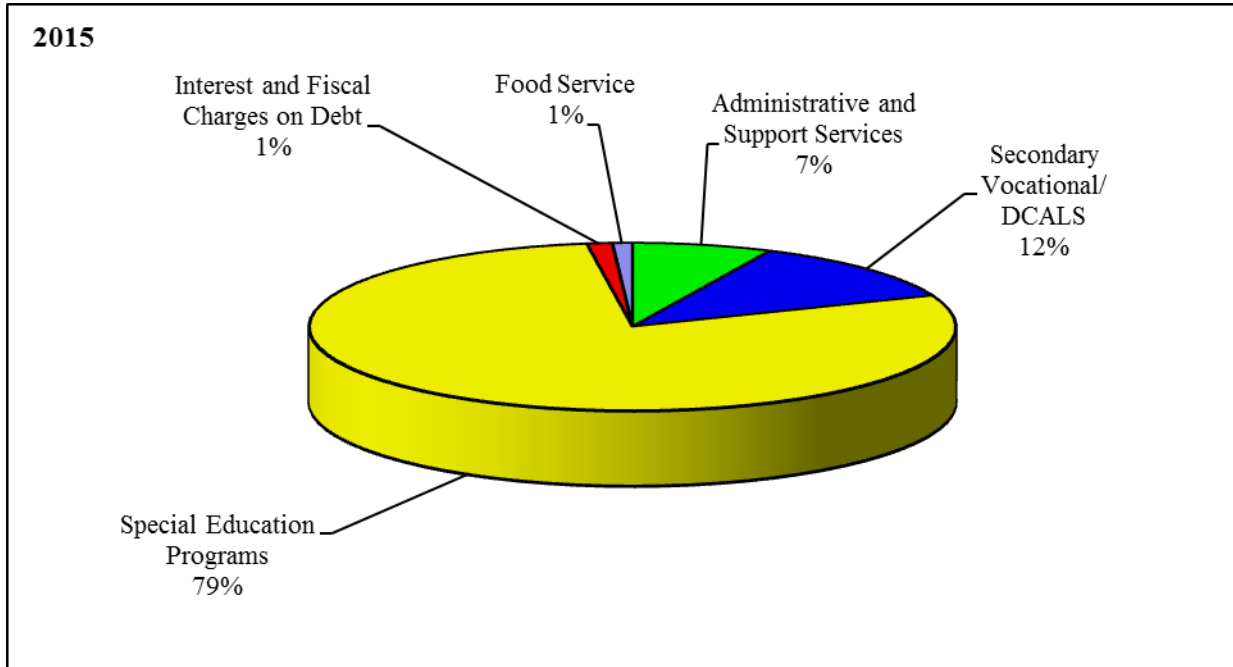
Figures A and B show further analysis of these revenue sources and expense functions:

**Figure A – Sources of Revenue for Fiscal Years 2015 and 2014**



The largest share of the District’s revenue is received from the state, including the aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding due to the state’s financial position in recent years.

**Figure B – Expenses for Fiscal Years 2015 and 2014**



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

**Table 3**  
**Net Cost of Governmental Activities**  
**for the Years Ending June 30, 2015 and 2014**

	2015		2014	
	Total Cost of Services	Net (Expense) Revenue From Services	Total Cost of Services	Net (Expense) Revenue From Services
Governmental activities				
Administrative and support services	\$ 1,867,491	\$ 194	\$ 1,892,695	\$ (120,738)
Secondary vocational/DCALS	3,182,362	432,600	3,483,868	317,260
Special education programs	20,634,460	310,396	19,239,348	372,319
Food service	116,426	(34,736)	108,123	(27,109)
Interest and fiscal charges	316,820	(316,820)	326,431	(326,431)
<b>Total</b>	<b>\$ 26,117,559</b>	<b>\$ 391,634</b>	<b>\$ 25,050,465</b>	<b>\$ 215,301</b>

The overall net (expense) revenue from service was \$176,333 more than fiscal 2014 as the operations of the administrative and support services experienced an increase in fund balance in the amount of \$194, which compares to a decrease in fund balance in fiscal 2014 of \$120,738.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Table 4 shows the change in total fund balances of each of the District's governmental funds:

	2015		2014		Increase (Decrease)	Total Percent Change
	2015	2014	2015	2014		
Major funds						
General	\$ 6,277,007	\$ 6,067,283	\$ 6,277,007	\$ 6,067,283	\$ 209,724	3.5%
Capital Projects – Building Construction	111,272	111,237	111,272	111,237	35	–
Food Service Special Revenue	–	–	–	–	–	–
<b>Total governmental funds</b>	<b>\$ 6,388,279</b>	<b>\$ 6,178,520</b>	<b>\$ 6,388,279</b>	<b>\$ 6,178,520</b>	<b>\$ 209,759</b>	<b>3.4%</b>

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

## ENROLLMENT

**Table 5**  
**Average Daily Membership (ADM) Served**  
**Last Five Fiscal Years**

	Fiscal Year				
	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015
Secondary vocational resource programs	120.33	118.72	117.37	109.00	100.67
DCALS	237.38	257.37	203.78	209.84	190.43
Special education resource programs	424.71	354.56	361.66	395.92	414.54

Funding for Minnesota school districts is largely driven by enrollment. In the current economic environment, member districts are striving to keep their students at their sites whenever possible. Overall, enrollment has declined significantly in our DCALS programs, secondary vocational programs have experienced a slight decline over the last five years, and special education programs are starting to rebound with the reopening of the Youth Transition Program and classroom expansion in TEA and SUN. Stable enrollment to maintain and fund programs will continue to be especially challenging in the Alternative Learning and Secondary Vocational Programs.

## GENERAL FUND

The General Fund is used by the District to record the primary operations of providing education services to students enrolled in intermediate school district programs. Capital and major maintenance projects are also included in the General Fund.

**Table 6**  
**Financial Position – General Fund**  
**Last Five Fiscal Years**

	2011	2012	2013	2014	2015
Unassigned fund balance	\$ 4,909,422	\$ 4,785,805	\$ 4,082,678	\$ 4,642,898	\$ 4,807,307
Percent increase (decrease)	17.3%	(2.5%)	(14.7%)	13.7%	3.5%
Expenditures	\$ 22,415,586	\$ 23,279,218	\$ 24,282,947	\$ 24,895,504	\$ 26,283,967
Percent increase (decrease)	2.9%	3.9%	4.3%	2.5%	5.6%
Unassigned fund balance as a percentage of expenditures	21.9%	20.6%	16.8%	18.6%	18.3%

The District ended the year with a \$209,724 increase in the General Fund balance. This increase is \$4,994 less than what was anticipated in the revised budget. The District projected an increase in the fund balance of \$214,718. Overall, projects came in very close to actuals with some minor deviations between secondary, special education, and general capital fund balances.

Table 7 presents a summary of General Fund revenue:

	<u>2015</u>	<u>2014</u>	Amount of Increase (Decrease)
Local sources			
Tuition	\$ 7,693,829	\$ 7,500,972	\$ 192,857
Investment earnings	29,297	31,379	(2,082)
Other	722,695	744,844	(22,149)
State sources	17,921,967	16,844,989	1,076,978
Federal sources	<u>156,510</u>	<u>159,147</u>	<u>(2,637)</u>
 Total General Fund revenues	 <u>\$ 26,524,298</u>	 <u>\$ 25,281,331</u>	 <u>\$ 1,242,967</u>

Total General Fund revenues increased \$1,242,967, or 4.9 percent, in fiscal 2015 as compared to the previous year. Overall, the changes in revenues can be attributed to:

- The District experienced an 11.83 percent increase in enrollment in special education programs in combination with increased expenditures, resulting in an increase in state revenue sources through tuition billing and for direct tuition revenue to local school districts for services outside of the state tuition billing system.
- The District experienced a 3.5 percent decrease in enrollment in the DCALS programs due to declining enrollment resulting in a decrease in direct tuition revenue to local school districts.

Table 8 presents a summary of General Fund expenditures:

	2015	2014	Amount of Increase (Decrease)
Salaries	\$ 15,757,624	\$ 14,750,541	\$ 1,007,083
Employee benefits	5,901,053	5,606,939	294,114
Purchased services	3,059,678	3,049,998	9,680
Supplies and materials	713,877	604,165	109,712
Other expenditures	23,752	23,733	19
Capital expenditures	268,582	301,033	(32,451)
Debt service	559,401	559,095	306
<b>Total General Fund expenditures</b>	<b><u>\$ 26,283,967</u></b>	<b><u>\$ 24,895,504</u></b>	<b><u>\$ 1,388,463</u></b>

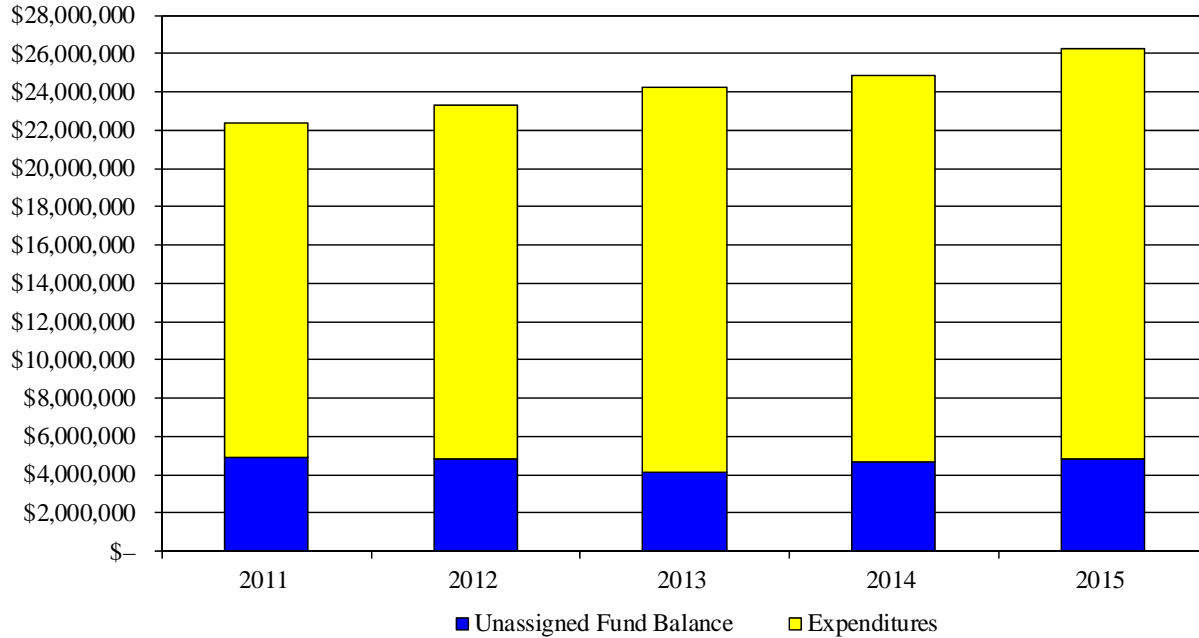
Total General Fund expenditures increased \$1,388,463, or 5.6 percent, from the previous year. Overall, the changes in expenditures can be attributed to:

- The District's average salary and benefit increase in union contract settlements for fiscal 2015 were approximately 4.0 percent. TRA benefits also increased from 7.0 percent to 7.5 percent. The District also saw an increase of 19 full-time equivalent employees in licensed and non-licensed instructional settings.
- The supplies and materials and capital expenditures increased by 8.5 percent as a result of special education program growth and the reopening of the Youth Transition Program.

