

INTERMEDIATE SCHOOL DISTRICT NO. 917
ROSEMOUNT, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

INTERMEDIATE SCHOOL DISTRICT NO. 917

Table of Contents

	Page
INTRODUCTORY SECTION	
SCHOOL BOARD AND ADMINISTRATION	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	2–4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5–19
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21–22
Fund Financial Statements	
Governmental Funds	
Balance Sheet	23
Reconciliation of the Balance Sheet to the Statement of Net Position	24
Statement of Revenue, Expenditures, and Changes in Fund Balances	25
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	26
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	27
Proprietary Funds	
Statement of Net Position	28
Statement of Revenue, Expenses, and Changes in Net Position	29
Statement of Cash Flows	30
Fiduciary Funds	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	31
Notes to Basic Financial Statements	32–61
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	62
Schedule of District Contributions	62
Teachers Retirement Association Pension Benefits Plan	
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability	63
Schedule of District Contributions	63
Other Post-Employment Benefits Plan	
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	64
Notes to Required Supplementary Information	65–67

INDEPENDENT SCHOOL DISTRICT NO. 917

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	
Combining and Individual Fund Statements and Schedules	
General Fund	
Comparative Balance Sheet	68
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	69
Combining Balance Sheet by Account	70–71
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account	72–73
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	
Secondary Education Account	74
Special Education Account	75
Services Allocation Account	76
District Support Services Account	77
Capital Expenditure Account	78
Secondary Resale Account	79
Special Education Resale Account	80
Nonmajor Fund – Food Service Special Revenue Fund	
Comparative Balance Sheet	81
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	82
Internal Service Funds	
Combining Statement of Net Position	83–84
Combining Statement of Revenue, Expenses, and Changes in Net Position	85–86
Combining Statement of Cash Flows	87–88
OTHER INFORMATION	
Government-Wide Revenue by Type	89
Government-Wide Expenses by Program	90
General Fund Revenue by Source	91–92
General Fund Expenditures by Object	93–94
OTHER REQUIRED REPORTS	
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 <i>Government Auditing Standards</i>	95–96
Independent Auditor’s Report on Minnesota Legal Compliance	97
Uniform Financial Accounting and Reporting Standards Compliance Table	98–99

INTRODUCTORY SECTION

INTERMEDIATE SCHOOL DISTRICT NO. 917

School Board and Administration
as of June 30, 2018

SCHOOL BOARD

<u>Board of Directors</u>	<u>Member District</u>	<u>Position on Board</u>
Jill Lewis	ISD No. 199	Chairperson
Bob Erickson	ISD No. 194	Vice Chairperson
Melissa Sauser	ISD No. 192	Treasurer
Vanda Pressnall	ISD No. 195	Clerk
Dick Bergstrom	ISD No. 271	Director
Dee Dee Currier	ISD No. 191	Director
Wendy Felton	SSD No. 6	Director
Russ Rohloff	ISD No. 200	Director
Byron Schwab	ISD No. 197	Director

ADMINISTRATION

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

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2017 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 29, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 27, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

INTERMEDIATE SCHOOL DISTRICT NO. 917

Management's Discussion and Analysis Year Ended June 30, 2018

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, 2018. Please read it in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources were less than liabilities and deferred inflows of resources at June 30, 2018 by \$19,420,937 (net position deficit). The District's total net position decreased by \$4,985,203 during the fiscal year ended June 30, 2018, excluding the change in accounting principle.
- The District recorded a change in accounting principle in the current year with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The change reflects standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to other post-employment benefit (OPEB) obligations. The implementation of this standard increased beginning net position in the government-wide and internal service fund financial statements by \$98,437.
- The District's total General Fund balance at June 30, 2018 is \$8,023,932, an increase of \$1,066,054 over the prior year.

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, except for the fiduciary funds. 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 regular and special education instruction, transportation, administration, and food services, are primarily financed with tuition charges and state aids.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major funds," rather than the District as a whole. 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.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2018 and 2017		
	2018	2017
Assets		
Current and other assets	\$ 14,529,546	\$ 13,287,467
Capital assets, net of accumulated depreciation	9,213,928	9,327,146
Total assets	\$ 23,743,474	\$ 22,614,613
Deferred outflows of resources		
Pension plan deferments	\$ 27,539,981	\$ 35,135,153
OPEB plan deferments	49,298	—
Deferred charge on refunding debt	358,807	381,232
Total deferred outflows of resources	\$ 27,948,086	\$ 35,516,385
Liabilities		
Current and other liabilities	\$ 3,579,655	\$ 4,326,139
Long-term liabilities, including due within one year	59,422,369	67,565,532
Total liabilities	\$ 63,002,024	\$ 71,891,671
Deferred inflows of resources		
Pension plan deferments	\$ 8,110,473	\$ 773,498
Net position		
Net investment in capital assets	\$ 1,535,355	\$ 1,989,252
Restricted for capital projects	—	76
Restricted for other purposes	300,566	252,615
Unrestricted	(21,256,858)	(16,776,114)
Total net position	\$ (19,420,937)	\$ (14,534,171)

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 OPEB, which impacts the unrestricted portion of net position.

The District's total net position at June 30, 2018 was \$4,886,766 less than in the prior year, mainly due to increases in net pension plan related liabilities. A change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

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

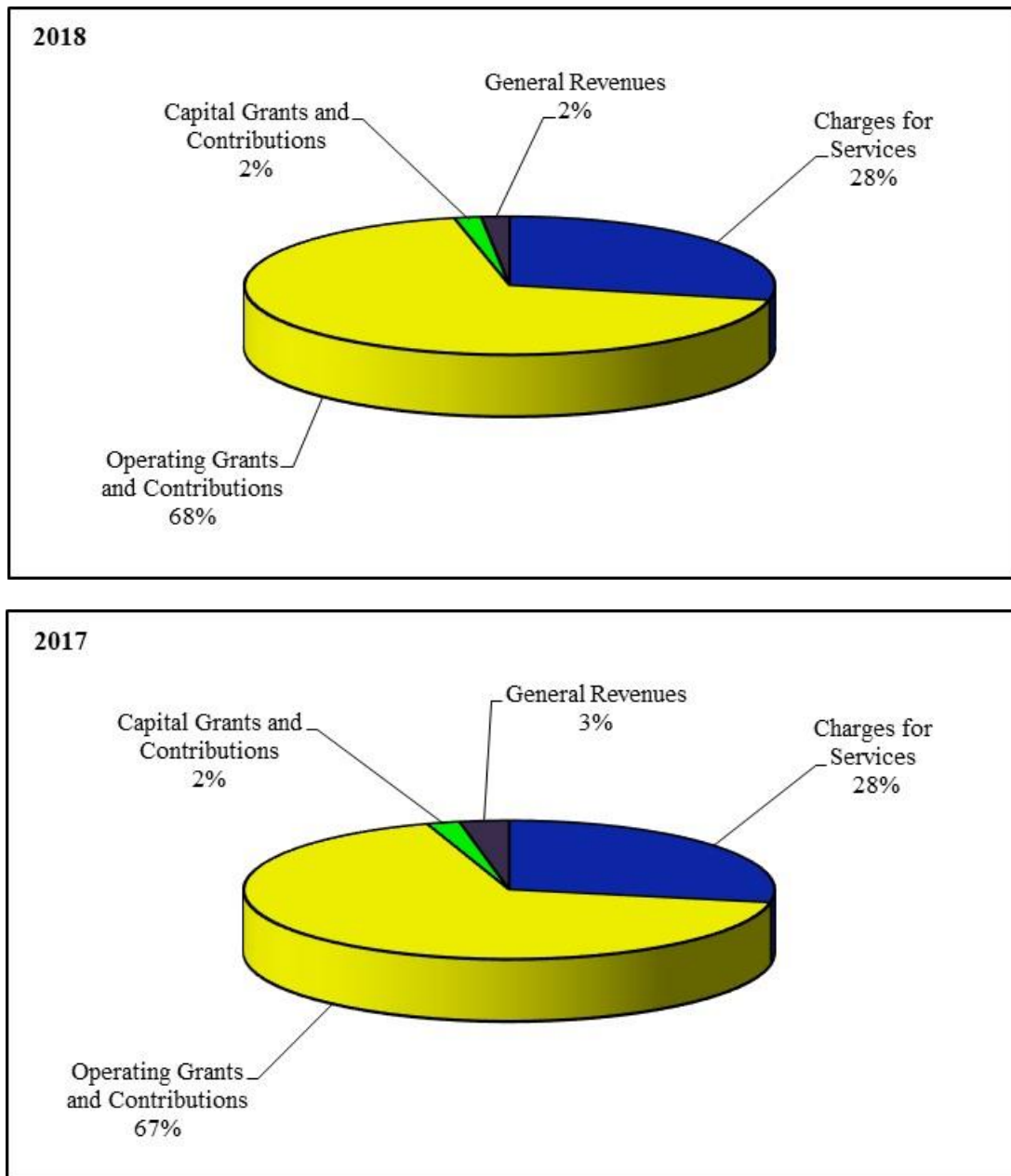
Table 2 Summary Statement of Activities for the Years Ended June 30, 2018 and 2017		
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 9,660,814	\$ 8,910,685
Operating grants and contributions	23,146,660	21,223,814
Capital grants and contributions	557,650	539,240
General revenues		
Other	508,545	779,287
Investment earnings	72,031	66,190
Total revenues	<u>33,945,700</u>	<u>31,519,216</u>
Expenses		
Administrative and support services	2,370,386	3,088,390
Secondary vocational/DCALS	4,185,093	3,590,904
Special education programs	31,992,143	30,535,125
Food service	136,447	143,390
Interest and fiscal charges on debt	246,834	301,437
Total expenses	<u>38,930,903</u>	<u>37,659,246</u>
Change in net position	(4,985,203)	(6,140,030)
Net position – beginning, as previously reported	(14,534,171)	(8,394,141)
Change in accounting principle	98,437	–
Net position – beginning, as restated	<u>(14,435,734)</u>	<u>(8,394,141)</u>
Net position – ending	<u>\$ (19,420,937)</u>	<u>\$ (14,534,171)</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 total cost of all programs and services was \$38,930,903. The District's expenses are predominantly related to educating students. In fiscal 2017–2018, 93 percent of the District's expenses were devoted to this purpose. The administrative and support services activity of the District accounted for 6 percent of total expenses for the year. It should be noted that the District allocated \$1,655,925 in administrative and support services expenses to the secondary vocational/Dakota County Area Learning School (DCALS) and special education programs in fiscal 2018. The increase in expenses reflects natural inflationary increases along with the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier.

