

INTERMEDIATE SCHOOL DISTRICT NO. 917
ROSEMOUNT, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2021

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INTERMEDIATE SCHOOL DISTRICT NO. 917

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INDEPENDENT SCHOOL DISTRICT NO. 917

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INTRODUCTORY SECTION

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INTERMEDIATE SCHOOL DISTRICT NO. 917

School Board and Administration
as of June 30, 2021

SCHOOL BOARD

<u>Board of Directors</u>	<u>Member District</u>	<u>Position on Board</u>
Dee Dee Currier	ISD No. 191	Chairperson
Melissa Sauser	ISD No. 192	Vice Chairperson
Byron Schwab	ISD No. 197	Treasurer
Vanda Pressnall	ISD No. 195	Clerk
Tom Bennett	ISD No. 271	Director
Wendy Felton	ISD No. 6	Director
Kathy Lewis	ISD No. 194	Director
Cindy Nordstrom	ISD No. 199	Director
Dave Pemble	ISD No. 200	Director

ADMINISTRATION

Mark Zuzek	Superintendent
Nicolle Roush	Executive Director of Business Services
Melissa Schaller	Executive Director of Student Services
Eric Van Brocklin	Secondary Education Principal

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2021, 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, 2021, 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 (RSI), 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 RSI 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, 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 2020 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 November 16, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 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 November 29, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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
November 29, 2021

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Management's Discussion and Analysis Year Ended June 30, 2021

This section of Intermediate School District No. 917's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by \$12,536,864 (net position deficit). The District's total net position decreased by \$890,510 during the fiscal year ended June 30, 2021.
- The District's total General Fund balance at June 30, 2021 is \$10,337,046, an increase of \$204,926 over the prior year.
- The District's governmental funds Balance Sheet reflects a \$9,987,663 unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional 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 secondary vocational and special education instruction, 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. Funds (Food Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor funds." Detailed financial information for nonmajor funds can be found in the supplemental information section.

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

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view, that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial 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 three internal service funds, including funds for accounting for post-employment employee benefits, and medical self-insurance and dental self-insurance plans.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2021 and 2020		
	2021	2020
Assets		
Current and other assets	\$ 21,012,786	\$ 19,322,793
Capital assets, net of accumulated depreciation	8,717,725	9,050,323
Total assets	<u>\$ 29,730,511</u>	<u>\$ 28,373,116</u>
Deferred outflows of resources		
Pension plan deferments	\$ 13,409,603	\$ 17,692,896
OPEB plan deferments	179,862	80,002
Deferred charge on refunding debt	291,532	313,957
Total deferred outflows of resources	<u>\$ 13,880,997</u>	<u>\$ 18,086,855</u>
Liabilities		
Current and other liabilities	\$ 4,689,404	\$ 4,338,495
Long-term liabilities, including due within one year	36,216,455	31,745,650
Total liabilities	<u>\$ 40,905,859</u>	<u>\$ 36,084,145</u>
Deferred inflows of resources		
Pension plan deferments	\$ 14,549,012	\$ 21,635,829
OPEB plan deferments	693,501	386,351
Total deferred inflows of resources	<u>\$ 15,242,513</u>	<u>\$ 22,022,180</u>
Net position		
Net investment in capital assets	\$ 1,856,227	\$ 1,894,018
Restricted for other purposes	61,543	93,757
Unrestricted	(14,454,634)	(13,634,129)
Total net position	<u>\$ (12,536,864)</u>	<u>\$ (11,646,354)</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, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's total net position at June 30, 2021 was \$890,510 less than in the prior year, mainly due to the change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans, which also contributed to the change in deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

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

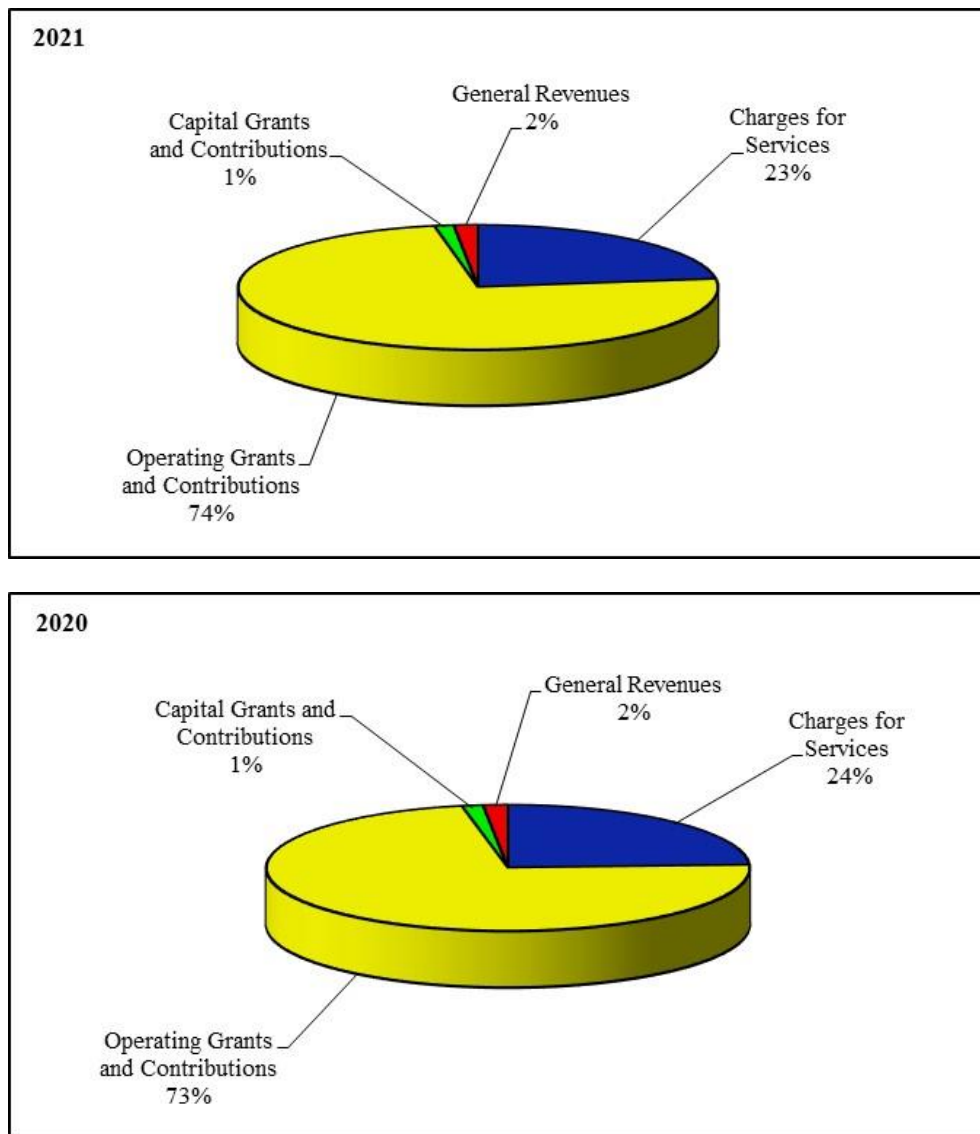
Table 2 Summary Statement of Activities for the Years Ended June 30, 2021 and 2020		
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 9,775,850	\$ 10,276,311
Operating grants and contributions	31,662,477	30,724,528
Capital grants and contributions	553,065	591,900
General revenues		
Other	685,012	594,648
Investment earnings	6,965	104,869
Total revenues	<u>42,683,369</u>	<u>42,292,256</u>
Expenses		
Administrative and support services	2,149,317	1,980,504
Secondary vocational/DCALS	4,274,114	4,104,278
Special education programs	36,829,246	36,440,788
Food service	91,751	114,859
Interest and fiscal charges on debt	229,451	235,435
Total expenses	<u>43,573,879</u>	<u>42,875,864</u>
Change in net position	(890,510)	(583,608)
Net position – beginning	<u>(11,646,354)</u>	<u>(11,062,746)</u>
Net position – ending	<u><u>\$ (12,536,864)</u></u>	<u><u>\$ (11,646,354)</u></u>

This table 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 District's total revenues were \$42,683,369 for the year ended June 30, 2021. Operating grants and contributions increased by 3.1 percent, due to increases in general education aid and Minnesota Department of Education (MDE) tuition billing for special education.

The total cost of all programs and services was \$43,573,879. The District's expenses are predominantly related to educating students. In fiscal 2020–2021, 94.3 percent of the District's expenses were devoted to this purpose. The administrative and support services activity of the District accounted for 4.9 percent of total expenses for the year. It should be noted that the District allocated \$2,084,293 in administrative and support services expenses to the secondary vocational Dakota County Area Learning School (DCALS) and special education programs in fiscal 2021. The increase in operating grants and contributions is mainly related to increases in federal COVID-19-related stimulus aid, increases in general education aid from increased online learning students in alternative learning (DCALS) programs, and state special education aid in the current year. Charges for services decreased, due to a reduction in the number of care and treatment students the District served. The increase in expenses mainly reflects the change in the PERA and the TRA multiple-employer defined benefit pension plans, as mentioned earlier.

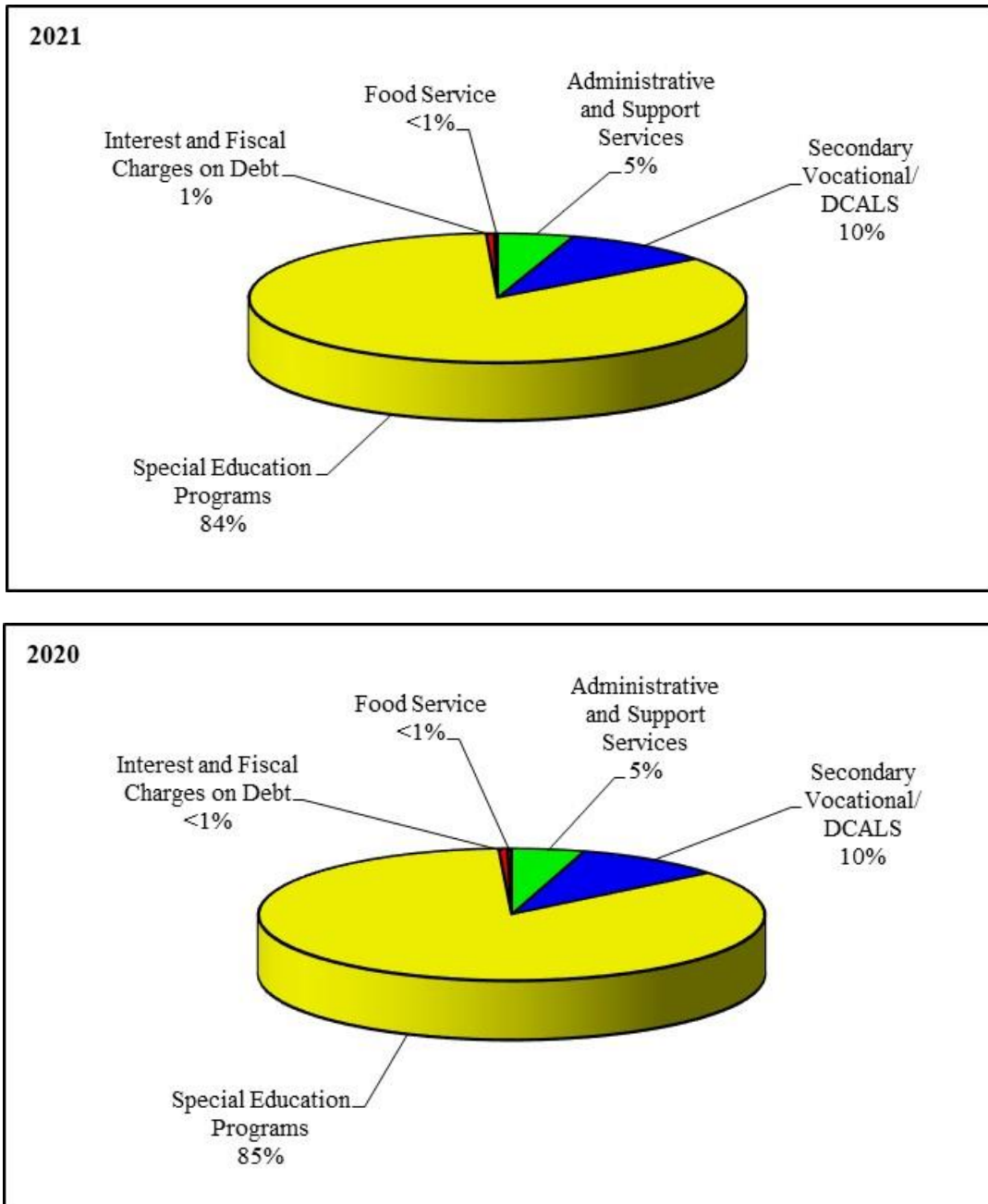
Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2021 and 2020



The largest share of the District's revenue is received from the state, including the aid formulas and most of the operating grants. Special education tuition billing has been processed through the MDE since 2009. Based on the special education services and costs reported to the MDE, the District generates both state special education aid and MDE-generated tuition billing revenue. Because these dollars flow through the state, they are classified as an operating grants and contributions rather than charges for services.

