

INTERMEDIATE SCHOOL DISTRICT NO. 917
ROSEMOUNT, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2014

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INTERMEDIATE SCHOOL DISTRICT NO. 917

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INTRODUCTORY SECTION

INTERMEDIATE SCHOOL DISTRICT NO. 917

School Board and Administration
as of June 30, 2014

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
Arlene Bush	ISD No. 271	Director
Dan Cater	ISD No. 200	Director
Bob Erickson	ISD No. 194	Director
D. Tom Ryerson	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 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, 2014, 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, 2014, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

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.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2013 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 29, 2013. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2013 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, 2014 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, 2014

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Management's Discussion and Analysis Year Ended June 30, 2014

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, 2014. Please read it in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- Net position on the government-wide Statement of Net Position is \$5,474,151. Net position is similar to the equity position for private sector businesses.
- The government-wide Statement of Activities shows an increase in net position of \$313,021.
- The District's total General Fund balance at June 30, 2014 is \$6,067,283.
- The District's governmental funds Balance Sheet reflects a \$4,642,898 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 and liabilities. 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 and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors such as 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 funds statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental funds 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>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 9,854,161	\$ 9,626,664
Capital assets, net of accumulated depreciation	<u>7,248,954</u>	<u>7,441,349</u>
Total assets	<u>\$ 17,103,115</u>	<u>\$ 17,068,013</u>
Liabilities		
Current and other liabilities	\$ 2,861,832	\$ 2,988,312
Long-term liabilities, including due within one year	<u>8,767,132</u>	<u>8,918,571</u>
Total liabilities	<u>\$ 11,628,964</u>	<u>\$ 11,906,883</u>
Net position		
Net investment in capital assets	\$ 560,535	\$ 636,891
Restricted for capital projects	769,936	1,092,357
Restricted for other purposes	127,282	34,589
Unrestricted	<u>4,016,398</u>	<u>3,397,293</u>
Total net position	<u>\$ 5,474,151</u>	<u>\$ 5,161,130</u>

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 and OPEB, which impacts the unrestricted portion of net position.

During the year, the District acquired \$118,558 of additional capital assets, consisting of furniture and equipment. The District has a total investment in capital assets of \$13,380,134.

Depreciation expense for the year was \$282,224, increasing total accumulated depreciation to \$6,131,180. Therefore, total capital assets, net of accumulated depreciation equal \$7,248,954.

Total net position increased by \$313,021, which reflects the current year operating results.

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

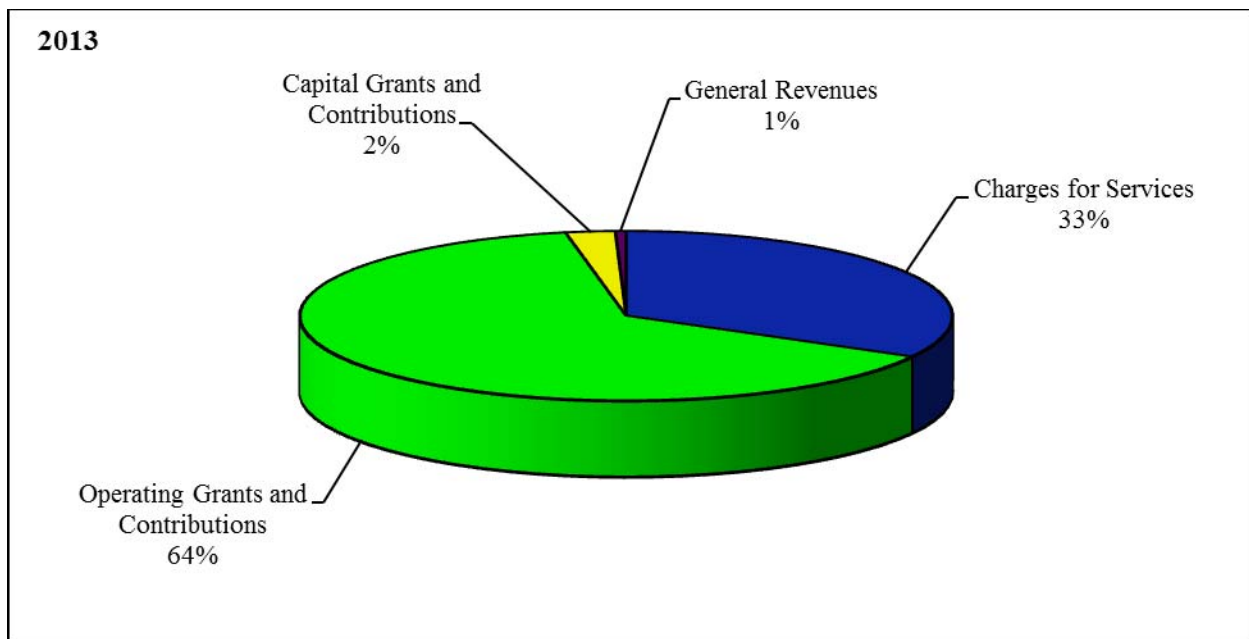
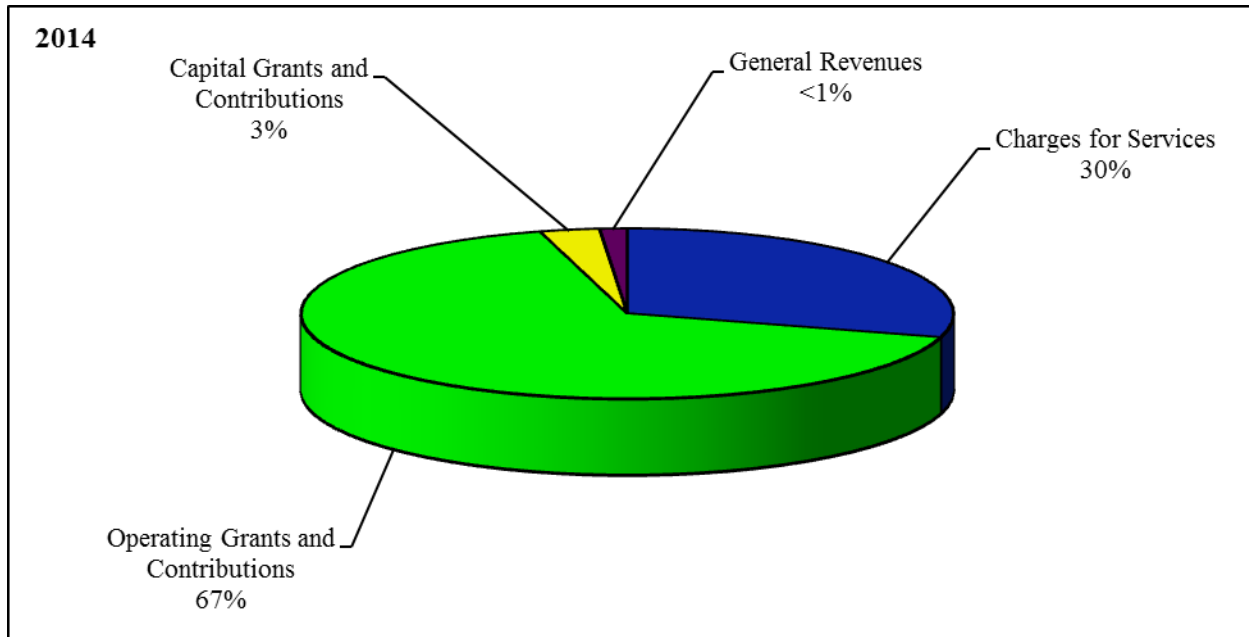
Table 2		
Summary Statement of Activities		
for the Years Ended June 30, 2014 and 2013		
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 7,619,433	\$ 7,839,060
Operating grants and contributions	17,064,879	15,177,273
Capital grants and contributions	581,454	580,348
General revenues		
Other	66,237	96,458
Investment earnings	31,483	29,657
Total revenues	<u>25,363,486</u>	<u>23,722,796</u>
Expenses		
Administrative and support services	1,892,695	1,998,969
Secondary vocational/DCALS	3,483,868	3,962,647
Special education programs	19,239,348	18,097,103
Food service	108,123	85,779
Interest and fiscal charges on debt	326,431	335,885
Total expenses	<u>25,050,465</u>	<u>24,480,383</u>
Change in net position	<u>\$ 313,021</u>	<u>\$ (757,587)</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 \$25,050,465. The District's expenses are predominantly related to educating students. In fiscal 2013–2014, 91 percent of the District's expenses were devoted to this purpose. The administrative and support services activity of the District accounted for 8 percent of total expenses for the year. It should be noted that the District allocated \$1,317,133 in administrative and support services expenses to the secondary vocational/Dakota County Alternative Learning School (DCALS) and special education programs in fiscal 2014.