In summary, 2014–2015 General Fund revenues and other financing sources exceeded General Fund expenditures and other financing uses by \$209,724. As a result, total fund balance increased to \$6,277,007 at June 30, 2015. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance increased from \$4,642,898 at June 30, 2014 to \$4,807,307 at June 30, 2015.

The following shows the General Fund unassigned fund balance as compared to expenditures:

**Figure C**  
**General Fund**  
**Unassigned Fund Balance as Compared to Expenditures**  
**Last Five Fiscal Years**



The graph above is the single best measure of overall financial health. The unassigned fund balance of \$4.8 million at June 30, 2015 represents 18.3 percent of annual expenditures, or over two months of school year operations. The fund balances of an intermediate school district are key to its financial success as the cash flow advance options available to intermediate school districts are more restrictive to access as an independent school district. In addition, the District maintains a healthy fund balance at a time when it is needed to maintain cash flow with unpredictable nature of when the state of Minnesota employs funding payment shifts to balance the state budget. The continued maintenance of a fund balance is essential for the District to minimize the impact that cash flow borrowing would have to member districts who would have to back any cash flow debt incurred by the intermediate school district. With a metering system and limited cash flow borrowing options available, the District believes it is necessary to maintain a minimum fund balance of 15 percent of annual expenditures to assure financial stability. The District continues to monitor its fund balances closely.

## General Fund Budgetary Highlights

Table 9 summarizes the General Fund budget to actual comparison:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue and other financing sources	<u>\$ 27,899,823</u>	<u>\$ 28,150,242</u>	<u>\$ 26,524,485</u>	<u>\$ (1,625,757)</u>
Expenditures and other financing uses	<u>\$ 27,796,318</u>	<u>\$ 27,935,524</u>	<u>\$ 26,314,761</u>	<u>\$ (1,620,763)</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District might amend that budget for known changes in circumstances such as enrollment levels, grant funding, and employee contract settlements.

The District made revisions to the budget during the budget process in January. The District derives the majority of its revenue from tuition fees to member districts and state sources from the special education tuition billing system.

The District's revenues and other financing sources were less than budgeted amounts by 5.8 percent due to several factors. The District's anticipated revenues are determined by actual expenditures incurred, which came in under budget by about \$1,621,141 resulting in revenue coming in under budget. In addition, the District is conservatively anticipating that the special education tuition revenues are no longer exceeding special education expenditures like they were in fiscal years 2009 to 2011.

The District's expenditures and other financing uses were less than budgeted amounts by 5.8 percent due to several factors. Overall, the District's salary and benefit expenditures came in significantly lower than budget because the budget included additional staffing compliments in special education programs to accommodate any increased student participation that went unfilled. The District also experienced significant retention issues resulting in an influx of new staff hires, a decline in employee family medical insurance participation, and a high volume of employee medical leave of absences. Supplies and materials were under budget significantly due to curriculum purchases from basic skills revenue deferred into fiscal 2016. In addition, the District budgeted conservatively in several areas, including maintenance and repair services, leases, utilities, mileage, and overhead expenditures incurred through shared space with Dakota County Technical College.



## CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND

Revenues exceeded expenditures by \$35 for the year. The fund balance in this fund is restricted for capital projects.

## FOOD SERVICE SPECIAL REVENUE FUND

Expenditures exceeded revenues by \$30,794 for the year. In order to eliminate the potential deficit in the Food Service Special Revenue Fund, the School Board approved a transfer of \$30,794 from the General Fund.

## INTERNAL SERVICE FUNDS

The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has two internal service funds. The District's internal service funds include financing for post-employment severance benefits and other post-employment benefits (OPEB) and self-insurance of the employee dental insurance program.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

Table 10 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
Land	\$ 683,993	\$ 683,993	\$ –
Buildings	8,492,082	8,732,533	(240,451)
Furniture and equipment	4,008,386	3,963,608	44,778
Less accumulated depreciation	<u>(6,186,276)</u>	<u>(6,131,180)</u>	<u>(55,096)</u>
Total	<u>\$ 6,998,185</u>	<u>\$ 7,248,954</u>	<u>\$ (250,769)</u>
Depreciation expense	<u>\$ 276,776</u>	<u>\$ 282,224</u>	<u>\$ (5,448)</u>

## Long-Term Liabilities

Table 11 illustrates the components of the District's long-term liabilities, together with changes from the prior year:

	2015	2014	Change
Capital leases payable	\$ 7,070,000	\$ 7,315,000	\$ (245,000)
Unamortized discount	(122,725)	(129,100)	6,375
Net pension liability – PERA*	4,570,667	–	4,570,667
Net pension liability – TRA*	9,349,486	–	9,349,486
Severance benefits payable	479,110	473,867	5,243
Compensated absences payable	286,552	275,332	11,220
Net OPEB obligation	1,000,053	832,033	168,020
<b>Total</b>	<b>\$ 22,633,143</b>	<b>\$ 8,767,132</b>	<b>\$ 13,866,011</b>

\*Reflects current year change in accounting principle; prior year balances were not restated.

Additional details on the District's capital assets and long-term debt activity can be found in the notes to basic financial statements.

## FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is charged by Minnesota Statutes to provide low incidence special education and secondary vocational technical education services to its member districts. In addition, the statutes indicate that intermediate districts should also provide its members with such other services that they require.

The District is continually reviewing additional areas of service to provide its members, area school districts, and other area agencies.

Current examples of support services include:

- Partnering with Independent School District Nos. 197 and 199 to operate Dakota County Area Learning School – North in West St. Paul.
- Providing the needed secondary alternative learning option to qualify a targeted services program for Independent School District Nos. 192, 197, 199, and 271.
- Organize and facilitate regional networking meetings for administrator and support staff groups.
- Convening regional planning groups to initiate collaborations with counties, non-profit organizations, businesses, higher education, etc., to enhance services for students, families, and staff.
- Collaborate with other intermediate districts and the Association of Metropolitan School Districts to advocate for legislation action to assist district services.

The District is also aware of a number of existing circumstances that could significantly affect its financial health in the future:

- The inability of Congress to agree on educational funding or the reauthorization of the Elementary and Secondary Education Act and the implementation of sequestration of federal education funding creates an uncertain revenue picture going forward for federal education revenue.
- The state of Minnesota has an improving fiscal forecast, but the funding increases for education are still less than inflation. Since educational funding makes up a significant portion of the state budget, schools can expect the fiscal climate for the near future to remain modest with little recovery from the pressures of inflation.
- The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. In the 2015 fiscal year, several funding and pupil weighting changes went into effect, which included an equivalent increase of \$105, or 2.0 percent, for the basic general education formula funding. The Legislature has added \$117, or 2.0 percent, per pupil to the formula for fiscal year 2016 and an additional \$119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.
- The District has appropriate fund balances to provide adequate opportunity to adapt to uncontrolled changes in revenue sources for the short term (two or three years). The recent changes to the special education funding system beginning with the 2016–2017 fiscal year will not be fully known until the system has been utilized for two to three years.

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

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Office, Intermediate School District No. 917, 1300 – 145th Street East, Rosemount, Minnesota 55068-2999.

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BASIC FINANCIAL STATEMENTS

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position  
as of June 30, 2015  
(With Partial Comparative Information as of June 30, 2014)

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	\$ 6,964,155	\$ 5,014,909
Receivables		
Accounts and interest	9,204	19,687
Due from other governmental units	2,893,151	4,180,687
Inventory	49,563	2,129
Prepaid items	29,449	8,267
Restricted assets – temporarily restricted		
Cash and investments held by trustee	592,320	628,482
Capital assets		
Not depreciated	683,993	683,993
Depreciated, net of accumulated depreciation	6,314,192	6,564,961
Total capital assets, net of accumulated depreciation	<u>6,998,185</u>	<u>7,248,954</u>
Total assets	17,536,027	17,103,115
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	<u>2,496,992</u>	–
Total assets and deferred outflows of resources	<u>\$ 20,033,019</u>	<u>\$ 17,103,115</u>
Liabilities		
Salaries and compensated absences payable	\$ 2,283,364	\$ 2,028,934
Accounts and contracts payable	74,622	77,311
Accrued interest payable	127,045	131,001
Due to other governmental units	478,243	452,973
Unearned revenue	218,639	171,613
Long-term liabilities		
Due within one year	300,586	386,024
Due in more than one year	22,332,557	8,381,108
Total long-term liabilities	<u>22,633,143</u>	<u>8,767,132</u>
Total liabilities	25,815,056	11,628,964
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	4,316,750	–
Net position		
Net investment in capital assets	516,185	560,535
Restricted for capital projects	815,115	769,936
Restricted for other purposes	94,525	127,282
Unrestricted	(11,524,612)	4,016,398
Total net position	<u>(10,098,787)</u>	<u>5,474,151</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 20,033,019</u>	<u>\$ 17,103,115</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Activities  
 Year Ended June 30, 2015  
 (With Partial Comparative Information for the Year Ended June 30, 2014)

2015					
Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities					
Administrative and support services	\$ 1,867,491	\$ (1,399,511)	\$ 468,174	\$ -	\$ -
Secondary vocational/DCALS	3,182,362	280,631	3,072,509	263,683	559,401
Special education programs	20,634,460	1,118,880	4,254,352	17,809,384	-
Food service	116,426	-	81,690	-	-
Interest and fiscal charges on debt	316,820	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 26,117,559</b>	<b>\$ -</b>	<b>\$ 7,876,725</b>	<b>\$ 18,073,067</b>	<b>\$ 559,401</b>
General revenues					
Other general revenues					
Investment earnings					
Total general revenues					
Change in net position					
Net position – beginning, as previously reported					
Change in accounting principle					
Net position – beginning as restated					
Net position – ending					

See notes to basic financial statements



2014	
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Governmental Activities
\$ 194	\$ (120,738)
432,600	317,260
310,396	372,319
(34,736)	(27,109)
<u>(316,820)</u>	<u>(326,431)</u>
391,634	215,301
96,383	66,237
29,332	31,483
<u>125,715</u>	<u>97,720</u>
517,349	313,021
5,474,151	5,161,130
(16,090,287)	-
<u>(10,616,136)</u>	<u>5,161,130</u>
<u>\$ (10,098,787)</u>	<u>\$ 5,474,151</u>