Figure B – Expenses for Fiscal Years 2021 and 2020



The District's expenses are predominately related to educating students. Programs (or functions), such as secondary vocational (DCALS) and special education programs 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 Ended June 30, 2021 and 2020

	2021		2020	
	Total Cost of Services	Net (Expense) Revenue From Services	Total Cost of Services	Net (Expense) Revenue From Services
Governmental activities				
Administrative and support services	\$ 2,149,317	\$ (38,759)	\$ 1,980,504	\$ (32,954)
Secondary vocational/DCALS	4,274,114	151,956	4,104,278	555,917
Special education programs	36,829,246	(1,453,293)	36,440,788	(1,556,449)
Food service	91,751	(12,940)	114,859	(14,204)
Interest and fiscal charges	229,451	(229,451)	235,435	(235,435)
Total	<u>\$ 43,573,879</u>	<u>\$ (1,582,487)</u>	<u>\$ 42,875,864</u>	<u>\$ (1,283,125)</u>

The overall net (expense) revenue from services was \$299,362 less than fiscal 2020, mainly due to the change in the PERA and the TRA multiple-employer defined benefit pension plans, mentioned earlier.

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, 2021 and 2020				
	2021	2020	Change	Total Percent Change
Major fund				
General	\$ 10,337,046	\$ 10,132,120	\$ 204,926	2.0%
Nonmajor fund				
Food Service Special Revenue	—	—	—	—
Total governmental funds	<u>\$ 10,337,046</u>	<u>\$ 10,132,120</u>	<u>\$ 204,926</u>	2.0%

As previously discussed, the focus of the District's governmental funds is to provide information on near-term inflows and outflows of resources, and balances of spendable resources. Such information is useful in assessing the District's financing position. 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

	<u>2016–2017</u>	<u>2017–2018</u>	<u>2018–2019</u>	<u>2019–2020</u>	<u>2020–2021</u>
Secondary vocational resource programs	92.80	106.57	101.79	94.33	72.33
DCALS programs	214.84	271.12	320.89	332.34	339.60
Special education resource programs	478.42	466.30	479.53	506.55	512.04

Funding for Minnesota school districts is largely driven by enrollment. In the current economic environment, member districts are striving to keep students at their sites, whenever possible. Overall, the District's secondary vocational resource programs experienced a significant decline, due to member districts starting their own vocational programs and operating under a hybrid learn model, which reduced the number of students who enrolled in vocational programs in 2020–2021. Alternative learning (DCALS) programs continue to experience growth from the previous fiscal year. Special education resource programs did not experience the intended program growth in Students with Unique Needs (SUN), Therapeutic Education Alternative (TEA), and Transition Education Services (TESA), due to COVID-19 and working within a new education model of distance or hybrid models throughout the year. Stable and predictable enrollment to maintain and fund programs will continue to be especially challenging in the secondary vocational resource programs. Special education will continue to be a challenge to expand programming to meet the educational needs of students on our waiting lists, due to the challenging hiring environment of employees.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Unassigned fund balance	\$ 5,922,746	\$ 6,634,983	\$ 9,339,643	\$ 9,471,747	\$ 9,987,663
Percent increase	3.4%	12.0%	40.8%	1.4%	5.4%
Expenditures	\$ 33,366,968	\$ 32,756,448	\$ 38,602,276	\$ 41,790,457	\$ 42,335,893
Percent increase (decrease)	16.7%	(1.8%)	17.8%	8.3%	1.3%
Unassigned fund balance as a percentage of expenditures	17.8%	20.3%	24.2%	22.7%	23.6%

The District ended the year with a \$204,926 increase in the General Fund balance. Unassigned General Fund balance increased \$515,916. The total increase of \$204,926 is \$580,365 higher than anticipated in the District's revised budget. The reason for the variance is due to the District experiencing better than expected results in the Secondary Education Account totaling \$435,963. This includes revenue exceeding projections by \$252,215, mainly due to an under accrual of estimated state aid in the prior year that resulted in approximately \$144,000 of fiscal 2020 state special education aid being recognized as revenue in the current year. State aid was also higher than the budget, due to increased program activity in the current year. Tuition revenue was more than anticipated by \$230,049, mainly due to higher than anticipated enrollment including 35 additional students at the DCALS program. Expenditures were also lower than budgeted amounts, mainly in purchased services, due to the District being unable to spend all of the Carl Perkins funding received due to COVID-19 causing shifts in activities planned for students, conferences, and being unable to collectively come together to expend the funds.

Table 7 presents a summary of General Fund revenue:

Table 7 General Fund Revenue for the Years Ended June 30, 2021 and 2020			
	2021	2020	Change
Local sources			
Tuition	\$ 10,027,650	\$ 10,282,316	\$ (254,666)
Investment earnings	3,328	54,944	(51,616)
Other	316,829	542,624	(225,795)
State sources	31,661,833	31,092,613	569,220
Federal sources	543,858	156,934	386,924
Total General Fund revenues	<u>\$ 42,553,498</u>	<u>\$ 42,129,431</u>	<u>\$ 424,067</u>

Total General Fund revenues increased \$424,067, or 1.0 percent, in fiscal 2021, as compared to the previous year. Overall, the changes in revenues can be attributed to an increase in state sources and federal sources. Federal source increases were directly from COVID-19-related stimulus grants and aids received in fiscal 2021. Direct tuition revenues declined from local school districts for services provided mostly in our secondary career and technical education programs. The School Board approved using fund balance of \$320,000 to mitigate the tuition cost impact in these programs, due to lower than anticipated enrollment.

The increase in state sources is due to a 2.0 percent increase in general education revenues. The remaining increase is the result of increased revenues from special education aid. The increase in special education revenues is the result of increased entitlements of about \$400,000. Increased entitlements were due to average salary and benefit increases per contract of approximately 4.0 percent, which were offset by a decrease in expenditures related to COVID-19 and the distance/hybrid learning model. In addition, other local sources decreased, due to a loss in Medical Assistances revenues, also due to COVID-19.

Table 8 presents a summary of General Fund expenditures:

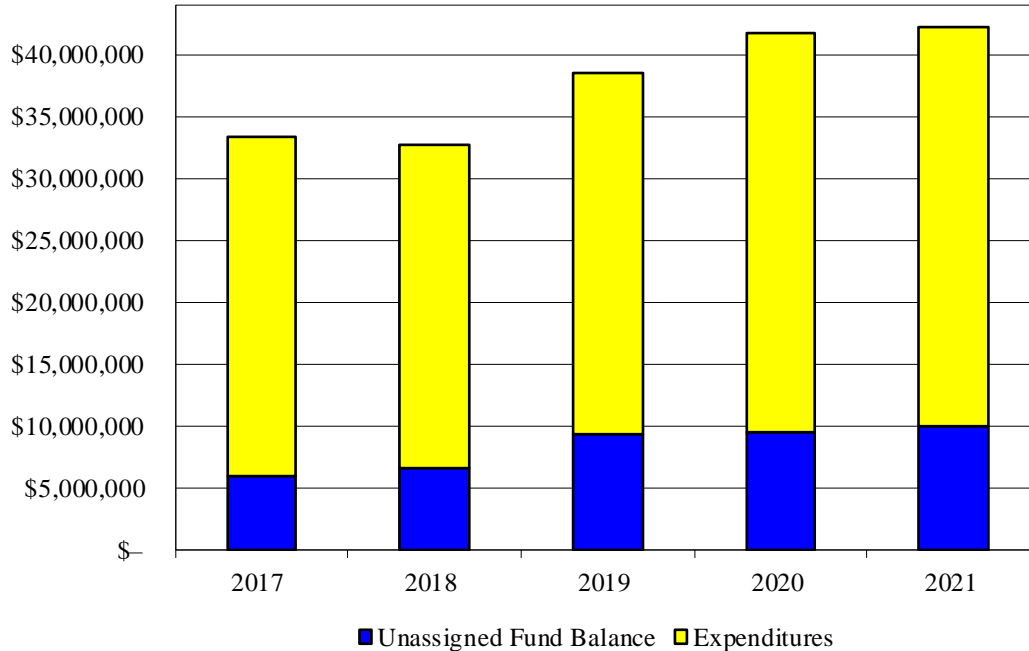
Table 8 General Fund Expenditures for the Years Ended June 30, 2021 and 2020			
	2021	2020	Change
Salaries	\$ 26,077,219	\$ 24,999,206	\$ 1,078,013
Employee benefits	9,577,950	9,022,930	555,020
Purchased services	4,748,186	5,129,662	(381,476)
Supplies and materials	909,242	1,155,196	(245,954)
Other expenditures	169,398	144,951	24,447
Capital expenditures	327,098	815,812	(488,714)
Debt service	526,800	522,700	4,100
Total General Fund expenditures	<u>\$ 42,335,893</u>	<u>\$ 41,790,457</u>	<u>\$ 545,436</u>

Total General Fund expenditures increased \$545,436, or 1.3 percent, from the previous year. Overall, the changes in expenditures can be attributed to an increase in salaries and benefits, mainly due to increases related to employment contract enhancements and the number of employees serving the special education programs. In addition, there were significant reductions in expenditures in areas of purchased services, supplies, and capital expenditures with the impact of COVID-19. There were also several remodeling projects at the Concord, Alliance, and Lebanon Education sites in fiscal year 2020, causing the decline in capital expenditures.

In summary, 2020–2021 General Fund revenues exceeded General Fund expenditures and other financing uses by \$204,926. As a result, total fund balance increased to \$10,337,046 at June 30, 2021. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance increased from \$9,471,747 at June 30, 2020, to \$9,987,663 at June 30, 2021.

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 \$10.0 million at June 30, 2021, represents 23.6 percent of annual expenditures, or almost three 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, compared to an independent school district.

The continued maintenance of 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 the current metering system and limited cash flow borrowing options available, the District believes it is necessary to maintain a minimum fund balance of 15.0 percent of annual budget to assure financial stability. The District's fund balance provides opportunities to incur one-time capital expenditures to mitigate the amount of long-term facilities maintenance levy that the District requests on behalf of member districts. The District continues to monitor its fund balances closely.

General Fund Budgetary Highlights

Table 9 summarizes the General Fund budget to actual comparison:

Table 9 General Fund Budget Year Ended June 30, 2021				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue	<u>\$ 48,775,150</u>	<u>\$ 44,644,925</u>	<u>\$ 42,553,498</u>	<u>\$ (2,091,427)</u>
Expenditures and other financing uses	<u>\$ 49,166,238</u>	<u>\$ 45,020,364</u>	<u>\$ 42,348,572</u>	<u>\$ (2,671,792)</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 were lower than budgeted amounts by 4.7 percent, due to several factors. The District's anticipated revenues are determined by actual expenditures incurred, which came in under budget by \$2,666,536.

The District's expenditures and other financing uses were less than budgeted amounts by 5.9 percent, due to several factors. Overall, expenditures were under budget by \$2.7 million. The District was uncertain how many positions it would be filling during the COVID-19 pandemic, due to unknown questions regarding hybrid or distance learning continuing throughout the fiscal year. This resulted in unfilled positions averaging about 44 employees. In addition, there were also unprecedented cost savings in employees taking unpaid time off, unfilled or underutilized substitute positions, supplies, equipment, utilities, and mileage.

FOOD SERVICE SPECIAL REVENUE FUND

Expenditures exceeded revenues by \$12,679 for the year. In order to eliminate the potential deficit in the Food Service Special Revenue Fund, the School Board approved a transfer of \$12,679 from the General Fund.

INTERNAL SERVICE FUNDS

The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District has three internal service funds. The District's internal service funds include financing for post-employment severance benefits and OPEB, and self-insurance of the employee medical and dental insurance programs. The self-insurance program experienced a \$1.0 million increase in net position, due to an increase in insurance premiums, plan enrollment, and utilization of service.