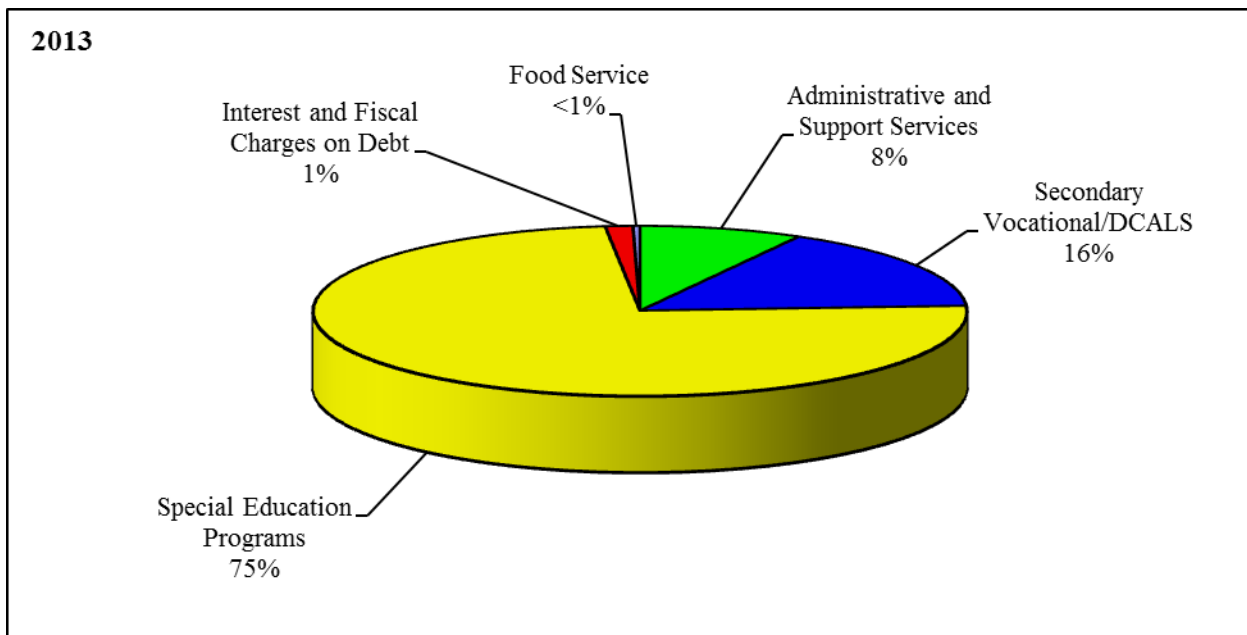
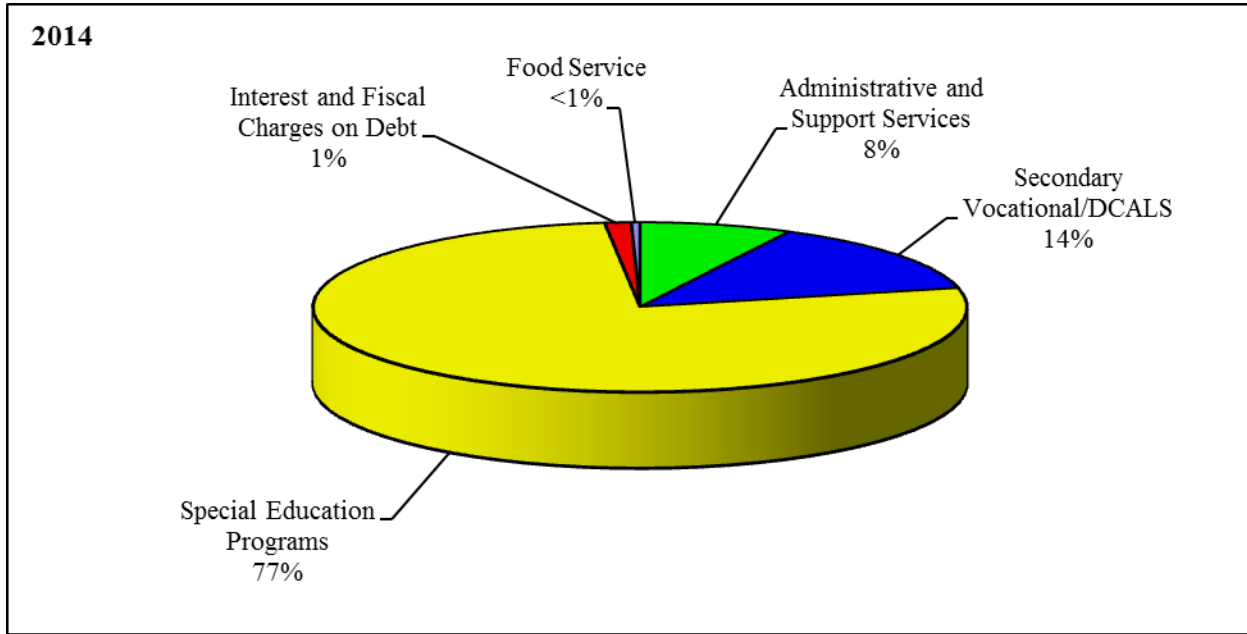
Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2014 and 2013



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 2014 and 2013



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, 2014 and 2013

	2014		2013	
	Total Cost of Services	Net (Expense) Revenue From Services	Total Cost of Services	Net (Expense) Revenue From Services
Governmental activities				
Administrative and support services	\$ 1,892,695	\$ (120,738)	\$ 1,998,969	\$ (218,313)
Secondary vocational/DCALS	3,483,868	317,260	3,962,647	252,714
Special education programs	19,239,348	372,319	18,097,103	(563,588)
Food service	108,123	(27,109)	85,779	(18,630)
Interest and fiscal charges	326,431	(326,431)	335,885	(335,885)
Total	\$ 25,050,465	\$ 215,301	\$ 24,480,383	\$ (883,702)

The overall net (expense) revenue from service was \$1,099,003 more than fiscal 2013 as the operations of the Special Education Account experienced an increase net (expense) revenue from services in the amount of \$372,319, which compares to a decrease in net (expense) revenue from services in fiscal 2013 of \$563,588.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	Table 4 Governmental Fund Balances as of June 30, 2014 and 2013			
	2014	2013	Increase (Decrease)	Total Percent Change
Major funds				
General	\$ 6,067,283	\$ 5,704,625	\$ 362,658	6.4%
Capital Projects – Building Construction	111,237	306,437	(195,200)	(63.7%)
Food Service Special Revenue	–	–	–	–
Total governmental funds	\$ 6,178,520	\$ 6,011,062	\$ 167,458	2.8%

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				
	2009–2010	2010–2011	2011–2012	2012–2013	2013–2014
Secondary Vocational resource programs	121.05	120.33	118.72	117.37	109.00
DCALs	260.74	237.38	257.37	203.78	209.84
Special education resource programs	425.02	424.71	354.56	361.66	395.92

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 in the last five fiscal years has declined significantly in our DCALs programs, secondary vocational programs have experienced a slight decline, and special education programs are starting to rebound after the closing of the Youth Transition Program at the end of the 2010–2011 fiscal year. Stable enrollment to maintain and fund programs will continue to be especially challenging in the Alternative Learning (DCALs) 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

	2010	2011	2012	2013	2014
Unassigned fund balance	\$ 4,186,226	\$ 4,909,422	\$ 4,785,805	\$ 4,082,678	\$ 4,642,898
Percent increase (decrease)	42.1%	17.3%	(2.5%)	(14.7%)	13.7%
Expenditures	\$ 21,782,997	\$ 22,415,586	\$ 23,279,218	\$ 24,282,947	\$ 24,895,504
Percent increase (decrease)	7.5%	2.9%	3.9%	4.3%	2.5%
Fund balance as a percentage of expenditures	19.2%	21.9%	20.6%	16.8%	18.6%

The District ended the year with a \$362,658 increase in the General Fund balance. This increase is \$482,559 more than what was anticipated in the revised budget. The District projected a decrease in the fund balance of \$119,901. The secondary program's fund balance declined \$143,028 less than anticipated due to a slight increase in the average daily membership from estimates. The special education program's fund balance increased \$321,552 more than anticipated due to better than anticipated final fiscal year 2013 and estimated fiscal year 2014 state aid revenue.

Table 7 presents a summary of General Fund revenue:

	<u>2014</u>	<u>2013</u>	Amount of Increase (Decrease)
Local sources			
Tuition	\$ 7,500,972	\$ 7,798,778	\$ (297,806)
Investment earnings	31,379	29,459	1,920
Other	744,844	695,438	49,406
State sources	16,844,989	14,971,337	1,873,652
Federal sources	<u>159,147</u>	<u>155,577</u>	<u>3,570</u>
 Total General Fund revenues	 <u>\$ 25,281,331</u>	 <u>\$ 23,650,589</u>	 <u>\$ 1,630,742</u>

Total General Fund revenues increased \$1,630,742, or 6.9 percent, in fiscal 2014 as compared to the previous year. Overall, the changes in revenue can be attributed to:

- The District's tuition revenues decreased with the shifting of targeted services programs back to some of the local member districts.
- The District experienced a 9.5 percent increase in enrollment in special education programs in combination with expenditures, resulting in an increase in state revenue sources through tuition billing.