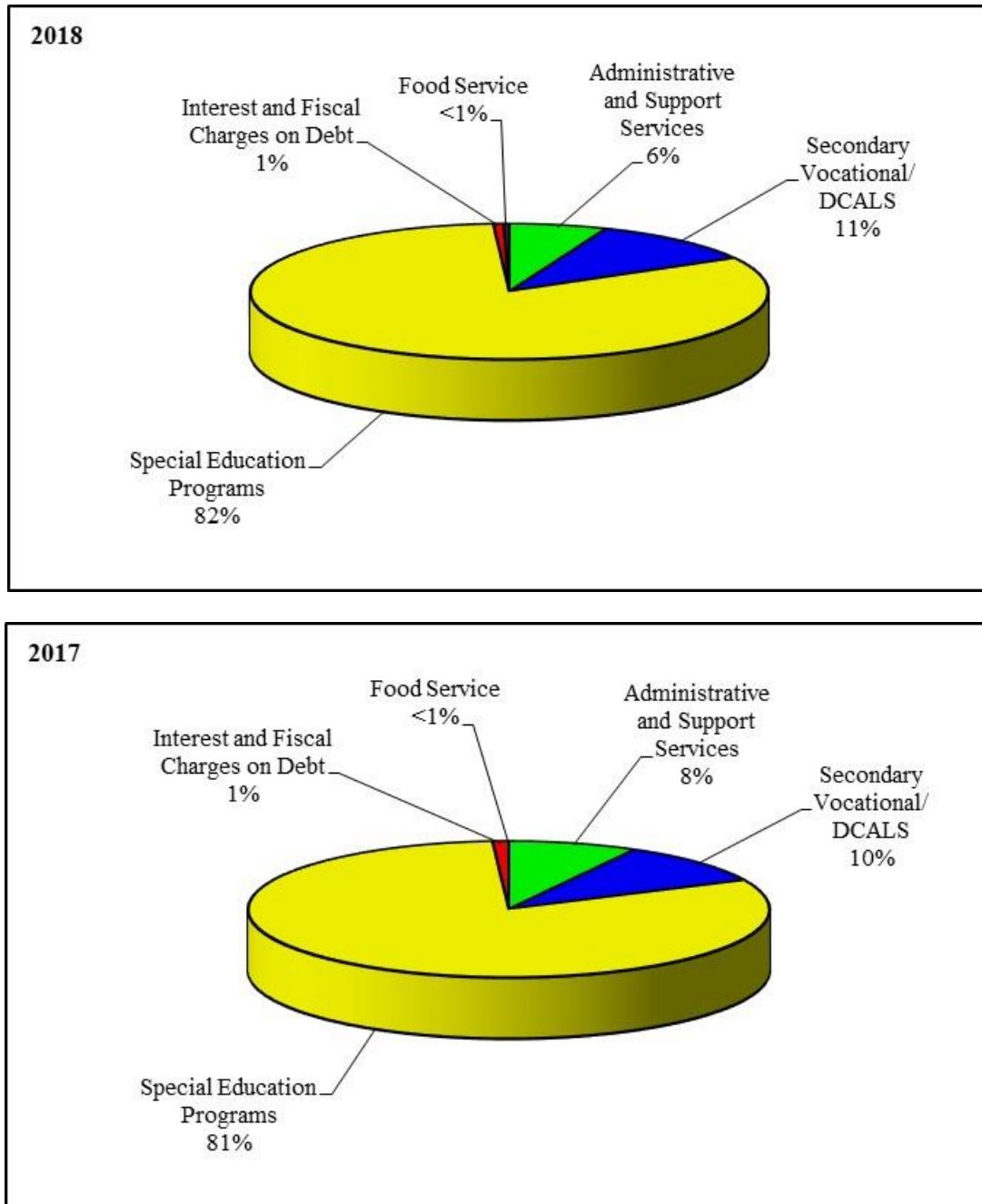
Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2018 and 2017



The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants.

Figure B – Expenses for Fiscal Years 2018 and 2017



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 Ending June 30, 2018 and 2017

	2018		2017	
	Total Cost of Services	Net (Expense) Revenue From Services	Total Cost of Services	Net (Expense) Revenue From Services
Governmental activities				
Administrative and support services	\$ 2,370,386	\$ (228,266)	\$ 3,088,390	\$ (1,103,934)
Secondary vocational/DCALS	4,185,093	(89,375)	3,590,904	(63,834)
Special education programs	31,992,143	(4,969,336)	30,535,125	(5,477,392)
Food service	136,447	(31,968)	143,390	(38,910)
Interest and fiscal charges	246,834	(246,834)	301,437	(301,437)
Total	<u>\$ 38,930,903</u>	<u>\$ (5,565,779)</u>	<u>\$ 37,659,246</u>	<u>\$ (6,985,507)</u>

The overall net (expense) revenue from service was \$1,419,728 more than fiscal 2017, due mainly to the improved financial results in the General Fund.

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, 2018 and 2017

	2018	2017	Increase (Decrease)	Total Percent Change
Major funds				
General	\$ 8,023,932	\$ 6,957,878	\$ 1,066,054	15.3%
Food Service Special Revenue	—	—	—	—
Total governmental funds	<u>\$ 8,023,932</u>	<u>\$ 6,957,878</u>	<u>\$ 1,066,054</u>	15.3%

As previously discussed, the focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing 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>2013–2014</u>	<u>2014–2015</u>	<u>2015–2016</u>	<u>2016–2017</u>	<u>2017–2018</u>
Secondary vocational resource programs	109.00	100.67	108.41	92.80	106.57
DCALS programs	209.84	190.43	216.20	214.84	271.12
Special education resource programs	395.92	414.54	419.44	478.42	466.30

Funding for Minnesota school districts is largely driven by enrollment. In the current economic environment, member districts are striving to keep their students at their sites whenever possible. Overall, the District's secondary vocational resource programs remain stable with a slight growth experienced in 2017–2018. Alternative learning (DCALS) programs experienced significant and unanticipated growth from the previous fiscal year. Special education resource programs are experiencing growth in Customized Alternative Solutions for Education (CASE), Students with Unique Needs (SUN), and Therapeutic Education Alternative (TEA), and declining enrollment in Transition Education Services (TESA), Deaf and Hard of Hearing Resources (DHH), and Care and Treatment programs. Stable and predictable enrollment to maintain and fund programs will continue to be especially challenging in the alternative learning and secondary vocational resource programs.

GENERAL FUND

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

Table 6
Financial Position – General Fund
Last Five Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unassigned fund balance	\$ 4,642,898	\$ 4,807,307	\$ 5,730,521	\$ 5,922,746	\$ 6,634,983
Percent increase	13.7%	3.5%	19.2%	3.4%	12.0%
Expenditures	\$ 24,895,504	\$ 26,283,967	\$ 28,598,875	\$ 33,366,968	\$ 32,756,448
Percent increase (decrease)	2.5%	5.6%	8.8%	16.7%	(1.8%)
Unassigned fund balance as a percentage of expenditures	18.6%	18.3%	20.0%	17.8%	20.3%

The District ended the year with a \$1,066,054 increase in the General Fund balance, which includes a \$712,237 increase in the unassigned fund balance. The total increase of \$1,066,054 is \$499,859 higher than anticipated in the District's revised budget. The reason for the variance is due mainly to the District receiving better than expected results in the Secondary Education Account, including revenue exceeding projections by \$417,658, mainly due to having higher than anticipated enrollment at the DCALS program.

Table 7 presents a summary of General Fund revenue:

	<u>2018</u>	<u>2017</u>	<u>Amount of Increase (Decrease)</u>
Local sources			
Tuition	\$ 9,703,204	\$ 8,898,680	\$ 804,524
Investment earnings	40,928	58,896	(17,968)
Other	500,245	593,514	(93,269)
State sources	23,453,890	21,090,031	2,363,859
Federal sources	<u>150,934</u>	<u>139,698</u>	<u>11,236</u>
Total General Fund revenues	<u>\$ 33,849,201</u>	<u>\$ 30,780,819</u>	<u>\$ 3,068,382</u>

Total General Fund revenues increased \$3,068,382, or 10.0 percent, in fiscal 2018 as compared to the previous year. Overall, the changes in revenues can be attributed to an increase in enrollment of 57 additional ADMs in combination with increased expenditures, resulting in an increase in state revenue sources through tuition billing and for direct tuition revenue to local school districts for services outside of the state tuition billing system.

Increase in state sources is due to an increase in general education as a result of increased entitlement for general education basic skills. The remaining increase is the result of increased revenues for special education. There was an under accrual in the prior year that resulted in approximately \$700,000 of fiscal 2017 revenue being recognized in the current year. The remaining increase in special education revenues is the result of increased entitlements on \$1,600,000 from the prior year. Increased entitlement is due to an average salary and benefit increases per contract of approximately 3.9 percent, increase in the general education formula of 2.0 percent, and the remaining increase is related to ADM growth. The growth was the result of several factors: CASE program was new in fiscal year 2018, and TEA and SUN programs expanded. In addition, students served by the District are changing and we are serving more complex students with more related services that need higher staffing ratios of related staff.

Table 8 presents a summary of General Fund expenditures:

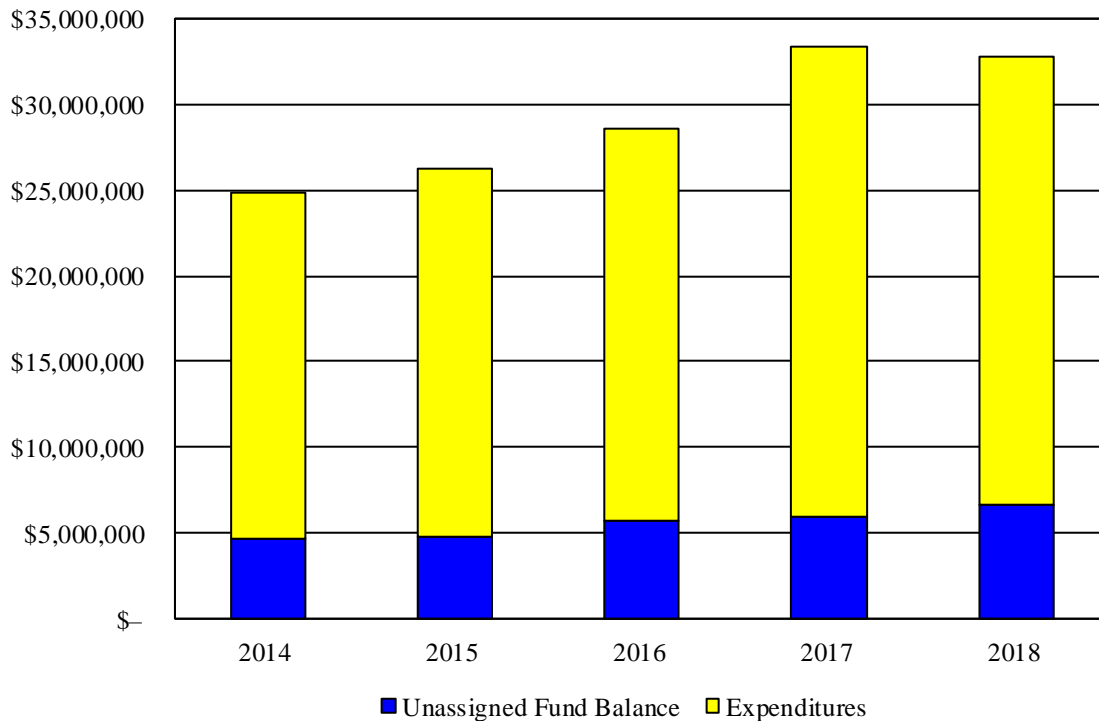
Table 8 General Fund Expenditures for the Years Ended June 30, 2018 and 2017			
	2018	2017	Amount of Increase (Decrease)
Salaries	\$ 20,191,136	\$ 18,414,214	\$ 1,776,922
Employee benefits	6,738,174	6,088,584	649,590
Purchased services	3,640,651	3,512,686	127,965
Supplies and materials	784,606	742,100	42,506
Other expenditures	120,825	110,457	10,368
Capital expenditures	746,364	3,240,678	(2,494,314)
Debt service	534,692	1,258,249	(723,557)
Total General Fund expenditures	<u>\$ 32,756,448</u>	<u>\$ 33,366,968</u>	<u>\$ (610,520)</u>

Total General Fund expenditures decreased \$610,520, or 1.8 percent, from the previous year. Overall, the changes in expenditures can be attributed to an increase in salaries and benefits, which was mainly due to increases in the number of employees. Also, capital expenditures decreased \$2,494,314 as a result of the decreased construction activity related to the Alliance Education Center addition.