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Balance Sheet  
 Governmental Funds  
 as of June 30, 2015  
 (With Partial Comparative Information as of June 30, 2014)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
				2015	2014
<b>Assets</b>					
Cash and temporary investments	\$ 5,707,461	\$ 111,272	\$ (1,624)	\$ 5,817,109	\$ 4,034,828
Cash and investments held by trustee	592,320	–	–	592,320	628,482
Receivables					
Accounts and interest	9,204	–	–	9,204	19,687
Due from other governmental units	2,891,527	–	1,624	2,893,151	4,180,687
Inventory	49,563	–	–	49,563	2,129
Prepaid items	29,449	–	–	29,449	7,793
	<u>\$ 9,279,524</u>	<u>\$ 111,272</u>	<u>\$ –</u>	<u>\$ 9,390,796</u>	<u>\$ 8,873,606</u>
<b>Liabilities</b>					
Salaries and compensated absences payable	\$ 2,283,364	\$ –	\$ –	\$ 2,283,364	\$ 2,028,934
Accounts and contracts payable	22,271	–	–	22,271	41,566
Due to other governmental units	478,243	–	–	478,243	452,973
Unearned revenue	218,639	–	–	218,639	171,613
Total liabilities	<u>3,002,517</u>	<u>–</u>	<u>–</u>	<u>3,002,517</u>	<u>2,695,086</u>
<b>Fund balances</b>					
Nonspendable	79,012	–	–	79,012	9,922
Restricted	1,390,688	111,272	–	1,501,960	1,525,700
Unassigned	4,807,307	–	–	4,807,307	4,642,898
Total fund balances	<u>6,277,007</u>	<u>111,272</u>	<u>–</u>	<u>6,388,279</u>	<u>6,178,520</u>
	<u>\$ 9,279,524</u>	<u>\$ 111,272</u>	<u>\$ –</u>	<u>\$ 9,390,796</u>	<u>\$ 8,873,606</u>

See notes to basic financial statements

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2015  
(With Partial Comparative Information as of June 30, 2014)

	<u>2015</u>	<u>2014</u>
Total fund balances – governmental funds	\$ 6,388,279	\$ 6,178,520
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	13,184,461	13,380,134
Accumulated depreciation	(6,186,276)	(6,131,180)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Capital lease payable	(7,070,000)	(7,315,000)
Compensated absences payable	(286,552)	(275,332)
Net pension liability – PERA	(4,570,667)	–
Net pension liability – TRA	(9,349,486)	–
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(127,045)	(131,001)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	2,496,992	–
Deferred inflows – PERA and TRA pension plans	(4,316,750)	–
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	122,725	129,100
The internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	<u>(384,468)</u>	<u>(361,090)</u>
Total net position – governmental activities	<u>\$ (10,098,787)</u>	<u>\$ 5,474,151</u>

See notes to basic financial statements

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2015  
 (With Partial Comparative Information for the Year Ended June 30, 2014)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
				2015	2014
<b>Revenue</b>					
Local sources					
Tuition	\$ 7,693,829	\$ –	\$ –	\$ 7,693,829	\$ 7,500,972
Investment earnings	29,297	35	–	29,332	31,483
Other	722,695	–	20,026	742,721	765,664
State sources	17,921,967	–	4,979	17,926,946	16,848,941
Federal sources	156,510	–	56,688	213,198	215,389
Total revenue	<u>26,524,298</u>	<u>35</u>	<u>81,693</u>	<u>26,606,026</u>	<u>25,362,449</u>
<b>Expenditures</b>					
Current					
Administrative and support services	509,814	–	–	509,814	524,478
Secondary vocational/DCALS	3,475,851	–	–	3,475,851	3,731,391
Special education programs	21,738,901	–	–	21,738,901	20,080,540
Food service	–	–	112,487	112,487	104,183
Capital outlay	–	–	–	–	195,304
Debt service					
Principal	245,000	–	–	245,000	235,000
Interest and fiscal charges	314,401	–	–	314,401	324,095
Total expenditures	<u>26,283,967</u>	<u>–</u>	<u>112,487</u>	<u>26,396,454</u>	<u>25,194,991</u>
Excess (deficiency) of revenue over expenditures	240,331	35	(30,794)	209,572	167,458
<b>Other financing sources (uses)</b>					
Proceeds from sale of assets	187	–	–	187	–
Transfers in	–	–	30,794	30,794	23,169
Transfers out	(30,794)	–	–	(30,794)	(23,169)
Total other financing sources (uses)	<u>(30,607)</u>	<u>–</u>	<u>30,794</u>	<u>187</u>	<u>–</u>
Net change in fund balances	209,724	35	–	209,759	167,458
<b>Fund balances</b>					
Beginning of year	<u>6,067,283</u>	<u>111,237</u>	<u>–</u>	<u>6,178,520</u>	<u>6,011,062</u>
End of year	<u>\$ 6,277,007</u>	<u>\$ 111,272</u>	<u>\$ –</u>	<u>\$ 6,388,279</u>	<u>\$ 6,178,520</u>

See notes to basic financial statements

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2015

(With Partial Comparative Information for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Total net change in fund balances – governmental funds	\$ 209,759	\$ 167,458
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	96,092	118,558
Depreciation expense	(276,776)	(282,224)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
	245,000	235,000
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	3,956	4,039
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(6,375)	(6,375)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	726,417	–
Net pension liability – TRA	2,462,223	–
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
Loss on disposal of capital assets	(70,085)	(28,729)
The internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	(23,378)	140,546
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	(11,220)	(35,252)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	1,478,486	–
Deferred inflows – PERA and TRA pension plans	(4,316,750)	–
Change in net position – governmental activities	<u>\$ 517,349</u>	<u>\$ 313,021</u>

See notes to basic financial statements

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 General Fund  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Tuition	\$ 7,867,239	\$ 7,741,393	\$ 7,693,829	\$ (47,564)
Investment earnings	27,000	29,100	29,297	197
Other	792,344	789,117	722,695	(66,422)
State sources	19,050,627	19,430,864	17,921,967	(1,508,897)
Federal sources	162,613	159,582	156,510	(3,072)
Total revenue	<u>27,899,823</u>	<u>28,150,056</u>	<u>26,524,298</u>	<u>(1,625,758)</u>
Expenditures				
Current				
Administrative and support services	537,762	566,151	509,814	(56,337)
Secondary vocational/DCALS	3,638,285	3,665,380	3,475,851	(189,529)
Special education programs	23,037,870	23,114,176	21,738,901	(1,375,275)
Debt service				
Principal	245,000	245,000	245,000	-
Interest and fiscal charges	314,401	314,401	314,401	-
Total expenditures	<u>27,773,318</u>	<u>27,905,108</u>	<u>26,283,967</u>	<u>(1,621,141)</u>
Excess (deficiency) of revenue over expenditures	126,505	244,948	240,331	(4,617)
Other financing sources (uses)				
Proceeds from sale of assets	-	186	187	1
Transfers out	(23,000)	(30,416)	(30,794)	(378)
Total other financing sources (uses)	<u>(23,000)</u>	<u>(30,230)</u>	<u>(30,607)</u>	<u>(377)</u>
Net change in fund balances	<u>\$ 103,505</u>	<u>\$ 214,718</u>	209,724	<u>\$ (4,994)</u>
Fund balances				
Beginning of year			<u>6,067,283</u>	
End of year			<u>\$ 6,277,007</u>	

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position  
 Proprietary Funds  
 Internal Service Funds  
 as of June 30, 2015  
 (With Partial Comparative Actual Amounts as of June 30, 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,147,046	\$ 980,081
Prepaid items	-	474
Total current assets	<u>1,147,046</u>	<u>980,555</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	52,351	35,745
Severance benefits payable	<u>13,139</u>	<u>23,139</u>
Total current liabilities	65,490	58,884
Long-term liabilities		
Net OPEB obligation	1,000,053	832,033
Severance benefits payable	<u>465,971</u>	<u>450,728</u>
Total long-term liabilities	<u>1,466,024</u>	<u>1,282,761</u>
Total liabilities	<u>1,531,514</u>	<u>1,341,645</u>
Net position (deficit)		
Unrestricted	<u>\$ (384,468)</u>	<u>\$ (361,090)</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Internal Service Funds  
 Year Ended June 30, 2015  
 (With Partial Comparative Information for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 530,373	\$ 551,795
Operating expenses		
Post-employment severance and health benefits	190,241	64,449
Dental benefit claims	363,880	347,465
Total operating expenses	<u>554,121</u>	<u>411,914</u>
Operating income (loss)	(23,748)	139,881
Nonoperating revenue		
Investment earnings	<u>370</u>	<u>665</u>
Change in net position	(23,378)	140,546
Net position (deficit)		
Beginning of year	<u>(361,090)</u>	<u>(501,636)</u>
End of year	<u>\$ (384,468)</u>	<u>\$ (361,090)</u>

See notes to basic financial statements

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Cash Flows  
 Proprietary Funds  
 Internal Service Funds  
 Year Ended June 30, 2015

(With Partial Comparative Actual Amounts for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Contributions from other funds	\$ 530,373	\$ 552,824
Post-employment severance and health benefit payments	(11,004)	(30,674)
Payments for dental claims	(352,774)	(315,728)
Net cash flows from operating activities	<u>166,595</u>	<u>206,422</u>
Cash flows from investing activities		
Investment income received	<u>370</u>	<u>665</u>
Net increase in cash and cash equivalents	166,965	207,087
Cash and temporary investments		
Beginning of year	<u>980,081</u>	<u>772,994</u>
End of year	<u><u>\$ 1,147,046</u></u>	<u><u>\$ 980,081</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (23,748)	\$ 139,881
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Severance benefits payable	5,243	(89,761)
Net OPEB obligation	168,020	131,695
Account receivable	-	1,029
Prepaid items	474	35
Accounts payable	<u>16,606</u>	<u>23,543</u>
Net cash flows from operating activities	<u><u>\$ 166,595</u></u>	<u><u>\$ 206,422</u></u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Fiduciary Net Position  
as of June 30, 2015

	<u>Private-Purpose Trust Fund</u>
Assets	
Cash and temporary investments	\$ <u>2,139</u>
Net position	
Held in trust for scholarships	\$ <u>2,139</u>

Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2015

	<u>Private-Purpose Trust Fund</u>
Additions	
Gifts and bequests	\$ 637
Deductions	
Scholarships	<u>1,722</u>
Change in net position	(1,085)
Net position	
Beginning of year	<u>3,224</u>
End of year	<u>\$ 2,139</u>

See notes to basic financial statements



## INTERMEDIATE SCHOOL DISTRICT NO. 917

Notes to Basic Financial Statements  
June 30, 2015

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

#### **A. Organization**

Intermediate School District No. 917 (the District) is an instrumentality of the state of Minnesota established to provide participating school districts with vocational, technical, and special education services. The District is governed by a joint School Board composed of appointed members from each participating school district. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

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

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

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

#### **C. Minnesota State Colleges and Universities**

On July 1, 1995, Minnesota technical colleges, community colleges, and state universities were merged under the control of Minnesota State Colleges and Universities (MnSCU). Therefore, the funds and assets of the District associated with Dakota County Technical College's (DCTC) operations were remanded to the state system. The District continues to serve secondary, vocational, and kindergarten through Grade 12 special education students. Under terms of an agreement with DCTC, the District has access to certain facilities and equipment of DCTC. The District pays DCTC its share of building maintenance and costs of other services based on space, usage, personnel, and budget percentages. The District provides business office services to DCTC, and is reimbursed for related actual costs based on personnel, usage, and budget percentages.

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and an allocation of indirect administrative and support service expenses. 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. Other internally directed revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **E. Fund Financial Statement Presentation**

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

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

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to customers for service. Operating expenses for the internal service funds include the cost of providing benefits. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District's only propriety funds are the internal service funds, which provide services to the governmental funds.

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

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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds. In the General Fund, capital expenditures are included within the applicable functional areas.