Table 8 presents a summary of General Fund expenditures:

	2014	2013	Amount of Increase (Decrease)
Salaries	\$ 14,750,541	\$ 14,547,517	\$ 203,024
Employee benefits	5,606,939	5,361,573	245,366
Purchased services	3,049,998	2,843,249	206,749
Supplies and materials	604,165	680,229	(76,064)
Other expenditures	23,733	25,595	(1,862)
Capital expenditures	301,033	266,408	34,625
Debt service	559,095	558,376	719
Total General Fund expenditures	\$ 24,895,504	\$ 24,282,947	\$ 612,557

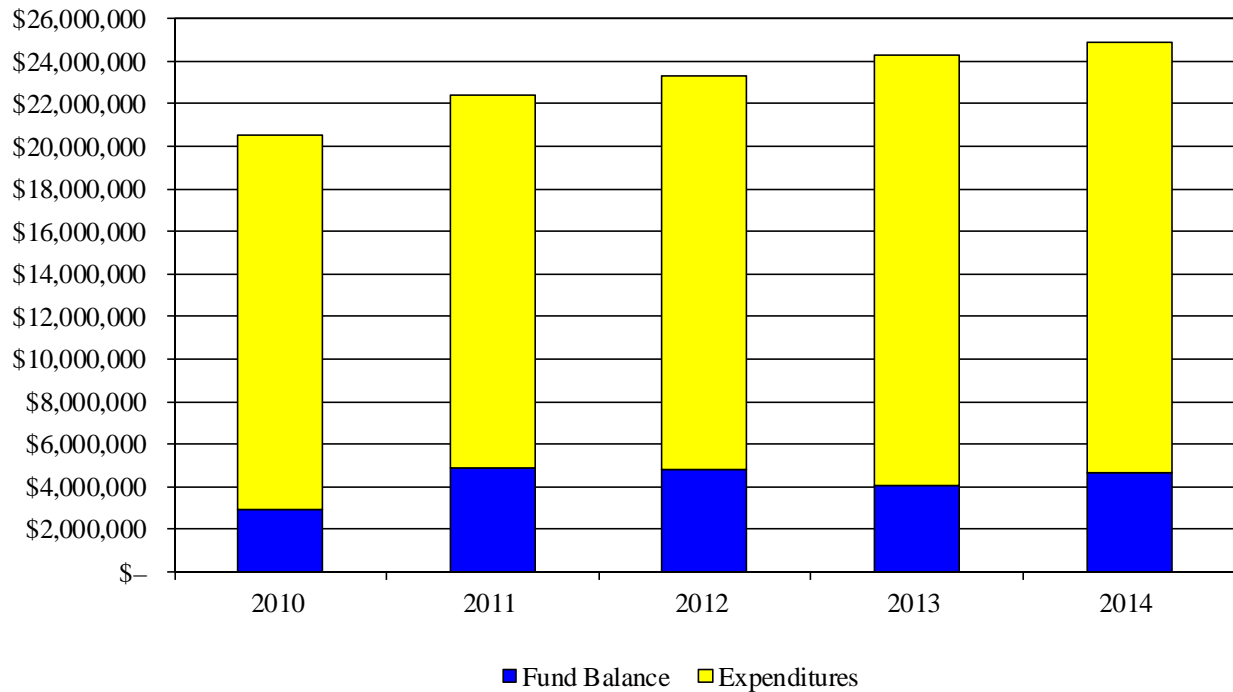
Total General Fund expenditures increased \$612,557, or 2.5 percent, from the previous year. Overall, the changes in expenditures can be attributed to:

- The District's average salary and benefit increase in union contract settlements for fiscal 2014 was approximately 3 percent. In addition, we increased our paraprofessional compliments by 16 paraprofessionals. The Teachers' Retirement Association benefits increased from 6.5 percent to 7.0 percent and there was an increase in family medical coverage participation, resulting in benefit expenditure increases.
- The District's substitutes for its special education programs changed in the middle of fiscal year 2013 from hiring them directly to contracting substitutes through an agency, resulting in a decrease in salaries and an increase in purchased services expenditures. In addition, social workers were added under contract with an outside agency on behalf of the District's member school districts.
- The supplies and materials expenditures decreased as a result of the reduction in curriculum purchases based on a fiscal year cycle. In addition, there was a shift in budget needs from supplies and materials to technology.
- The District's capital expenditures increased with the necessity to replace computers unable to migrate to the latest Microsoft platform.

In summary, 2013–2014 General Fund revenues and other financing sources exceeded General Fund expenditures and other financing uses by \$362,658. As a result, total fund balance increased to \$6,067,283 at June 30, 2014. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance increased from \$4,082,678 at June 30, 2013 to \$4,642,898 at June 30, 2014.

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 \$4.6 million at June 30, 2014 represents 18.6 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 the 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 that would have to back any cash flow debt incurred by the 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>\$ 24,839,272</u>	<u>\$ 25,439,174</u>	<u>\$ 25,281,331</u>	<u>\$ (157,843)</u>
Expenditures and other financing uses	<u>\$ 25,029,823</u>	<u>\$ 25,559,075</u>	<u>\$ 24,918,673</u>	<u>\$ (640,402)</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 0.6 percent due to several factors. The District's anticipated revenues are determined by actual expenditures incurred, which came in under budget by about \$640,402, resulting in revenue budgets coming in under budget. In addition, the District is conservatively anticipating that the special education tuition revenues are no longer exceeding the special education expenditure budgets like they were in fiscal years 2009 to 2011.

The District's expenditures and other financing uses were less than budgeted amounts by 2.5 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. Supplies and materials were under budget significantly due to curriculum purchases from basic skills revenue deferred into fiscal 2015. 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.

BUILDING CONSTRUCTION – CAPITAL PROJECTS FUND

Expenditures exceeded revenues by \$195,200 for the year due to the remodeling project at Cedar School. The fund balance in this fund is restricted for capital projects.

FOOD SERVICE SPECIAL REVENUE FUND

Expenditures exceeded revenues by \$23,169 for the year. In order to eliminate the potential deficit in the Food Service Special Revenue Fund, the School Board approved a transfer of \$23,169 from the General Fund.

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Land	\$ 683,993	\$ 683,993	\$ –
Buildings	8,732,533	8,732,533	–
Furniture and equipment	3,963,608	4,133,771	(170,163)
Less accumulated depreciation	<u>(6,131,180)</u>	<u>(6,108,948)</u>	<u>(22,232)</u>
Total	<u>\$ 7,248,954</u>	<u>\$ 7,441,349</u>	<u>\$ (192,395)</u>
Depreciation expense	<u>\$ 282,224</u>	<u>\$ 270,333</u>	<u>\$ 11,891</u>

Long-Term Liabilities

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

	2014	2013	Increase (Decrease)
Capital leases payable	\$ 7,315,000	\$ 7,550,000	\$ (235,000)
Unamortized discount	(129,100)	(135,475)	6,375
Severance benefits payable	473,867	563,628	(89,761)
Compensated absences payable	275,332	240,080	35,252
Net OPEB obligation	832,033	700,338	131,695
Total	\$ 8,767,132	\$ 8,918,571	\$ (151,439)

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

SEVERANCE AND OPEB BENEFITS INTERNAL SERVICE FUND

The District has an annual obligation to pay post-employment benefits, including severance benefits and OPEB. Accordingly, the District established an Internal Service Fund and adopted a plan to finance the payment of these benefits as earned in accordance with governmental accounting standards. The Internal Service Fund will be used to finance the post-employment severance benefits and OPEB provided by all of the departments and funds of the District on a cost-reimbursement basis.

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:

- Providing a legal services option to member districts at below market rates.
- Partnering with Independent School District (ISD) 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 ISD Nos. 192, 197, 199, and 271.
- Organize and facilitate regional networking meetings for administrator and support staff groups.

- Coordinating regional studies of revenue sources for mental health services.
- 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 looming possibility 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. Funding shifts for school aid have improved going to a 90–10 in 2014 instead of 86.4–13.6 in 2013, which improves cash flow for schools. 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.
- Districts received an increase in the general education formula for fiscal year 2014 of \$78 per adjusted marginal cost pupil unit, along with a slight increase in some other areas of categorical revenues. In fiscal 2015, school districts will receive another \$529, incorporating significant adjustments in pupil units, resulting in an equivalent 2.0 percent increase over fiscal 2014.
- The District has appropriate fund balances to provide adequate opportunity to adapt to uncontrolled changes in revenue sources.

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

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	Governmental Activities	
	2014	2013
Assets		
Cash and temporary investments	\$ 5,014,909	\$ 4,097,838
Receivables		
Accounts and interest	19,687	46,232
Due from other governmental units	4,180,687	4,791,308
Inventory	2,129	51,154
Prepaid items	8,267	30,065
Restricted assets – temporarily restricted		
Cash and investments held by trustee	628,482	610,067
Capital assets		
Not depreciated	683,993	683,993
Depreciated, net of accumulated depreciation	6,564,961	6,757,356
Total capital assets, net of accumulated depreciation	<u>7,248,954</u>	<u>7,441,349</u>
Total assets	<u>\$ 17,103,115</u>	<u>\$ 17,068,013</u>
Liabilities		
Salaries and compensated absences payable	\$ 2,028,934	\$ 1,737,543
Accounts and contracts payable	77,311	56,358
Accrued interest payable	131,001	135,040
Due to other governmental units	452,973	894,512
Unearned revenue	171,613	164,859
Long-term liabilities		
Due within one year	386,024	423,590
Due in more than one year	8,381,108	8,494,981
Total long-term liabilities	<u>8,767,132</u>	<u>8,918,571</u>
Total liabilities	11,628,964	11,906,883
Net position		
Net investment in capital assets	560,535	636,891
Restricted for capital projects	769,936	1,092,357
Restricted for other purposes	127,282	34,589
Unrestricted	4,016,398	3,397,293
Total net position	<u>5,474,151</u>	<u>5,161,130</u>
Total liabilities and net position	<u>\$ 17,103,115</u>	<u>\$ 17,068,013</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Activities
 Year Ended June 30, 2014
 (With Partial Comparative Information for the Year Ended June 30, 2013)

