INTERMEDIATE SCHOOL DISTRICT NO. 917
ROSEMOUNT, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2016

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INTERMEDIATE SCHOOL DISTRICT NO. 917

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INTRODUCTORY SECTION

INTERMEDIATE SCHOOL DISTRICT NO. 917

School Board and Administration
as of June 30, 2016

SCHOOL BOARD

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

ADMINISTRATION

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

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2016, 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)

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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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other information section, 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 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 30, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 29, 2016

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This section of Intermediate School District No. 917's (the District) financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources were lower than liabilities and deferred inflows of resources at June 30, 2016 by $8,394,141 (net position). The District's total net position increased by $1,704,646 during the fiscal year ended June 30, 2016.

- The District's total General Fund balance at June 30, 2016 is $7,338,004.

- The District's governmental funds Balance Sheet reflects a $5,730,521 unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;

- Management's Discussion and Analysis;

- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information; and

- Combining and individual fund statements and schedules, which are presented as supplemental information.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional non-financial factors such as the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or major funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community 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 statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – Internal service fund services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. These services have been included with governmental activities in the government-wide financial statements. The District currently has three internal service funds, including funds for accounting for post-employment severance and other post-employment benefits (OPEB), medical self-insurance, and the 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, 2016 and 2015

	2016	2015
Assets		
Current and other assets	$ 12,853,148	$ 10,537,842
Capital assets, net of accumulated depreciation	6,944,495	6,998,185
Total assets	**$ 19,797,643**	**$ 17,536,027**
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	**$ 3,183,346**	**$ 2,496,992**
Liabilities		
Current and other liabilities	$ 3,748,161	$ 3,181,913
Long-term liabilities, including due within one year	25,740,747	22,633,143
Total liabilities	**$ 29,488,908**	**$ 25,815,056**
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	**$ 1,886,222**	**$ 4,316,750**
Net position		
Net investment in capital assets	$ 712,743	$ 516,185
Restricted for capital projects	751,269	815,115
Restricted for other purposes	98,510	94,525
Unrestricted	(9,956,663)	(11,524,612)
Total net position	**$ (8,394,141)**	**$ (10,098,787)**

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, 2016 was $1,704,646 higher than in the prior year, mainly due to improved operating results in the General Fund and internal service funds.

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, 2016 and 2015

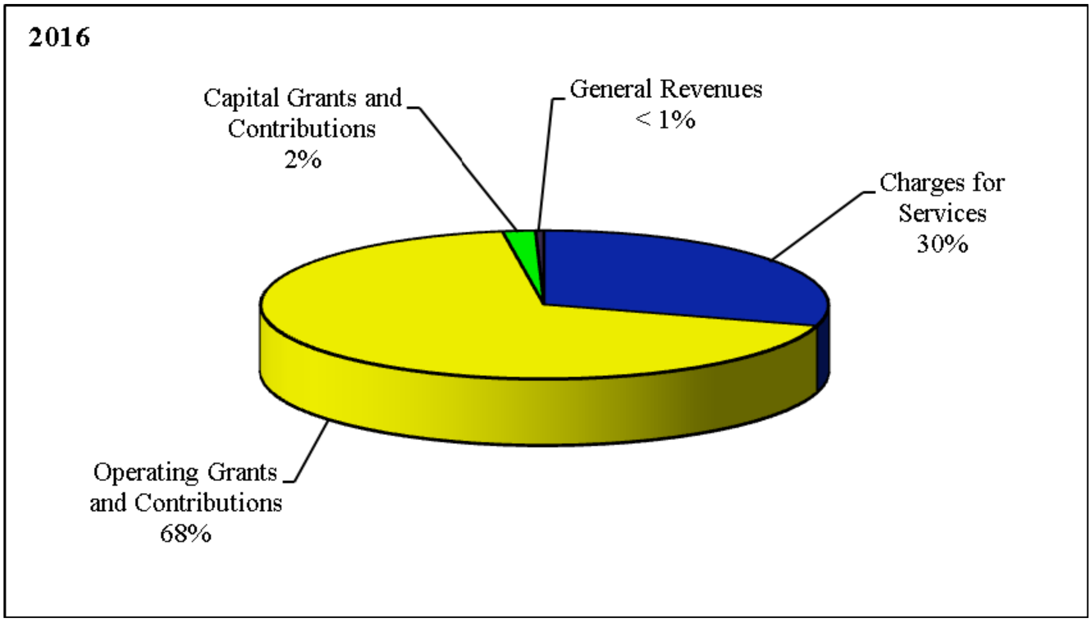
	2016	2015
Revenues		
Program revenues		
Charges for services	$ 8,765,738	$ 7,876,725
Operating grants and contributions	20,327,694	18,073,067
Capital grants and contributions	554,908	559,401
General revenues		
Other	91,146	96,383
Investment earnings	48,649	29,332
Total revenues	29,788,135	26,634,908
Expenses		
Administrative and support services	1,886,824	1,867,491
Secondary vocational/DCALS	2,993,362	3,182,362
Special education programs	22,764,328	20,634,460
Food service	131,729	116,426
Interest and fiscal charges on debt	307,246	316,820
Total expenses	28,083,489	26,117,559
Change in net position	1,704,646	517,349
Net position – beginning	(10,098,787)	(10,616,136)
Net position – ending	**$ (8,394,141)**	**$ (10,098,787)**