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 ended June 30, 2021 and 2020:

Table 10 Capital Assets as of June 30, 2021 and 2020			
	2021	2020	Change
Land	\$ 655,000	\$ 655,000	\$ —
Buildings	11,274,493	11,274,493	—
Furniture and equipment	2,539,559	2,710,754	(171,195)
Less accumulated depreciation	(5,751,327)	(5,589,924)	(161,403)
Total	<u>\$ 8,717,725</u>	<u>\$ 9,050,323</u>	<u>\$ (332,598)</u>
Depreciation expense	<u>\$ 429,831</u>	<u>\$ 422,942</u>	<u>\$ 6,889</u>

Long-Term Liabilities

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

Table 11 Outstanding Long-Term Liabilities as of June 30, 2021 and 2020			
	2021	2020	Change
Certificates of participation payable	\$ 6,940,000	\$ 7,245,000	\$ (305,000)
Unamortized premium (discount)	213,030	225,262	(12,232)
Severance benefits payable	411,068	391,406	19,662
Compensated absences payable	392,145	375,856	16,289
Total OPEB liability	1,235,842	1,380,775	(144,933)
Net pension liability	<u>27,024,370</u>	<u>22,127,351</u>	<u>4,897,019</u>
Total	<u>\$ 36,216,455</u>	<u>\$ 31,745,650</u>	<u>\$ 4,470,805</u>

The increase in the pension liability for the District is due to the change in the District's proportionate share of the state-wide PERA and TRA pension plan liabilities.

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

The **Vision** of the District is to be a community of students, families, teachers, staff members, school districts, regional organizations, and associations actively engaged in ensuring student learning success.

The **Mission** of the District is to serve as a quality, cost-effective resource for member school districts committed together to success for all learners.

The **Core Values** of the District are collaboration, passion for service, continuous improvement, stewardship, equity, open communication, and integrity.

The Vision, Mission, and Core Values of the District strongly inform budgetary decisions.

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. Therefore, the District continually evaluates current service offerings and reviews additional areas of potential service to our member districts.

Current support services include:

- Provide robust offerings in Federal Setting III and Federal Setting IV Special Education programming.
- The DCALS program provides a high school Alternative Learning Center (ALC) at the Dakota County Technical College (DCTC). Providing the ALC services at the DCTC site allows for program extension into Career Technical Education programs, concurrent enrollment options in the DCTC course offerings, and a well-developed career pathway model in several careers.
- Partner with Independent School District (ISD) No. 197 to operate the DCALS North in West St. Paul. This site offers a convenient location in the northern part of the District.
- Provide the needed secondary alternative learning option to qualify a targeted services program for ISD Nos. 192, 197, 199, 200, and 271.
- Organize and facilitate regional networking meetings for superintendents, secondary principals, and special education directors.
- Collaborate with both public and private support service providers to meet the needs of member districts, and to increase the capacity of our communities to meet the diverse needs of children and families.
- Collaborate with the Association of Metropolitan School Districts (AMSD), Minnesota Association of School Administrators (MASA), Minnesota School Boards Association (MSBA), and Association of Education Service Agencies (AESA) to advocate for legislation action to assist in the provision of district services.
- Collaborate with the other three intermediate school districts (916, 287, and 288) to advocate for legislative action to assist the District in meeting the needs of the unique students served by the intermediate school districts. We also collaborate on communicating about the mission and the services provided by the intermediate school districts.
- Provide special education consultation and direct service to the member districts through a purchase of services model.

Additional potential collaborative support services include:

- Potential expansion of the Transitional Educational Service Alternative (TESA) for students age 18 to 21, may be of interest to individual member districts. The TESA program launched in fiscal year 2020 in a space provided by Bloomington Public Schools, has been a terrific success. Although no specific plans are underway, it is a possibility for future expansion beginning in fiscal year 2022.
- Potential collaborations in career technical education are being investigated. With multiple member districts providing well-designed programs within their own communities, there may be synergistic opportunity to help coordinate inter-district collaborations throughout the member districts. It is likely that the District would serve as a fiscal agent for a collaborative endeavor.
- The District enrollment remains flat, due to labor shortages. We anticipate if the labor shortage is resolved that the present growth rate in Students with Unique Needs (SUN) programming and in other special education service areas is likely to continue to increase. As a district, we have nearly utilized all of the available space in our school buildings. We will need to develop plans for future expansion that may have a financial impact.

Existing circumstances that could significantly affect the District's financial health in the future:

- The District has appropriate fund balances to provide adequate opportunities to adapt to uncontrolled changes in revenue sources for the short-term (two or three years). The special education funding system is being managed in different ways by member districts. This drives each district to make different decisions about which services they provide on their own and which services they procure from the District. We need to remain relevant, responsible, and responsive to the ever-changing needs of the member districts.
- As general education revenue for many of our member districts may likely retract, we are aware that the cost efficiency of our special educational models will become a more significant concern.
- We are concerned that with the higher resignation rate, and the challenges of retention of certified teachers and non certified employees, the District will be challenged to fill all positions. As a district, we may need to consider potential incentives to hire qualified personnel.
- Due to the pandemic, we are aware that the needs of our students are greater than ever. We are aware that there may be a need for additional spending to help students recover from the lost opportunities.
- Career and technical education is in a precarious position. As member districts operate differently due to the pandemic, our student enrollment continues to decline. It will be a significant economic struggle to retain the current course offerings in our career and technical education programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	\$ 11,815,866	\$ 8,893,977
Receivables		
Accounts and interest	10,690	19,208
Due from other governmental units	9,031,496	10,233,224
Inventory	488	1,168
Prepaid items	109,864	130,839
Restricted assets – temporarily restricted		
Cash and investments held by trustee	44,382	44,377
Capital assets		
Not depreciated	655,000	655,000
Depreciated, net of accumulated depreciation	8,062,725	8,395,323
Total capital assets, net of accumulated depreciation	8,717,725	9,050,323
Total assets	29,730,511	28,373,116
Deferred outflows of resources		
Pension plan deferments	13,409,603	17,692,896
OPEB plan deferments	179,862	80,002
Deferred charge on refunding	291,532	313,957
Total deferred outflows of resources	13,880,997	18,086,855
Total assets and deferred outflows of resources	\$ 43,611,508	\$ 46,459,971
Liabilities		
Salaries and compensated absences payable	\$ 3,174,212	\$ 3,342,825
Accounts and contracts payable	474,869	330,903
Accrued interest payable	89,875	92,417
Due to other governmental units	825,215	565,643
Unearned revenue	125,233	6,707
Long-term liabilities		
Due within one year	831,657	473,696
Due in more than one year	35,384,798	31,271,954
Total long-term liabilities	36,216,455	31,745,650
Total liabilities	40,905,859	36,084,145
Deferred inflows of resources		
Pension plan deferments	14,549,012	21,635,829
OPEB plan deferments	693,501	386,351
Total deferred inflows of resources	15,242,513	22,022,180
Net position		
Net investment in capital assets	1,856,227	1,894,018
Restricted for other purposes	61,543	93,757
Unrestricted	(14,454,634)	(13,634,129)
Total net position	(12,536,864)	(11,646,354)
Total liabilities, deferred inflows of resources, and net position	\$ 43,611,508	\$ 46,459,971

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Activities
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

2021				
Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues	
			Charges for Services	Operating Grants and Contributions
Governmental activities				
Administrative and support services	\$ 2,149,317	\$ (2,084,293)	\$ —	\$ —
Secondary vocational/DCALS	4,274,114	172,333	3,329,348	742,255
Special education programs	36,829,246	1,911,960	6,446,502	30,841,411
Food service	91,751	—	—	78,811
Interest and fiscal charges on debt	229,451	—	—	—
Total governmental activities	<u>\$ 43,573,879</u>	<u>\$ —</u>	<u>\$ 9,775,850</u>	<u>\$ 31,662,477</u>
			General revenues	
			Other general revenues	
			Investment earnings	
			Total general revenues	
			Change in net position	
			Net position – beginning	
			Net position – ending	

		2020
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Governmental Activities	Governmental Activities
\$ 26,265	\$ (38,759)	\$ (32,954)
526,800	151,956	555,917
—	(1,453,293)	(1,556,449)
—	(12,940)	(14,204)
—	(229,451)	(235,435)
<u>\$ 553,065</u>	(1,582,487)	(1,283,125)
	685,012	594,648
	<u>6,965</u>	<u>104,869</u>
	<u>691,977</u>	<u>699,517</u>
	(890,510)	(583,608)
	<u>(11,646,354)</u>	<u>(11,062,746)</u>
	<u>\$ (12,536,864)</u>	<u>\$ (11,646,354)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Balance Sheet
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	General Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
			2021	2020
Assets				
Cash and temporary investments	\$ 5,239,697	\$ –	\$ 5,239,697	\$ 3,737,056
Cash and investments held by trustee	44,382	–	44,382	44,377
Receivables				
Accounts and interest	10,690	–	10,690	15,622
Due from other governmental units	9,014,388	17,108	9,031,496	10,233,224
Due from other funds	13,047	–	13,047	5,999
Inventory	488	–	488	1,168
Prepaid items	108,941	–	108,941	129,983
	<u>108,941</u>	<u>–</u>	<u>108,941</u>	<u>129,983</u>
Total assets	<u>\$ 14,431,633</u>	<u>\$ 17,108</u>	<u>\$ 14,448,741</u>	<u>\$ 14,167,429</u>
Liabilities				
Salaries and compensated absences payable	\$ 3,174,212	\$ –	\$ 3,174,212	\$ 3,342,825
Accounts and contracts payable	65,548	3,686	69,234	115,509
Due to other governmental units	823,401	375	823,776	564,269
Due to other funds	–	13,047	13,047	5,999
Unearned revenue	31,426	–	31,426	6,707
	<u>31,426</u>	<u>–</u>	<u>31,426</u>	<u>6,707</u>
Total liabilities	<u>4,094,587</u>	<u>17,108</u>	<u>4,111,695</u>	<u>4,035,309</u>
Fund balances				
Nonspendable	109,429	–	109,429	131,151
Restricted	105,925	–	105,925	138,134
Assigned	134,029	–	134,029	391,088
Unassigned	9,987,663	–	9,987,663	9,471,747
	<u>9,987,663</u>	<u>–</u>	<u>9,987,663</u>	<u>9,471,747</u>
Total fund balances	<u>10,337,046</u>	<u>–</u>	<u>10,337,046</u>	<u>10,132,120</u>
	<u>10,337,046</u>	<u>–</u>	<u>10,337,046</u>	<u>10,132,120</u>
Total liabilities and fund balances	<u>\$ 14,431,633</u>	<u>\$ 17,108</u>	<u>\$ 14,448,741</u>	<u>\$ 14,167,429</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Total fund balances – governmental funds	\$ 10,337,046	\$ 10,132,120
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	14,469,052	14,640,247
Accumulated depreciation	(5,751,327)	(5,589,924)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Certificates of participation payable	(6,940,000)	(7,245,000)
Compensated absences payable	(392,145)	(375,856)
Net pension liability	(27,024,370)	(22,127,351)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(89,875)	(92,417)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	13,409,603	17,692,896
Deferred inflows of resources – pension plan deferments	(14,549,012)	(21,635,829)
Deferred outflows of resources – deferred charge on refunding	291,532	313,957
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.	(213,030)	(225,262)
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>3,915,662</u>	<u>2,866,065</u>
Total net position – governmental activities	<u>\$ (12,536,864)</u>	<u>\$ (11,646,354)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	General Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
			2021	2020
Revenue				
Local sources				
Tuition	\$ 10,027,650	\$ –	\$ 10,027,650	\$ 10,282,316
Investment earnings	3,328	–	3,328	54,944
Other (refunds)	316,829	(750)	316,079	574,946
State sources	31,661,833	1,539	31,663,372	31,098,589
Federal sources	543,858	78,022	621,880	225,357
Total revenue	42,553,498	78,811	42,632,309	42,236,152
Expenditures				
Current				
Administrative and support services	26,955	–	26,955	25,575
Secondary vocational/DCALS	4,264,651	–	4,264,651	4,124,404
Special education programs	37,517,487	–	37,517,487	37,117,778
Food service	–	91,490	91,490	114,597
Debt service				
Principal	305,000	–	305,000	295,000
Interest and fiscal charges	221,800	–	221,800	227,700
Total expenditures	42,335,893	91,490	42,427,383	41,905,054
Excess (deficiency) of revenue over expenditures	217,605	(12,679)	204,926	331,098
Other financing sources (uses)				
Transfers in	–	12,679	12,679	7,876
Transfers out	(12,679)	–	(12,679)	(7,876)
Total other financing sources (uses)	(12,679)	12,679	–	–
Net change in fund balances	204,926	–	204,926	331,098
Fund balances				
Beginning of year	10,132,120	–	10,132,120	9,801,022
End of year	\$ 10,337,046	\$ –	\$ 10,337,046	\$ 10,132,120