Functions/Programs	2014					2013	
	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities							
Administrative and support services	\$ 1,892,695	\$ (1,317,133)	\$ 432,465	\$ -	\$ 22,359	\$ (120,738)	\$ (218,313)
Secondary vocational/DCALS	3,483,868	260,228	3,220,995	281,266	559,095	317,260	252,714
Special education programs	19,239,348	1,056,905	3,945,153	16,723,419	-	372,319	(563,588)
Food service	108,123	-	20,820	60,194	-	(27,109)	(18,630)
Interest and fiscal charges on debt	326,431	-	-	-	-	(326,431)	(335,885)
Total governmental activities	\$ 25,050,465	\$ -	\$ 7,619,433	\$ 17,064,879	\$ 581,454	215,301	(883,702)
			General revenues				
			Other general revenues			66,237	96,458
			Investment earnings			31,483	29,657
			Total general revenues			<u>97,720</u>	<u>126,115</u>
			Change in net position			313,021	(757,587)
			Net position – beginning			<u>5,161,130</u>	<u>5,918,717</u>
			Net position – ending			<u>\$ 5,474,151</u>	<u>\$ 5,161,130</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Balance Sheet
 Governmental Funds
 as of June 30, 2014
 (With Partial Comparative Information as of June 30, 2013)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
				2014	2013
Assets					
Cash and temporary investments	\$ 3,923,173	\$ 111,237	\$ 418	\$ 4,034,828	\$ 3,324,844
Cash and investments held by trustee	628,482	–	–	628,482	610,067
Receivables					
Accounts and interest	19,687	–	–	19,687	45,203
Due from other governmental units	4,179,110	–	1,577	4,180,687	4,791,308
Due from other funds	–	–	–	–	1,026
Inventory	2,129	–	–	2,129	51,154
Prepaid items	7,793	–	–	7,793	29,556
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,760,374</u>	<u>\$ 111,237</u>	<u>\$ 1,995</u>	<u>\$ 8,873,606</u>	<u>\$ 8,853,158</u>
Liabilities					
Salaries and compensated absences payable	\$ 2,028,934	\$ –	\$ –	\$ 2,028,934	\$ 1,737,543
Accounts and contracts payable	41,566	–	–	41,566	44,156
Due to other governmental units	450,978	–	1,995	452,973	894,512
Due to other funds	–	–	–	–	1,026
Unearned revenue	171,613	–	–	171,613	164,859
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,693,091</u>	<u>–</u>	<u>1,995</u>	<u>2,695,086</u>	<u>2,842,096</u>
Fund balances					
Nonspendable	9,922	–	–	9,922	80,710
Restricted	1,414,463	111,237	–	1,525,700	1,737,013
Assigned	–	–	–	–	110,661
Unassigned	4,642,898	–	–	4,642,898	4,082,678
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>6,067,283</u>	<u>111,237</u>	<u>–</u>	<u>6,178,520</u>	<u>6,011,062</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 8,760,374</u>	<u>\$ 111,237</u>	<u>\$ 1,995</u>	<u>\$ 8,873,606</u>	<u>\$ 8,853,158</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2014

(With Partial Comparative Information as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
Total fund balances – governmental funds	\$ 6,178,520	\$ 6,011,062
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	13,380,134	13,550,297
Accumulated depreciation	(6,131,180)	(6,108,948)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Capital lease payable	(7,315,000)	(7,550,000)
Compensated absences payable	(275,332)	(240,080)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.		
	(131,001)	(135,040)
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.		
	129,100	135,475
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>(361,090)</u>	<u>(501,636)</u>
Total net position – governmental activities	<u>\$ 5,474,151</u>	<u>\$ 5,161,130</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2014
 (With Partial Comparative Information for the Year Ended June 30, 2013)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
				2014	2013
Revenue					
Local sources					
Tuition	\$ 7,500,972	\$ –	\$ –	\$ 7,500,972	\$ 7,798,778
Investment earnings	31,379	104	–	31,483	29,657
Other	744,844	–	20,820	765,664	709,584
State sources	16,844,989	–	3,952	16,848,941	14,974,395
Federal sources	159,147	–	56,242	215,389	205,522
Total revenue	<u>25,281,331</u>	<u>104</u>	<u>81,014</u>	<u>25,362,449</u>	<u>23,717,936</u>
Expenditures					
Current					
Administrative and support services	524,478	–	–	524,478	601,294
Secondary vocational/DCALS	3,731,391	–	–	3,731,391	4,227,288
Special education programs	20,080,540	–	–	20,080,540	18,895,989
Food service	–	–	104,183	104,183	85,779
Capital outlay	–	195,304	–	195,304	164,382
Debt service					
Principal	235,000	–	–	235,000	225,000
Interest and fiscal charges	324,095	–	–	324,095	333,376
Total expenditures	<u>24,895,504</u>	<u>195,304</u>	<u>104,183</u>	<u>25,194,991</u>	<u>24,533,108</u>
Excess (deficiency) of revenue over expenditures	385,827	(195,200)	(23,169)	167,458	(815,172)
Other financing sources (uses)					
Proceeds from sale of assets	–	–	–	–	4,999
Transfers in	–	–	23,169	23,169	18,630
Transfers out	(23,169)	–	–	(23,169)	(18,630)
Total other financing sources (uses)	<u>(23,169)</u>	<u>–</u>	<u>23,169</u>	<u>–</u>	<u>4,999</u>
Net change in fund balances	362,658	(195,200)	–	167,458	(810,173)
Fund balances					
Beginning of year	<u>5,704,625</u>	<u>306,437</u>	<u>–</u>	<u>6,011,062</u>	<u>6,821,235</u>
End of year	<u>\$ 6,067,283</u>	<u>\$ 111,237</u>	<u>\$ –</u>	<u>\$ 6,178,520</u>	<u>\$ 6,011,062</u>

See notes to basic financial statements

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, 2014

(With Partial Comparative Information for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Total net change in fund balances – governmental funds	\$ 167,458	\$ (810,173)
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	118,558	105,752
Depreciation expense	(282,224)	(270,333)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.	235,000	225,000
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.	4,039	3,867
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)	(6,376)
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	(28,729)	(145)
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.	140,546	5,482
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	<u>(35,252)</u>	<u>(10,661)</u>
Change in net position – governmental activities	<u>\$ 313,021</u>	<u>\$ (757,587)</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, 2014

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Tuition	\$ 7,409,078	\$ 7,442,076	\$ 7,500,972	\$ 58,896
Investment earnings	18,000	18,000	31,379	13,379
Other	709,670	723,296	744,844	21,548
State sources	16,554,176	17,094,842	16,844,989	(249,853)
Federal sources	148,348	160,960	159,147	(1,813)
Total revenue	<u>24,839,272</u>	<u>25,439,174</u>	<u>25,281,331</u>	<u>(157,843)</u>
Expenditures				
Current				
Administrative and support services	605,674	584,902	524,478	(60,424)
Secondary vocational/DCALS	3,673,969	3,773,650	3,731,391	(42,259)
Special education programs	20,168,085	20,618,428	20,080,540	(537,888)
Debt service				
Principal	235,000	235,000	235,000	-
Interest and fiscal charges	324,095	324,095	324,095	-
Total expenditures	<u>25,006,823</u>	<u>25,536,075</u>	<u>24,895,504</u>	<u>(640,571)</u>
Excess (deficiency) of revenue over expenditures	(167,551)	(96,901)	385,827	482,728
Other financing sources (uses)				
Transfers out	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,169)</u>	<u>(169)</u>
Net change in fund balances	<u>\$ (190,551)</u>	<u>\$ (119,901)</u>	362,658	<u>\$ 482,559</u>
Fund balances				
Beginning of year			<u>5,704,625</u>	
End of year			<u>\$ 6,067,283</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, 2014

(With Comparative Actual Amounts as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and temporary investments	\$ 980,081	\$ 772,994
Accounts receivable	-	1,029
Prepaid items	474	509
Total current assets	<u>980,555</u>	<u>774,532</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	35,745	12,202
Severance benefits payable	23,139	98,380
Total current liabilities	<u>58,884</u>	<u>110,582</u>
Long-term liabilities		
Net OPEB obligation	832,033	700,338
Severance benefits payable	450,728	465,248
Total long-term liabilities	<u>1,282,761</u>	<u>1,165,586</u>
Total liabilities	<u>1,341,645</u>	<u>1,276,168</u>
Net position (deficit)		
Unrestricted	<u>\$ (361,090)</u>	<u>\$ (501,636)</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2014
 (With Partial Comparative Information for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Operating revenue		
Local sources		
Contributions from governmental funds	\$ 551,795	\$ 525,048
Operating expenses		
Post-employment severance and health benefits	64,449	226,441
Dental benefit claims	347,465	293,463
Total operating expenses	<u>411,914</u>	<u>519,904</u>
Operating income	139,881	5,144
Nonoperating revenue		
Investment earnings	<u>665</u>	<u>338</u>
Change in net position	140,546	5,482
Net position (deficit)		
Beginning of year	<u>(501,636)</u>	<u>(507,118)</u>
End of year	<u>\$ (361,090)</u>	<u>\$ (501,636)</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, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Contributions from other funds	\$ 552,824	\$ 525,048
Post-employment severance and health benefit payments	(30,674)	(42,083)
Payments for dental claims	(315,728)	(320,290)
Net cash used by operating activities	<u>206,422</u>	<u>162,675</u>
Cash flows from noncapital financing activities		
Cash received by (paid to) other funds	-	152,013
Cash flows from investing activities		
Investment income received	<u>665</u>	<u>338</u>
Net increase in cash and cash equivalents	207,087	315,026
Cash and temporary investments		
Beginning of year	<u>772,994</u>	<u>457,968</u>
End of year	<u><u>\$ 980,081</u></u>	<u><u>\$ 772,994</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 139,881	\$ 5,144
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities		
Severance benefits payable	(89,761)	54,527
Net OPEB obligation	131,695	122,146
Account receivable	1,029	(1,029)
Prepaid items	35	(509)
Accounts payable	<u>23,543</u>	<u>(17,604)</u>
Net cash used by operating activities	<u><u>\$ 206,422</u></u>	<u><u>\$ 162,675</u></u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Fiduciary Net Position
as of June 30, 2014