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

### Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent 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. The District maintains separate accounts within the General Fund for secondary education, secondary resale activities, special education, special education resale activities, district support services, capital expenditures, and costs to be reimbursed by others.

**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.

#### Nonmajor Governmental Funds

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is primarily used to account for the District’s child nutrition program.

#### Proprietary Funds

**Internal Service Funds** – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has two internal service funds. The District’s internal service funds include financing for post-employment severance benefits and other post-employment benefits (OPEB) and self-insurance of the employee dental insurance program.

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

### **Fiduciary Funds**

**Private-Purpose Trust Fund** – The Private-Purpose Trust Fund is used to account for resources held in trust to be used by various third parties to award scholarships to former students.

### **F. Budgetary Information**

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

### **G. Cash and Temporary Investments**

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

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the General Fund, the capital lease escrow account is used to hold assets held for future debt payments. Interest earned on these investments was allocated directly to those accounts.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the balance sheet date.

### **H. Receivables**

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. No allowances have been recorded.

### **I. Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories are recorded as expenses/expenditures when items are used or sold.

### **J. Prepaid Items**

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

### **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 fair market value at the date of donation. The District maintains a threshold level of \$1,250 or more for capitalizing capital assets. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

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

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

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

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

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

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

### **M. Compensated Absences**

Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

### **N. Sick Pay**

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of early retirement incentive payments for some employees upon termination.

### **O. Severance Benefits**

The District provides lump sum severance pay to eligible employees in accordance with provisions in certain collectively bargained contracts. The benefits are described as follows:

Members of certain of the District's employee groups may become eligible to receive lump sum severance pay benefits. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the applicable Internal Service Fund as it is earned and it becomes probable it will vest at some point in the future.

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

**P. 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 the PERA’s and the TRA’s fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**Q. Risk Management**

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in fiscal 2015.
2. **Self-Insurance** – The District established an Internal Service Fund to account for and finance its uninsured risk of loss for its employee dental plan. Under this plan, the District provides coverage to participating employees and their dependants for various dental costs as described in the plan.

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

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

Changes in the balance of dental claim liabilities were as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2014	\$ 4,008	\$ 347,465	\$ 348,870	\$ 2,603
2015	\$ 2,603	\$ 359,130	\$ 352,774	\$ 8,959

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

### **R. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, the difference between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item which qualifies for reporting in this category.

Deferred inflows of resources related to pensions are reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

### **S. 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 time of purchase by the District of three months or less to be cash equivalent. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

### **T. Use of Estimates**

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

### **U. Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the governmental funds, cash and investments that are restricted are reported as cash and investments held by trustee.

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

### V. Net Position

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

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

### W. Fund Balance Classifications

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

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

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

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



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

### X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### Y. Change in Accounting Principles

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by \$16,090,287. This change reflects the District's proportionate share of the net pension liabilities (\$17,108,793 decrease in net position) and related deferred outflows of resources (\$1,018,506 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Deposits

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

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

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

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

The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$6,507,411, while the balance on the bank records was \$6,779,957. At June 30, 2015, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Investments

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

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

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

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk. At June 30, 2015, the District had 53.2 percent of its portfolio invested in a guaranteed investment contract with Credit Agricole Corporate and Investment Bank.

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Summary

The following table presents the District’s deposit and investment balances at June 30, 2015, and information relating to potential investment risks:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years				Total
	Rating	Agency	Less Than 1	1 to 5	5 to 10	More Than 10	
Investment pools/mutual funds							
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	N/A	\$ 458,883
First American Treasury Obligations Fund Class D	AAA	S&P	N/A	N/A	N/A	N/A	32,919
Guaranteed investment contract							
Credit Agricole Corporate and Investment Bank	A	S&P	N/A	N/A	N/A	\$ 559,401	559,401
							<u>1,051,203</u>
Deposits							<u>6,507,411</u>
Total cash and investments							<u>\$ 7,558,614</u>

N/A – Not Applicable

Cash and investments are included on the basic financial statements as follows:

Cash and temporary investments – Statement of Net Position	\$ 6,964,155
Cash and temporary investments held by trustee – Statement of Net Position	592,320
Cash and temporary investments – Statement of Fiduciary Net Position – Private-Purpose Trust Fund	<u>2,139</u>
Total cash and investments	<u>\$ 7,558,614</u>

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The District’s investment in the MSDLAF is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

### NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation activity for the year ended June 30, 2015 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 683,993	\$ –	\$ –	\$ 683,993
Capital assets, depreciated				
Buildings	8,732,533	–	240,451	8,492,082
Furniture and equipment	3,963,608	96,092	51,314	4,008,386
Total capital assets, depreciated	12,696,141	96,092	291,765	12,500,468
Less accumulated depreciation for				
Buildings	(2,818,711)	(129,922)	(173,124)	(2,775,509)
Furniture and equipment	(3,312,469)	(146,854)	(48,556)	(3,410,767)
Total accumulated depreciation	(6,131,180)	(276,776)	(221,680)	(6,186,276)
Net capital assets, depreciated	6,564,961	(180,684)	70,085	6,314,192
Total capital assets, net	\$ 7,248,954	\$ (180,684)	\$ 70,085	\$ 6,998,185

Depreciation expense for the year ended June 30, 2015 was charged to the following governmental functions:

Administrative and support services	\$ 31,052
Secondary vocational/DCALS	18,912
Special education instruction	226,812
Total depreciation expense	\$ 276,776

### NOTE 4 – LONG-TERM LIABILITIES

#### A. Components and Changes in Long-Term Liabilities

The following table describes the changes in long-term liabilities, including amounts due within one year:

	Balance – Beginning of Year	Change in Accounting Principle*	Additions	Retirements	Balance – End of Year	Due Within One Year
Capital leases payable	\$ 7,315,000	\$ –	\$ –	\$ 245,000	\$ 7,070,000	\$ 250,000
Unamortized discount	(129,100)	–	–	(6,375)	(122,725)	–
Severance benefits payable	473,867	–	13,139	7,896	479,110	13,139
Compensated absences payable	275,332	–	48,667	37,447	286,552	37,447
Net OPEB obligation (see Note 7)	832,033	–	248,433	80,413	1,000,053	–
Net pension liability – PERA	–	5,297,084	337,520	1,063,937	4,570,667	–
Net pension liability – TRA	–	11,811,709	498,828	2,961,051	9,349,486	–
	\$ 8,767,132	\$ 17,108,793	\$ 1,146,587	\$ 4,389,369	\$ 22,633,143	\$ 300,586

\*Adjustment is part of the change in accounting principle described earlier in these notes.

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

**B. Description of Long-Term Liabilities**

- **Capital Leases Payable** – In September 2007, the District entered into a capital lease agreement with the Dakota County Community Development Agency (DCCDA) to finance building construction. The DCCDA issued \$8,480,000 of lease revenue bonds to pay for these costs. The revenue bonds bear interest rates that range from 3.875 percent to 4.500 percent and have a final maturity of February 2034. The lease-purchase agreement requires the District to make semiannual payments beginning August 1, 2008 equal to the principal and interest due on the revenue bonds. Annual principal and interest payments on this lease will be paid by the General Fund. Tuition revenue in the Capital Expenditure General Fund Account from member districts specifically for this debt obligation for the duration of the debt obligation are pledged for the payment of principal and interest on this lease payable. As of June 30, 2015, the net book value of the capitalized assets related to this lease was \$5,846,497.
- **Severance Benefits Payable** – Severance benefits are paid by the applicable Internal Service Fund. Annual payments to retire severance benefit liabilities have not been determined and will depend on actual employee turnover.
- **Compensated Absences Payable** – Compensated absences payable represent accrued vacation payable at year-end. Compensated absences are paid by the General Fund. These benefits are not funded until the year of payment. Annual payments to retire compensated absences payable will depend on employee turnover and actual employee absences.
- **Other Long-Term Liabilities** – The District offers a number of benefits to its employees, including pensions and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund.

**C. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire capital leases payable are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 250,000	\$ 304,908
2017	260,000	295,220
2018	270,000	285,145
2019	285,000	274,345
2020	295,000	262,945
2021–2025	1,660,000	1,121,610
2026–2030	2,050,000	732,540
2031–2034	2,000,000	230,175
	<u>\$ 7,070,000</u>	<u>\$ 3,506,888</u>

**NOTE 5 – FUND BALANCES**

The following is a breakdown of equity components of governmental funds which are defined earlier in the report.

**A. Classifications**

At June 30, 2015, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Food Service Special Revenue Fund	Total
Nonspendable				
Prepaid items	\$ 29,449	\$ –	\$ –	\$ 29,449
Inventory	49,563	–	–	49,563
Total nonspendable	<u>79,012</u>	<u>–</u>	<u>–</u>	<u>79,012</u>
Restricted for				
Basic skills	94,525	–	–	94,525
Debt service	592,320	–	–	592,320
Capital purposes	703,843	111,272	–	815,115
Total restricted	<u>1,390,688</u>	<u>111,272</u>	<u>–</u>	<u>1,501,960</u>
Unassigned	<u>4,807,307</u>			<u>4,807,307</u>
Total	<u>\$ 6,277,007</u>	<u>\$ 111,272</u>	<u>\$ –</u>	<u>\$ 6,388,279</u>

**B. Minimum Unassigned Fund Balance Policy**

The School Board has formally adopted a fund balance policy regarding maintaining a minimum unassigned fund balance for the General Fund. The policy states the District will strive to maintain a minimum unassigned General Fund balance of 15 percent of the annual budget. At June 30, 2015, the unassigned fund balance of the General Fund was 18.3 percent of fiscal 2015 expenditures.

**C. Deficit Fund Balance**

At June 30, 2015, the Post-Employment Benefits Internal Service Fund had a deficit fund balance of \$636,140.

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

### A. Plan Descriptions

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

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

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

All full-time and certain part-time employees of the District other than teachers are covered by the 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 Association (TRA)

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

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

### B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

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

**1. GERF Benefits**

Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA’s Coordinated 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent 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.

**2. TRA Benefits**

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

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

**Tier I Benefits**

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

With these provisions:

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



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

**Tier II Benefits**

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

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

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

**C. Contributions**

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

**1. GERF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan, The District’s contributions to the GERF for the plan’s fiscal year ended June 30, 2015, were \$414,341. The District’s contributions were equal to the required contributions for each year as set by state statutes.

**2. TRA Contributions**

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

	Year Ended June 30,			
	2014		2015	
	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	10.5%	11.0%	11.0%	11.5%
<b>Coordinated Plan</b>	7.0%	7.0%	7.5%	7.5%

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2015, were 743,688. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

**D. Pension Costs**

**1. GERF Pension Costs**

At June 30, 2015, the District reported a liability of \$4,570,667 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2014, the District's proportion was 0.0973 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$337,520 for its proportionate share of the GERF's pension expense.

At June 30, 2015, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 70,146	\$ –
Changes in actuarial assumptions	471,053	–
Differences between projected and actual investment earnings	–	1,234,990
District's contributions to the GERF subsequent to the measurement date	<u>414,341</u>	<u>–</u>
Total	<u>\$ 955,540</u>	<u>\$ 1,234,990</u>

A total of \$414,341 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
<u>                    </u>	<u>                    </u>
2016	\$ (128,348)
2017	\$ (128,348)
2018	\$ (128,348)
2019	\$ (308,747)

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

**2. TRA Pension Costs**

At June 30, 2015, the District reported a liability of \$9,349,486 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.2029 percent at the end of the measurement period and 0.2059 percent for the beginning of the period.