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, 2021

(With Partial Comparative Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Total net change in fund balances – governmental funds	\$ 204,926	\$ 331,098
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	106,031	364,703
Depreciation expense	(429,831)	(422,942)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
	305,000	295,000
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.		
	2,542	2,458
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.		
	12,232	12,232
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(4,897,019)	(1,958,190)
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.		
	(8,798)	–
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.		
	1,049,597	1,235,168
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	(16,289)	(38,708)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(4,283,293)	(5,751,223)
Deferred inflows of resources – pension plan deferments	7,086,817	5,369,221
Deferred outflows of resources – deferred charge on refunding	<u>(22,425)</u>	<u>(22,425)</u>
Change in net position – governmental activities	<u>\$ (890,510)</u>	<u>\$ (583,608)</u>

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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, 2021

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Tuition	\$ 11,019,506	\$ 10,064,416	\$ 10,027,650	\$ (36,766)
Investment earnings	81,000	69,000	3,328	(65,672)
Other	522,133	204,535	316,829	112,294
State sources	36,934,698	33,709,129	31,661,833	(2,047,296)
Federal sources	217,813	597,845	543,858	(53,987)
Total revenue	<u>48,775,150</u>	<u>44,644,925</u>	<u>42,553,498</u>	<u>(2,091,427)</u>
Expenditures				
Current				
Administrative and support services	37,565	39,906	26,955	(12,951)
Secondary vocational/DCALS	4,710,262	4,455,677	4,264,651	(191,026)
Special education programs	43,866,081	39,980,046	37,517,487	(2,462,559)
Debt service				
Principal	305,000	305,000	305,000	—
Interest and fiscal charges	221,800	221,800	221,800	—
Total expenditures	<u>49,140,708</u>	<u>45,002,429</u>	<u>42,335,893</u>	<u>(2,666,536)</u>
Excess (deficiency) of revenue over expenditures	(365,558)	(357,504)	217,605	575,109
Other financing (uses)				
Transfers out	<u>(25,530)</u>	<u>(17,935)</u>	<u>(12,679)</u>	<u>5,256</u>
Net change in fund balances	<u>\$ (391,088)</u>	<u>\$ (375,439)</u>	204,926	<u>\$ 580,365</u>
Fund balances				
Beginning of year			<u>10,132,120</u>	
End of year			<u>\$ 10,337,046</u>	

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
 Proprietary Funds
 Internal Service Funds
 as of June 30, 2021
 (With Partial Comparative Actual Amounts as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and temporary investments	\$ 6,576,169	\$ 5,156,921
Accounts receivable	—	3,586
Prepaid items	923	856
Total assets	<u>6,577,092</u>	<u>5,161,363</u>
Deferred outflows of resources		
OPEB plan deferments	179,862	80,002
Liabilities		
Current liabilities		
Accounts and contracts payable	405,635	215,394
Due to other governmental units	1,439	1,374
Total OPEB liability – due within one year	157,454	—
Severance benefits payable – due within one year	79,408	18,424
Unearned revenue	93,807	—
Total current liabilities	<u>737,743</u>	<u>235,192</u>
Long-term liabilities		
Total OPEB liability – due in more than one year	1,078,388	1,380,775
Severance benefits payable – due in more than one year	331,660	372,982
Total long-term liabilities	<u>1,410,048</u>	<u>1,753,757</u>
Total liabilities	2,147,791	1,988,949
Deferred inflows of resources		
OPEB plan deferments	<u>693,501</u>	<u>386,351</u>
Net position		
Unrestricted	<u>\$ 3,915,662</u>	<u>\$ 2,866,065</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2021
 (With Partial Comparative Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 5,788,030	\$ 5,016,767
Operating expenses		
Post-employment severance and health benefits	206,446	139,516
Medical benefit claims	4,033,999	3,291,125
Dental benefit claims	501,630	400,882
Total operating expenses	<u>4,742,075</u>	<u>3,831,523</u>
Operating income	1,045,955	1,185,244
Nonoperating revenue		
Investment earnings	<u>3,642</u>	<u>49,924</u>
Change in net position	1,049,597	1,235,168
Net position		
Beginning of year	<u>2,866,065</u>	<u>1,630,897</u>
End of year	<u>\$ 3,915,662</u>	<u>\$ 2,866,065</u>

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Cash Flows
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2021
 (With Partial Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 5,885,423	\$ 5,014,845
Post-employment severance and health benefit payments	(124,494)	(27,687)
Payments for medical claims	(3,850,009)	(3,493,526)
Payments for dental claims	(495,314)	(406,740)
Net cash flows from operating activities	<u>1,415,606</u>	<u>1,086,892</u>
Cash flows from investing activities		
Investment income received	<u>3,642</u>	<u>49,924</u>
Net increase in cash and cash equivalents	1,419,248	1,136,816
Cash and temporary investments		
Beginning of year	<u>5,156,921</u>	<u>4,020,105</u>
End of year	<u><u>\$ 6,576,169</u></u>	<u><u>\$ 5,156,921</u></u>
Reconciliation of operating income to net cash flows		
from operating activities		
Operating income	\$ 1,045,955	\$ 1,185,244
Adjustments to reconcile operating income to net cash		
flows from operating activities		
Changes in assets and liabilities		
Receivables	3,586	(1,922)
Prepaid items	(67)	(818)
OPEB plan deferments	207,290	(74,266)
Accounts and contracts payable	190,241	(208,450)
Due to other governmental units	65	191
Severance benefits payable	19,662	(7,343)
Total OPEB liability	(144,933)	194,256
Unearned revenue	<u>93,807</u>	<u>—</u>
Net cash flows from operating activities	<u><u>\$ 1,415,606</u></u>	<u><u>\$ 1,086,892</u></u>

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Notes to Basic Financial Statements June 30, 2021

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.

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. 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. Other internally directed revenues are reported as general revenues.

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

E. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service 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 nonoperating revenues and expenses. The District's only proprietary funds are the internal service funds, which provide services to the governmental funds.

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

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. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for long-term debt and other long-term liabilities, 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.

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, special education, special education resale, district support services, capital expenditure, student activities, and service allocation costs to be reimbursed by others.

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 three 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 for the employee medical and dental insurance programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

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

G. Cash and Temporary Investments

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

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

Investments are generally stated at fair value, except for investments in 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 may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded using the consumption method and 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 acquisition 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Members of certain 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.

P. State-Wide Pension Plans

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

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

Q. Unearned Revenue

Unearned revenue consists of advances of federal COVID-19 stimulus grants received in fiscal 2021 and collections in advance of premiums charges in the internal service funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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 the current year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plan.

The District makes premium payments to the internal service funds 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 for the last two years were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Charges and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2020	\$ 48,844	\$ 400,882	\$ 406,740	\$ 42,986
2021	\$ 42,986	\$ 501,630	\$ 495,314	\$ 49,302

Changes in the balance of health claim liabilities for the last two years were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Charges and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2020	\$ 375,000	\$ 3,290,934	\$ 3,493,526	\$ 172,408
2021	\$ 172,408	\$ 4,032,560	\$ 3,848,635	\$ 356,333

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide and internal service fund Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes of assumptions, change in proportion, the difference between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

The District also reports a deferred outflow of resources related to the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

T. 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.

U. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures during the reporting period. Actual results could differ from those estimates.

V. Restricted Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Net Position

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

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

X. 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)

Y. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 nonnegotiable 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 \$817,299, while the balance on the bank records was \$975,819. At June 30, 2021, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

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, 2021, and information relating to potential investment risks:

Investment Type	Credit Risk		Fair Value Measurements	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								
MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	N/A	N/A	\$10,998,567
First American Treasury Obligations Fund Class D	AAA	S&P	Level 1	N/A	N/A	N/A	N/A	44,382
								11,042,949
Deposits								817,299
Total cash and investments								<u>\$11,860,248</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	\$11,815,866
Cash and investments held by trustee – Statement of Net Position	44,382
Total cash and investments	<u>\$11,860,248</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 and Exchange Commission (SEC) that follows the same regulatory rules of the SEC. The District's investment in the MSDLAF is measured at the value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

For MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation activity for the year ended June 30, 2021 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 655,000	\$ –	\$ –	\$ –	\$ 655,000
Capital assets, depreciated					
Buildings	11,274,493	–	–	–	11,274,493
Furniture and equipment	2,710,754	106,031	(277,226)	–	2,539,559
Total capital assets, depreciated	13,985,247	106,031	(277,226)	–	13,814,052
Less accumulated depreciation for					
Buildings	(3,764,684)	(282,722)	–	–	(4,047,406)
Furniture and equipment	(1,825,240)	(147,109)	268,428	–	(1,703,921)
Total accumulated depreciation	(5,589,924)	(429,831)	268,428	–	(5,751,327)
Net capital assets, depreciated	8,395,323	(323,800)	8,798	–	8,062,725
Total capital assets, net	\$ 9,050,323	\$ (323,800)	\$ 8,798	\$ –	\$ 8,717,725

Depreciation expense for the year ended June 30, 2021 was charged to the following governmental functions:

Administrative and support services	\$ 10,612
Secondary vocational/DCALS	20,445
Special education programs	398,512
Food service	262
Total depreciation expense	\$ 429,831

NOTE 4 – LONG-TERM LIABILITIES

A. Components and Changes in Long-Term Liabilities

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

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
Certificates of participation	\$ 7,245,000	\$ –	\$ 305,000	\$ 6,940,000	\$ 310,000
Unamortized premium/discount	225,262	–	12,232	213,030	–
Severance benefits payable	391,406	79,408	59,746	411,068	79,408
Compensated absences payable	375,856	301,084	284,795	392,145	284,795
Total OPEB liability	1,380,775	–	144,933	1,235,842	157,454
Net pension liability	22,127,351	6,982,993	2,085,974	27,024,370	–
	\$ 31,745,650	\$ 7,363,485	\$ 2,892,680	\$ 36,216,455	\$ 831,657

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Description of Long-Term Liabilities

- **Certificates of Participation Payable** – In November 2016, the District sold \$8,085,000 of certificates of participation to finance the construction of additions to the Alliance Center special education facility. These certificates have interest rates that range from 2.0 percent to 3.0 percent, with a final maturity of February 2039. Annual principal and interest payments on these certificates will be paid by the General Fund. Tuition revenue in the General Fund capital expenditure 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 these certificates of participation payable.

Failure by the District to pay any payments under this agreement, or upon the occurrence of and continuation of an event of default, the lender without any further demand or notice, may take one or any combination of the following steps. The lender, with or without terminating the agreement, may declare all payments due or become due during the fiscal year in effect when the default occurs. They may repossess the facility by giving the District written notice to surrender the facility to the lender. The lender will thereafter use its best efforts to sell or lease its interest in the facility or any portion thereof in a commercially reasonable manner in accordance with applicable state laws. The lender may also pursue any other remedy available to require the District to perform any of its obligations in the agreement.

- **Severance Benefits Payable** – Severance benefits are paid by the applicable internal service fund. Annual payments to retire severance benefit liabilities have not been determined and will depend on actual employee turnover.
- **Compensated Absences Payable** – Compensated absences payable represent accrued vacation payable at year-end. Compensated absences are paid by the General Fund. These benefits are not funded until the year of payment. Annual payments to retire compensated absences payable will depend on employee turnover and actual employee absences.
- **Other Long-Term Liabilities** – The District offers a number of benefits to its employees, including pensions and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily by the General Fund and the Internal Service Fund.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2021:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 7,512,308	\$ 1,812,875	\$ 286,667	\$ 796,421
TRA	19,512,062	11,596,728	14,262,345	3,493,997
Total	<u>\$ 27,024,370</u>	<u>\$ 13,409,603</u>	<u>\$ 14,549,012</u>	<u>\$ 4,290,418</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire certificates of participation payable are as follows:

Year Ending June 30,	Principal	Interest
2022	\$ 310,000	\$ 215,700
2023	315,000	209,500
2024	325,000	201,625
2025	330,000	193,500
2026	340,000	185,250
2027–2031	1,860,000	759,050
2032–2036	2,115,000	418,500
2037–2039	1,345,000	81,450
	<u>\$ 6,940,000</u>	<u>\$ 2,264,575</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, 2021, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Food Service Special Revenue Fund	Total
Nonspendable			
Inventory	\$ 488	\$ –	\$ 488
Prepaid items	108,941	–	108,941
Total nonspendable	<u>109,429</u>	<u>–</u>	<u>109,429</u>
Restricted for			
Student activities	5,573	–	5,573
Debt service	44,382	–	44,382
Basic skills	55,970	–	55,970
Total restricted	<u>105,925</u>	<u>–</u>	<u>105,925</u>
Assigned			
Subsequent year's budgeted deficit	134,029	–	134,029
Unassigned	<u>9,987,663</u>	<u>–</u>	<u>9,987,663</u>
Total	<u>\$ 10,337,046</u>	<u>\$ –</u>	<u>\$ 10,337,046</u>

NOTE 5 – FUND BALANCES (CONTINUED)

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 15.0 percent of the annual budget. At June 30, 2021, the unassigned fund balance of the General Fund was 23.6 percent of fiscal 2021 expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul Public Schools or Minnesota State Colleges and Universities (MnSCU)). Educators first hired by MnSCU may elect either TRA coverage or coverage through the Defined Contribution Plan (DCP) administered by Minnesota State.