	<u>Private-Purpose Trust Fund</u>
Assets	
Cash and temporary investments	\$ 3,224
Net position	
Held in trust for scholarships	<u>\$ 3,224</u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014

	<u>Private-Purpose Trust Fund</u>
Additions	
Gifts and bequests	\$ 1,223
Deductions	
Scholarships	<u>854</u>
Change in net position	369
Net position	
Beginning of year	<u>2,855</u>
End of year	<u>\$ 3,224</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Notes to Basic Financial Statements
June 30, 2014

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 not elected 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 fixed 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. Expenditures exceeded budgeted amounts by \$9,908 in the Food Service Special Revenue Fund.

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. 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 2014.
- 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:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2013	\$ 29,806	\$ 267,665	\$ 293,463	\$ 4,008
2014	\$ 4,008	\$ 347,465	\$ 348,870	\$ 2,603

Q. 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.

R. 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.

T. Net Position

In the government-wide financial statements, net position represents the difference between assets, deferred outflows of resources (if any), liabilities, and deferred inflow of resources (if any). 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.”

U. 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)

V. Comparative Data/Reclassification

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

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 \$3,759,611, while the balance on the bank records was \$4,069,606. At June 30, 2014, all deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2014, the District had 29.6 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, 2014, 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	\$ 1,258,522
First American Treasury Obligations Fund Class D	AAA	S&P	N/A	N/A	N/A	N/A	69,081
Guaranteed investment contract							
Credit Agricole Corporate and Investment Bank	A	S&P	N/A	N/A	N/A	\$ 559,401	559,401
							1,887,004
Deposits							3,759,611
Total cash and investments							<u>\$ 5,646,615</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	\$ 5,014,909
Cash and temporary investments held by trustee – Statement of Net Position	628,482
Cash and temporary investments – Statement of Fiduciary Net Position – Private-Purpose Trust Fund	3,224
Total cash and investments	<u>\$ 5,646,615</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, 2014 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	–	–	8,732,533
Furniture and equipment	4,133,771	118,558	288,721	3,963,608
Total capital assets, depreciated	<u>12,866,304</u>	<u>118,558</u>	<u>288,721</u>	<u>12,696,141</u>
Less accumulated depreciation for				
Buildings	(2,683,980)	(134,731)	–	(2,818,711)
Furniture and equipment	(3,424,968)	(147,493)	(259,992)	(3,312,469)
Total accumulated depreciation	<u>(6,108,948)</u>	<u>(282,224)</u>	<u>(259,992)</u>	<u>(6,131,180)</u>
Net capital assets, depreciated	<u>6,757,356</u>	<u>(163,666)</u>	<u>28,729</u>	<u>6,564,961</u>
Total capital assets, net	<u>\$ 7,441,349</u>	<u>\$ (163,666)</u>	<u>\$ 28,729</u>	<u>\$ 7,248,954</u>

Depreciation expense for the year ended June 30, 2014 was charged to the following governmental functions:

Administrative and support services	\$ 36,680
Secondary vocational/DCALS	20,534
Special education instruction	<u>225,010</u>
Total depreciation expense	<u>\$ 282,224</u>

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:

	June 30, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
Capital leases payable	\$ 7,550,000	\$ –	\$ 235,000	\$ 7,315,000	\$ 245,000
Unamortized discount	(135,475)	–	(6,375)	(129,100)	–
Severance benefits payable	563,628	23,139	112,900	473,867	23,139
Compensated absences payable	240,080	153,137	117,885	275,332	117,885
Net OPEB obligation (see Note 7)	700,338	256,695	125,000	832,033	–
	<u>\$ 8,918,571</u>	<u>\$ 432,971</u>	<u>\$ 584,410</u>	<u>\$ 8,767,132</u>	<u>\$ 386,024</u>

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, 2014, 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.

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
2015	\$ 245,000	\$ 314,401
2016	250,000	304,908
2017	260,000	295,220
2018	270,000	285,145
2019	285,000	274,345
2020–2024	1,595,000	1,188,355
2025–2029	1,965,000	818,715
2030–2034	2,445,000	340,200
	<u>\$ 7,315,000</u>	<u>\$ 3,821,289</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, 2014, 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	\$ 7,793	\$ –	\$ –	\$ 7,793
Inventory	2,129	–	–	2,129
Total nonspendable	9,922	–	–	9,922
Restricted for				
Basic skills	127,282	–	–	127,282
Debt service	628,482	–	–	628,482
Capital purposes	658,699	111,237	–	769,936
Total restricted	1,414,463	111,237	–	1,525,700
Unassigned	4,642,898	–	–	4,642,898
Total	<u>\$ 6,067,283</u>	<u>\$ 111,237</u>	<u>\$ –</u>	<u>\$ 6,178,520</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, 2014, the unassigned fund balance of the General Fund was 18.6 percent of fiscal 2014 expenditures.

C. Deficit Fund Balance

At June 30, 2014, the internal service funds have a deficit fund balance of \$361,090.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers’ Retirement Association (TRA) or Public Employees’ Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Teachers’ Retirement Association (TRA)

A. Plan Description

All teachers employed by the District are covered by defined benefit plans administered by the TRA. TRA members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

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 Statute and vest after three years of service credit. The defined retirement benefits are based on a member’s highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for 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

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

With these provisions:

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

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

Tier II

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. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0 to 5.4 percent per year.

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

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

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

The TRA publicly issues a comprehensive annual financial report presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.minnesotatra.org. Alternatively, a copy of the report may be obtained by writing the TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296-2409 or (800) 657-3669.

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 7.0 percent and 10.5 percent, respectively, of their annual covered salary during fiscal year 2014 as employee contributions. The TRA employer contribution rates are 7.0 percent for Coordinated Plan members and 11.0 percent for Basic Plan members during fiscal year 2014. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2013, 2012, and 2011, were approximately \$3.92 billion, \$3.87 billion, and \$3.84 billion, respectively.

The District's contributions for the years ended June 30, 2014, 2013, and 2012 were \$648,361, \$597,607, and \$536,038, respectively, equal to the required contributions for each year as set by state statutes.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates increased by 0.5 percent on July 1 of each year of the four-year period, ending in 2014. Beginning July 1, 2014, TRA Coordinated Plan employee and employer contribution rates will each be 7.5 percent.

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

Public Employees' Retirement Association (PERA)

A. Plan Description

All non-teacher full-time and certain part-time employees of the District are covered by defined benefit plans administered by the PERA. The PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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. All new members must participate in the Coordinated Plan.

The PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statutes, and vest after five years of credited service. The defined retirement 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 all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the GERF. That report may be obtained on the PERA website at 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.

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

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. The GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in fiscal 2014. In fiscal 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERP for the years ended June 30, 2014, 2013, and 2012 were \$370,126, \$368,169, and \$346,433, respectively. The District's contributions were equal to the required contributions for each year as set by state statutes.

Beginning January 1, 2015, Coordinated Plan contribution rates will increase for employees and employers to 6.50 percent and 7.50 percent, respectively.

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, 2012, the plan had 340 active participants and 11 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.

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

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.

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	\$ 241,692
Interest on net OPEB obligation	26,019
Adjustment to ARC	(11,016)
Annual OPEB cost (expense)	<u>256,695</u>
Contributions made	<u>125,000</u>
Increase in net OPEB obligation	131,695
Net OPEB obligation – beginning of year	<u>700,338</u>
Net OPEB obligation – end of year	<u><u>\$ 832,033</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, 2012	\$ 215,953	\$ 64,644	29.9%	\$ 578,192
June 30, 2013	\$ 232,146	\$ 110,000	47.4%	\$ 700,338
June 30, 2014	\$ 256,695	\$ 125,000	48.7%	\$ 832,033

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,500,479, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,500,479. The covered payroll (annual payroll of active employees covered by the plan) was \$13,212,704, and the ratio of the UAAL to the covered payroll was 11.4 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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 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 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after seven years, and a dental cost trend rate of 4.0 percent. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period on July 1, 2012 for the various amortization layers ranged from 26 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 dependant 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 dependant 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 dependant 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 dependant 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 \$548,330 for operating leases during the year ended June 30, 2014. These leases are scheduled to expire on various dates through 2022. The following is a summary of minimum lease payments for all operating leases:

Year Ending June 30,	Amount
2015	\$ 407,602
2016	280,770
2017	201,150
2018	204,394
2019	207,638
Thereafter	<u>642,382</u>
	<u>\$ 1,943,936</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 – LINE OF CREDIT

In June 2013, the District entered into a line of credit agreement with a national bank pursuant to Minnesota Statute § 123B.12(b). This agreement allows the District to borrow up to \$1,000,000. Principal and interest with respect to each advance under this line of credit shall be repaid within 45 days. Interest accrues at an annual rate equal to the prime rate plus 1.05 percent with a floor of 5 percent. This line of credit agreement expires June 30, 2014. No advances were made against this line of credit during the year ended June 30, 2014. This line of credit was not renewed for fiscal 2015.