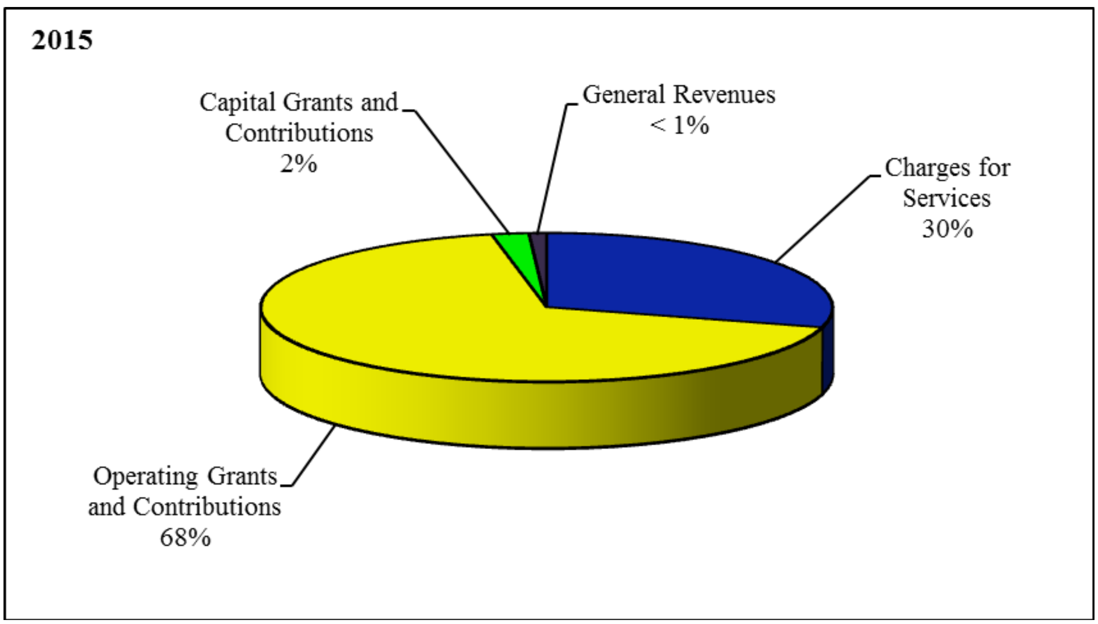
This format is similar to fund financial statements except that this is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment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

The total cost of all programs and services was $28,083,489. The District's expenses are predominantly related to educating students. In fiscal 2015–2016, 92 percent of the District's expenses were devoted to this purpose. The administrative and support services activity of the District accounted for 7 percent of total expenses for the year. It should be noted that the District allocated $1,480,762 in administrative and support services expenses to the secondary vocational/Dakota County Area Learning School (DCALS) and special education programs in fiscal 2016.