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

B. Benefits Provided

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase will be equal to 50.0 percent of the cost-of-living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

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

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2021, were \$650,759. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2019		2020		2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.71 %	11.00 %	11.92 %	11.00 %	12.13 %
Coordinated Plan	7.50 %	7.71 %	7.50 %	7.92 %	7.50 %	8.13 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2021, were \$1,388,246. The District's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	<i>in thousands</i>
Employer contributions reported in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$ 425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct the TRA's contributions not included in allocation	(508)
Total employer contributions	424,659
Total nonemployer contributions	35,587
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	\$ 460,246

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2021, the District reported a liability of \$7,512,308 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$231,538. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1253 percent at the end of the measurement period and 0.1135 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 7,512,308
State's proportionate share of the net pension liability associated with the District	\$ 231,538

For the year ended June 30, 2021, the District recognized pension expense of \$776,255 for its proportionate share of the GERF's pension expense. In addition, the District recognized \$20,166 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

At June 30, 2021, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 61,861	\$ 28,423
Changes in actuarial assumptions	—	258,244
Net collective difference between projected and actual investment earnings	249,862	—
Changes in proportion	850,393	—
District's contributions to the GERF subsequent to the measurement date	650,759	—
Total	<u>\$ 1,812,875</u>	<u>\$ 286,667</u>

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

The \$650,759 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 95,214
2023	\$ 293,861
2024	\$ 304,875
2025	\$ 181,499

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$19,512,062 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.2641 percent at the end of the measurement period and 0.2487 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 19,512,062
State's proportionate share of the net pension liability associated with the District	\$ 1,634,982

For the year ended June 30, 2021, the District recognized pension expense of \$3,344,222. It also recognized \$149,775 as an increase to pension expense for the support provided by direct aid.

At June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 391,296	\$ 257,784
Changes in actuarial assumptions	5,508,598	14,004,561
Net difference between projected and actual investment earnings on pension plan investments	—	—
Changes in proportion	515,507	—
District's contributions to the TRA subsequent to the measurement date	3,793,081	—
	1,388,246	—
Total	<u>\$ 11,596,728</u>	<u>\$ 14,262,345</u>

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

A total of \$1,388,246 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ 1,213,818
2023	\$ (3,782,724)
2024	\$ (2,582,790)
2025	\$ 819,041
2026	\$ 278,792

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	
Active member payroll growth		2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality Table for the GERF Plan and the RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2020 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

Actuarial assumptions used in the June 30, 2020 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

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

The following changes in actuarial assumptions and plan provisions occurred in 2020:

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- Employer contribution rate increased from 7.92 percent to 8.13 percent in July 2020.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50 %	5.10 %
Private markets	25.00	5.90 %
Fixed income	20.00	0.75 %
International equity	17.50	5.30 %
Cash equivalents	2.00	– %
Total	100.00 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the GERF net pension liability	\$ 12,039,623	\$ 7,512,308	\$ 3,777,636
TRA discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the TRA net pension liability	\$ 29,872,760	\$ 19,512,062	\$ 10,975,370

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org.

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

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

A. Plan Descriptions

The District provides post-employment healthcare benefits to certain eligible employees through a single-employer defined benefit OPEB Plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups, with benefit eligibility 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 separate financial report.

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree’s premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, 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. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's contributions in the current year totaled \$157,454 as required on a pay-as-you-go basis to finance the current year benefits as described in the previous section. The District has not established a trust fund to finance these OPEB benefits.

C. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1
Active plan members	<u>579</u>
Total members	<u><u>580</u></u>

D. Total OPEB Liability of the District

The District's total OPEB liability of \$1,235,842 at year-end was measured as of July 1, 2020, and was determined by an actuarial valuation with a valuation date of July 1, 2020.

E. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2020 and measurement date as of July 1, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.40%
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	Service graded table
Healthcare trend rate	6.50% decreasing to 5.00% over 6 years, then to 4.00% over the next 48 years
Dental trend rate	4.00%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount Weighted Mortality Tables with MP-2019 Generational Improvement Scale. Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

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

F. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance	\$ 1,380,775
Changes for the year	
Service cost	203,250
Interest	48,158
Assumption changes	(221,855)
Plan changes	72,879
Difference between expected and actual experience	(185,782)
Benefit payments	(61,583)
Total net changes	<u>(144,933)</u>
Ending balance	<u>\$ 1,235,842</u>

G. Changes in Actuarial Assumptions

- The mortality tables, healthcare trend rates, salary increase rates, and retiree plan participation percentages for future retirees who are not eligible to receive subsidized benefits were updated.
- The discount rate was changed from 3.10 percent to 2.40 percent.

H. Benefit Plan Changes

- The teachers' post-employment lump sum benefit payable to a Healthcare Savings Plan was increased from \$5,500 to \$7,500.

I. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	1.40%	2.40%	3.40%
Total OPEB liability	\$ 1,310,774	\$ 1,235,842	\$ 1,162,823

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

	1% Decrease in Healthcare Cost Trend Rates	Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Healthcare trend rate	5.50% decreasing to 4.00%, then 3.00%	6.50% decreasing to 5.00%, then 4.00%	7.50% decreasing to 6.00%, then 5.00%
Dental trend rate	3.00%	4.00%	5.00%
Total OPEB liability	\$ 1,120,454	\$ 1,235,842	\$ 1,372,906

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

J. OPEB Expense and Related Deferred Outflows and Deferred Inflows of Resources

The District recognized OPEB expense of \$206,444 in the current year, and at year-end reported the following deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 22,408	\$ 197,204
Differences between expected and actual economic experience	–	496,297
District's contributions subsequent to the measurement date	157,454	–
Total	<u>\$ 179,862</u>	<u>\$ 693,501</u>

A total of \$157,454 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022.

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

Year Ending June 30,	OPEB Expense
2022	\$ (97,258)
2023	\$ (97,258)
2024	\$ (97,258)
2025	\$ (97,258)
2026	\$ (97,258)
Thereafter	\$ (184,803)

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District offers its employees a flexible benefit plan, a cafeteria plan (the Plan) created in accordance with the IRC § 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 pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax 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.

NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The District is leasing buildings and space in several locations. The District incurred expenditures of \$1,837,723 for operating leases during the year ended June 30, 2021. These leases are mostly financed by lease levies by member districts, which totaled \$1,388,676 in fiscal 2021. These leases are scheduled to expire on various dates through 2034. The following is a summary of minimum lease payments and common area maintenance charges for all operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,285,852
2023	970,350
2024	984,905
2025	999,679
2026	1,014,674
2027–2031	5,016,340
2032–2034	<u>1,656,298</u>
	<u><u>\$ 11,928,098</u></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 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. COVID-19 Pandemic

The COVID-19 pandemic has caused numerous financial and operation challenges for districts in fiscal 2021, and is expected to have a significant impact for fiscal 2022 and possibly beyond. Any potential effects it may have on the District's future operations and financial condition cannot be determined at this time and have not been reflected in these financial statements

NOTE 10 – INTERFUND TRANSFERS AND BALANCES

The General Fund made an interfund transfer of \$12,679 to the Food Service Special Revenue Fund to eliminate a fund balance deficit at year-end.

The General Fund had a \$13,047 due from the Food Service Special Revenue Fund at year-end. This due from other funds was made to assist with cash flow and will be paid with future revenues of the Food Service Special Revenue Fund.

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

NOTE 11 – DEFICIT NET POSITION

The Post-Employment Employee Benefits Internal Service Fund had a deficit net position at June 30, 2021 of \$774,489. This deficit will be funded by future district contributions to this fund.

REQUIRED SUPPLEMENTARY INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0973%	\$ 4,570,667	\$ —	\$ 4,570,667	\$ 5,105,448	89.53%	78.70%
06/30/2016	06/30/2015	0.0956%	\$ 4,954,489	\$ —	\$ 4,954,489	\$ 5,613,356	88.26%	78.20%
06/30/2017	06/30/2016	0.0970%	\$ 7,875,919	\$ 102,897	\$ 7,978,816	\$ 6,015,751	130.92%	68.90%
06/30/2018	06/30/2017	0.0970%	\$ 6,192,416	\$ 77,892	\$ 6,270,308	\$ 6,251,084	99.06%	75.90%
06/30/2019	06/30/2018	0.1052%	\$ 5,836,065	\$ 191,344	\$ 6,027,409	\$ 7,070,948	82.54%	79.50%
06/30/2020	06/30/2019	0.1135%	\$ 6,275,161	\$ 194,992	\$ 6,470,153	\$ 8,036,142	78.09%	80.20%
06/30/2021	06/30/2020	0.1253%	\$ 7,512,308	\$ 231,538	\$ 7,743,846	\$ 8,933,431	84.09%	79.10%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 414,341	\$ 414,341	\$ —	\$ 5,613,356	7.38%
06/30/2016	\$ 451,532	\$ 451,532	\$ —	\$ 6,015,751	7.51%
06/30/2017	\$ 469,399	\$ 469,399	\$ —	\$ 6,251,084	7.51%
06/30/2018	\$ 530,998	\$ 530,998	\$ —	\$ 7,070,948	7.51%
06/30/2019	\$ 603,172	\$ 603,172	\$ —	\$ 8,036,142	7.51%
06/30/2020	\$ 670,963	\$ 670,963	\$ —	\$ 8,933,431	7.51%
06/30/2021	\$ 650,759	\$ 650,759	\$ —	\$ 8,676,826	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2029%	\$ 9,349,486	\$ 657,803	\$ 10,007,289	\$ 9,262,291	100.94%	81.50%
06/30/2016	06/30/2015	0.1954%	\$ 12,087,423	\$ 1,482,856	\$ 13,570,279	\$ 9,915,820	121.90%	76.80%
06/30/2017	06/30/2016	0.2064%	\$ 49,231,325	\$ 4,941,167	\$ 54,172,492	\$ 10,745,627	458.15%	44.88%
06/30/2018	06/30/2017	0.2149%	\$ 42,897,938	\$ 4,147,269	\$ 47,045,207	\$ 11,700,275	366.64%	51.57%
06/30/2019	06/30/2018	0.2282%	\$ 14,333,096	\$ 1,346,422	\$ 15,679,518	\$ 12,766,959	112.27%	78.07%
06/30/2020	06/30/2019	0.2487%	\$ 15,852,190	\$ 1,402,823	\$ 17,255,013	\$ 14,116,834	112.29%	78.21%
06/30/2021	06/30/2020	0.2641%	\$ 19,512,062	\$ 1,634,982	\$ 21,147,044	\$ 15,346,868	127.14%	75.48%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 743,688	\$ 743,688	\$ —	\$ 9,915,820	7.50%
06/30/2016	\$ 805,427	\$ 805,427	\$ —	\$ 10,745,627	7.50%
06/30/2017	\$ 867,629	\$ 867,629	\$ —	\$ 11,700,275	7.42%
06/30/2018	\$ 955,252	\$ 955,252	\$ —	\$ 12,766,959	7.48%
06/30/2019	\$ 1,088,409	\$ 1,088,409	\$ —	\$ 14,116,834	7.71%
06/30/2020	\$ 1,215,570	\$ 1,215,570	\$ —	\$ 15,346,868	7.92%
06/30/2021	\$ 1,388,246	\$ 1,388,246	\$ —	\$ 17,075,599	8.13%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 917

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Total
OPEB Liability and Related Ratios
Year Ended June 30, 2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability				
Service cost	\$ 172,192	\$ 164,578	\$ 179,538	\$ 203,250
Interest	50,548	56,111	46,781	48,158
Assumption changes	—	1,687	27,367	(221,855)
Plan changes	—	—	—	72,879
Difference between expected and actual experience	—	(496,737)	—	(185,782)
Benefit payments	<u>(53,728)</u>	<u>(49,298)</u>	<u>(59,430)</u>	<u>(61,583)</u>
Net change in total OPEB liability	169,012	(323,659)	194,256	(144,933)
Total OPEB liability – beginning of year	<u>1,341,166</u>	<u>1,510,178</u>	<u>1,186,519</u>	<u>1,380,775</u>
Total OPEB liability – end of year	<u>\$ 1,510,178</u>	<u>\$ 1,186,519</u>	<u>\$ 1,380,775</u>	<u>\$ 1,235,842</u>
Covered-employee payroll	<u>\$ 17,301,959</u>	<u>\$ 21,687,037</u>	<u>\$ 22,337,648</u>	<u>\$ 26,723,569</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>8.73%</u>	<u>5.47%</u>	<u>6.18%</u>	<u>4.62%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 75.