NOTE 11 – INTERFUND TRANSACTIONS AND TRANSFERS

The General Fund made an interfund transfer of \$23,169 to the Food Service Special Revenue Fund to eliminate a fund balance deficit at year-end.

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

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, replaces the requirements of GASB Statement Nos. 27 and 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria (as described for GASB Statement No. 67). The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan. This statement is effective for financial statements for fiscal years beginning after June 15, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Required Supplementary Information
 Schedule of Funding Progress
 June 30, 2014

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, 2008	\$ 1,462,608	\$ -	\$ 1,462,608	- %	\$ 11,154,270	13.10 %
July 1, 2010	\$ 1,373,077	\$ -	\$ 1,373,077	- %	\$ 11,861,681	11.60 %
July 1, 2012	\$ 1,500,479	\$ -	\$ 1,500,479	- %	\$ 13,212,704	11.40 %

SUPPLEMENTAL INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 3,923,173	\$ 2,886,578
Cash and investments held by trustee	628,482	610,067
Receivables		
Accounts and interest	19,687	45,203
Due from other school districts	1,213,707	1,232,116
Due from Minnesota Department of Education	2,849,922	3,461,782
Due from other governmental units	115,481	96,384
Due from other funds	-	1,026
Inventory	2,129	51,154
Prepaid items	<u>7,793</u>	<u>29,556</u>
 Total assets	 <u><u>\$ 8,760,374</u></u>	 <u><u>\$ 8,413,866</u></u>
Liabilities		
Salaries and compensated absences payable	\$ 2,028,934	\$ 1,737,543
Accounts and contracts payable	41,566	44,156
Due to other school districts	198,337	342,252
Due to other governmental units	252,641	420,431
Unearned revenue	<u>171,613</u>	<u>164,859</u>
Total liabilities	2,693,091	2,709,241
Fund balances		
Nonspendable for prepaid items	7,793	29,556
Nonspendable for inventory	2,129	51,154
Restricted for debt service	628,482	610,067
Restricted for basic skills	127,282	34,589
Restricted for capital purposes	658,699	785,920
Assigned for subsequent year's budgeted deficit	-	110,661
Unassigned	<u>4,642,898</u>	<u>4,082,678</u>
Total fund balances	<u>6,067,283</u>	<u>5,704,625</u>
 Total liabilities and fund balances	 <u><u>\$ 8,760,374</u></u>	 <u><u>\$ 8,413,866</u></u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 7,442,076	\$ 7,500,972	\$ 58,896	\$ 7,798,778
Investment earnings	18,000	31,379	13,379	29,459
Other	723,296	744,844	21,548	695,438
State sources	17,094,842	16,844,989	(249,853)	14,971,337
Federal sources	160,960	159,147	(1,813)	155,577
Total revenue	<u>25,439,174</u>	<u>25,281,331</u>	<u>(157,843)</u>	<u>23,650,589</u>
Expenditures				
Current				
Administrative and support services	584,902	524,478	(60,424)	601,294
Secondary vocational/DCALS	3,773,650	3,731,391	(42,259)	4,227,288
Special education programs	20,618,428	20,080,540	(537,888)	18,895,989
Debt service				
Principal	235,000	235,000	–	225,000
Interest and fiscal charges	324,095	324,095	–	333,376
Total expenditures	<u>25,536,075</u>	<u>24,895,504</u>	<u>(640,571)</u>	<u>24,282,947</u>
Excess (deficiency) of revenue over expenditures	(96,901)	385,827	482,728	(632,358)
Other financing sources (uses)				
Proceeds from sale of assets	–	–	–	4,999
Transfers out	(23,000)	(23,169)	(169)	(18,630)
Total other financing sources (uses)	<u>(23,000)</u>	<u>(23,169)</u>	<u>(169)</u>	<u>(13,631)</u>
Net change in fund balances	<u>\$ (119,901)</u>	362,658	<u>\$ 482,559</u>	(645,989)
Fund balances				
Beginning of year		<u>5,704,625</u>		<u>6,350,614</u>
End of year		<u>\$ 6,067,283</u>		<u>\$ 5,704,625</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
 Combining Balance Sheet by Account
 as of June 30, 2014

	<u>Secondary Education</u>	<u>Special Education</u>	<u>Services Allocation</u>
Assets			
Cash and temporary investments (deficit)	\$ 1,821,142	\$ 1,392,655	\$ 12,474
Cash and investments held by trustee	-	-	-
Receivables			
Accounts and interest	-	5,125	14,562
Due from other school districts	363,984	821,949	22,360
Due from Minnesota Department of Education	-	2,849,922	-
Due from other governmental units	110,629	352	-
Inventory	-	-	-
Prepaid items	-	3,713	1,523
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,295,755</u>	<u>\$ 5,073,716</u>	<u>\$ 50,919</u>
Liabilities			
Salaries and compensated absences payable	\$ 254,522	\$ 1,751,744	\$ 22,668
Accounts and contracts payable	6,032	13,548	21,116
Due to other school districts	75,222	118,763	-
Due to other governmental units	127,217	123,028	1,092
Unearned revenue	-	165,570	6,043
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	462,993	2,172,653	50,919
Fund balances (deficit)			
Nonspendable for prepaid items	-	3,713	1,523
Nonspendable for inventory	-	-	-
Restricted for debt service	-	-	-
Restricted for basic skills programs	754	126,528	-
Restricted for capital purposes	-	-	-
Unassigned	1,832,008	2,770,822	(1,523)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,832,762	2,901,063	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,295,755</u>	<u>\$ 5,073,716</u>	<u>\$ 50,919</u>

<u>District Support Services</u>	<u>Capital Expenditure</u>	<u>Secondary Resale</u>	<u>Special Education Resale</u>	<u>Total</u>
\$ (391)	\$ 658,699	\$ 28,138	\$ 10,456	\$ 3,923,173
-	628,482	-	-	628,482
-	-	-	-	19,687
5,414	-	-	-	1,213,707
-	-	-	-	2,849,922
-	-	4,500	-	115,481
-	-	1,471	658	2,129
-	-	2,557	-	7,793
<u>\$ 5,023</u>	<u>\$ 1,287,181</u>	<u>\$ 36,666</u>	<u>\$ 11,114</u>	<u>\$ 8,760,374</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,028,934
-	-	870	-	41,566
4,352	-	-	-	198,337
-	-	1,197	107	252,641
-	-	-	-	171,613
<u>4,352</u>	<u>-</u>	<u>2,067</u>	<u>107</u>	<u>2,693,091</u>
-	-	2,557	-	7,793
-	-	1,471	658	2,129
-	628,482	-	-	628,482
-	-	-	-	127,282
-	658,699	-	-	658,699
<u>671</u>	<u>-</u>	<u>30,571</u>	<u>10,349</u>	<u>4,642,898</u>
<u>671</u>	<u>1,287,181</u>	<u>34,599</u>	<u>11,007</u>	<u>6,067,283</u>
<u>\$ 5,023</u>	<u>\$ 1,287,181</u>	<u>\$ 36,666</u>	<u>\$ 11,114</u>	<u>\$ 8,760,374</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund

Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2014

	<u>Secondary Education</u>	<u>Special Education</u>	<u>Services Allocation</u>
Revenue			
Local sources			
Tuition	\$ 3,113,264	\$ 3,396,148	\$ 432,465
Investment earnings	1,301	1,119	-
Other	3,335	568,794	5,654
State sources	118,957	16,689,111	36,921
Federal sources	154,147	5,000	-
Total revenue	<u>3,391,004</u>	<u>20,660,172</u>	<u>475,040</u>
Expenditures			
Current			
Administrative and support services	-	-	475,040
Secondary vocational/DCALS	3,471,081	-	-
Special education programs	-	20,060,940	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>3,471,081</u>	<u>20,060,940</u>	<u>475,040</u>
Excess (deficiency) of revenue over expenditures	(80,077)	599,232	-
Other financing sources (uses)			
Transfers out	<u>-</u>	<u>(23,169)</u>	<u>-</u>
Net change in fund balances	(80,077)	576,063	-
Fund balances			
Beginning of year	<u>1,912,839</u>	<u>2,325,000</u>	<u>-</u>
End of year	<u>\$ 1,832,762</u>	<u>\$ 2,901,063</u>	<u>\$ -</u>