In summary, 2017–2018 General Fund revenues and other financing sources exceeded General Fund expenditures and other financing uses by \$1,066,054. As a result, total fund balance increased to \$8,023,932 at June 30, 2018. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance increased from \$5,922,746 at June 30, 2017, to \$6,634,983 at June 30, 2018.

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 \$6.6 million at June 30, 2018 represents 20.3 percent of annual expenditures, or over two months of school year operations. The fund balances of an intermediate school district are key to its financial success as the cash flow advance options available to intermediate school districts are more restrictive to access 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 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, 2018				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue and other financing sources	<u>\$ 35,526,658</u>	<u>\$ 35,414,210</u>	<u>\$ 33,851,534</u>	<u>\$ (1,562,676)</u>
Expenditures and other financing uses	<u>\$ 42,057,703</u>	<u>\$ 34,848,015</u>	<u>\$ 32,785,480</u>	<u>\$ (2,062,535)</u>

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

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

The District's revenues and other financing sources were less than budgeted amounts by 4.4 percent, due to several factors. The District's anticipated revenues are determined by actual expenditures incurred, which came in under budget by \$2,050,432.

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 \$1.94 million in special education programs. The budget was built assuming there would be a 35 ADM increase during the year, with the positions being filled all year. However, these additional positions went unfilled during a large portion of the current year as it was difficult to find licensed personnel.

FOOD SERVICE SPECIAL REVENUE FUND

Expenditures exceeded revenues by \$29,032 for the year. In order to eliminate the potential deficit in the Food Service Special Revenue Fund, the School Board approved a transfer of \$29,032 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.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 10 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2018 and 2017:

Table 10 Capital Assets as of June 30, 2018 and 2017			
	2018	2017	Change
Land	\$ 655,000	\$ 655,000	\$ —
Construction in process	—	2,607,447	(2,607,447)
Buildings	11,168,352	8,413,048	2,755,304
Furniture and equipment	2,259,410	2,106,891	152,519
Less accumulated depreciation	(4,868,834)	(4,455,240)	(413,594)
Total	<u>\$ 9,213,928</u>	<u>\$ 9,327,146</u>	<u>\$ (113,218)</u>
Depreciation expense	<u>\$ 416,530</u>	<u>\$ 272,348</u>	<u>\$ 144,182</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, 2018 and 2017			
	2018	2017	Change
Certificates of participation payable	\$ 7,830,000	\$ 8,085,000	\$ (255,000)
Unamortized premium (discount)	249,726	261,958	(12,232)
Net pension liability	49,090,354	57,107,244	(8,016,890)
Severance benefits payable	441,446	449,832	(8,386)
Compensated absences payable	300,665	275,623	25,042
Total OPEB liability	<u>1,510,178</u>	<u>1,385,875</u>	<u>124,303</u>
Total	<u>\$ 59,422,369</u>	<u>\$ 67,565,532</u>	<u>\$ (8,143,163)</u>

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 programing.
- 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. Specifically, a recent successful grant from the state for embedded mental health services has been a tremendous addition.
- Collaborate with AMSD, MASA, MSBA, and 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 legislation action to assist the District to meet 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:

- An ALC specifically designed for students in Grades 8, 9, and 10 is being investigated. The site for the program would be in a space that is leased by the Farmington Public Schools. The program would be operated and staffed by 917 staff members.
- An expansion of the Transitional Educational Service Alternative for students age 18 to 21 is being investigated through a collaborative initiative with Bloomington Public Schools. The space is provided by Bloomington Public Schools. The services would be provided by the District.
- 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 to coordinate inter-district collaborations throughout the member districts.

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

- The general education program funding is the method by which school districts receive most of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. Of course, as the funding from the state for schools is not known for the 2020–2021 and 2021–2022 school years, we do not know how much of an increase will occur in the general education formula, and we do not know if there will be significant changes to the special education funding. Because each of our member districts currently have special education expenses that exceed their special education funding, they use general education revenue to cross-subsidize special education programming. So, monies spent in special education program funding have an impact on each district's General Fund budget.
- The District has appropriate fund balances to provide adequate opportunity to adapt to uncontrolled changes in revenue sources for the short-term (two or three years). The special education funding system is being managed in different ways by member districts. This drives different districts 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.
- Many of the important collaborative programs available through the Career Technical Education program, the DCALS program, and special services are expensive and require time to develop, yet they provide necessary and essential options for students and families. Because of specialized spaces and equipment needed for the programs, the District needs to continue to work closely with the member districts to ensure that there is enough commitment for participation by the member districts as the programs are developed.
- The need to find, secure, and retain highly qualified teachers and other employees, to fill the increasing number of positions to support the needs of our member districts, is a growing challenge. The District has initiated an employment incentive program for teachers in the Blind/Visual Impairment program. The District is collaborating with area colleges and universities to increase the number of the special education teachers available for the vacant positions. We will be hosting a cohort of paraprofessionals and tier 1 and tier 2 teachers who are pursuing licensure. We will collaborate with other schools to promote the offerings in degree acquisition and licensure completion.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	Governmental Activities	
	2018	2017
Assets		
Cash and temporary investments	\$ 6,990,706	\$ 3,249,221
Receivables		
Accounts and interest	9,714	9,351
Due from other governmental units	6,864,126	9,246,419
Inventory	414	925
Prepaid items	622,240	153,719
Restricted assets – temporarily restricted		
Cash and investments held by trustee	42,346	627,832
Capital assets		
Not depreciated	655,000	3,262,447
Depreciated, net of accumulated depreciation	8,558,928	6,064,699
Total capital assets, net of accumulated depreciation	<u>9,213,928</u>	<u>9,327,146</u>
Total assets	<u>23,743,474</u>	<u>22,614,613</u>
Deferred outflows of resources		
Pension plan deferments	27,539,981	35,135,153
OPEB plan deferments	49,298	–
Deferred charge on refunding	358,807	381,232
Total deferred outflows of resources	<u>27,948,086</u>	<u>35,516,385</u>
Total assets and deferred outflows of resources	<u>\$ 51,691,560</u>	<u>\$ 58,130,998</u>
Liabilities		
Salaries and compensated absences payable	\$ 2,684,557	\$ 3,012,174
Accounts and contracts payable	223,549	683,734
Accrued interest payable	97,292	140,343
Due to other governmental units	385,879	428,222
Unearned revenue	188,378	61,666
Long-term liabilities		
Due within one year	618,615	503,811
Due in more than one year	58,803,754	67,061,721
Total long-term liabilities	<u>59,422,369</u>	<u>67,565,532</u>
Total liabilities	63,002,024	71,891,671
Deferred inflows of resources		
Pension plan deferments	8,110,473	773,498
Net position		
Net investment in capital assets	1,535,355	1,989,252
Restricted for capital purposes	–	76
Restricted for basic skills	300,566	252,615
Unrestricted	(21,256,858)	(16,776,114)
Total net position	<u>(19,420,937)</u>	<u>(14,534,171)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 51,691,560</u>	<u>\$ 58,130,998</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Activities
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

				2018
Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues	
			Charges for Services	Operating Grants and Contributions
Governmental activities				
Administrative and support services	\$ 2,370,386	\$ (1,655,925)	\$ 457,002	\$ 6,543
Secondary vocational/DCALS	4,185,093	256,317	3,571,424	275,611
Special education programs	31,992,143	1,399,608	5,611,202	22,781,213
Food service	136,447	—	21,186	83,293
Interest and fiscal charges on debt	246,834	—	—	—
Total governmental activities	<u>\$ 38,930,903</u>	<u>\$ —</u>	<u>\$ 9,660,814</u>	<u>\$ 23,146,660</u>
General revenues				
Other general revenues				
Investment earnings				
Total general revenues				
Change in net position				
Net position – beginning, as previously reported				
Change in accounting principle				
Net position – beginning, as restated				
Net position – ending				