Note 2: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued)
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued)
June 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued) June 30, 2021

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost-of-living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued)
June 30, 2021

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued)
June 30, 2021

OTHER POST-EMPLOYMENT BENEFITS PLAN

2020 CHANGES IN PLAN PROVISIONS

- The teachers' post-employment lump sum benefit payable to a Healthcare Savings Plan was increased from \$5,500 to \$7,500.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables, healthcare trend rates, salary increase rates, and retiree plan participation percentages for future retirees who are not eligible to receive subsidized benefits were updated.
- The discount rate was changed from 3.10 percent to 2.40 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale, to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40 percent to 3.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.00 percent to 3.40 percent.

SUPPLEMENTAL INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	\$ 5,239,697	\$ 3,737,056
Cash and investments held by trustee	44,382	44,377
Receivables		
Accounts and interest	10,690	9,547
Due from other school districts	1,931,642	3,055,925
Due from Minnesota Department of Education	7,082,746	7,149,669
Due from other governmental units	—	27,630
Due from other funds	13,047	5,999
Inventory	488	1,168
Prepaid items	108,941	129,983
Total assets	<u>\$ 14,431,633</u>	<u>\$ 14,161,354</u>
Liabilities		
Salaries and compensated absences payable	\$ 3,174,212	\$ 3,342,825
Accounts and contracts payable	65,548	115,433
Due to other school districts	626,955	329,921
Due to other governmental units	196,446	234,348
Unearned revenue	31,426	6,707
Total liabilities	<u>4,094,587</u>	<u>4,029,234</u>
Fund balances		
Nonspendable for inventory	488	1,168
Nonspendable for prepaid items	108,941	129,983
Restricted for student activities	5,573	4,863
Restricted for debt service	44,382	44,377
Restricted for basic skills	55,970	88,894
Assigned for subsequent year's budgeted deficit	134,029	391,088
Unassigned	9,987,663	9,471,747
Total fund balances	<u>10,337,046</u>	<u>10,132,120</u>
Total liabilities and fund balances	<u>\$ 14,431,633</u>	<u>\$ 14,161,354</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 10,064,416	\$ 10,027,650	\$ (36,766)	\$ 10,282,316
Investment earnings	69,000	3,328	(65,672)	54,944
Other	204,535	316,829	112,294	542,624
State sources	33,709,129	31,661,833	(2,047,296)	31,092,613
Federal sources	597,845	543,858	(53,987)	156,934
Total revenue	<u>44,644,925</u>	<u>42,553,498</u>	<u>(2,091,427)</u>	<u>42,129,431</u>
Expenditures				
Current				
Administrative and support services	37,606	26,955	(10,651)	25,575
Secondary vocational/DCALS	4,457,977	4,264,651	(193,326)	4,124,404
Special education programs	39,980,046	37,517,487	(2,462,559)	37,117,778
Debt service				
Principal	305,000	305,000	—	295,000
Interest and fiscal charges	221,800	221,800	—	227,700
Total expenditures	<u>45,002,429</u>	<u>42,335,893</u>	<u>(2,666,536)</u>	<u>41,790,457</u>
Excess (deficiency) of revenue over expenditures	(357,504)	217,605	575,109	338,974
Other financing (uses)				
Transfers out	<u>(17,935)</u>	<u>(12,679)</u>	<u>5,256</u>	<u>(7,876)</u>
Net change in fund balances	<u>\$ (375,439)</u>	204,926	<u>\$ 580,365</u>	331,098
Fund balances				
Beginning of year		<u>10,132,120</u>		<u>9,801,022</u>
End of year		<u>\$ 10,337,046</u>		<u>\$ 10,132,120</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Combining Balance Sheet by Account
as of June 30, 2021

	Secondary Education	Special Education	Services Allocation
Assets			
Cash and temporary investments (deficit)	\$ 5,895,431	\$ (647,103)	\$ (13,942)
Cash and investments held by trustee	—	—	—
Receivables			
Accounts and interest	416	9,937	—
Due from other school districts	621,189	1,284,188	26,265
Due from Minnesota Department of Education	550,000	6,532,746	—
Due from other funds	13,047	—	—
Inventory	—	—	—
Prepaid items	7,236	99,396	2,309
Total assets	<u>\$ 7,087,319</u>	<u>\$ 7,279,164</u>	<u>\$ 14,632</u>
Liabilities			
Salaries and compensated absences payable	\$ 3,174,212	\$ —	\$ —
Accounts and contracts payable	1,644	58,576	5,192
Due to other school districts	217,437	406,622	2,896
Due to other governmental units	106,167	90,004	146
Unearned revenue	29,245	1,681	—
Total liabilities	<u>3,528,705</u>	<u>556,883</u>	<u>8,234</u>
Fund balances (deficit)			
Nonspendable for inventory	—	—	—
Nonspendable for prepaid items	7,236	99,396	2,309
Restricted for student activities	—	—	—
Restricted for debt service	—	—	—
Restricted for basic skills	—	55,970	—
Assigned for subsequent year's budgeted deficit	127,111	—	—
Unassigned	3,424,267	6,566,915	4,089
Total fund balances	<u>3,558,614</u>	<u>6,722,281</u>	<u>6,398</u>
Total liabilities and fund balances	<u>\$ 7,087,319</u>	<u>\$ 7,279,164</u>	<u>\$ 14,632</u>

District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Student Activities	Total
\$ 671	\$ (33,511)	\$ 20,976	\$ 11,466	\$ 5,709	\$ 5,239,697
—	44,382	—	—	—	44,382
—	—	337	—	—	10,690
—	—	—	—	—	1,931,642
—	—	—	—	—	7,082,746
—	—	—	—	—	13,047
—	—	282	206	—	488
—	—	—	—	—	108,941
<u>\$ 671</u>	<u>\$ 10,871</u>	<u>\$ 21,595</u>	<u>\$ 11,672</u>	<u>\$ 5,709</u>	<u>\$ 14,431,633</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,174,212
—	—	—	—	136	65,548
—	—	—	—	—	626,955
—	—	124	5	—	196,446
—	—	—	500	—	31,426
—	—	124	505	136	4,094,587
—	—	282	206	—	488
—	—	—	—	—	108,941
—	—	—	—	5,573	5,573
—	44,382	—	—	—	44,382
—	—	—	—	—	55,970
—	1,200	5,718	—	—	134,029
671	(34,711)	15,471	10,961	—	9,987,663
<u>671</u>	<u>10,871</u>	<u>21,471</u>	<u>11,167</u>	<u>5,573</u>	<u>10,337,046</u>
<u>\$ 671</u>	<u>\$ 10,871</u>	<u>\$ 21,595</u>	<u>\$ 11,672</u>	<u>\$ 5,709</u>	<u>\$ 14,431,633</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund

Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2021

	Secondary Education	Special Education	Services Allocation
Revenue			
Local sources			
Tuition	\$ 3,325,041	\$ 6,175,809	\$ —
Investment earnings	1,816	1,357	—
Other	53	302,689	7,088
State sources	711,216	30,924,352	26,265
Federal sources	173,421	370,437	—
Total revenue	<u>4,211,547</u>	<u>37,774,644</u>	<u>33,353</u>
Expenditures			
Current			
Administrative and support services	—	—	26,955
Secondary vocational/DCALS	4,258,342	—	—
Special education programs	—	37,516,417	—
Debt service			
Principal	—	—	—
Interest and fiscal charges	—	—	—
Total expenditures	<u>4,258,342</u>	<u>37,516,417</u>	<u>26,955</u>
Excess (deficiency) of revenue over expenditures	(46,795)	258,227	6,398
Other financing (uses)			
Transfers out	<u>—</u>	<u>(12,679)</u>	<u>—</u>
Net change in fund balances	(46,795)	245,548	6,398
Fund balances			
Beginning of year	<u>3,605,409</u>	<u>6,476,733</u>	<u>—</u>
End of year	<u>\$ 3,558,614</u>	<u>\$ 6,722,281</u>	<u>\$ 6,398</u>

<u>District Support Services</u>	<u>Capital Expenditure</u>	<u>Secondary Resale</u>	<u>Special Education Resale</u>	<u>Student Activities</u>	<u>Total</u>
\$ —	\$ 526,800	\$ —	\$ —	\$ —	\$ 10,027,650
—	155	—	—	—	3,328
—	—	3,280	1,389	2,330	316,829
—	—	—	—	—	31,661,833
—	—	—	—	—	543,858
<u>—</u>	<u>526,955</u>	<u>3,280</u>	<u>1,389</u>	<u>2,330</u>	<u>42,553,498</u>
—	—	—	—	—	26,955
—	3,699	989	—	1,621	4,264,651
—	—	—	1,070	—	37,517,487
—	305,000	—	—	—	305,000
<u>—</u>	<u>221,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>221,800</u>
<u>—</u>	<u>530,499</u>	<u>989</u>	<u>1,070</u>	<u>1,621</u>	<u>42,335,893</u>
—	(3,544)	2,291	319	709	217,605
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(12,679)</u>
—	(3,544)	2,291	319	709	204,926
<u>671</u>	<u>14,415</u>	<u>19,180</u>	<u>10,848</u>	<u>4,864</u>	<u>10,132,120</u>
<u>\$ 671</u>	<u>\$ 10,871</u>	<u>\$ 21,471</u>	<u>\$ 11,167</u>	<u>\$ 5,573</u>	<u>\$ 10,337,046</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 3,094,992	\$ 3,325,041	\$ 230,049	\$ 3,671,622
Investment earnings	42,000	1,816	(40,184)	32,575
Other	1,500	53	(1,447)	1,171
State sources	593,431	711,216	117,785	547,390
Federal sources	227,409	173,421	(53,988)	156,934
Total revenue	<u>3,959,332</u>	<u>4,211,547</u>	<u>252,215</u>	<u>4,409,692</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	2,558,707	2,541,811	(16,896)	2,360,808
Employee benefits	929,575	936,625	7,050	869,042
Purchased services	689,196	512,497	(176,699)	475,221
Supplies and materials	66,450	59,795	(6,655)	85,322
Other expenditures	19,219	19,130	(89)	18,682
Capital expenditures	1,100	16,151	15,051	108,917
Allocated overhead	177,843	172,333	(5,510)	183,085
Total expenditures	<u>4,442,090</u>	<u>4,258,342</u>	<u>(183,748)</u>	<u>4,101,077</u>
Net change in fund balances	<u>\$ (482,758)</u>	<u>(46,795)</u>	<u>\$ 435,963</u>	<u>308,615</u>
Fund balances				
Beginning of year		<u>3,605,409</u>		<u>3,296,794</u>
End of year		<u>\$ 3,558,614</u>		<u>\$ 3,605,409</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 6,442,624	\$ 6,175,809	\$ (266,815)	\$ 6,087,994
Investment earnings	25,000	1,357	(23,643)	19,033
Other	177,857	302,689	124,832	504,261
State sources	33,083,933	30,924,352	(2,159,581)	30,519,723
Federal sources	370,436	370,437	1	–
Total revenue	<u>40,099,850</u>	<u>37,774,644</u>	<u>(2,325,206)</u>	<u>37,131,011</u>
Expenditures				
Current				
Special education programs				
Salaries	23,209,843	22,211,531	(998,312)	21,472,374
Employee benefits	8,503,509	8,246,772	(256,737)	7,792,000
Purchased services	4,415,108	3,917,383	(497,725)	4,348,076
Supplies and materials	1,289,458	794,615	(494,843)	973,863
Other expenditures	139,747	129,433	(10,314)	107,636
Capital expenditures	427,986	304,723	(123,263)	678,564
Allocated overhead	1,988,295	1,911,960	(76,335)	1,738,965
Total expenditures	<u>39,973,946</u>	<u>37,516,417</u>	<u>(2,457,529)</u>	<u>37,111,478</u>
Excess of revenue over expenditures	125,904	258,227	132,323	19,533
Other financing (uses)				
Transfers out	<u>(17,935)</u>	<u>(12,679)</u>	<u>5,256</u>	<u>(7,876)</u>
Net change in fund balances	<u>\$ 107,969</u>	245,548	<u>\$ 137,579</u>	11,657
Fund balances				
Beginning of year		<u>6,476,733</u>		<u>6,465,076</u>
End of year		<u>\$ 6,722,281</u>		<u>\$ 6,476,733</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 5,841	\$ 7,088	\$ 1,247	\$ 75
State sources	31,765	26,265	(5,500)	25,500
Total revenue	37,606	33,353	(4,253)	25,575
Expenditures				
Current				
Administrative and support services				
Salaries	1,342,354	1,323,877	(18,477)	1,166,024
Employee benefits	389,151	394,553	5,402	361,888
Purchased services	393,895	314,138	(79,757)	301,730
Supplies and materials	68,239	51,689	(16,550)	71,066
Other expenditures	22,191	20,767	(1,424)	18,586
Capital expenditures	3,915	6,224	2,309	28,331
Allocated overhead	(2,182,139)	(2,084,293)	97,846	(1,922,050)
Total expenditures	37,606	26,955	(10,651)	25,575
Net change in fund balances	\$ —	6,398	\$ 6,398	—
Fund balances				
Beginning of year		—		—
End of year		\$ 6,398		\$ —