<u>District Support Services</u>	<u>Capital Expenditure</u>	<u>Secondary Resale</u>	<u>Special Education Resale</u>	<u>Total</u>
\$ -	\$ 559,095	\$ -	\$ -	\$ 7,500,972
-	28,959	-	-	31,379
31,060	-	119,308	16,693	744,844
-	-	-	-	16,844,989
-	-	-	-	159,147
<u>31,060</u>	<u>588,054</u>	<u>119,308</u>	<u>16,693</u>	<u>25,281,331</u>
49,438	-	-	-	524,478
-	137,765	122,545	-	3,731,391
-	-	-	19,600	20,080,540
-	235,000	-	-	235,000
-	324,095	-	-	324,095
<u>49,438</u>	<u>696,860</u>	<u>122,545</u>	<u>19,600</u>	<u>24,895,504</u>
(18,378)	(108,806)	(3,237)	(2,907)	385,827
-	-	-	-	(23,169)
<u>(18,378)</u>	<u>(108,806)</u>	<u>(3,237)</u>	<u>(2,907)</u>	<u>362,658</u>
<u>19,049</u>	<u>1,395,987</u>	<u>37,836</u>	<u>13,914</u>	<u>5,704,625</u>
<u>\$ 671</u>	<u>\$ 1,287,181</u>	<u>\$ 34,599</u>	<u>\$ 11,007</u>	<u>\$ 6,067,283</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, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 3,083,041	\$ 3,113,264	\$ 30,223	\$ 3,587,494
Investment earnings	–	1,301	1,301	855
Other	–	3,335	3,335	8,645
State sources	117,867	118,957	1,090	75,408
Federal sources	155,960	154,147	(1,813)	150,577
Total revenue	<u>3,356,868</u>	<u>3,391,004</u>	<u>34,136</u>	<u>3,822,979</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	1,915,112	1,894,098	(21,014)	2,449,860
Employee benefits	728,718	702,336	(26,382)	795,235
Purchased services	557,803	521,496	(36,307)	535,087
Supplies and materials	92,155	67,619	(24,536)	102,664
Other expenditures	2,351	2,068	(283)	3,611
Capital expenditures	22,086	23,236	1,150	14,052
Allocated overhead	261,748	260,228	(1,520)	234,507
Total expenditures	<u>3,579,973</u>	<u>3,471,081</u>	<u>(108,892)</u>	<u>4,135,016</u>
Excess (deficiency) of revenue over expenditures	(223,105)	(80,077)	143,028	(312,037)
Other financing sources				
Proceeds from sale of assets	–	–	–	196
Net change in fund balances	<u>\$ (223,105)</u>	<u>(80,077)</u>	<u>\$ 143,028</u>	<u>(311,841)</u>
Fund balances				
Beginning of year		<u>1,912,839</u>		<u>2,224,680</u>
End of year		<u>\$ 1,832,762</u>		<u>\$ 1,912,839</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, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 3,351,085	\$ 3,396,148	\$ 45,063	\$ 3,202,954
Investment earnings (charges)	–	1,119	1,119	44
Other	581,775	568,794	(12,981)	546,076
State sources	16,941,479	16,689,111	(252,368)	14,861,033
Federal sources	5,000	5,000	–	5,000
Total revenue	<u>20,879,339</u>	<u>20,660,172</u>	<u>(219,167)</u>	<u>18,615,107</u>
Expenditures				
Current				
Special education programs				
Salaries	12,179,972	12,056,948	(123,024)	11,308,037
Employee benefits	4,798,938	4,645,254	(153,684)	4,313,213
Purchased services	1,746,372	1,660,968	(85,404)	1,516,683
Supplies and materials	624,853	395,044	(229,809)	484,941
Other expenditures	8,676	6,855	(1,821)	6,696
Capital expenditures	179,815	238,966	59,151	186,639
Allocated overhead	1,063,202	1,056,905	(6,297)	1,060,534
Total expenditures	<u>20,601,828</u>	<u>20,060,940</u>	<u>(540,888)</u>	<u>18,876,743</u>
Excess (deficiency) of revenue over expenditures	277,511	599,232	321,721	(261,636)
Other financing sources (uses)				
Proceeds from sale of assets	–	–	–	853
Transfers out	(23,000)	(23,169)	(169)	(18,630)
Total other financing sources (uses)	<u>(23,000)</u>	<u>(23,169)</u>	<u>(169)</u>	<u>(17,777)</u>
Net change in fund balances	<u>\$ 254,511</u>	576,063	<u>\$ 321,552</u>	(279,413)
Fund balances				
Beginning of year		<u>2,325,000</u>		<u>2,604,413</u>
End of year		<u>\$ 2,901,063</u>		<u>\$ 2,325,000</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, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 448,855	\$ 432,465	\$ (16,390)	\$ 449,954
Other	11,503	5,654	(5,849)	8,474
State sources	35,496	36,921	1,425	34,896
Total revenue	<u>495,854</u>	<u>475,040</u>	<u>(20,814)</u>	<u>493,324</u>
Expenditures				
Current				
Administrative and support services				
Salaries	800,238	799,495	(743)	789,620
Employee benefits	253,595	259,349	5,754	253,125
Purchased services	705,543	676,557	(28,986)	707,647
Supplies and materials	32,420	27,647	(4,773)	23,593
Other expenditures	14,004	14,123	119	13,404
Capital expenditures	15,000	15,000	–	974
Allocated overhead	(1,324,946)	(1,317,131)	7,815	(1,295,039)
Total expenditures	<u>495,854</u>	<u>475,040</u>	<u>(20,814)</u>	<u>493,324</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, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Other	\$ 50,000	\$ 31,060	\$ (18,940)	\$ 44,058
Expenditures				
Current				
Administrative and support services				
Purchased services	50,000	31,087	(18,913)	44,060
Capital expenditures	19,048	18,351	(697)	–
Total expenditures	<u>69,048</u>	<u>49,438</u>	<u>(19,610)</u>	<u>44,060</u>
Net change in fund balances	<u>\$ (19,048)</u>	(18,378)	<u>\$ 670</u>	(2)
Fund balances				
Beginning of year		<u>19,049</u>		<u>19,051</u>
End of year		<u>\$ 671</u>		<u>\$ 19,049</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, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 559,095	\$ 559,095	\$ –	\$ 558,376
Investment earnings	18,000	28,959	10,959	28,560
Total revenue	<u>577,095</u>	<u>588,054</u>	<u>10,959</u>	<u>586,936</u>
Expenditures				
Current				
Administrative and support services				
Supplies and materials	–	–	–	367
Capital expenditures	20,000	–	(20,000)	63,543
Secondary vocational/DCALS				
Purchased services	124,520	137,765	13,245	26,673
Debt service				
Principal	235,000	235,000	–	225,000
Interest and fiscal charges	324,095	324,095	–	333,376
Total expenditures	<u>703,615</u>	<u>696,860</u>	<u>(6,755)</u>	<u>648,959</u>
Net change in fund balances	<u>\$ (126,520)</u>	<u>(108,806)</u>	<u>\$ 17,714</u>	<u>(62,023)</u>
Fund balances				
Beginning of year		<u>1,395,987</u>		<u>1,458,010</u>
End of year		<u>\$ 1,287,181</u>		<u>\$ 1,395,987</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, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Other	\$ 62,918	\$ 119,308	\$ 56,390	\$ 70,329
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	11,773	20,863	9,090	13,099
Supplies and materials	51,599	95,517	43,918	50,962
Capital expenditures	5,480.00	5,480	–	1,200
Other expenditures	305	685	380	338
Total expenditures	<u>69,157</u>	<u>122,545</u>	<u>53,388</u>	<u>65,599</u>
Excess (deficiency) of revenue over expenditures	(6,239)	(3,237)	3,002	4,730
Other financing sources				
Proceeds from sale of assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,950</u>
Net change in fund balances	<u>\$ (6,239)</u>	<u>(3,237)</u>	<u>\$ 3,002</u>	<u>8,680</u>
Fund balances				
Beginning of year		<u>37,836</u>		<u>29,156</u>
End of year		<u>\$ 34,599</u>		<u>\$ 37,836</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, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 17,100	\$ 16,693	\$ (407)	\$ 17,856
Expenditures				
Current				
Special education programs				
Purchased services	–	1,262	1,262	–
Resale of equipment	–	–	–	1,544
Supplies and materials	16,600	18,338	1,738	17,702
Total expenditures	<u>16,600</u>	<u>19,600</u>	<u>3,000</u>	<u>19,246</u>
Net change in fund balances	<u>\$ 500</u>	(2,907)	<u>\$ (3,407)</u>	(1,390)
Fund balances				
Beginning of year		<u>13,914</u>		<u>15,304</u>
End of year		<u>\$ 11,007</u>		<u>\$ 13,914</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	<u>\$ 111,237</u>	<u>\$ 438,266</u>
Liabilities		
Due to other governmental units	\$ -	\$ 131,829
Fund balances		
Restricted for capital purposes	<u>111,237</u>	<u>306,437</u>
Total liabilities and fund balances	<u>\$ 111,237</u>	<u>\$ 438,266</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, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ -	\$ 104	\$ 104	\$ 198
Expenditures				
Capital outlay	<u>198,600</u>	<u>195,304</u>	<u>(3,296)</u>	<u>164,382</u>
Net change in fund balances	<u><u>\$ (198,600)</u></u>	<u>(195,200)</u>	<u><u>\$ 3,400</u></u>	<u>(164,184)</u>
Fund balances				
Beginning of year		<u>306,437</u>		<u>470,621</u>
End of year		<u><u>\$ 111,237</u></u>		<u><u>\$ 306,437</u></u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 418	\$ -
Receivables		
Due from other governmental units	<u>1,577</u>	<u>1,026</u>
 Total assets	 <u>\$ 1,995</u>	 <u>\$ 1,026</u>
Liabilities		
Due to other governmental units	\$ 1,995	\$ -
Due to other funds	<u>-</u>	<u>1,026</u>
 Total liabilities	 <u>\$ 1,995</u>	 <u>\$ 1,026</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, 2014
 (With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 18,350	\$ 20,820	\$ 2,470	\$ 14,146
State sources	3,450	3,952	502	3,058
Federal sources	49,475	56,242	6,767	49,945
Total revenue	<u>71,275</u>	<u>81,014</u>	<u>9,739</u>	<u>67,149</u>
Expenditures				
Purchased services	4,725	2,809	(1,916)	3,491
Supplies and materials	89,550	101,374	11,824	82,288
Total expenditures	<u>94,275</u>	<u>104,183</u>	<u>9,908</u>	<u>85,779</u>
Excess (deficiency) of revenue over expenditures	(23,000)	(23,169)	(169)	(18,630)
Other financing sources				
Transfers in	<u>23,000</u>	<u>23,169</u>	<u>169</u>	<u>18,630</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, 2014
 (With Comparative Totals as of June 30, 2013)