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

District's proportionate share of net pension liability	\$ 9,349,486
District's proportionate share of the net pension liability associated with the District	\$ 657,803

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2015, the District recognized pension expense of \$470,133. It also recognized \$28,695 as pension expense for the support provided by direct aid.

At June 30, 2015, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 797,764	\$ –
Difference between projected and actual investment earnings	–	2,939,384
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	–	142,376
District's contributions to the TRA subsequent to the measurement date	<u>743,688</u>	<u>–</u>
Total	<u>\$ 1,541,452</u>	<u>\$ 3,081,760</u>

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

A total of \$743,688 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	\$ (598,022)
2017	\$ (598,022)
2018	\$ (598,022)
2019	\$ (598,022)
2020	\$ 108,092

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active member payroll growth	3.50% per year	3.75% based on years of service
Investment rate of return	7.90%	8.25%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

The following changes in actuarial assumptions for the GERF occurred in 2014: as of July 1, 2013, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERF and 8.25 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks	45%	5.50%
International stocks	15%	6.00%
Bonds	18%	1.45%
Alternative assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

### F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERF and 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 7,368,099	\$ 4,570,667	\$ 2,269,038
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	\$ 15,451,498	\$ 9,349,486	\$ 4,262,517

### H. Pension Plan Fiduciary Net Position

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

Detailed information about the TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at the TRA website at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-2088; or by calling (651) 296-2409 or (800) 657-3669.

## **NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

### **A. Plan Description**

The District provides post-employment benefits to certain eligible employees through the District's OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. As of July 1, 2014, the plan had 384 active participants and 7 retired participants. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

**Post-Employment Insurance Benefits** – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. Under the terms of certain collectively bargained employment contracts, the District is required to pay health and dental insurance premiums for eligible retirees until they reach age 65 or 70 as specified in their contract. Employees must meet certain age and/or length of service requirements to be eligible. The monthly district contribution per retiree for post-employment health and dental insurance is equal to the premiums covered for current employees in the retiree's bargaining group. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

### **B. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. There are no invested plan assets accumulated for payment of future benefits. The District has established an Internal Service Fund to finance these obligations, but the resources are not considered funded for plan purposes since they are not in an irrevocable trust fund.

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation to the plan:

ARC	\$ 264,635
Interest on net OPEB obligation	33,281
Adjustment to ARC	(49,483)
Annual OPEB cost	<u>248,433</u>
Contributions made	<u>80,413</u>
Increase in net OPEB obligation	168,020
Net OPEB obligation – beginning of year	<u>832,033</u>
Net OPEB obligation – end of year	<u><u>\$ 1,000,053</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 232,146	\$ 110,000	47.4%	\$ 700,338
June 30, 2014	\$ 256,695	\$ 125,000	48.7%	\$ 832,033
June 30, 2015	\$ 248,433	\$ 80,413	32.4%	\$ 1,000,053

**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,510,508, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,510,508. The covered payroll (annual payroll of active employees covered by the plan) was \$15,074,274, and the ratio of the UAAL to the covered payroll was 10.0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## **NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

### **E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 2.5 percent rate of projected salary increases; an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 10 years, and a dental cost trend rate of 4.0 percent. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period on July 1, 2014 for the various amortization layers ranged from 24 to 30 years.

## **NOTE 8 – FLEXIBLE BENEFIT PLAN**

The District offers its employees a flexible benefit plan, a cafeteria plan (the Plan) created in accordance with Internal Revenue Code § 125. 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 healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from 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 medical reimbursement portion of 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.

Amounts withheld for medical reimbursement and dependent care are held in the District's cash account. Payments are made by a third party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is accounted for in the financial statements in the General Fund.

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



## NOTE 9 – COMMITMENTS AND CONTINGENCIES

### A. Operating Leases

The District is leasing buildings and space in several locations. The District incurred expenditures of \$499,961 for operating leases during the year ended June 30, 2015. These leases are scheduled to expire on various dates through 2031. The following is a summary of minimum lease payments for all operating leases:

Year Ending June 30,	Amount
2016	\$ 503,431
2017	457,628
2018	464,720
2019	471,869
2020	479,077
2021–2025	1,834,034
2026–2030	1,510,929
2031	25,970
	<u>\$ 5,747,658</u>

### B. Federal and State Revenues

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 funds. 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.

### C. Legal Contingencies

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

## NOTE 10 – INTERFUND TRANSFERS

The General Fund made an interfund transfer of \$30,794 to the Food Service Special Revenue Fund to eliminate a fund balance deficit at year-end.

Such interfund transfers reported in the fund financial statements are eliminated in the government-wide financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 917

Defined Benefit Pensions Plans  
 Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability  
 GERF/TRA Retirement Funds  
 June 30, 2015

**Public Employees Retirement Association**

	<u>2014</u>
District's proportion of the net pension liability (asset)	<u>0.0973%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 4,570,667</u>
District's covered-employee payroll	<u>\$ 5,105,448</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>89.53%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.70%</u>

**Teachers Retirement Association**

District's proportion of the net pension liability (asset)	<u>0.2029%</u>
District's proportionate share of the net pension liability (asset) (a)	\$ 9,349,486
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	<u>657,803</u>
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	<u>\$ 10,007,289</u>
District's covered-employee payroll	<u>\$ 9,262,291</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>100.94%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.50%</u>

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 917

Defined Benefit Pensions Plans  
 Schedule of District Contributions  
 GERF/TRA Retirement Funds  
 June 30, 2015

**Public Employees Retirement Association**

	<u>2015</u>
Statutorily required contribution	\$ 414,341
Contributions in relation to the statutorily required contributions	<u>414,341</u>
Contribution deficiency (excess)	<u>\$ —</u>
District's covered-employee payroll	<u>\$ 5,613,356</u>
Contributions as a percentage of covered-employee payroll	<u>7.38%</u>

**Teachers Retirement Association**

Statutorily required contribution	\$ 743,688
Contributions in relation to the statutorily required contributions	<u>743,688</u>
Contribution deficiency (excess)	<u>\$ —</u>
District's covered-employee payroll	<u>\$ 9,915,820</u>
Contributions as a percentage of covered-employee payroll	<u>7.50%</u>

Note: The District implemented GASB Statement No. 68 in fiscal 2015. This information is not available for previous fiscal years.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Required Supplementary Information  
 Schedule of Funding Progress  
 June 30, 2015

**Other Post-Employment Benefits Plan**

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2010	\$ 1,373,077	\$ -	\$ 1,373,077	- %	\$ 11,861,681	11.6 %
July 1, 2012	\$ 1,500,479	\$ -	\$ 1,500,479	- %	\$ 13,212,704	11.4 %
July 1, 2014	\$ 1,510,508	\$ -	\$ 1,510,508	- %	\$ 15,074,274	10.0 %

SUPPLEMENTAL INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund  
Comparative Balance Sheet  
as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and temporary investments	\$ 5,707,461	\$ 3,923,173
Cash and investments held by trustee	592,320	628,482
Receivables		
Accounts and interest	9,204	19,687
Due from other school districts	1,428,880	1,213,707
Due from Minnesota Department of Education	1,409,755	2,849,922
Due from other governmental units	52,892	115,481
Inventory	49,563	2,129
Prepaid items	29,449	7,793
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 9,279,524</u>	<u>\$ 8,760,374</u>
<b>Liabilities</b>		
Salaries and compensated absences payable	\$ 2,283,364	\$ 2,028,934
Accounts and contracts payable	22,271	41,566
Due to other school districts	285,564	198,337
Due to other governmental units	192,679	252,641
Unearned revenue	218,639	171,613
	<u>          </u>	<u>          </u>
Total liabilities	3,002,517	2,693,091
<b>Fund balances</b>		
Nonspendable for prepaid items	29,449	7,793
Nonspendable for inventory	49,563	2,129
Restricted for debt service	592,320	628,482
Restricted for basic skills	94,525	127,282
Restricted for capital purposes	703,843	658,699
Unassigned	4,807,307	4,642,898
	<u>          </u>	<u>          </u>
Total fund balances	6,277,007	6,067,283
	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 9,279,524</u>	<u>\$ 8,760,374</u>



INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2015  
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
<b>Revenue</b>				
Local sources				
Tuition	\$ 7,741,393	\$ 7,693,829	\$ (47,564)	\$ 7,500,972
Investment earnings	29,100	29,297	197	31,379
Other	789,117	722,695	(66,422)	744,844
State sources	19,430,864	17,921,967	(1,508,897)	16,844,989
Federal sources	159,582	156,510	(3,072)	159,147
Total revenue	<u>28,150,056</u>	<u>26,524,298</u>	<u>(1,625,758)</u>	<u>25,281,331</u>
<b>Expenditures</b>				
Current				
Administrative and support services	566,151	509,814	(56,337)	524,478
Secondary vocational/DCALS	3,665,380	3,475,851	(189,529)	3,731,391
Special education programs	23,114,176	21,738,901	(1,375,275)	20,080,540
Debt service				
Principal	245,000	245,000	-	235,000
Interest and fiscal charges	314,401	314,401	-	324,095
Total expenditures	<u>27,905,108</u>	<u>26,283,967</u>	<u>(1,621,141)</u>	<u>24,895,504</u>
Excess (deficiency) of revenue over expenditures	244,948	240,331	(4,617)	385,827
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	186	187	1	-
Transfers out	(30,416)	(30,794)	(378)	(23,169)
Total other financing sources (uses)	<u>(30,230)</u>	<u>(30,607)</u>	<u>(377)</u>	<u>(23,169)</u>
Net change in fund balances	<u>\$ 214,718</u>	209,724	<u>\$ (4,994)</u>	362,658
<b>Fund balances</b>				
Beginning of year		<u>6,067,283</u>		<u>5,704,625</u>
End of year		<u>\$ 6,277,007</u>		<u>\$ 6,067,283</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund  
Combining Balance Sheet by Account  
as of June 30, 2015

	<u>Secondary Education</u>	<u>Special Education</u>	<u>Services Allocation</u>
<b>Assets</b>			
Cash and temporary investments (deficit)	\$ 1,644,323	\$ 3,360,842	\$ 8,859
Cash and investments held by trustee	-	-	-
Receivables			
Accounts and interest	-	1,827	7,377
Due from other school districts	469,876	934,097	24,907
Due from Minnesota Department of Education	119,830	1,289,925	-
Due from other governmental units	36,092	16,800	-
Inventory	-	-	-
Prepaid items	5,015	23,934	500
	<u>\$ 2,275,136</u>	<u>\$ 5,627,425</u>	<u>\$ 41,643</u>
<b>Liabilities</b>			
Salaries and compensated absences payable	\$ 274,985	\$ 1,984,154	\$ 24,225
Accounts and contracts payable	1,612	11,587	6,450
Due to other school districts	163,816	121,748	-
Due to other governmental units	102,701	84,003	5,274
Unearned revenue	1,600	211,345	5,694
Total liabilities	<u>544,714</u>	<u>2,412,837</u>	<u>41,643</u>
<b>Fund balances (deficit)</b>			
Nonspendable for prepaid items	5,015	23,934	500
Nonspendable for inventory	-	-	-
Restricted for debt service	-	-	-
Restricted for basic skills programs	57	94,468	-
Restricted for capital purposes	-	-	-
Unassigned – safe schools restricted account deficit	-	-	(11,843)
Unassigned	1,725,350	3,096,186	11,343
Total fund balances	<u>1,730,422</u>	<u>3,214,588</u>	<u>-</u>
	<u>\$ 2,275,136</u>	<u>\$ 5,627,425</u>	<u>\$ 41,643</u>
Total liabilities and fund balances	<u>\$ 2,275,136</u>	<u>\$ 5,627,425</u>	<u>\$ 41,643</u>