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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	<u>\$ –</u>	\$ –	<u>\$ –</u>	\$ –
Fund balances				
Beginning of year		<u>671</u>		<u>671</u>
End of year		<u>\$ 671</u>		<u>\$ 671</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Capital Expenditure Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 526,800	\$ 526,800	\$ –	\$ 522,700
Investment earnings	2,000	155	(1,845)	3,336
Other	–	–	–	5,500
Total revenue	<u>528,800</u>	<u>526,955</u>	<u>(1,845)</u>	<u>531,536</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	3,300	3,699	399	2,199
Debt service				
Principal	305,000	305,000	–	295,000
Interest and fiscal charges	<u>221,800</u>	<u>221,800</u>	<u>–</u>	<u>227,700</u>
Total expenditures	<u>530,100</u>	<u>530,499</u>	<u>399</u>	<u>524,899</u>
Net change in fund balances	<u>\$ (1,300)</u>	<u>(3,544)</u>	<u>\$ (2,244)</u>	<u>6,637</u>
Fund balances				
Beginning of year		<u>14,415</u>		<u>7,778</u>
End of year		<u>\$ 10,871</u>		<u>\$ 14,415</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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 10,287	\$ 3,280	\$ (7,007)	\$ 17,999
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	405	469	64	2,417
Supplies and materials	9,850	487	(9,363)	16,144
Other expenditures	32	33	1	47
Total expenditures	<u>10,287</u>	<u>989</u>	<u>(9,298)</u>	<u>18,608</u>
Net change in fund balances	<u>\$ —</u>	2,291	<u>\$ 2,291</u>	(609)
Fund balances				
Beginning of year		<u>19,180</u>		<u>19,789</u>
End of year		<u>\$ 21,471</u>		<u>\$ 19,180</u>

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, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 6,600	\$ 1,389	\$ (5,211)	\$ 10,054
Expenditures				
Current				
Special education programs				
Supplies and materials	6,100	1,035	(5,065)	6,300
Other expenditures	–	35	35	–
Total expenditures	<u>6,100</u>	<u>1,070</u>	<u>(5,030)</u>	<u>6,300</u>
Net change in fund balances	<u>\$ 500</u>	319	<u>\$ (181)</u>	3,754
Fund balances				
Beginning of year		<u>10,848</u>		<u>7,094</u>
End of year		<u>\$ 11,167</u>		<u>\$ 10,848</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Student Activities
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 2,450	\$ 2,330	\$ (120)	\$ 3,564
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	100	–	(100)	19
Supplies and materials	2,200	1,621	(579)	2,501
Total expenditures	2,300	1,621	(679)	2,520
Net change in fund balances	\$ 150	709	\$ 559	1,044
Fund balances				
Beginning of year		4,864		3,820
End of year		\$ 5,573		\$ 4,864

INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Accounts receivable	\$ —	\$ 6,075
Due from other governmental units	<u>17,108</u>	<u>—</u>
Total assets	<u><u>\$ 17,108</u></u>	<u><u>\$ 6,075</u></u>
Liabilities		
Accounts payable	\$ 3,686	\$ 76
Due to other school districts	375	—
Due to other funds	<u>13,047</u>	<u>5,999</u>
Total liabilities	<u><u>\$ 17,108</u></u>	<u><u>\$ 6,075</u></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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales (refunds)	\$ 33,190	\$ (750)	\$ (33,940)	\$ 32,322
State sources	6,000	1,539	(4,461)	5,976
Federal sources	76,850	78,022	1,172	68,423
Total revenue	<u>116,040</u>	<u>78,811</u>	<u>(37,229)</u>	<u>106,721</u>
Expenditures				
Purchased services	5,260	14,273	9,013	5,055
Supplies and materials	<u>111,050</u>	<u>77,217</u>	<u>(33,833)</u>	<u>109,542</u>
Total expenditures	<u>116,310</u>	<u>91,490</u>	<u>(24,820)</u>	<u>114,597</u>
Excess (deficiency) of revenue over expenditures	(270)	(12,679)	(12,409)	(7,876)
Other financing sources				
Transfers in	<u>270</u>	<u>12,679</u>	<u>12,409</u>	<u>7,876</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, 2021
(With Comparative Totals as of June 30, 2020)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Assets			
Current assets			
Cash and temporary investments	\$ 592,822	\$ 4,598,210	\$ 1,385,137
Accounts receivable	—	—	—
Prepaid items	—	—	923
Total assets	592,822	4,598,210	1,386,060
Deferred outflows of resources			
OPEB plan deferments	—	—	179,862
Liabilities			
Current liabilities			
Accounts and contracts payable	49,302	356,333	—
Due to other governmental units	—	1,439	—
Total OPEB liability – due within one year	—	—	157,454
Severance benefits payable – due within one year	—	—	79,408
Unearned revenue	2,575	91,232	—
Total current liabilities	51,877	449,004	236,862
Long-term liabilities			
Total OPEB liability – due in more than one year	—	—	1,078,388
Severance benefits payable – due in more than one year	—	—	331,660
Total long-term liabilities	—	—	1,410,048
Total liabilities	51,877	449,004	1,646,910
Deferred inflows of resources			
OPEB plan deferments	—	—	693,501
Net position			
Unrestricted	\$ 540,945	\$ 4,149,206	\$ (774,489)

Totals	
2021	2020
\$ 6,576,169	\$ 5,156,921
—	3,586
923	856
<u>6,577,092</u>	<u>5,161,363</u>
179,862	80,002
405,635	215,394
1,439	1,374
157,454	—
79,408	18,424
93,807	—
<u>737,743</u>	<u>235,192</u>
1,078,388	1,380,775
331,660	372,982
<u>1,410,048</u>	<u>1,753,757</u>
2,147,791	1,988,949
<u>693,501</u>	<u>386,351</u>
<u>\$ 3,915,662</u>	<u>\$ 2,866,065</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Operating revenue			
Charges for services			
Contributions from governmental funds	\$ 549,531	\$ 5,108,300	\$ 130,199
Operating expenses			
Post-employment severance and health benefits	—	—	206,446
Medical benefit claims	—	4,033,999	—
Dental benefit claims	501,630	—	—
Total operating expenses	501,630	4,033,999	206,446
Operating income (loss)	47,901	1,074,301	(76,247)
Nonoperating revenue			
Investment earnings	344	2,439	859
Change in net position	48,245	1,076,740	(75,388)
Net position			
Beginning of year	492,700	3,072,466	(699,101)
End of year	\$ 540,945	\$ 4,149,206	\$ (774,489)

Totals	
2021	2020
\$ 5,788,030	\$ 5,016,767
206,446	139,516
4,033,999	3,291,125
501,630	400,882
4,742,075	3,831,523
1,045,955	1,185,244
3,642	49,924
1,049,597	1,235,168
2,866,065	1,630,897
\$ 3,915,662	\$ 2,866,065

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Cash flows from operating activities			
Contributions from governmental funds	\$ 552,106	\$ 5,203,118	\$ 130,199
Post-employment severance and health benefit payments	—	—	(124,494)
Payments for medical claims	—	(3,850,009)	—
Payments for dental claims	(495,314)	—	—
Net cash flows from operating activities	56,792	1,353,109	5,705
Cash flows from investing activities			
Investment income received	344	2,439	859
Net change in cash and cash equivalents	57,136	1,355,548	6,564
Cash and temporary investments			
Beginning of year	535,686	3,242,662	1,378,573
End of year	\$ 592,822	\$ 4,598,210	\$ 1,385,137
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 47,901	\$ 1,074,301	\$ (76,247)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Accounts receivable	—	3,586	—
Prepaid items	—	—	(67)
OPEB plan deferments	—	—	207,290
Accounts and contracts payable	6,316	183,925	—
Due to other governmental units	—	65	—
Severance benefits payable	—	—	19,662
Total OPEB liability	—	—	(144,933)
Unearned revenue	2,575	91,232	—
Net cash flows from operating activities	\$ 56,792	\$ 1,353,109	\$ 5,705

Totals	
2021	2020
\$ 5,885,423	\$ 5,014,845
(124,494)	(27,687)
(3,850,009)	(3,493,526)
(495,314)	(406,740)
1,415,606	1,086,892
3,642	49,924
1,419,248	1,136,816
5,156,921	4,020,105
\$ 6,576,169	\$ 5,156,921
\$ 1,045,955	\$ 1,185,244
3,586	(1,922)
(67)	(818)
207,290	(74,266)
190,241	(208,450)
65	191
19,662	(7,343)
(144,933)	194,256
93,807	—
\$ 1,415,606	\$ 1,086,892

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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	
2012	\$ 7,848,114 34%	\$ 14,720,483 63%	\$ 498,613 2%	\$ 136,147 1%	\$ 23,203,357 100%
2013	7,839,060 33%	15,177,273 64%	580,348 2%	126,115 1%	23,722,796 100%
2014	7,619,433 30%	17,064,879 67%	581,454 3%	97,720 —	25,363,486 100%
2015	7,876,725 30%	18,073,067 67%	559,401 2%	125,715 1%	26,634,908 100%
2016	8,765,738 30%	20,327,694 68%	554,908 2%	139,795 —	29,788,135 100%
2017	8,910,685 28%	21,223,814 67%	539,240 2%	845,477 3%	31,519,216 100%
2018	9,660,814 28%	23,146,660 67%	557,650 2%	580,576 3%	33,945,700 100%
2019	11,429,417 29%	26,541,284 67%	548,350 1%	1,070,943 3%	39,589,994 100%
2020	10,276,311 24%	30,724,528 73%	591,900 1%	699,517 2%	42,292,256 100%
2021	9,775,850 23%	31,662,477 74%	553,065 1%	691,977 2%	42,683,369 100%

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
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 74%	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%
2015	1,867,491 8%	3,182,362 12%	20,634,460 79%	116,426 –	316,820 1%	26,117,559 100%
2016	1,886,824 8%	2,993,362 11%	22,764,328 81%	131,729 –	307,246 1%	28,083,489 100%
2017	3,088,390 8%	3,590,904 10%	30,535,125 81%	143,390 –	301,437 1%	37,659,246 100%
2018	2,370,386 6%	4,185,093 11%	31,992,143 82%	136,447 –	246,834 1%	38,930,903 100%
2019	1,943,841 6%	2,399,143 8%	26,491,744 85%	159,619 –	241,276 1%	31,235,623 100%
2020	1,980,504 5%	4,104,278 10%	36,440,788 85%	114,859 –	235,435 1%	42,875,864 100%
2021	2,149,317 5%	4,274,114 10%	36,829,246 84%	91,751 –	229,451 1%	43,573,879 100%

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	2012	\$ 3,938,532	\$ 920	\$ 21,437	\$ 61,110	\$ 197,689	\$ 4,219,688
	2013	3,587,494	855	8,645	75,408	150,577	3,822,979
	2014	3,113,264	1,301	3,335	118,957	154,147	3,391,004
	2015	3,013,776	553	7,604	105,919	151,510	3,279,362
	2016	3,110,396	3,872	1,638	175,196	161,193	3,452,295
	2017	3,052,790	4,528	1,408	185,739	139,698	3,384,163
	2018	3,548,099	10,887	866	181,063	150,934	3,891,849
	2019	4,188,911	37,628	5,934	223,735	142,549	4,598,757
	2020	3,671,622	32,575	1,171	547,390	156,934	4,409,692
	2021	3,325,041	1,816	53	711,216	173,421	4,211,547
Special education	2012	2,962,399	(341)	529,239	14,199,467	172,752	17,863,516
	2013	3,202,954	44	546,076	14,861,033	5,000	18,615,107
	2014	3,396,148	1,119	568,794	16,689,111	5,000	20,660,172
	2015	3,652,478	400	629,749	17,783,764	5,000	22,071,391
	2016	4,579,099	8,973	644,251	19,900,805	—	25,133,128
	2017	4,857,838	8,952	548,626	20,873,915	—	26,289,331
	2018	5,193,103	26,198	458,843	23,243,634	—	28,921,778
	2019	6,145,683	43,324	909,380	27,625,713	—	34,724,100
	2020	6,087,994	19,033	504,261	30,519,723	—	37,131,011
	2021	6,175,809	1,357	302,689	30,924,352	370,437	37,774,644
Services allocation	2012	352,800	—	8,402	43,416	—	404,618
	2013	449,954	—	8,474	34,896	—	493,324
	2014	432,465	—	5,654	36,921	—	475,040
	2015	468,174	—	7,116	32,284	—	507,574
	2016	417,720	—	7,755	15,648	—	441,123
	2017	432,832	—	5,462	30,377	—	468,671
	2018	457,002	—	7,003	29,193	—	493,198
	2019	466,049	—	4,012	29,978	—	500,039
	2020	—	—	75	25,500	—	25,575
	2021	—	—	7,088	26,265	—	33,353
District support services	2012	24,600	—	26,485	—	—	51,085
	2013	—	—	44,058	—	—	44,058
	2014	—	—	31,060	—	—	31,060
	2015	—	—	2,240	—	—	2,240
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—
	2019	—	—	—	—	—	—
	2020	—	—	—	—	—	—
	2021	—	—	—	—	—	—