	Dental Self-Insurance	Post-Employment Employee Benefits	Totals	
			2014	2013
Assets				
Cash and temporary investments	\$ 281,246	\$ 698,835	\$ 980,081	\$ 772,994
Accounts receivable	–	–	–	1,029
Prepaid items	–	474	474	509
Total assets	<u>281,246</u>	<u>699,309</u>	<u>980,555</u>	<u>774,532</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	35,745	–	35,745	12,202
Severance benefits payable	–	23,139	23,139	98,380
Total current liabilities	<u>35,745</u>	<u>23,139</u>	<u>58,884</u>	<u>110,582</u>
Long-term liabilities				
Net other post-employment benefit obligation	–	832,033	832,033	700,338
Severance benefits payable	–	450,728	450,728	465,248
Total long-term liabilities	<u>–</u>	<u>1,282,761</u>	<u>1,282,761</u>	<u>1,165,586</u>
Total liabilities	<u>35,745</u>	<u>1,305,900</u>	<u>1,341,645</u>	<u>1,276,168</u>
Net position (deficit)				
Unrestricted	<u>\$ 245,501</u>	<u>\$ (606,591)</u>	<u>\$ (361,090)</u>	<u>\$ (501,636)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Fund Net Position
 Year Ended June 30, 2014
 (With Comparative Totals for the Year Ended June 30, 2013)

	Dental	Post-Employment	Totals	
	Self-Insurance	Employee Benefits	2014	2013
Operating revenue				
Local sources				
Contributions from governmental funds	\$ 346,795	\$ 205,000	\$ 551,795	\$ 525,048
Operating expenses				
Post-employment severance and health benefits	–	64,449	64,449	226,441
Dental benefit claims	347,465	–	347,465	293,463
Total operating expenses	<u>347,465</u>	<u>64,449</u>	<u>411,914</u>	<u>519,904</u>
Operating income (loss)	(670)	140,551	139,881	5,144
Nonoperating revenue				
Investment earnings	<u>174</u>	<u>491</u>	<u>665</u>	<u>338</u>
Change in net position	(496)	141,042	140,546	5,482
Net position (deficit)				
Beginning of year	<u>245,997</u>	<u>(747,633)</u>	<u>(501,636)</u>	<u>(507,118)</u>
End of year	<u>\$ 245,501</u>	<u>\$ (606,591)</u>	<u>\$ (361,090)</u>	<u>\$ (501,636)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2014
 (With Comparative Totals for the Year Ended June 30, 2013)

	Dental Self-Insurance	Post-Employment Employee Benefits	Totals	
			2014	2013
Cash flows from operating activities				
Contributions from governmental funds	\$ 347,824	\$ 205,000	\$ 552,824	\$ 525,048
Post-employment severance and health benefit payments	–	(30,674)	(30,674)	(42,083)
Payments for dental claims	(315,728)	–	(315,728)	(320,290)
Net cash provided by operating activities	32,096	174,326	206,422	162,675
Cash flows from noncapital financing activities				
Cash paid to other funds	–	–	–	152,013
Cash flows from investing activities				
Investment income received	174	491	665	338
Net change in cash and cash equivalents	32,270	174,817	207,087	315,026
Cash and temporary investments				
Beginning of year	248,976	524,018	772,994	457,968
End of year	\$ 281,246	\$ 698,835	\$ 980,081	\$ 772,994
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (670)	\$ 140,551	\$ 139,881	\$ 5,144
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Changes in assets and liabilities				
Post-employment severance benefits payable	–	(89,761)	(89,761)	54,527
Net other post-employment benefit obligation	–	131,695	131,695	122,146
Accounts receivable	1,029	–	1,029	(1,029)
Prepaid items	–	35	35	(509)
Accounts payable	31,737	(8,194)	23,543	(17,604)
Net cash provided by operating activities	\$ 32,096	\$ 174,326	\$ 206,422	\$ 162,675

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	
2005	\$ 14,646,565 94%	\$ 845,216 5%	\$ 19,867 -	\$ 107,332 1%	\$ 15,618,980 100%
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%

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
2005	\$ 1,073,594 7%	\$ 3,492,142 22%	\$ 11,493,554 71%	\$ - -	\$ - -	\$ 16,059,290 100%
2006	1,112,460 7%	3,269,581 20%	11,708,188 73%	- -	- -	16,090,229 100%
2007	1,309,198 7%	3,239,749 19%	12,838,805 74%	- -	- -	17,387,752 100%
2008	1,143,629 6%	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 16%	18,097,103 75%	85,779 -	335,885 1%	24,480,383 100%
2014	1,892,695 8%	3,483,868 14%	19,239,348 77%	108,123 -	326,431 1%	25,050,465 100%

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	2005	\$ 3,000,884	\$ 19,424	\$ 54,720	\$ -	\$ 253,175	\$ 3,328,203
	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
Special education	2005	11,468,180	(6,682)	134,097	-	560,570	12,156,165
	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
Services allocation	2005	-	-	-	25,485	-	25,485
	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
District support services	2005	-	-	99,698	-	-	99,698
	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

(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	2005	—	44	—	—	—	44
	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
Secondary resale	2005	—	—	—	—	—	—
	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
Special education resale	2005	—	—	—	—	—	—
	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

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	2005	\$ 1,889,985	\$ 487,743	\$ 496,042	\$ 197,639	\$ 195,183	\$ 3,266,592
	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	3,967,802
	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
Special education	2005	7,573,709	1,997,793	1,405,226	414,445	753,184	12,144,357
	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	18,129,311
	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
Services allocation	2005	563,366	168,404	158,183	83,899	(948,367)	25,485
	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)	363,415
	2013	789,620	253,125	707,647	37,971	(1,295,039)	493,324
	2014	799,495	259,349	676,557	56,770	(1,317,131)	475,040
District support services	2005	63,625	15,555	101,453	(16,301)	–	164,332
	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	–	75,741
	2013	–	–	44,060	–	–	44,060
	2014	–	–	31,087	18,351	–	49,438

(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	2005	-	-	-	-	-	-
	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	-	628,038
	2013	-	-	26,673	622,286	-	648,959
	2014	-	-	137,765	559,095	-	696,860
Secondary resale	2005	-	-	-	-	-	-
	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	-	126,537
	2013	-	-	13,099	52,500	-	65,599
	2014	-	-	20,863	101,682	-	122,545
Special education resale	2005	-	-	-	-	-	-
	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	-	20,009
	2013	-	-	-	19,246	-	19,246
	2014	-	-	1,262	18,338	-	19,600

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.

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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, 2014, 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, 2014.

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, 2014



PRINCIPALS

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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, 2014, 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, 2014.

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.

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, 2014

INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2014

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 25,281,331	\$ 25,281,327	\$ 4
Total expenditures		\$ 24,895,504	\$ 24,895,496	\$ 8
Nonspendable				
460	Nonspendable fund balance	\$ 9,922	\$ 9,923	\$ (1)
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	\$ 127,282	\$ 127,282	\$ –
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	\$ 1,287,181	\$ 1,287,181	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ –	\$ –	\$ –
Unassigned				
422	Unassigned fund balance	\$ 4,642,898	\$ 4,642,901	\$ (3)
Food Service				
Total revenue		\$ 81,014	\$ 81,013	\$ 1
Total expenditures		\$ 104,183	\$ 104,182	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
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, 2014

	Audit	UFARS	Audit – UFARS
Building Construction			
Total revenue	\$ 104	\$ 104	\$ –
Total expenditures	\$ 195,304	\$ 195,305	\$ (1)
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	\$ 111,237	\$ 111,237	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service			
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	\$ –	\$ –	\$ –
Trust			
Total revenue	\$ 1,223	\$ 1,222	\$ 1
Total expenditures	\$ 854	\$ 853	\$ 1
422 Net position	\$ 3,224	\$ 3,224	\$ –
Internal Service			
Total revenue	\$ 552,460	\$ 552,460	\$ –
Total expenditures	\$ 411,914	\$ 411,914	\$ –
422 Net position	\$ (361,090)	\$ (361,089)	\$ (1)
OPEB Revocable Trust Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Debt Service Fund			
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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