<u>District Support Services</u>	<u>Capital Expenditure</u>	<u>Secondary Resale</u>	<u>Special Education Resale</u>	<u>Total</u>
\$ 671	\$ 703,843	\$ (23,515)	\$ 12,438	\$ 5,707,461
-	592,320	-	-	592,320
-	-	-	-	9,204
-	-	-	-	1,428,880
-	-	-	-	1,409,755
-	-	-	-	52,892
-	-	48,930	633	49,563
-	-	-	-	29,449
<u>\$ 671</u>	<u>\$ 1,296,163</u>	<u>\$ 25,415</u>	<u>\$ 13,071</u>	<u>\$ 9,279,524</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,283,364
-	-	2,311	311	22,271
-	-	-	-	285,564
-	-	633	68	192,679
-	-	-	-	218,639
-	-	2,944	379	3,002,517
-	-	-	-	29,449
-	-	48,930	633	49,563
-	592,320	-	-	592,320
-	-	-	-	94,525
-	703,843	-	-	703,843
-	-	-	-	(11,843)
671	-	(26,459)	12,059	4,819,150
<u>671</u>	<u>1,296,163</u>	<u>22,471</u>	<u>12,692</u>	<u>6,277,007</u>
<u>\$ 671</u>	<u>\$ 1,296,163</u>	<u>\$ 25,415</u>	<u>\$ 13,071</u>	<u>\$ 9,279,524</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund  
 Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
 Year Ended June 30, 2015

	Secondary Education	Special Education	Services Allocation
<b>Revenue</b>			
Local sources			
Tuition	\$ 3,013,776	\$ 3,652,478	\$ 468,174
Investment earnings	553	400	-
Other	7,604	629,749	7,116
State sources	105,919	17,783,764	32,284
Federal sources	151,510	5,000	-
Total revenue	<u>3,279,362</u>	<u>22,071,391</u>	<u>507,574</u>
<b>Expenditures</b>			
Current			
Administrative and support services	-	-	507,574
Secondary vocational/DCALS	3,381,889	-	-
Special education programs	-	21,727,072	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>3,381,889</u>	<u>21,727,072</u>	<u>507,574</u>
Excess (deficiency) of revenue over expenditures	(102,527)	344,319	-
<b>Other financing sources (uses)</b>			
Proceeds from sale of assets	187	-	-
Transfers out	-	(30,794)	-
Total other financing sources (uses)	<u>187</u>	<u>(30,794)</u>	<u>-</u>
Net change in fund balances	(102,340)	313,525	-
<b>Fund balances</b>			
Beginning of year	<u>1,832,762</u>	<u>2,901,063</u>	<u>-</u>
End of year	<u>\$ 1,730,422</u>	<u>\$ 3,214,588</u>	<u>\$ -</u>

<u>District Support Services</u>	<u>Capital Expenditure</u>	<u>Secondary Resale</u>	<u>Special Education Resale</u>	<u>Total</u>
\$ -	\$ 559,401	\$ -	\$ -	\$ 7,693,829
-	28,344	-	-	29,297
2,240	-	62,472	13,514	722,695
-	-	-	-	17,921,967
-	-	-	-	156,510
<u>2,240</u>	<u>587,745</u>	<u>62,472</u>	<u>13,514</u>	<u>26,524,298</u>
2,240	-	-	-	509,814
-	19,362	74,600	-	3,475,851
-	-	-	11,829	21,738,901
-	245,000	-	-	245,000
-	314,401	-	-	314,401
<u>2,240</u>	<u>578,763</u>	<u>74,600</u>	<u>11,829</u>	<u>26,283,967</u>
-	8,982	(12,128)	1,685	240,331
-	-	-	-	187
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,794)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,607)</u>
-	8,982	(12,128)	1,685	209,724
<u>671</u>	<u>1,287,181</u>	<u>34,599</u>	<u>11,007</u>	<u>6,067,283</u>
<u>\$ 671</u>	<u>\$ 1,296,163</u>	<u>\$ 22,471</u>	<u>\$ 12,692</u>	<u>\$ 6,277,007</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Secondary Education Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 3,123,003	\$ 3,013,776	\$ (109,227)	\$ 3,113,264
Investment earnings	750	553	(197)	1,301
Other	7,980	7,604	(376)	3,335
State sources	115,013	105,919	(9,094)	118,957
Federal sources	154,582	151,510	(3,072)	154,147
Total revenue	<u>3,401,328</u>	<u>3,279,362</u>	<u>(121,966)</u>	<u>3,391,004</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	1,833,244	1,818,549	(14,695)	1,894,098
Employee benefits	715,252	684,389	(30,863)	702,336
Purchased services	542,984	506,510	(36,474)	521,496
Supplies and materials	83,619	63,230	(20,389)	67,619
Other expenditures	2,860	2,785	(75)	2,068
Capital expenditures	26,459	25,795	(664)	23,236
Allocated overhead	282,031	280,631	(1,400)	260,228
Total expenditures	<u>3,486,449</u>	<u>3,381,889</u>	<u>(104,560)</u>	<u>3,471,081</u>
Excess (deficiency) of revenue over expenditures	(85,121)	(102,527)	(17,406)	(80,077)
Other financing sources				
Proceeds from sale of assets	<u>186</u>	<u>187</u>	<u>1</u>	<u>–</u>
Net change in fund balances	<u>\$ (84,935)</u>	<u>(102,340)</u>	<u>\$ (17,405)</u>	<u>(80,077)</u>
Fund balances				
Beginning of year		<u>1,832,762</u>		<u>1,912,839</u>
End of year		<u>\$ 1,730,422</u>		<u>\$ 1,832,762</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Special Education Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2015  
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 3,590,065	\$ 3,652,478	\$ 62,413	\$ 3,396,148
Investment earnings (charges)	500	400	(100)	1,119
Other	580,599	629,749	49,150	568,794
State sources	19,276,944	17,783,764	(1,493,180)	16,689,111
Federal sources	5,000	5,000	–	5,000
Total revenue	<u>23,453,108</u>	<u>22,071,391</u>	<u>(1,381,717)</u>	<u>20,660,172</u>
Expenditures				
Current				
Special education programs				
Salaries	13,581,954	13,075,819	(506,135)	12,056,948
Employee benefits	5,446,196	4,966,320	(479,876)	4,645,254
Purchased services	1,930,969	1,763,028	(167,941)	1,660,968
Supplies and materials	773,109	570,294	(202,815)	395,044
Other expenditures	9,099	6,247	(2,852)	6,855
Capital expenditures	232,601	226,484	(6,117)	238,966
Allocated overhead	1,125,248	1,118,880	(6,368)	1,056,905
Total expenditures	<u>23,099,176</u>	<u>21,727,072</u>	<u>(1,372,104)</u>	<u>20,060,940</u>
Excess (deficiency) of revenue over expenditures	353,932	344,319	(9,613)	599,232
Other financing sources (uses)				
Transfers out	<u>(30,416)</u>	<u>(30,794)</u>	<u>(378)</u>	<u>(23,169)</u>
Net change in fund balances	<u>\$ 323,516</u>	313,525	<u>\$ (9,991)</u>	576,063
Fund balances				
Beginning of year		<u>2,901,063</u>		<u>2,325,000</u>
End of year		<u>\$ 3,214,588</u>		<u>\$ 2,901,063</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Services Allocation Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2015  
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 468,924	\$ 468,174	\$ (750)	\$ 432,465
Other	13,320	7,116	(6,204)	5,654
State sources	38,907	32,284	(6,623)	36,921
Total revenue	<u>521,151</u>	<u>507,574</u>	<u>(13,577)</u>	<u>475,040</u>
Expenditures				
Current				
Administrative and support services				
Salaries	865,037	863,256	(1,781)	799,495
Employee benefits	261,609	250,344	(11,265)	259,349
Purchased services	739,031	732,924	(6,107)	676,557
Supplies and materials	34,770	29,749	(5,021)	27,647
Other expenditures	14,483	14,509	26	14,123
Capital expenditures	13,500	16,303	2,803	15,000
Allocated overhead	(1,407,279)	(1,399,511)	7,768	(1,317,131)
Total expenditures	<u>521,151</u>	<u>507,574</u>	<u>(13,577)</u>	<u>475,040</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balances				
Beginning of year		<u>-</u>		<u>-</u>
End of year		<u>\$ -</u>		<u>\$ -</u>



INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – District Support Services Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Other	\$ 45,000	\$ 2,240	\$ (42,760)	\$ 31,060
Expenditures				
Current				
Administrative and support services				
Purchased services	45,000	2,240	(42,760)	31,087
Capital expenditures	<u>–</u>	<u>–</u>	<u>–</u>	<u>18,351</u>
Total expenditures	<u>45,000</u>	<u>2,240</u>	<u>(42,760)</u>	<u>49,438</u>
Net change in fund balances	<u>\$ –</u>	<u>–</u>	<u>\$ –</u>	<u>(18,378)</u>
Fund balances				
Beginning of year		<u>671</u>		<u>19,049</u>
End of year		<u>\$ 671</u>		<u>\$ 671</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Capital Expenditure Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2015  
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 559,401	\$ 559,401	\$ -	\$ 559,095
Investment earnings	27,850	28,344	494	28,959
Total revenue	<u>587,251</u>	<u>587,745</u>	<u>494</u>	<u>588,054</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	30,000	19,362	(10,638)	137,765
Debt service				
Principal	245,000	245,000	-	235,000
Interest and fiscal charges	<u>314,401</u>	<u>314,401</u>	<u>-</u>	<u>324,095</u>
Total expenditures	<u>589,401</u>	<u>578,763</u>	<u>(10,638)</u>	<u>696,860</u>
Net change in fund balances	<u>\$ (2,150)</u>	8,982	<u>\$ 11,132</u>	(108,806)
Fund balances				
Beginning of year		<u>1,287,181</u>		<u>1,395,987</u>
End of year		<u>\$ 1,296,163</u>		<u>\$ 1,287,181</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Secondary Resale Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2015  
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Other	\$ 126,818	\$ 62,472	\$ (64,346)	\$ 119,308
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	32,855	35,614	2,759	20,863
Supplies and materials	115,958	38,775	(77,183)	95,517
Capital expenditures	–	–	–	5,480
Other expenditures	118	211	93	685
Total expenditures	<u>148,931</u>	<u>74,600</u>	<u>(74,331)</u>	<u>122,545</u>
Net change in fund balances	<u>\$ (22,113)</u>	(12,128)	<u>\$ 9,985</u>	(3,237)
Fund balances				
Beginning of year		<u>34,599</u>		<u>37,836</u>
End of year		<u>\$ 22,471</u>		<u>\$ 34,599</u>