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	2012	\$ 477,245	\$ 28,827	\$ —	\$ —	\$ —	\$ 506,072
	2013	558,376	28,560	—	—	—	586,936
	2014	559,095	28,959	—	—	—	588,054
	2015	559,401	28,344	—	—	—	587,745
	2016	554,908	31,711	—	—	—	586,619
	2017	555,220	45,416	—	—	—	600,636
	2018	505,000	3,843	—	—	—	508,843
	2019	523,500	4,197	—	—	—	527,697
	2020	522,700	3,336	5,500	—	—	531,536
	2021	526,800	155	—	—	—	526,955
Secondary resale	2012	—	—	60,687	—	—	60,687
	2013	—	—	70,329	—	—	70,329
	2014	—	—	119,308	—	—	119,308
	2015	—	—	62,472	—	—	62,472
	2016	—	—	72,784	—	—	72,784
	2017	—	—	27,382	—	—	27,382
	2018	—	—	24,148	—	—	24,148
	2019	—	—	29,593	—	—	29,593
	2020	—	—	17,999	—	—	17,999
	2021	—	—	3,280	—	—	3,280
Special education resale	2012	—	—	19,406	—	—	19,406
	2013	—	—	17,856	—	—	17,856
	2014	—	—	16,693	—	—	16,693
	2015	—	—	13,514	—	—	13,514
	2016	—	—	10,977	—	—	10,977
	2017	—	—	10,636	—	—	10,636
	2018	—	—	9,385	—	—	9,385
	2019	—	—	12,877	—	—	12,877
	2020	—	—	10,054	—	—	10,054
	2021	—	—	1,389	—	—	1,389
Student activities	2012	—	—	—	—	—	—
	2013	—	—	—	—	—	—
	2014	—	—	—	—	—	—
	2015	—	—	—	—	—	—
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—
	2019	—	—	—	—	—	—
	2020	—	—	3,564	—	—	3,564
	2021	—	—	2,330	—	—	2,330

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	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
	2015	1,818,549	684,389	506,510	91,810	280,631	3,381,889
	2016	1,766,552	613,991	466,365	102,689	296,790	3,246,387
	2017	1,849,994	629,643	413,106	238,242	270,734	3,401,719
	2018	1,939,231	657,156	445,562	100,948	256,317	3,399,214
	2019	2,068,260	757,912	461,012	209,959	216,229	3,713,372
	2020	2,360,808	869,042	475,221	212,921	183,085	4,101,077
	2021	2,541,811	936,625	512,497	95,076	172,333	4,258,342
Special education	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
	2015	13,075,819	4,966,320	1,763,028	803,025	1,118,880	21,727,072
	2016	14,518,245	5,231,164	2,201,135	1,073,110	1,183,974	24,207,628
	2017	15,576,866	5,191,320	2,382,990	1,056,040	1,256,491	25,463,707
	2018	17,216,772	5,800,717	2,412,031	1,377,018	1,399,608	28,206,146
	2019	19,587,249	6,954,251	3,814,927	1,948,708	1,522,784	33,827,919
	2020	21,472,374	7,792,000	4,348,076	1,760,063	1,738,965	37,111,478
	2021	22,211,531	8,246,772	3,917,383	1,228,771	1,911,960	37,516,417
Services allocation	2012	786,232	237,644	569,416	54,094	(1,242,768)	404,618
	2013	789,620	253,125	707,647	37,971	(1,295,039)	363,415
	2014	799,495	259,349	676,557	56,770	(1,317,131)	475,040
	2015	863,256	250,344	732,924	60,561	(1,399,511)	507,574
	2016	914,218	237,668	674,770	95,229	(1,480,762)	441,123
	2017	987,354	267,621	673,348	67,572	(1,527,224)	468,671
	2018	1,035,133	280,301	773,447	60,242	(1,655,925)	493,198
	2019	1,090,570	329,963	738,997	79,522	(1,739,013)	500,039
	2020	1,166,024	361,888	301,730	117,983	(1,922,050)	25,575
	2021	1,323,877	394,553	314,138	78,680	(2,084,293)	26,955
District support services	2012	14,916	3,696	26,936	6,594	—	52,142
	2013	—	—	44,060	—	—	75,741
	2014	—	—	31,087	18,351	—	49,438
	2015	—	—	2,240	—	—	2,240
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—
	2019	—	—	—	—	—	—
	2020	—	—	—	—	—	—
	2021	—	—	—	—	—	—

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	2012	\$ —	\$ —	\$ 73,093	\$ 574,847	\$ —	\$ 647,940
	2013	—	—	26,673	622,286	—	628,038
	2014	—	—	137,765	559,095	—	696,860
	2015	—	—	19,362	559,401	—	578,763
	2016	—	—	25,950	577,708	—	603,658
	2017	—	—	40,812	3,954,374	—	3,995,186
	2018	—	—	7,712	615,346	—	623,058
	2019	—	—	3,000	523,500	—	526,500
	2020	—	—	2,199	522,700	—	524,899
	2021	—	—	3,699	526,800	—	530,499
Secondary resale	2012	—	—	12,293	47,733	—	60,026
	2013	—	—	13,099	52,500	—	65,599
	2014	—	—	20,863	101,682	—	122,545
	2015	—	—	35,614	38,986	—	74,600
	2016	—	—	5,642	83,044	—	88,686
	2017	—	—	2,430	22,527	—	24,957
	2018	—	—	1,654	20,734	—	22,388
	2019	—	—	1,698	19,840	—	21,538
	2020	—	—	2,417	16,191	—	18,608
	2021	—	—	469	520	—	989
Special education resale	2012	—	—	60	17,319	—	17,379
	2013	—	—	—	19,246	—	19,246
	2014	—	—	1,262	18,338	—	19,600
	2015	—	—	—	11,829	—	11,829
	2016	—	—	935	10,458	—	11,393
	2017	—	—	—	12,728	—	12,728
	2018	—	—	245	12,199	—	12,444
	2019	—	—	20	12,888	—	12,908
	2020	—	—	—	6,300	—	6,300
	2021	—	—	—	1,070	—	1,070
Student activities	2012	—	—	—	—	—	—
	2013	—	—	—	—	—	—
	2014	—	—	—	—	—	—
	2015	—	—	—	—	—	—
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—
	2019	—	—	—	—	—	—
	2020	—	—	19	2,501	—	2,520
	2021	—	—	—	1,621	—	1,621

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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 the 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 financial statements. 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
November 29, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2021.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the claims and disbursements and contracting and bidding of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Recommendations as findings 2021-001 and 2021-002. Also, 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 deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

DISTRICT'S RESPONSES TO FINDINGS

The District's responses to the legal compliance findings identified in our audit have been included in the Schedule of Findings and Responses. The District's responses were not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on them.

(continued)

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota

November 29, 2021

INTERMEDIATE SCHOOL DISTRICT NO. 917

Schedule of Findings and Recommendations
Year Ended June 30, 2021

MINNESOTA LEGAL COMPLIANCE FINDINGS

2021-001 UNTIMELY PAYMENTS OF INVOICES

Criteria – Minnesota Statutes § 471.425, Subd. 2.

Condition – Minnesota Statutes require prompt payment of local government bills within a standard payment period of 45 days from receipt for governing boards of joint powers organizations.

Questioned Costs – Not applicable.

Context – We noted 2 of 25 disbursements we selected for testing were not paid within the statutory timeline.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – Intermediate School District No. 917 (the District) did not pay two of its invoices in a timely manner based on statutory requirements.

Recommendation – We recommend that the District review its payment procedures and properly pay all invoices to ensure that all bills are paid within the statutory time limit.

Corrective Action Plan

Actions Planned – The District will review its disbursement policies to verify compliance in the future.

Official Responsible – Nicolle Roush, Executive Director of Business Services.

Planned Completion Date – June 30, 2022.

Disagreement With or Explanation of Finding – The District is in agreement with this finding.

Plan to Monitor – The Executive Director of Business Services will oversee the process to ensure the District's future compliance.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Schedule of Findings and Recommendations (continued)
Year Ended June 30, 2021

MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)

2021-002 ADVERTISEMENTS

Criteria – Minnesota Statutes § 471.6161 Subd. 2.

Condition – Minnesota Statutes require public notices for all request for proposals for group insurance be placed in a newspaper or trade journal at least 21 days prior to the final date for submitting proposals.

Questioned Costs – Not applicable.

Context – The District did not advertise its request for proposals for long-term disability insurance in a newspaper or trade journal for at least 21 days prior to the final date for submitting proposals.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District did not advertise its request for proposal 21 days prior to the final date for submitting proposals.

Recommendation – We recommend that the District review its procedures to ensure that public notices for request for proposals for group insurance be published on a timely basis.

Corrective Action Plan

Actions Planned – In the future, the District will submit advertisements for group insurance to the local newspaper at least 21 days prior to the final date for submitting proposals.

Official Responsible – Nicolle Roush, Executive Director of Business Services.

Planned Completion Date – June 30, 2022.

Disagreement With or Explanation of Finding – The District is in agreement with this finding.

Plan to Monitor – The Executive Director of Business Services will oversee the process to ensure the District's future compliance.

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2021

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 42,553,498	\$ 42,553,497	\$ 1
Total expenditures		\$ 42,335,893	\$ 42,335,891	\$ 2
Nonspendable				
460	Nonspendable fund balance	\$ 109,429	\$ 109,429	\$ –
Restricted				
401	Student activities	\$ 5,573	\$ 5,573	\$ –
402	Scholarships	\$ –	\$ –	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP			
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
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	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 55,970	\$ 55,969	\$ 1
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 44,382	\$ 44,382	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 134,029	\$ 134,029	\$ –
Unassigned				
422	Unassigned fund balance	\$ 9,987,663	\$ 9,987,665	\$ (2)
Food Service				
Total revenue		\$ 78,811	\$ 78,811	\$ –
Total expenditures		\$ 91,490	\$ 91,490	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
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, 2021

			Audit	UFARS	Audit – UFARS
Building Construction					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
Nonspendable					
460	Nonspendable fund balance		\$ –	\$ –	\$ –
Restricted					
407	Capital projects levy		\$ –	\$ –	\$ –
413	Projects funded by COP		\$ –	\$ –	\$ –
467	Long-term facilities maintenance		\$ –	\$ –	\$ –
464	Restricted fund balance		\$ –	\$ –	\$ –
Unassigned					
463	Unassigned fund balance		\$ –	\$ –	\$ –
Debt Service					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
Nonspendable					
460	Nonspendable fund balance		\$ –	\$ –	\$ –
Restricted					
425	Bond refundings		\$ –	\$ –	\$ –
433	Maximum effort loan		\$ –	\$ –	\$ –
451	QZAB payments		\$ –	\$ –	\$ –
467	Long-term facilities maintenance		\$ –	\$ –	\$ –
464	Restricted fund balance		\$ –	\$ –	\$ –
Unassigned					
463	Unassigned fund balance		\$ –	\$ –	\$ –
Trust					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
401	Student activities		\$ –	\$ –	\$ –
402	Scholarships		\$ –	\$ –	\$ –
422	Net position		\$ –	\$ –	\$ –
Custodial Fund					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
401	Student activities		\$ –	\$ –	\$ –
402	Scholarships		\$ –	\$ –	\$ –
448	Achievement and integration		\$ –	\$ –	\$ –
464	Restricted		\$ –	\$ –	\$ –
Internal Service					
Total revenue			\$ 5,791,672	\$ 5,791,672	\$ –
Total expenditures			\$ 4,742,075	\$ 4,742,074	\$ 1
422	Net position		\$ 3,915,662	\$ 3,915,662	\$ –
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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