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

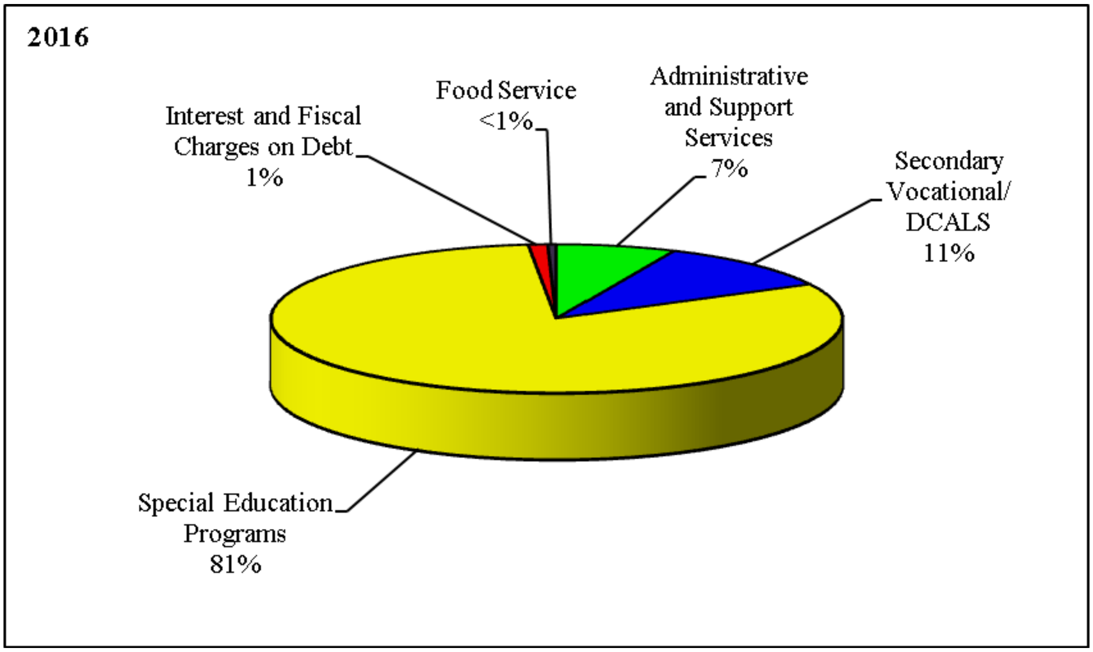
Figure A – Sources of Revenue for Fiscal Years 2016 and 2015

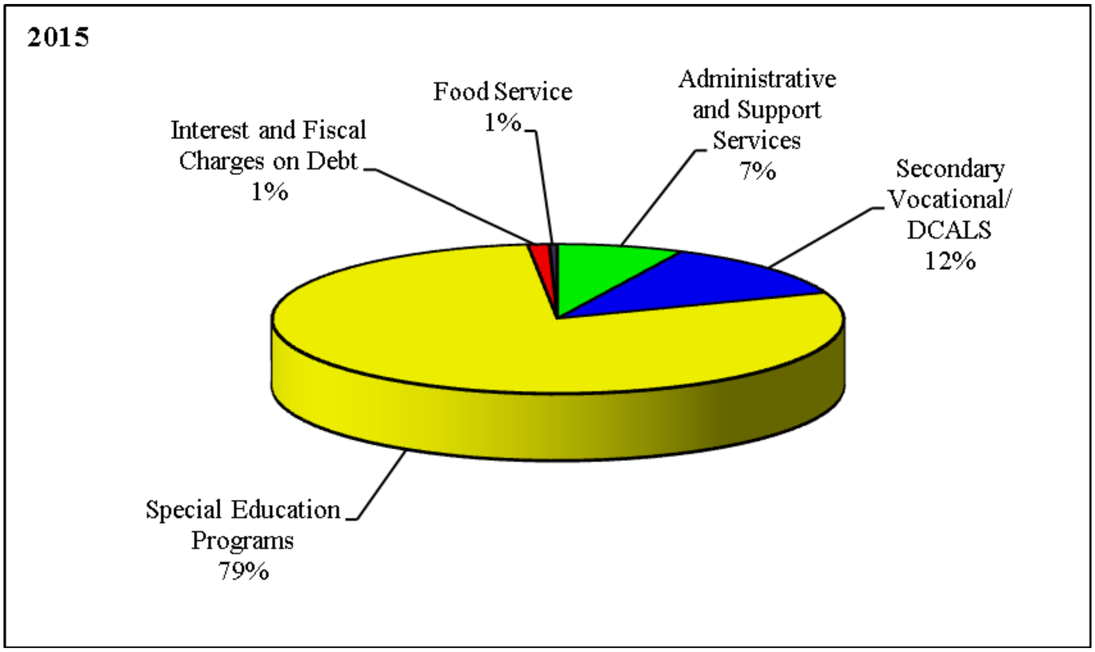




The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding due to the state's financial position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

Figure B – Expenses for Fiscal Years 2016 and 2015





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

Table 3
Net Cost of Governmental Activities
for the Years Ending June 30, 2016 and 2015

	2016		2015	
	Total Cost of Services	Net (Expense) Revenue From Services	Total Cost of Services	Net (Expense) Revenue From Services
Governmental activities				
Administrative and support services	$ 1,886,824	$ 11,658	$ 1,867,491	$ 194
Secondary vocational/DCALS	2,993,362	685,258	3,182,362	432,600
Special education programs	22,764,328	1,217,026	20,634,460	310,396
Food service	131,729	(41,845)	116,426	(34,736)
Interest and fiscal charges	307,246	(307,246)	316,820	(316,820)
Total	$ 28,083,489	$ 1,564,851	$ 26,117,559	$ 391,634

The overall net (expense) revenue from service was $1,173,217 more than fiscal 2015 as the operations of the special education programs experienced an increase of $1,217,026, which compares to an increase in fiscal 2015 of $310,396.