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INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Special Education Resale Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Other	\$ 15,400	\$ 13,514	\$ (1,886)	\$ 16,693
Expenditures				
Current				
Special education programs				
Purchased services	–	–	–	1,262
Supplies and materials	15,000	11,829	(3,171)	18,338
Total expenditures	<u>15,000</u>	<u>11,829</u>	<u>(3,171)</u>	<u>19,600</u>
Net change in fund balances	<u>\$ 400</u>	1,685	<u>\$ 1,285</u>	(2,907)
Fund balances				
Beginning of year		<u>11,007</u>		<u>13,914</u>
End of year		<u>\$ 12,692</u>		<u>\$ 11,007</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	<u>\$ 111,272</u>	<u>\$ 111,237</u>
Fund balances		
Restricted for capital purposes	<u>\$ 111,272</u>	<u>\$ 111,237</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Capital Projects – Building Construction Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2015  
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 100	\$ 35	\$ (65)	\$ 104
Expenditures				
Capital outlay	<u>–</u>	<u>–</u>	<u>–</u>	<u>195,304</u>
Net change in fund balances	<u>\$ 100</u>	35	<u>\$ (65)</u>	(195,200)
Fund balances				
Beginning of year		<u>111,237</u>		<u>306,437</u>
End of year		<u>\$ 111,272</u>		<u>\$ 111,237</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund  
 Comparative Balance Sheet  
 as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and temporary investments	\$ (1,624)	\$ 418
Receivables		
Due from other governmental units	<u>1,624</u>	<u>1,577</u>
Total assets	<u>\$ -</u>	<u>\$ 1,995</u>
Liabilities		
Due to other governmental units	<u>\$ -</u>	<u>\$ 1,995</u>



INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2015  
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 21,540	\$ 20,026	\$ (1,514)	\$ 20,820
State sources	4,125	4,979	854	3,952
Federal sources	58,000	56,688	(1,312)	56,242
Total revenue	<u>83,665</u>	<u>81,693</u>	<u>(1,972)</u>	<u>81,014</u>
Expenditures				
Purchased services	3,281	3,838	557	2,809
Supplies and materials	<u>110,800</u>	<u>108,649</u>	<u>(2,151)</u>	<u>101,374</u>
Total expenditures	<u>114,081</u>	<u>112,487</u>	<u>(1,594)</u>	<u>104,183</u>
Excess (deficiency) of revenue over expenditures	(30,416)	(30,794)	(378)	(23,169)
Other financing sources				
Transfers in	<u>30,416</u>	<u>30,794</u>	<u>378</u>	<u>23,169</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balances				
Beginning of year		<u>-</u>		<u>-</u>
End of year		<u>\$ -</u>		<u>\$ -</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds  
 Combining Statement of Net Position  
 as of June 30, 2015  
 (With Comparative Totals as of June 30, 2014)

	Dental Self-Insurance	Post-Employment Employee Benefits	Totals	
			2015	2014
<b>Assets</b>				
Cash and temporary investments	\$ 298,523	\$ 848,523	\$ 1,147,046	\$ 980,081
Prepaid items	–	–	–	474
Total assets	<u>298,523</u>	<u>848,523</u>	<u>1,147,046</u>	<u>980,555</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts and contracts payable	46,851	5,500	52,351	35,745
Severance benefits payable	–	13,139	13,139	23,139
Total current liabilities	<u>46,851</u>	<u>18,639</u>	<u>65,490</u>	<u>58,884</u>
<b>Long-term liabilities</b>				
Net other post-employment benefit obligation	–	1,000,053	1,000,053	832,033
Severance benefits payable	–	465,971	465,971	450,728
Total long-term liabilities	<u>–</u>	<u>1,466,024</u>	<u>1,466,024</u>	<u>1,282,761</u>
Total liabilities	<u>46,851</u>	<u>1,484,663</u>	<u>1,531,514</u>	<u>1,341,645</u>
<b>Net position (deficit)</b>				
Unrestricted	<u>\$ 251,672</u>	<u>\$ (636,140)</u>	<u>\$ (384,468)</u>	<u>\$ (361,090)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds  
 Combining Statement of Revenue, Expenses, and Changes in Net Position  
 Year Ended June 30, 2015  
 (With Comparative Totals for the Year Ended June 30, 2014)

	Dental	Post-Employment	Totals	
	Self-Insurance	Employee Benefits	2015	2014
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 369,960	\$ 160,413	\$ 530,373	\$ 551,795
Operating expenses				
Post-employment severance and health benefits	–	190,241	190,241	64,449
Dental benefit claims	363,880	–	363,880	347,465
Total operating expenses	363,880	190,241	554,121	411,914
Operating income (loss)	6,080	(29,828)	(23,748)	139,881
Nonoperating revenue				
Investment earnings	91	279	370	665
Change in net position	6,171	(29,549)	(23,378)	140,546
Net position (deficit)				
Beginning of year	245,501	(606,591)	(361,090)	(501,636)
End of year	\$ 251,672	\$ (636,140)	\$ (384,468)	\$ (361,090)

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds  
 Combining Statement of Cash Flows  
 Year Ended June 30, 2015  
 (With Comparative Totals for the Year Ended June 30, 2014)

	Dental Self-Insurance	Post-Employment Employee Benefits	Totals	
			2015	2014
Cash flows from operating activities				
Contributions from governmental funds	\$ 369,960	\$ 160,413	\$ 530,373	\$ 552,824
Post-employment severance and health benefit payments	–	(11,004)	(11,004)	(30,674)
Payments for dental claims	(352,774)	–	(352,774)	(315,728)
Net cash flows from operating activities	17,186	149,409	166,595	206,422
Cash flows from investing activities				
Investment income received	91	279	370	665
Net change in cash and cash equivalents	17,277	149,688	166,965	207,087
Cash and temporary investments				
Beginning of year	281,246	698,835	980,081	772,994
End of year	\$ 298,523	\$ 848,523	\$ 1,147,046	\$ 980,081
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 6,080	\$ (29,828)	\$ (23,748)	\$ 139,881
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Post-employment severance benefits payable	–	5,243	5,243	(89,761)
Net other post-employment benefit obligation	–	168,020	168,020	131,695
Accounts receivable	–	–	–	1,029
Prepaid items	–	474	474	35
Accounts payable	11,106	5,500	16,606	23,543
Net cash flows from operating activities	\$ 17,186	\$ 149,409	\$ 166,595	\$ 206,422

OTHER INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Government-Wide Revenue by Type  
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues			General Revenues	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Investment Earnings and Other	
2006	\$ 15,285,571 94%	\$ 750,792 5%	\$ 14,796 -	\$ 234,665 1%	\$ 16,285,824 100%
2007	16,426,457 93%	837,561 5%	21,621 -	270,425 2%	17,556,064 100%
2008	18,090,478 94%	884,092 5%	23,469 -	281,238 1%	19,279,277 100%
2009	6,592,339 33%	12,759,841 63%	734,740 3%	133,252 1%	20,220,172 100%
2010	7,782,625 33%	14,567,950 62%	617,930 3%	599,235 2%	23,567,740 100%
2011	7,484,976 32%	15,265,005 65%	567,175 2%	224,526 1%	23,541,682 100%
2012	7,848,114 34%	14,720,483 63%	498,613 2%	136,147 1%	23,203,357 100%
2013	7,839,060 33%	15,177,273 64%	580,348 2%	126,115 1%	23,722,796 100%
2014	7,619,433 30%	17,064,879 67%	581,454 3%	97,720 -	25,363,486 100%
2015	7,876,725 30%	18,073,067 68%	559,401 2%	125,715 -	26,634,908 100%

Note: In fiscal 2009, the state of Minnesota converted special education to a state-wide system. This caused the charges for services to be converted to operating grants and contributions.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Government-Wide Expenses by Program  
Last Ten Fiscal Years

Year Ended June 30,	Administrative and Support Services	Secondary Vocational/ DCALS	Special Education Programs	Food Service	Interest and Fiscal Charges on Debt	Total
2006	\$ 1,112,460 7%	\$ 3,269,581 22%	\$ 11,708,188 71%	\$ – –	\$ – –	\$ 16,090,229 100%
2007	1,309,198 8%	3,239,749 19%	12,838,805 74%	– –	– –	17,387,752 100%
2008	1,143,629 5%	3,629,059 19%	14,148,809 74%	– –	223,767 1%	19,145,264 100%
2009	1,484,759 7%	3,698,703 18%	15,126,240 73%	– –	410,161 2%	20,719,863 100%
2010	1,279,128 6%	3,778,602 17%	16,753,538 75%	71,375 –	361,888 2%	22,244,531 100%
2011	1,614,185 7%	3,855,919 17%	16,699,413 74%	74,423 –	353,553 2%	22,597,493 100%
2012	1,765,768 8%	3,875,566 17%	17,292,500 74%	101,616 –	344,925 1%	23,380,375 100%
2013	1,998,969 8%	3,962,647 17%	18,097,103 74%	85,779 –	335,885 1%	24,480,383 100%
2014	1,892,695 7%	3,483,868 14%	19,239,348 77%	108,123 –	326,431 1%	25,050,465 100%
2015	1,867,491 8%	3,182,362 12%	20,634,460 79%	116,426 –	316,820 1%	26,117,559 100%

Note: The Food Service Special Revenue Fund was established in fiscal year 2010.

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Revenue by Source  
Last Ten Fiscal Years

	Year Ended June 30,	Tuition Revenue	Investment Earnings (Charges)	Other Revenue	State Revenue	Federal Revenue	Total
Secondary education	2006	\$ 3,055,645	\$ 40,955	\$ 77,678	\$ -	\$ 288,346	\$ 3,462,624
	2007	3,103,608	54,287	3,198	-	292,365	3,453,458
	2008	3,534,488	60,762	25,461	-	341,820	3,962,531
	2009	3,349,713	11,583	26,599	-	186,813	3,574,708
	2010	3,715,685	2,663	13,587	10,195	150,108	3,892,238
	2011	3,656,422	927	8,787	49,708	172,435	3,888,279
	2012	3,938,532	920	21,437	61,110	197,689	4,219,688
	2013	3,587,494	855	8,645	75,408	150,577	3,822,979
	2014	3,113,264	1,301	3,335	118,957	154,147	3,391,004
	2015	3,013,776	553	7,604	105,919	151,510	3,279,362
Special education	2006	11,950,232	(7,457)	208,229	1,000	446,384	12,598,388
	2007	13,082,524	(19,682)	208,659	-	450,424	13,721,925
	2008	14,331,589	(4,875)	177,538	-	455,666	14,959,918
	2009	3,004,086	4,242	202,077	12,035,354	464,375	15,710,134
	2010	3,332,630	221	603,186	13,721,390	561,110	18,218,537
	2011	3,087,411	(392)	390,143	14,210,549	735,457	18,423,168
	2012	2,962,399	(341)	529,239	14,199,467	172,752	17,863,516
	2013	3,202,954	44	546,076	14,861,033	5,000	18,615,107
	2014	3,396,148	1,119	568,794	16,689,111	5,000	20,660,172
	2015	3,652,478	400	629,749	17,783,764	5,000	22,071,391
Services allocation	2006	-	-	-	22,482	-	22,482
	2007	-	-	-	30,904	-	30,904
	2008	-	-	-	53,764	-	53,764
	2009	-	-	-	190,765	-	190,765
	2010	-	-	-	38,155	-	38,155
	2011	305,475	-	1,559	56,381	-	363,415
	2012	352,800	-	8,402	43,416	-	404,618
	2013	449,954	-	8,474	34,896	-	493,324
	2014	432,465	-	5,654	36,921	-	475,040
	2015	468,174	-	7,116	32,284	-	507,574
District support services	2006	-	(4,141)	185,532	-	-	181,391
	2007	-	-	179,943	-	-	179,943
	2008	-	-	155,710	-	-	155,710
	2009	-	-	64,729	-	-	64,729
	2010	44,033	-	51,691	-	-	95,724
	2011	39,670	-	31,831	-	-	71,501
	2012	24,600	-	26,485	-	-	51,085
	2013	-	-	44,058	-	-	44,058
	2014	-	-	31,060	-	-	31,060
	2015	-	-	2,240	-	-	2,240