		2017
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Governmental Activities	Governmental Activities
\$ 22,650	\$ (228,266)	\$ (1,103,934)
505,000	(89,375)	(63,834)
30,000	(4,969,336)	(5,477,392)
—	(31,968)	(38,910)
—	(246,834)	(301,437)
<u>\$ 557,650</u>	<u>(5,565,779)</u>	<u>(6,985,507)</u>
	508,545	779,287
	<u>72,031</u>	<u>66,190</u>
	<u>580,576</u>	<u>845,477</u>
	(4,985,203)	(6,140,030)
	(14,534,171)	(8,394,141)
	<u>98,437</u>	<u>—</u>
	<u>(14,435,734)</u>	<u>(8,394,141)</u>
	<u>\$ (19,420,937)</u>	<u>\$ (14,534,171)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Balance Sheet
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	General Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
			2018	2017
Assets				
Cash and temporary investments	\$ 3,787,748	\$ –	\$ 3,787,748	\$ 819,644
Cash and investments held by trustee	42,346	–	42,346	627,832
Receivables				
Accounts and interest	8,038	288	8,326	9,351
Due from other governmental units	6,864,126	–	6,864,126	9,246,419
Due from other funds	288	–	288	–
Inventory	414	–	414	925
Prepaid items	622,203	–	622,203	153,684
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 11,325,163</u>	<u>\$ 288</u>	<u>\$ 11,325,451</u>	<u>\$ 10,857,855</u>
Liabilities				
Salaries and compensated absences payable	\$ 2,684,557	\$ –	\$ 2,684,557	\$ 3,012,174
Accounts and contracts payable	43,417	–	43,417	397,915
Due to other governmental units	384,879	–	384,879	428,222
Due to other funds	–	288	288	–
Unearned revenue	188,378	–	188,378	61,666
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,301,231</u>	<u>288</u>	<u>3,301,519</u>	<u>3,899,977</u>
Fund balances				
Nonspendable	622,617	–	622,617	154,609
Restricted	342,912	–	342,912	880,523
Assigned	423,420	–	423,420	–
Unassigned	6,634,983	–	6,634,983	5,922,746
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>8,023,932</u>	<u>–</u>	<u>8,023,932</u>	<u>6,957,878</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 11,325,163</u>	<u>\$ 288</u>	<u>\$ 11,325,451</u>	<u>\$ 10,857,855</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2018
(With Partial Comparative Information as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Total fund balances – governmental funds	\$ 8,023,932	\$ 6,957,878
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	14,082,762	13,782,386
Accumulated depreciation	(4,868,834)	(4,455,240)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Certificates of participation payable	(7,830,000)	(8,085,000)
Compensated absences payable	(300,665)	(275,623)
Net pension liability	(49,090,354)	(57,107,244)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(97,292)	(140,343)
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 – pension plan deferments	27,539,981	35,135,153
Deferred inflows – pension plan deferments	(8,110,473)	(773,498)
Deferred outflows – deferred charge on refunding	358,807	381,232
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.	(249,726)	(261,958)
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>1,120,925</u>	<u>308,086</u>
Total net position – governmental activities	<u>\$ (19,420,937)</u>	<u>\$ (14,534,171)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	General Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
			2018	2017
Revenue				
Local sources				
Tuition	\$ 9,703,204	\$ –	\$ 9,703,204	\$ 8,898,680
Investment earnings	40,928	–	40,928	58,896
Other	500,245	21,186	521,431	614,724
State sources	23,453,890	6,441	23,460,331	21,096,194
Federal sources	150,934	76,852	227,786	216,805
Total revenue	<u>33,849,201</u>	<u>104,479</u>	<u>33,953,680</u>	<u>30,885,299</u>
Expenditures				
Current				
Administrative and support services	493,198	–	493,198	468,671
Secondary vocational/DCALS	3,429,314	–	3,429,314	3,467,488
Special education programs	28,218,590	–	28,218,590	25,476,435
Food service	–	133,511	133,511	139,720
Capital outlay	80,654	–	80,654	2,763,177
Debt service				
Principal	255,000	–	255,000	967,011
Interest and fiscal charges	279,692	–	279,692	291,237
Total expenditures	<u>32,756,448</u>	<u>133,511</u>	<u>32,889,959</u>	<u>33,573,739</u>
Excess (deficiency) of revenue over expenditures	1,092,753	(29,032)	1,063,721	(2,688,440)
Other financing sources (uses)				
Debt issued	–	–	–	2,185,000
Refunding debt issued	–	–	–	5,900,000
Premium on debt issued	–	–	–	269,093
Refunding payment on debt	–	–	–	(6,117,871)
Proceeds from sale of assets	2,333	–	2,333	5,041
Transfers in	–	29,032	29,032	35,240
Transfers out	(29,032)	–	(29,032)	(35,240)
Total other financing sources (uses)	<u>(26,699)</u>	<u>29,032</u>	<u>2,333</u>	<u>2,241,263</u>
Net change in fund balances	1,066,054	–	1,066,054	(447,177)
Fund balances				
Beginning of year	<u>6,957,878</u>	<u>–</u>	<u>6,957,878</u>	<u>7,405,055</u>
End of year	<u>\$ 8,023,932</u>	<u>\$ –</u>	<u>\$ 8,023,932</u>	<u>\$ 6,957,878</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2018
(With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Total net change in fund balances – governmental funds	\$ 1,066,054	\$ (447,177)
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	304,046	2,777,454
Depreciation expense	(416,530)	(272,348)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	–	(8,085,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.	255,000	6,820,000
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.	43,051	(17,335)
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	(378,308)
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	8,016,890	(40,065,332)
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.	(734)	(122,455)
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.	714,402	170,653
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	(25,042)	34,055
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 – pension plan deferments	(7,595,172)	31,951,807
Deferred inflows – pension plan deferments	(7,336,975)	1,112,724
Deferred outflows – deferred charge on refunding	(22,425)	381,232
Change in net position – governmental activities	<u>\$ (4,985,203)</u>	<u>\$ (6,140,030)</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Tuition	\$ 9,319,119	\$ 9,654,733	\$ 9,703,204	\$ 48,471
Investment earnings	39,500	14,500	40,928	26,428
Other	806,024	546,121	500,245	(45,876)
State sources	25,200,775	25,034,062	23,453,890	(1,580,172)
Federal sources	161,240	162,461	150,934	(11,527)
Total revenue	<u>35,526,658</u>	<u>35,411,877</u>	<u>33,849,201</u>	<u>(1,562,676)</u>
Expenditures				
Current				
Administrative and support services	496,732	504,036	493,198	(10,838)
Secondary vocational/DCALS	3,458,143	3,531,494	3,429,314	(102,180)
Special education programs	30,499,529	30,156,554	28,218,590	(1,937,964)
Capital outlay	350,000	80,104	80,654	550
Debt service				
Principal	6,932,472	255,000	255,000	—
Interest and fiscal charges	279,692	279,692	279,692	—
Total expenditures	<u>42,016,568</u>	<u>34,806,880</u>	<u>32,756,448</u>	<u>(2,050,432)</u>
Excess of revenue over expenditures	(6,489,910)	604,997	1,092,753	487,756
Other financing sources (uses)				
Proceeds from sale of assets	—	2,333	2,333	—
Transfers out	(41,135)	(41,135)	(29,032)	12,103
Total other financing sources (uses)	<u>(41,135)</u>	<u>(38,802)</u>	<u>(26,699)</u>	<u>12,103</u>
Net change in fund balances	<u>\$ (6,531,045)</u>	<u>\$ 566,195</u>	1,066,054	<u>\$ 499,859</u>
Fund balances				
Beginning of year			<u>6,957,878</u>	
End of year			<u>\$ 8,023,932</u>	

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
 Proprietary Funds
 Internal Service Funds
 as of June 30, 2018
 (With Partial Comparative Actual Amounts as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and temporary investments	\$ 3,202,958	\$ 2,429,577
Receivables	1,388	—
Prepaid items	<u>37</u>	<u>35</u>
Total assets	3,204,383	2,429,612
Deferred outflows of resources		
OPEB plan deferments	<u>49,298</u>	<u>—</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	180,132	285,819
Due to other governmental units	1,000	—
Severance benefits payable	<u>27,950</u>	<u>22,731</u>
Total current liabilities	209,082	308,550
Long-term liabilities		
Total OPEB liability	1,510,178	1,385,875
Severance benefits payable	<u>413,496</u>	<u>427,101</u>
Total long-term liabilities	<u>1,923,674</u>	<u>1,812,976</u>
Total liabilities	<u>2,132,756</u>	<u>2,121,526</u>
Net position		
Unrestricted	<u><u>\$ 1,120,925</u></u>	<u><u>\$ 308,086</u></u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2018
 (With Partial Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 3,833,957	\$ 3,418,685
Operating expenses		
Post-employment severance and health benefits	215,869	157,797
Dental benefit claims	371,130	368,904
Medical benefit claims	<u>2,563,659</u>	<u>2,728,625</u>
Total operating expenses	<u>3,150,658</u>	<u>3,255,326</u>
Operating income	683,299	163,359
Nonoperating revenue		
Investment earnings	<u>31,103</u>	<u>7,294</u>
Change in net position	714,402	170,653
Net position		
Beginning, as previously reported	308,086	137,433
Change in accounting principle	<u>98,437</u>	<u>—</u>
Beginning, as restated	<u>406,523</u>	<u>137,433</u>
End of year	<u>\$ 1,120,925</u>	<u>\$ 308,086</u>

THIS PAGE INTENTIONALLY LEFT BLANK

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Cash Flows
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2018
 (With Partial Comparative Actual Amounts for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 3,833,957	\$ 3,418,685
Post-employment severance and health benefit payments	(50,815)	(7,632)
Payments for medical claims	(2,637,511)	(2,583,244)
Payments for dental claims	(403,353)	(367,126)
Net cash flows from operating activities	<u>742,278</u>	<u>460,683</u>
Cash flows from investing activities		
Investment income received	<u>31,103</u>	<u>7,294</u>
Net increase in cash and cash equivalents	773,381	467,977
Cash and temporary investments		
Beginning of year	<u>2,429,577</u>	<u>1,961,600</u>
End of year	<u><u>\$ 3,202,958</u></u>	<u><u>\$ 2,429,577</u></u>
Reconciliation of operating income to net cash flows		
from operating activities		
Operating income	\$ 683,299	\$ 163,359
Adjustments to reconcile operating income to net cash		
flows from operating activities		
Changes in assets and liabilities		
Receivables	(1,388)	—
Prepaid items	(2)	(35)
OPEB plan deferments	4,430	—
Accounts and contracts payable	(105,687)	147,159
Due to other governmental units	1,000	—
Severance benefits payable	(8,386)	(21,152)
Total OPEB liability	<u>169,012</u>	<u>171,352</u>
Net cash flows from operating activities	<u><u>\$ 742,278</u></u>	<u><u>\$ 460,683</u></u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

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

	Private-Purpose Trust Fund
Assets	
Cash and temporary investments	\$ 1,294
Accounts receivable	851
Total assets	<u>\$ 2,145</u>
Net position	
Held in trust for scholarships	<u>\$ 2,145</u>

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

	Private-Purpose Trust Fund
Additions	
Gifts and bequests	\$ 2,671
Deductions	
Scholarships	<u>2,527</u>
Change in net position	144
Net position	
Beginning of year	<u>2,001</u>
End of year	<u>\$ 2,145</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Notes to Basic Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

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

C. Minnesota State Colleges and Universities

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and an allocation of indirect administrative and support service expenses. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally directed revenues are reported as general revenues.

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

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

E. Fund Financial Statement Presentation

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

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

Propriety funds distinguish operating revenues and expenses from 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 propriety funds are the internal service funds, which provide services to the governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds. In the General Fund, capital expenditures are included within the applicable functional areas.

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

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District maintains separate accounts within the General Fund for secondary education, secondary resale activities, special education, special education resale activities, district support services, capital expenditures, and costs to be reimbursed by others.

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 health and dental insurance programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

F. Budgetary Information

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

G. Cash and Temporary Investments

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

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventories

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

J. Prepaid Items

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

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their 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 and construction in progress are 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.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in 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>
2017	\$ 9,413	\$ 366,362	\$ 367,126	\$ 8,649
2018	\$ 8,649	\$ 407,879	\$ 403,353	\$ 13,175

Changes in the balance of health insurance 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>
2017	\$ 95,000	\$ 2,730,053	\$ 2,583,244	\$ 241,809
2018	\$ 241,809	\$ 2,562,659	\$ 2,637,511	\$ 166,957

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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 and OPEB 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.

S. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from time of purchase by the District of three months or less to be cash equivalent. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

T. Use of Estimates

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

U. Restricted Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Net Position

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

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

W. Fund Balance Classifications

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Y. Change in Accounting Principle

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This statement establishes standards for employer recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB. Certain amounts necessary to fully restate fiscal year 2017 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this statement resulted in the following restatement of entity-wide net position as of June 30, 2017:

	Governmental Activities	Internal Service Funds
Net position – beginning, as previously reported	\$ (14,534,171)	\$ 308,086
Change in accounting principle		
Net OPEB obligation, under previous reporting standards	1,385,875	1,385,875
Total OPEB liability, under current reporting standards	(1,341,166)	(1,341,166)
Deferred outflows of resources, under current reporting standards	53,728	53,728
Total change in accounting principle	98,437	98,437
Net position – beginning, as restated	\$ (14,435,734)	\$ 406,523

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the carrying amount of the District's deposits was \$156,844, while the balance on the bank records was \$562,268. At June 30, 2018, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

B. Investments

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

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

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, 2018, 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	AAA	S&P	N/A	N/A	N/A	N/A	N/A	\$ 6,835,156
First American Treasury Obligations Fund Class D	AAA	S&P	Level 1	N/A	N/A	N/A	N/A	42,346
								6,877,502
Deposits								156,844
Total cash and investments								<u>\$ 7,034,346</u>

N/A – Not Applicable

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

Cash and temporary investments – Statement of Net Position	\$ 6,990,706
Cash and temporary investments held by trustee – Statement of Net Position	42,346
Cash and temporary investments – Statement of Fiduciary Net Position – Private-Purpose Trust Fund	1,294
Total cash and investments	<u>\$ 7,034,346</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, 2018 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 655,000	\$ –	\$ –	\$ –	\$ 655,000
Construction in progress	2,607,447	147,857	–	(2,755,304)	–
Total capital assets, not depreciated	3,262,447	147,857	–	(2,755,304)	655,000
Capital assets, depreciated					
Buildings	8,413,048	–	–	2,755,304	11,168,352
Furniture and equipment	2,106,891	156,189	(3,670)	–	2,259,410
Total capital assets, depreciated	10,519,939	156,189	(3,670)	2,755,304	13,427,762
Less accumulated depreciation for					
Buildings	(2,956,319)	(267,687)	–	–	(3,224,006)
Furniture and equipment	(1,498,921)	(148,843)	(2,936)	–	(1,644,828)
Total accumulated depreciation	(4,455,240)	(416,530)	(2,936)	–	(4,868,834)
Net capital assets, depreciated	6,064,699	(260,341)	(734)	2,755,304	8,558,928
Total capital assets, net	\$ 9,327,146	\$ (112,484)	\$ (734)	\$ –	\$ 9,213,928

Depreciation expense for the year ended June 30, 2018 was charged to the following governmental functions:

Administrative and support services	\$ 21,571
Secondary vocational/DCALS	15,779
Special education programs	376,244
Food service	2,936
Total depreciation expense	<u>\$ 416,530</u>

NOTE 4 – LONG-TERM LIABILITIES

A. Components and Changes in Long-Term Liabilities

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

	Balance – Beginning of Year	Change in Accounting Principle*	Restated Beginning Balance	Additions	Retirements	Balance – End of Year	Due Within One Year
Certificates of participation	\$ 8,085,000	\$ –	\$ 8,085,000	\$ –	\$ 255,000	\$ 7,830,000	\$ 290,000
Unamortized premium/discount	261,958	–	261,958	–	12,232	249,726	–
Severance benefits payable	476,872	–	476,872	18,276	53,702	441,446	17,366
Compensated absences payable	275,623	–	275,623	337,713	312,671	300,665	311,249
Total OPEB liability	1,385,875	(44,709)	1,341,166	222,740	53,728	1,510,178	–
Net pension liability	57,107,244	–	57,107,244	2,955,350	10,972,240	49,090,354	–
	<u>\$ 67,592,572</u>	<u>\$ (44,709)</u>	<u>\$ 67,547,863</u>	<u>\$ 3,534,079</u>	<u>\$ 11,659,573</u>	<u>\$ 59,422,369</u>	<u>\$ 618,615</u>

*The amount in this column reflects only a portion of the change in accounting principle described earlier in these notes.

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

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, 2018:

<u>Pension Plans</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
PERA	\$ 6,192,416	\$ 1,799,434	\$ 1,307,732	\$ 800,864
TRA	42,897,938	25,740,547	6,802,741	7,714,654
Total	<u>\$ 49,090,354</u>	<u>\$ 27,539,981</u>	<u>\$ 8,110,473</u>	<u>\$ 8,515,518</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
2019	\$ 290,000	\$ 233,500
2020	295,000	227,700
2021	305,000	221,800
2022	310,000	215,700
2023	315,000	209,500
2024–2028	1,705,000	919,099
2029–2033	1,985,000	637,024
2034–2038	2,165,000	269,450
2039	460,000	13,800
	<u>\$ 7,830,000</u>	<u>\$ 2,947,573</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, 2018, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Food Service Special Revenue Fund	Total
Nonspendable			
Prepaid items	\$ 622,203	\$ –	\$ 622,203
Inventory	414	–	414
Total nonspendable	<u>622,617</u>	<u>–</u>	<u>622,617</u>
Restricted for			
Basic skills	300,566	–	300,566
Debt service	42,346	–	42,346
Total restricted	<u>342,912</u>	<u>–</u>	<u>342,912</u>
Assigned	423,420	–	423,420
Unassigned	<u>6,634,983</u>	<u>–</u>	<u>6,634,983</u>
Total	<u>\$ 8,023,932</u>	<u>\$ –</u>	<u>\$ 8,023,932</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, 2018, the unassigned fund balance of the General Fund was 20.3 percent of fiscal 2018 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.

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

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.

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually through 2018, and 1.0 percent thereafter.

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. GERS 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. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent of average salary for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

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 for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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 2018; 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, 2018, were \$530,998. 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,			
	2017		2018	
	Employee	Employer	Employee	Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the year ended June 30, 2018, were \$955,252. 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 (CAFR) 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 CAFR Statement of Changes in Fiduciary Net Position	\$ 367,791
Add employer contributions not related to future contribution efforts	810
Deduct the TRA's contributions not included in allocation	<u>(456)</u>
Total employer contributions	368,145
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 403,733</u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. 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, 2018, the District reported a liability of \$6,192,416 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.0970 percent at the end of the measurement period and 0.0970 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. 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	\$ 6,192,416
State's proportionate share of the net pension liability associated with the District	\$ 77,892

For the year ended June 30, 2018, the District recognized pension expense of \$798,614 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$2,250 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the GERF.

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

At June 30, 2018, the District reported its proportionate share of the GERS'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	\$ 204,083	\$ 397,154
Changes in actuarial assumptions	1,028,075	620,790
Differences between expected and actual investment earnings	–	266,793
Changes in proportion	36,278	22,995
District's contributions to the GERS subsequent to the measurement date	<u>530,998</u>	<u>–</u>
Total	<u>\$ 1,799,434</u>	<u>\$ 1,307,732</u>

A total of \$530,998 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to the GERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ (34,392)
2020	\$ 375,219
2021	\$ (117,266)
2022	\$ (262,857)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of \$42,897,938 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 0.2149 percent at the end of the measurement period and 0.2064 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	\$ 42,897,938
State's proportionate share of the net pension liability associated with the District	\$ 4,147,269

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

For the year ended June 30, 2018, the District recognized pension expense of \$7,635,113. It also recognized \$79,541 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District reported its proportionate share of the TRA'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	\$ 303,858	\$ 301,191
Changes in actuarial assumptions	22,304,257	6,009,324
Difference between projected and actual investment earnings	–	435,124
Changes in proportion	2,177,180	57,102
District's contributions to the TRA subsequent to the measurement date	955,252	–
Total	<u>\$ 25,740,547</u>	<u>\$ 6,802,741</u>

A total of \$955,252 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ 4,676,232
2020	\$ 5,382,345
2021	\$ 4,741,389
2022	\$ 4,072,567
2023	\$ (889,979)

E. Actuarial Assumptions

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

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25% per year	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	5.12%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability rates were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for the GERF through 2044, and then 2.5 percent thereafter, and 2.0 percent per year for all future years for the TRA.

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

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

The following changes in actuarial assumptions occurred in 2017:

1. GERF

- 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.

2. TRA

- The cost of living adjustment (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.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 5.12 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

The target allocation and best estimates of 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 stocks	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate**1. GERP**

The discount rate used to measure the total pension liability in 2017 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERP 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 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

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	\$ 9,604,897	\$ 6,192,416	\$ 3,398,680
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	\$ 56,617,012	\$ 42,897,938	\$ 31,331,090

H. Pension Plan Fiduciary Net Position

Pension Benefit Reforms – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the PERA and the TRA. The reforms include several changes, including modifications in future COLA and contribution rates.

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

Detailed information about the TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at the TRA website at www.MinnesotaTRA.org; by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103; 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.

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 \$49,298 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	3
Active plan members	<u>403</u>
Total members	<u><u>406</u></u>

D. Total OPEB Liability of the District

The District's total OPEB liability of \$1,510,178 at year-end was measured as of July 1, 2017, and was determined by an actuarial valuation with a valuation date of July 1, 2016.

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

E. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2016 and measurement date as of July 1, 2017, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.50% in 2017, grading to 5.00% over 6 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 RP-2014 White Collar Mortality Tables with MP-2015 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.

F. Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 1,341,166
Changes for the year	
Service cost	172,192
Interest	50,548
Benefit payments	<u>(53,728)</u>
Total net changes	<u>169,012</u>
Ending balance	<u><u>\$ 1,510,178</u></u>

G. Changes in Actuarial Assumptions

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

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

H. 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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.40%	3.40%	4.40%
Total OPEB liability	\$ 1,616,886	\$ 1,510,178	\$ 1,408,461

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:

	<u>1% Decrease in Healthcare Trend Rates</u>	<u>Healthcare Trend Rates</u>	<u>1% Increase in Healthcare Trend Rates</u>
Healthcare trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Dental trend rate	3.00%	4.00%	5.00%
Total OPEB liability	\$ 1,350,717	\$ 1,510,178	\$ 1,700,110

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

The District recognized OPEB expense of \$222,740 in the current year, and at year-end reported the following deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District's contributions subsequent to the measurement date	<u>\$ 49,298</u>	<u>\$ —</u>

A total of \$49,298 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 net OPEB liability in the year ending June 30, 2019.

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.

NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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.

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 \$836,167 for operating leases during the year ended June 30, 2018. These leases are scheduled to expire on various dates through 2034. The following is a summary of minimum lease payments for all operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,068,454
2020	1,138,845
2021	1,156,009
2022	1,173,381
2023	970,350
2024–2028	5,074,495
2029–2033	4,530,597
2034	66,804
	<u>\$ 15,178,935</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.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Legal Contingencies

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

NOTE 10 – INTERFUND TRANSFERS AND BALANCES

The General Fund made an interfund transfer of \$29,032 to the Food Service Special Revenue Fund to eliminate a fund balance deficit at year-end.

The General Fund had a \$288 due from the Food Service Special Revenue Fund. This due from other funds will be paid with future revenues of the Food Service Special Revenue Fund.