(continued)



INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Revenue by Source (continued)  
Last Ten Fiscal Years

	Year Ended June 30,	Tuition Revenue	Investment Earnings (Charges)	Other Revenue	State Revenue	Federal Revenue	Total
Capital expenditure	2006	—	97	—	—	—	97
	2007	—	115	—	—	—	115
	2008	—	452	—	—	—	452
	2009	565,508	17,854	—	—	—	583,362
	2010	562,451	2,517	253,572	—	—	818,540
	2011	552,201	28,941	1,707	—	—	582,849
	2012	477,245	28,827	—	—	—	506,072
	2013	558,376	28,560	—	—	—	586,936
	2014	559,095	28,959	—	—	—	588,054
	2015	559,401	28,344	—	—	—	587,745
Secondary resale	2006	—	—	—	—	—	—
	2007	—	—	125,497	—	—	125,497
	2008	—	—	117,092	—	—	117,092
	2009	—	—	67,919	—	—	67,919
	2010	—	—	167,075	—	—	167,075
	2011	—	—	137,627	—	—	137,627
	2012	—	—	60,687	—	—	60,687
	2013	—	—	70,329	—	—	70,329
	2014	—	—	119,308	—	—	119,308
	2015	—	—	62,472	—	—	62,472
Special education resale	2006	—	—	—	—	—	—
	2007	—	—	17,368	—	—	17,368
	2008	—	—	19,349	—	—	19,349
	2009	—	—	22,886	—	—	22,886
	2010	—	—	22,620	—	—	22,620
	2011	—	—	21,279	—	—	21,279
	2012	—	—	19,406	—	—	19,406
	2013	—	—	17,856	—	—	17,856
	2014	—	—	16,693	—	—	16,693
	2015	—	—	13,514	—	—	13,514

Note 1: The Secondary Resale Account was established in fiscal year 2007.

Note 2: The Special Education Resale Account was established in fiscal year 2007.

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Expenditures by Object  
Last Ten Fiscal Years

	Year Ended June 30,	Salary Expenditures	Employee Benefits Expenditures	Purchased Services Expenditures	Other Expenditures	Allocated Overhead	Total
Secondary education	2006	\$ 1,990,866	\$ 546,367	\$ 565,985	\$ 260,036	\$ 189,815	\$ 3,553,069
	2007	1,871,490	545,270	564,066	112,876	203,055	3,296,757
	2008	2,009,066	607,325	727,957	149,561	201,426	3,695,335
	2009	2,063,886	655,558	552,483	115,595	197,555	3,585,077
	2010	2,268,974	679,673	533,333	105,992	219,410	3,807,382
	2011	2,253,662	680,947	563,196	164,868	209,572	3,872,245
	2012	2,365,115	732,814	515,206	133,740	220,927	3,872,245
	2013	2,449,860	795,235	535,087	120,327	234,507	4,135,016
	2014	1,894,098	702,336	521,496	92,923	260,228	3,471,081
	2015	1,818,549	684,389	506,510	91,810	280,631	3,381,889
Special education	2006	7,718,588	2,143,520	1,403,163	395,922	764,969	12,426,162
	2007	8,395,050	2,441,463	1,496,680	383,206	881,392	13,597,791
	2008	9,194,539	2,804,869	1,561,057	475,149	864,291	14,899,905
	2009	9,656,932	3,149,781	1,629,135	353,336	920,575	15,709,759
	2010	10,298,835	3,538,306	1,787,311	691,957	937,527	17,253,936
	2011	10,405,760	3,800,881	1,914,616	553,662	998,333	17,673,252
	2012	10,813,236	4,049,078	1,277,070	968,086	1,021,841	17,673,252
	2013	11,308,037	4,313,213	1,516,683	678,276	1,060,534	18,876,743
	2014	12,056,948	4,645,254	1,660,968	640,865	1,056,905	20,060,940
	2015	13,075,819	4,966,320	1,763,028	803,025	1,118,880	21,727,072
Services allocation	2006	611,029	167,821	146,551	51,865	(954,784)	22,482
	2007	665,717	170,325	221,124	58,185	(1,084,447)	30,904
	2008	711,026	185,819	147,102	75,534	(1,065,717)	53,764
	2009	733,346	194,078	318,981	62,490	(1,118,130)	190,765
	2010	749,966	204,226	179,556	61,344	(1,156,937)	38,155
	2011	786,795	214,980	490,893	78,652	(1,207,905)	363,415
	2012	786,232	237,644	569,416	54,094	(1,242,768)	404,618
	2013	789,620	253,125	707,647	37,971	(1,295,039)	363,415
	2014	799,495	259,349	676,557	56,770	(1,317,131)	475,040
	2015	863,256	250,344	732,924	60,561	(1,399,511)	507,574
District support services	2006	50,055	14,146	162,234	(8,906)	–	217,529
	2007	66,830	22,666	84,585	–	–	174,081
	2008	–	–	135,085	–	–	135,085
	2009	3,518	451	67,754	–	–	71,723
	2010	17,851	2,310	59,937	6,575	–	86,673
	2011	18,715	2,419	34,564	20,043	–	75,741
	2012	14,916	3,696	26,936	6,594	–	52,142
	2013	–	–	44,060	–	–	75,741
	2014	–	–	31,087	18,351	–	49,438
	2015	–	–	2,240	–	–	2,240

(continued)

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Expenditures by Object (continued)  
Last Ten Fiscal Years

	Year Ended June 30,	Salary Expenditures	Employee Benefits Expenditures	Purchased Services Expenditures	Other Expenditures	Allocated Overhead	Total
Capital expenditure	2006	—	—	—	—	—	—
	2007	—	—	—	—	—	—
	2008	—	—	—	6,802,482	—	6,802,482
	2009	2,802	238	210,640	558,208	—	771,888
	2010	—	—	15,512	578,439	—	593,951
	2011	—	—	70,060	557,978	—	628,038
	2012	—	—	73,093	574,847	—	647,940
	2013	—	—	26,673	622,286	—	628,038
	2014	—	—	137,765	559,095	—	696,860
	2015	—	—	19,362	559,401	—	578,763
Secondary resale	2006	—	—	—	—	—	—
	2007	29,140	6,449	53,112	59,080	—	147,781
	2008	16,588	2,687	24,423	50,785	—	94,483
	2009	18,063	2,914	23,520	18,036	—	62,533
	2010	17,225	2,863	32,560	104,851	—	157,499
	2011	18,760	3,133	29,480	75,164	—	126,537
	2012	—	—	12,293	47,733	—	60,026
	2013	—	—	13,099	52,500	—	65,599
	2014	—	—	20,863	101,682	—	122,545
	2015	—	—	35,614	38,986	—	74,600
Special education resale	2006	—	—	—	—	—	—
	2007	—	—	296	11,416	—	11,712
	2008	—	—	—	18,316	—	18,316
	2009	—	—	705	18,754	—	19,459
	2010	—	—	—	20,729	—	20,729
	2011	—	—	—	20,009	—	20,009
	2012	—	—	60	17,319	—	17,379
	2013	—	—	—	19,246	—	19,246
	2014	—	—	1,262	18,338	—	19,600
	2015	—	—	—	11,829	—	11,829

Note 1: The Secondary Resale Account was established in fiscal year 2007.

Note 2: The Special Education Resale Account was established in fiscal year 2007.

Note 3: The Capital Expenditure Account was established in fiscal year 2009.

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OTHER REQUIRED REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of  
Intermediate School District No. 917  
Rosemount, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

(continued)

## COMPLIANCE AND OTHER MATTERS

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

## PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota  
October 30, 2015





PRINCIPALS

Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of  
Intermediate School District No. 917  
Rosemount, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2015.

**MINNESOTA LEGAL COMPLIANCE**

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota  
October 30, 2015

INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2015

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 26,524,298	\$ 26,524,295	\$ 3
Total expenditures		\$ 26,283,967	\$ 26,283,970	\$ (3)
Nonspendable				
460	Nonspendable fund balance	\$ 79,012	\$ 79,010	\$ 2
Restricted/reserve				
403	Staff development	\$ –	\$ –	\$ –
405	Deferred maintenance	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
411	Severance pay	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 94,525	\$ 94,525	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
446	First grade preparedness	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ 1,296,163	\$ 1,296,163	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ –	\$ –	\$ –
Unassigned				
422	Unassigned fund balance	\$ 4,807,308	\$ 4,807,308	\$ –
<b>Food Service</b>				
Total revenue		\$ 81,693	\$ 81,690	\$ 3
Total expenditures		\$ 112,487	\$ 112,484	\$ 3
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2015

	Audit	UFARS	Audit – UFARS
<b>Building Construction</b>			
Total revenue	\$ 35	\$ 35	\$ –
Total expenditures	\$ –	\$ –	\$ –
Nonspendable			
460    Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
407    Capital projects levy	\$ –	\$ –	\$ –
409    Alternative facility program	\$ –	\$ –	\$ –
413    Project funded by COP	\$ –	\$ –	\$ –
Restricted			
464    Restricted fund balance	\$ 111,272	\$ 111,272	\$ –
Unassigned			
463    Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
Nonspendable			
460    Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
425    Bond refundings	\$ –	\$ –	\$ –
451    QZAB payments	\$ –	\$ –	\$ –
Restricted			
464    Restricted fund balance	\$ –	\$ –	\$ –
Unassigned			
463    Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>			
Total revenue	\$ 637	\$ 637	\$ –
Total expenditures	\$ 1,722	\$ 1,722	\$ –
422    Net position	\$ 2,139	\$ 2,140	\$ (1)
<b>Internal Service</b>			
Total revenue	\$ 530,743	\$ 530,743	\$ –
Total expenditures	\$ 554,121	\$ 554,121	\$ –
422    Net position	\$ (384,468)	\$ (384,468)	\$ –
<b>OPEB Revocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422    Net position	\$ –	\$ –	\$ –
<b>OPEB Irrevocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422    Net position	\$ –	\$ –	\$ –
<b>OPEB Debt Service Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
Nonspendable			
460    Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
425    Bond refundings	\$ –	\$ –	\$ –
464    Restricted fund balance	\$ –	\$ –	\$ –
Unassigned			
463    Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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