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

NOTE 11 – DEFICIT FUND BALANCE

The Post-Employment Employee Benefits Internal Service Fund had a deficit net position at June 30, 2018 of \$743,228. 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, 2018

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	132.63%	68.90%
06/30/2018	06/30/2017	0.0970%	\$ 6,192,416	\$ 77,892	\$ 6,270,308	\$ 6,251,084	100.31%	75.90%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2018

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%

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, 2018

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%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2018

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%

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, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 172,192
Interest	50,548
Benefit payments	<u>(53,728)</u>
Net change in total OPEB liability	169,012
Total OPEB liability – beginning of year	<u>1,341,166</u>
Total OPEB liability – end of year	<u><u>\$ 1,510,178</u></u>
Covered-employee payroll	<u><u>\$ 17,301,959</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>8.73%</u></u>

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

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, 2018

PERA – GENERAL EMPLOYEES RETIREMENT FUND

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 million. Upon consolidation, state and employer contributions were revised.

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, 2018

TRA

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

- The cost of living adjustment (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.

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, 2018

OTHER POST-EMPLOYMENT BENEFITS PLAN

2017 CHANGES IN ACTUARIAL ASSUMPTIONS:

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

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTAL INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	\$ 3,787,748	\$ 818,971
Cash and investments held by trustee	42,346	627,832
Receivables		
Accounts and interest	8,038	9,351
Due from other school districts	2,766,495	2,288,118
Due from Minnesota Department of Education	4,097,631	6,721,226
Due from other governmental units	—	237,075
Due from other funds	288	—
Inventory	414	925
Prepaid items	622,203	153,684
	<u>622,203</u>	<u>153,684</u>
Total assets	<u>\$ 11,325,163</u>	<u>\$ 10,857,182</u>
Liabilities		
Salaries and compensated absences payable	\$ 2,684,557	\$ 3,012,174
Accounts and contracts payable	43,417	397,242
Due to other school districts	213,776	234,672
Due to other governmental units	171,103	193,550
Unearned revenue	188,378	61,666
Total liabilities	<u>3,301,231</u>	<u>3,899,304</u>
Fund balances		
Nonspendable for prepaid items	622,203	153,684
Nonspendable for inventory	414	925
Restricted for debt service	42,346	627,832
Restricted for basic skills	300,566	252,615
Restricted for capital purposes	—	76
Assigned for subsequent year's budgeted deficit	423,420	—
Unassigned	6,634,983	5,922,746
Total fund balances	<u>8,023,932</u>	<u>6,957,878</u>
	<u>\$ 11,325,163</u>	<u>\$ 10,857,182</u>
Total liabilities and fund balances	<u>\$ 11,325,163</u>	<u>\$ 10,857,182</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018		2017	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 9,654,733	\$ 9,703,204	\$ 48,471	\$ 8,898,680
Investment earnings	14,500	40,928	26,428	58,896
Other	546,121	500,245	(45,876)	593,514
State sources	25,034,062	23,453,890	(1,580,172)	21,090,031
Federal sources	162,461	150,934	(11,527)	139,698
Total revenue	<u>35,411,877</u>	<u>33,849,201</u>	<u>(1,562,676)</u>	<u>30,780,819</u>
Expenditures				
Current				
Administrative and support services	504,036	493,198	(10,838)	468,671
Secondary vocational/DCALS	3,531,494	3,429,314	(102,180)	3,467,488
Special education programs	30,156,554	28,218,590	(1,937,964)	25,476,435
Capital outlay	80,104	80,654	550	2,696,126
Debt service				
Principal	255,000	255,000	—	967,011
Interest and fiscal charges	279,692	279,692	—	291,237
Total expenditures	<u>34,806,880</u>	<u>32,756,448</u>	<u>(2,050,432)</u>	<u>33,366,968</u>
Excess (deficiency) of revenue over expenditures	604,997	1,092,753	487,756	(2,586,149)
Other financing sources (uses)				
Debt issued	—	—	—	2,185,000
Refunding debt issued	—	—	—	5,900,000
Premium on debt issued	—	—	—	269,093
Refunding payment on debt	—	—	—	(6,117,871)
Proceeds from sale of assets	2,333	2,333	—	5,041
Transfers out	(41,135)	(29,032)	12,103	(35,240)
Total other financing sources (uses)	<u>(38,802)</u>	<u>(26,699)</u>	<u>12,103</u>	<u>2,206,023</u>
Net change in fund balances	<u>\$ 566,195</u>	<u>1,066,054</u>	<u>\$ 499,859</u>	<u>(380,126)</u>
Fund balances				
Beginning of year		<u>6,957,878</u>		<u>7,338,004</u>
End of year		<u>\$ 8,023,932</u>		<u>\$ 6,957,878</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Combining Balance Sheet by Account
as of June 30, 2018

	Secondary Education	Special Education	Services Allocation
Assets			
Cash and temporary investments (deficit)	\$ 1,133,465	\$ 2,712,075	\$ (42,412)
Cash and investments held by trustee	—	—	—
Receivables			
Accounts and interest	31	1,443	6,564
Due from other school districts	1,565,252	1,148,393	52,850
Due from Minnesota Department of Education	105,873	3,991,758	—
Due from other funds	288	—	—
Inventory	—	—	—
Prepaid items	28,516	593,687	—
Total assets	<u>\$ 2,833,425</u>	<u>\$ 8,447,356</u>	<u>\$ 17,002</u>
Liabilities			
Salaries and compensated absences payable	\$ 280,266	\$ 2,406,143	\$ (1,852)
Accounts and contracts payable	5,984	26,381	10,340
Due to other school districts	37,581	176,195	—
Due to other governmental units	98,185	72,051	310
Unearned revenue	—	180,174	8,204
Total liabilities	<u>422,016</u>	<u>2,860,944</u>	<u>17,002</u>
Fund balances (deficit)			
Nonspendable for prepaid items	28,516	593,687	—
Nonspendable for inventory	—	—	—
Restricted for debt service	—	—	—
Restricted for basic skills programs	7,919	292,647	—
Assigned for subsequent year projected budget deficit	—	418,372	—
Unassigned	2,374,974	4,281,706	—
Total fund balances	<u>2,411,409</u>	<u>5,586,412</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 2,833,425</u>	<u>\$ 8,447,356</u>	<u>\$ 17,002</u>

District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
\$ 671	\$ (35,765)	\$ 12,143	\$ 7,571	\$ 3,787,748
—	42,346	—	—	42,346
—	—	—	—	8,038
—	—	—	—	2,766,495
—	—	—	—	4,097,631
—	—	—	—	288
—	—	88	326	414
—	—	—	—	622,203
<u>\$ 671</u>	<u>\$ 6,581</u>	<u>\$ 12,231</u>	<u>\$ 7,897</u>	<u>\$ 11,325,163</u>
\$ —	\$ —	\$ —	\$ —	\$ 2,684,557
—	—	—	712	43,417
—	—	—	—	213,776
—	—	497	60	171,103
—	—	—	—	188,378
—	—	497	772	3,301,231
—	—	—	—	622,203
—	—	88	326	414
—	42,346	—	—	42,346
—	—	—	—	300,566
—	—	2,648	2,400	423,420
671	(35,765)	8,998	4,399	6,634,983
<u>671</u>	<u>6,581</u>	<u>11,734</u>	<u>7,125</u>	<u>8,023,932</u>
<u>\$ 671</u>	<u>\$ 6,581</u>	<u>\$ 12,231</u>	<u>\$ 7,897</u>	<u>\$ 11,325,163</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund

Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2018

	Secondary Education	Special Education	Services Allocation
Revenue			
Local sources			
Tuition	\$ 3,548,099	\$ 5,193,103	\$ 457,002
Investment earnings	10,887	26,198	—
Other	866	458,843	7,003
State sources	181,063	23,243,634	29,193
Federal sources	150,934	—	—
Total revenue	<u>3,891,849</u>	<u>28,921,778</u>	<u>493,198</u>
Expenditures			
Current			
Administrative and support services	—	—	493,198
Secondary vocational/DCALS	3,399,214	—	—
Special education programs	—	28,206,146	—
Capital outlay	—	—	—
Debt service			
Principal	—	—	—
Interest and fiscal charges	—	—	—
Total expenditures	<u>3,399,214</u>	<u>28,206,146</u>	<u>493,198</u>
Excess (deficiency) of revenue over expenditures	492,635	715,632	—
Other financing sources (uses)			
Proceeds from sale of assets	—	2,333	—
Transfers out	—	(29,032)	—
Total other financing sources (uses)	<u>—</u>	<u>(26,699)</u>	<u>—</u>
Net change in fund balances	492,635	688,933	—
Fund balances			
Beginning of year	<u>1,918,774</u>	<u>4,897,479</u>	<u>—</u>
End of year	<u>\$ 2,411,409</u>	<u>\$ 5,586,412</u>	<u>\$ —</u>

District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
\$ —	\$ 505,000	\$ —	\$ —	\$ 9,703,204
—	3,843	—	—	40,928
—	—	24,148	9,385	500,245
—	—	—	—	23,453,890
—	—	—	—	150,934
—	508,843	24,148	9,385	33,849,201
—	—	—	—	493,198
—	7,712	22,388	—	3,429,314
—	—	—	12,444	28,218,590
—	80,654	—	—	80,654
—	255,000	—	—	255,000
—	279,692	—	—	279,692
—	623,058	22,388	12,444	32,756,448
—	(114,215)	1,760	(3,059)	1,092,753
—	—	—	—	2,333
—	—	—	—	(29,032)
—	—	—	—	(26,699)
—	(114,215)	1,760	(3,059)	1,066,054
671	120,796	9,974	10,184	6,957,878
\$ 671	\$ 6,581	\$ 11,734	\$ 7,125	\$ 8,023,932

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 3,243,009	\$ 3,548,099	\$ 305,090	\$ 3,052,790
Investment earnings	4,500	10,887	6,387	4,528
Other	542	866	324	1,408
State sources	63,679	181,063	117,384	185,739
Federal sources	162,461	150,934	(11,527)	139,698
Total revenue	<u>3,474,191</u>	<u>3,891,849</u>	<u>417,658</u>	<u>3,384,163</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	1,940,081	1,939,231	(850)	1,849,994
Employee benefits	681,732	657,156	(24,576)	629,643
Purchased services	484,556	445,562	(38,994)	413,106
Supplies and materials	80,846	68,953	(11,893)	189,610
Other expenditures	16,946	16,609	(337)	16,175
Capital expenditures	12,500	15,386	2,886	32,457
Allocated overhead	259,795	256,317	(3,478)	270,734
Total expenditures	<u>3,476,456</u>	<u>3,399,214</u>	<u>(77,242)</u>	<u>3,401,719</u>
Net change in fund balances	<u>\$ (2,265)</u>	492,635	<u>\$ 494,900</u>	(17,556)
Fund balances				
Beginning of year		<u>1,918,774</u>		<u>1,936,330</u>
End of year		<u>\$ 2,411,409</u>		<u>\$ 1,918,774</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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 5,449,722	\$ 5,193,103	\$ (256,619)	\$ 4,857,838
Investment earnings	9,000	26,198	17,198	8,952
Other	480,395	458,843	(21,552)	548,626
State sources	24,939,533	23,243,634	(1,695,899)	20,873,915
Total revenue	30,878,650	28,921,778	(1,956,872)	26,289,331
Expenditures				
Current				
Special education programs				
Salaries	18,358,477	17,216,772	(1,141,705)	15,576,866
Employee benefits	5,993,876	5,800,717	(193,159)	5,191,320
Purchased services	2,576,811	2,412,031	(164,780)	2,382,990
Supplies and materials	972,885	651,484	(321,401)	480,814
Other expenditures	95,547	86,345	(9,202)	77,238
Capital expenditures	727,309	639,189	(88,120)	497,988
Allocated overhead	1,419,849	1,399,608	(20,241)	1,256,491
Total expenditures	30,144,754	28,206,146	(1,938,608)	25,463,707
Excess (deficiency) of revenue over expenditures	733,896	715,632	(18,264)	825,624
Other financing sources (uses)				
Proceeds from sale of assets	2,333	2,333	–	5,041
Transfers out	(41,135)	(29,032)	12,103	(35,240)
Total other financing sources (uses)	(38,802)	(26,699)	12,103	(30,199)
Net change in fund balances	\$ 695,094	688,933	\$ (6,161)	795,425
Fund balances				
Beginning of year		4,897,479		4,102,054
End of year		\$ 5,586,412		\$ 4,897,479

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, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 457,002	\$ 457,002	\$ –	\$ 432,832
Other	16,184	7,003	(9,181)	5,462
State sources	30,850	29,193	(1,657)	30,377
Total revenue	<u>504,036</u>	<u>493,198</u>	<u>(10,838)</u>	<u>468,671</u>
Expenditures				
Current				
Administrative and support services				
Salaries	1,030,930	1,035,133	4,203	987,354
Employee benefits	281,996	280,301	(1,695)	267,621
Purchased services	805,293	773,447	(31,846)	673,348
Supplies and materials	43,465	31,283	(12,182)	36,421
Other expenditures	17,748	17,824	76	17,044
Capital expenditures	4,252	11,135	6,883	14,107
Allocated overhead	(1,679,648)	(1,655,925)	23,723	(1,527,224)
Total expenditures	<u>504,036</u>	<u>493,198</u>	<u>(10,838)</u>	<u>468,671</u>
Net change in fund balances	<u>\$ –</u>	<u>–</u>	<u>\$ –</u>	<u>–</u>
Fund balances				
Beginning of year		<u>–</u>		<u>–</u>
End of year		<u>\$ –</u>		<u>\$ –</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – District Support Services Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ –	\$ –	\$ –	\$ –
Expenditures				
Current				
Administrative and support services				
Purchased services	–	–	–	–
Net change in fund balances	<u>\$ –</u>	<u>–</u>	<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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 505,000	\$ 505,000	\$ –	\$ 555,220
Investment earnings	1,000	3,843	2,843	45,416
Total revenue	<u>506,000</u>	<u>508,843</u>	<u>2,843</u>	<u>600,636</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	12,000	7,712	(4,288)	40,812
Capital outlay	80,104	80,654	550	2,696,126
Debt service				
Principal	255,000	255,000	–	967,011
Interest and fiscal charges	279,692	279,692	–	291,237
Total expenditures	<u>626,796</u>	<u>623,058</u>	<u>(3,738)</u>	<u>3,995,186</u>
Excess (deficiency) of revenue over expenditures	(120,796)	(114,215)	6,581	(3,394,550)
Other financing sources (uses)				
Debt issued	–	–	–	2,185,000
Refunding debt issued	–	–	–	5,900,000
Premium on debt issued	–	–	–	269,093
Refunding payment on debt	–	–	–	(6,117,871)
Total other financing sources (uses)	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,236,222</u>
Net change in fund balances	<u>\$ (120,796)</u>	(114,215)	<u>\$ 6,581</u>	(1,158,328)
Fund balances				
Beginning of year		<u>120,796</u>		<u>1,279,124</u>
End of year		<u>\$ 6,581</u>		<u>\$ 120,796</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, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 42,500	\$ 24,148	\$ (18,352)	\$ 27,382
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	600.00	1,654	1,054	2,430
Supplies and materials	42,388	20,687	(21,701)	22,527
Other expenditures	50	47	(3)	—
Total expenditures	<u>43,038</u>	<u>22,388</u>	<u>(20,650)</u>	<u>24,957</u>
Net change in fund balances	<u>\$ (538)</u>	1,760	<u>\$ 2,298</u>	2,425
Fund balances				
Beginning of year		<u>9,974</u>		<u>7,549</u>
End of year		<u>\$ 11,734</u>		<u>\$ 9,974</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, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 6,500	\$ 9,385	\$ 2,885	\$ 10,636
Expenditures				
Current				
Special education programs				
Purchased services	—	245	245	—
Supplies and materials	11,800	12,199	399	12,728
Total expenditures	11,800	12,444	644	12,728
Net change in fund balances	<u>\$ (5,300)</u>	(3,059)	<u>\$ 2,241</u>	(2,092)
Fund balances				
Beginning of year		10,184		12,276
End of year		<u>\$ 7,125</u>		<u>\$ 10,184</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ —	\$ 673
Accounts receivable	<u> 288</u>	<u> —</u>
Total assets	<u><u>\$ 288</u></u>	<u><u>\$ 673</u></u>
Liabilities		
Due to other funds	\$ 288	\$ —
Accounts and contracts payable	<u> —</u>	<u> 673</u>
Total liabilities	<u><u>\$ 288</u></u>	<u><u>\$ 673</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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 29,800	\$ 21,186	\$ (8,614)	\$ 21,210
State sources	6,590	6,441	(149)	6,163
Federal sources	78,925	76,852	(2,073)	77,107
Total revenue	<u>115,315</u>	<u>104,479</u>	<u>(10,836)</u>	<u>104,480</u>
Expenditures				
Purchased services	14,429	10,936	(3,493)	9,875
Supplies and materials	<u>136,402</u>	<u>122,575</u>	<u>(13,827)</u>	<u>129,845</u>
Total expenditures	<u>150,831</u>	<u>133,511</u>	<u>(17,320)</u>	<u>139,720</u>
Excess (deficiency) of revenue over expenditures	(35,516)	(29,032)	6,484	(35,240)
Other financing sources				
Transfers in	<u>35,516</u>	<u>29,032</u>	<u>(6,484)</u>	<u>35,240</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, 2018
(With Comparative Totals as of June 30, 2017)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Assets			
Current assets			
Cash and temporary investments	\$ 360,086	\$ 1,683,811	\$ 1,159,061
Accounts receivable	1,388	—	—
Prepaid items	—	—	37
Total assets	361,474	1,683,811	1,159,098
Deferred outflows of resources			
OPEB plan deferments	—	—	49,298
Liabilities			
Current liabilities			
Accounts and contracts payable	13,175	166,957	—
Severance benefits payable	—	—	27,950
Due to other governmental units	—	1,000	—
Total current liabilities	13,175	167,957	27,950
Long-term liabilities			
Total OPEB liability	—	—	1,510,178
Severance benefits payable	—	—	413,496
Total long-term liabilities	—	—	1,923,674
Total liabilities	13,175	167,957	1,951,624
Net position			
Unrestricted	\$ 348,299	\$ 1,515,854	\$ (743,228)

Totals	
2018	2017
\$ 3,202,958	\$ 2,429,577
1,388	—
37	35
<u>3,204,383</u>	<u>2,429,612</u>
<u>49,298</u>	<u>—</u>
180,132	285,819
27,950	22,731
1,000	—
<u>209,082</u>	<u>308,550</u>
1,510,178	1,385,875
413,496	427,101
<u>1,923,674</u>	<u>1,812,976</u>
<u>2,132,756</u>	<u>2,121,526</u>
<u>\$ 1,120,925</u>	<u>\$ 308,086</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Operating revenue			
Charges for services			
Contributions from governmental funds	\$ 411,293	\$ 3,293,121	\$ 129,543
Operating expenses			
Post-employment severance and health benefits	—	—	215,869
Medical benefit claims	—	2,563,659	—
Dental benefit claims	371,130	—	—
Total operating expenses	<u>371,130</u>	<u>2,563,659</u>	<u>215,869</u>
Operating income (loss)	40,163	729,462	(86,326)
Nonoperating revenue			
Investment earnings	<u>3,856</u>	<u>14,195</u>	<u>13,052</u>
Change in net position	44,019	743,657	(73,274)
Net position			
Beginning, as previously reported	304,280	772,197	(768,391)
Change in accounting principle	—	—	98,437
Beginning, as restated	<u>304,280</u>	<u>772,197</u>	<u>(669,954)</u>
End of year	<u>\$ 348,299</u>	<u>\$ 1,515,854</u>	<u>\$ (743,228)</u>

Totals	
2018	2017
\$ 3,833,957	\$ 3,418,685
215,869	157,797
2,563,659	2,728,625
371,130	368,904
<u>3,150,658</u>	<u>3,255,326</u>
683,299	163,359
<u>31,103</u>	<u>7,294</u>
714,402	170,653
308,086	137,433
98,437	—
<u>406,523</u>	<u>137,433</u>
<u>\$ 1,120,925</u>	<u>\$ 308,086</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Cash flows from operating activities			
Contributions from governmental funds	\$ 411,293	\$ 3,293,121	\$ 129,543
Post-employment severance and health benefit payments	—	—	(50,815)
Payments for medical claims	—	(2,637,511)	—
Payments for dental claims	(403,353)	—	—
Net cash flows from operating activities	7,940	655,610	78,728
Cash flows from investing activities			
Investment income received	3,856	14,195	13,052
Net change in cash and cash equivalents	11,796	669,805	91,780
Cash and temporary investments			
Beginning of year	348,290	1,014,006	1,067,281
End of year	\$ 360,086	\$ 1,683,811	\$ 1,159,061
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 40,163	\$ 729,462	\$ (86,326)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Changes in assets and liabilities			
Accounts receivable	(1,388)	—	—
Prepaid items	—	—	(2)
OPEB plan deferments	—	—	4,430
Accounts and contracts payable	(30,835)	(74,852)	—
Due to other governmental units	—	1,000	—
Severance benefits payable	—	—	(8,386)
Total OPEB liability	—	—	169,012
Net cash flows from operating activities	\$ 7,940	\$ 655,610	\$ 78,728

Totals	
2018	2017
\$ 3,833,957	\$ 3,418,685
(50,815)	(7,632)
(2,637,511)	(2,583,244)
(403,353)	(367,126)
742,278	460,683
31,103	7,294
773,381	467,977
2,429,577	1,961,600
\$ 3,202,958	\$ 2,429,577
\$ 683,299	\$ 163,359
(1,388)	—
(2)	(35)
4,430	—
(105,687)	147,159
1,000	—
(8,386)	(21,152)
169,012	171,352
\$ 742,278	\$ 460,683

THIS PAGE INTENTIONALLY LEFT BLANK

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	
2009	\$ 6,592,339 32%	\$ 12,759,841 63%	\$ 734,740 4%	\$ 133,252 1%	\$ 20,220,172 100%
2010	7,782,625 33%	14,567,950 62%	617,930 3%	599,235 2%	23,567,740 100%
2011	7,484,976 32%	15,265,005 65%	567,175 2%	224,526 1%	23,541,682 100%
2012	7,848,114 34%	14,720,483 63%	498,613 2%	136,147 1%	23,203,357 100%
2013	7,839,060 33%	15,177,273 64%	580,348 2%	126,115 1%	23,722,796 100%
2014	7,619,433 30%	17,064,879 67%	581,454 3%	97,720 —	25,363,486 100%
2015	7,876,725 30%	18,073,067 68%	559,401 2%	125,715 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 68%	557,650 2%	580,576 2%	33,945,700 100%

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
2009	\$ 1,484,759 7%	\$ 3,698,703 18%	\$ 15,126,240 73%	\$ — —	\$ 410,161 2%	\$ 20,719,863 100%
2010	1,279,128 6%	3,778,602 17%	16,753,538 75%	71,375 —	361,888 2%	22,244,531 100%
2011	1,614,185 7%	3,855,919 17%	16,699,413 74%	74,423 —	353,553 2%	22,597,493 100%
2012	1,765,768 8%	3,875,566 17%	17,292,500 74%	101,616 —	344,925 1%	23,380,375 100%
2013	1,998,969 8%	3,962,647 17%	18,097,103 74%	85,779 —	335,885 1%	24,480,383 100%
2014	1,892,695 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 7%	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%

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

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Revenue by Source
Last Ten Fiscal Years

	Year Ended June 30,	Tuition Revenue	Investment Earnings (Charges)	Other Revenue	State Revenue	Federal Revenue	Total
Secondary education	2009	\$ 3,349,713	\$ 11,583	\$ 26,599	\$ —	\$ 186,813	\$ 3,574,708
	2010	3,715,685	2,663	13,587	10,195	150,108	3,892,238
	2011	3,656,422	927	8,787	49,708	172,435	3,888,279
	2012	3,938,532	920	21,437	61,110	197,689	4,219,688
	2013	3,587,494	855	8,645	75,408	150,577	3,822,979
	2014	3,113,264	1,301	3,335	118,957	154,147	3,391,004
	2015	3,013,776	553	7,604	105,919	151,510	3,279,362
	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
Special education	2009	3,004,086	4,242	202,077	12,035,354	464,375	15,710,134
	2010	3,332,630	221	603,186	13,721,390	561,110	18,218,537
	2011	3,087,411	(392)	390,143	14,210,549	735,457	18,423,168
	2012	2,962,399	(341)	529,239	14,199,467	172,752	17,863,516
	2013	3,202,954	44	546,076	14,861,033	5,000	18,615,107
	2014	3,396,148	1,119	568,794	16,689,111	5,000	20,660,172
	2015	3,652,478	400	629,749	17,783,764	5,000	22,071,391
	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
Services allocation	2009	—	—	—	190,765	—	190,765
	2010	—	—	—	38,155	—	38,155
	2011	305,475	—	1,559	56,381	—	363,415
	2012	352,800	—	8,402	43,416	—	404,618
	2013	449,954	—	8,474	34,896	—	493,324
	2014	432,465	—	5,654	36,921	—	475,040
	2015	468,174	—	7,116	32,284	—	507,574
	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
District support services	2009	—	—	64,729	—	—	64,729
	2010	44,033	—	51,691	—	—	95,724
	2011	39,670	—	31,831	—	—	71,501
	2012	24,600	—	26,485	—	—	51,085
	2013	—	—	44,058	—	—	44,058
	2014	—	—	31,060	—	—	31,060
	2015	—	—	2,240	—	—	2,240
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—

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	2009	565,508	17,854	—	—	—	583,362
	2010	562,451	2,517	253,572	—	—	818,540
	2011	552,201	28,941	1,707	—	—	582,849
	2012	477,245	28,827	—	—	—	506,072
	2013	558,376	28,560	—	—	—	586,936
	2014	559,095	28,959	—	—	—	588,054
	2015	559,401	28,344	—	—	—	587,745
	2016	554,908	31,711	—	—	—	586,619
	2017	555,220	45,416	—	—	—	600,636
	2018	505,000	3,843	—	—	—	508,843
Secondary resale	2009	—	—	67,919	—	—	67,919
	2010	—	—	167,075	—	—	167,075
	2011	—	—	137,627	—	—	137,627
	2012	—	—	60,687	—	—	60,687
	2013	—	—	70,329	—	—	70,329
	2014	—	—	119,308	—	—	119,308
	2015	—	—	62,472	—	—	62,472
	2016	—	—	72,784	—	—	72,784
	2017	—	—	27,382	—	—	27,382
	2018	—	—	24,148	—	—	24,148
Special education resale	2009	—	—	22,886	—	—	22,886
	2010	—	—	22,620	—	—	22,620
	2011	—	—	21,279	—	—	21,279
	2012	—	—	19,406	—	—	19,406
	2013	—	—	17,856	—	—	17,856
	2014	—	—	16,693	—	—	16,693
	2015	—	—	13,514	—	—	13,514
	2016	—	—	10,977	—	—	10,977
	2017	—	—	10,636	—	—	10,636
	2018	—	—	9,385	—	—	9,385

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	2009	\$ 2,063,886	\$ 655,558	\$ 552,483	\$ 115,595	\$ 197,555	\$ 3,585,077
	2010	2,268,974	679,673	533,333	105,992	219,410	3,807,382
	2011	2,253,662	680,947	563,196	164,868	209,572	3,872,245
	2012	2,365,115	732,814	515,206	133,740	220,927	3,967,802
	2013	2,449,860	795,235	535,087	120,327	234,507	4,135,016
	2014	1,894,098	702,336	521,496	92,923	260,228	3,471,081
	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
Special education	2009	9,656,932	3,149,781	1,629,135	353,336	920,575	15,709,759
	2010	10,298,835	3,538,306	1,787,311	691,957	937,527	17,253,936
	2011	10,405,760	3,800,881	1,914,616	553,662	998,333	17,673,252
	2012	10,813,236	4,049,078	1,277,070	968,086	1,021,841	17,673,252
	2013	11,308,037	4,313,213	1,516,683	678,276	1,060,534	18,876,743
	2014	12,056,948	4,645,254	1,660,968	640,865	1,056,905	20,060,940
	2015	13,075,819	4,966,320	1,763,028	803,025	1,118,880	21,727,072
	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
Services allocation	2009	733,346	194,078	318,981	62,490	(1,118,130)	190,765
	2010	749,966	204,226	179,556	61,344	(1,156,937)	38,155
	2011	786,795	214,980	490,893	78,652	(1,207,905)	363,415
	2012	786,232	237,644	569,416	54,094	(1,242,768)	404,618
	2013	789,620	253,125	707,647	37,971	(1,295,039)	363,415
	2014	799,495	259,349	676,557	56,770	(1,317,131)	475,040
	2015	863,256	250,344	732,924	60,561	(1,399,511)	507,574
	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
District support services	2009	3,518	451	67,754	—	—	71,723
	2010	17,851	2,310	59,937	6,575	—	86,673
	2011	18,715	2,419	34,564	20,043	—	75,741
	2012	14,916	3,696	26,936	6,594	—	52,142
	2013	—	—	44,060	—	—	75,741
	2014	—	—	31,087	18,351	—	49,438
	2015	—	—	2,240	—	—	2,240
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—

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	2009	2,802	238	210,640	558,208	—	771,888
	2010	—	—	15,512	578,439	—	593,951
	2011	—	—	70,060	557,978	—	628,038
	2012	—	—	73,093	574,847	—	647,940
	2013	—	—	26,673	622,286	—	628,038
	2014	—	—	137,765	559,095	—	696,860
	2015	—	—	19,362	559,401	—	578,763
	2016	—	—	25,950	577,708	—	603,658
	2017	—	—	40,812	3,954,374	—	3,995,186
	2018	—	—	7,712	615,346	—	623,058
Secondary resale	2009	18,063	2,914	23,520	18,036	—	62,533
	2010	17,225	2,863	32,560	104,851	—	157,499
	2011	18,760	3,133	29,480	75,164	—	126,537
	2012	—	—	12,293	47,733	—	60,026
	2013	—	—	13,099	52,500	—	65,599
	2014	—	—	20,863	101,682	—	122,545
	2015	—	—	35,614	38,986	—	74,600
	2016	—	—	5,642	83,044	—	88,686
	2017	—	—	2,430	22,527	—	24,957
	2018	—	—	1,654	20,734	—	22,388
Special education resale	2009	—	—	705	18,754	—	19,459
	2010	—	—	—	20,729	—	20,729
	2011	—	—	—	20,009	—	20,009
	2012	—	—	60	17,319	—	17,379
	2013	—	—	—	19,246	—	19,246
	2014	—	—	1,262	18,338	—	19,600
	2015	—	—	—	11,829	—	11,829
	2016	—	—	935	10,458	—	11,393
	2017	—	—	—	12,728	—	12,728
	2018	—	—	245	12,199	—	12,444

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER REQUIRED REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2018, 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 27, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 27, 2018

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, 2018, 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 27, 2018.

MINNESOTA LEGAL COMPLIANCE

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 27, 2018

INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2018

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 33,849,201	\$ 33,849,201	\$ –
Total expenditures		\$ 32,756,448	\$ 32,756,446	\$ 2
Nonspendable				
460	Nonspendable fund balance	\$ 622,617	\$ 622,617	\$ –
Restricted				
403	Staff development	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP			
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 300,566	\$ 300,566	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-Kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 42,346	\$ 42,346	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 423,420	\$ 423,420	\$ –
Unassigned				
422	Unassigned fund balance	\$ 6,634,983	\$ 6,634,984	\$ (1)
Food Service				
Total revenue		\$ 104,479	\$ 104,479	\$ –
Total expenditures		\$ 133,511	\$ 133,511	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
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, 2018

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Project 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	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ 2,671	\$ 2,671	\$ –
Total expenditures		\$ 2,527	\$ 2,528	\$ (1)
422	Net position	\$ 2,145	\$ 2,144	\$ 1
Internal Service				
Total revenue		\$ 3,865,060	\$ 3,865,059	\$ 1
Total expenditures		\$ 3,052,221	\$ 3,052,221	\$ –
422	Net position	\$ 1,120,925	\$ 1,120,925	\$ –
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 1: 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.

Note 2: During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This statement establishes standards for employer recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB. The implementation of this statement resulted in restatement of internal service fund net position. This change in accounting principal totaled \$98,437 and is reflected in total expenditures for the internal service fund of \$3,052,221.

THIS PAGE INTENTIONALLY LEFT BLANK