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, 2016 and 2015

	2016	2015	Increase (Decrease)	Total Percent Change
Major funds				
General	$ 7,338,004	$ 6,277,007	$ 1,060,997	16.9%
Capital Projects – Building Construction	67,051	111,272	(44,221)	(39.7%)
Food Service Special Revenue	–	–	–	–
Total governmental funds	$ 7,405,055	$ 6,388,279	$ 1,016,776	15.9%

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

ENROLLMENT

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

	2011–2012	2012–2013	2013–2014	2014–2015	2015–2016
Secondary vocational resource programs	118.72	117.37	109.00	100.67	108.41
DCALS	257.37	203.78	209.84	190.43	216.20
Special education resource programs	354.56	361.66	395.92	414.54	419.44

Funding for Minnesota school districts is largely driven by enrollment. In the current economic environment, member districts are striving to keep their students at their sites whenever possible. Overall, enrollment was declining except this year the District experienced a significant increase in our DCALS programs, secondary vocational programs experienced a slight increase over the previous fiscal year, and special education programs started to rebound with the reopening of the Youth Transition Program and classroom expansion in the Therapeutic Education Alternative (TEA) and Students With Unique Needs (SUN) Programs. Stable enrollment to maintain and fund programs will continue to be especially challenging in the Alternative Learning and Secondary Vocational Programs.

GENERAL FUND

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

Table 6
Financial Position – General Fund
Last Five Fiscal Years

	2012	2013	2014	2015	2016
Unassigned fund balance	$ 4,785,805	$ 4,082,678	$ 4,642,898	$ 4,807,307	$ 5,730,521
Percent increase (decrease)	(2.5%)	(14.7%)	13.7%	3.5%	19.2%
Expenditures	$ 23,279,218	$ 24,282,947	$ 24,895,504	$ 26,283,967	$ 28,598,875
Percent increase (decrease)	3.9%	4.3%	2.5%	5.6%	8.8%
Unassigned fund balance as a percentage of expenditures	20.6%	16.8%	18.6%	18.3%	20.0%

The District ended the year with a $1,060,997 increase in the General Fund balance. This increase is $1,013,738 more than what was anticipated in the revised budget. The District projected an increase in the fund balance of $47,259. The Secondary Programs Fund balance increased by $239,400 more than anticipated due to an unexpected increase in average daily membership (ADM) from projections. The Special Education Program Fund balance increased by $819,565 more than anticipated due to better than anticipated final fiscal year 2015 and estimated fiscal year 2016 state aid revenues. Conservative practices in revenue projections were incorporated when developing the revenue budgets due to a new tuition billing structure established by new legislation and the Minnesota Department of Education in 2015–2016.

Table 7 presents a summary of General Fund revenue:

Table 7
General Fund Revenue
for the Years Ended June 30, 2016 and 2015

	2016	2015	Amount of Increase (Decrease)
Local sources			
Tuition	$ 8,662,123	$ 7,693,829	$ 968,294
Investment earnings	44,556	29,297	15,259
Other	737,405	722,695	14,710
State sources	20,091,649	17,921,967	2,169,682
Federal sources	161,193	156,510	4,683
Total General Fund revenues	$ 29,696,926	$ 26,524,298	$ 3,172,628

Total General Fund revenues increased $3,172,628, or 12 percent, in fiscal 2016 as compared to the previous year. Overall, the changes in revenues can be attributed to an increase in enrollment of 38 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.

The District experienced a significant shift in the programming needs for more staff intensive programs, such as the Program Alternative for Communication Ed and Socialization (PACES), SUN, and TEA Programs, resulting in an increase in licensed and non-licensed support staff, resulting in an increase in state revenue sources through tuition billing.

The District experienced an 11.5 percent increase in enrollment in the DCALS and secondary vocational programs, resulting in an increase in direct tuition revenue to local school districts.

Table 8 presents a summary of General Fund expenditures:

Table 8
General Fund Expenditures
for the Years Ended June 30, 2016 and 2015

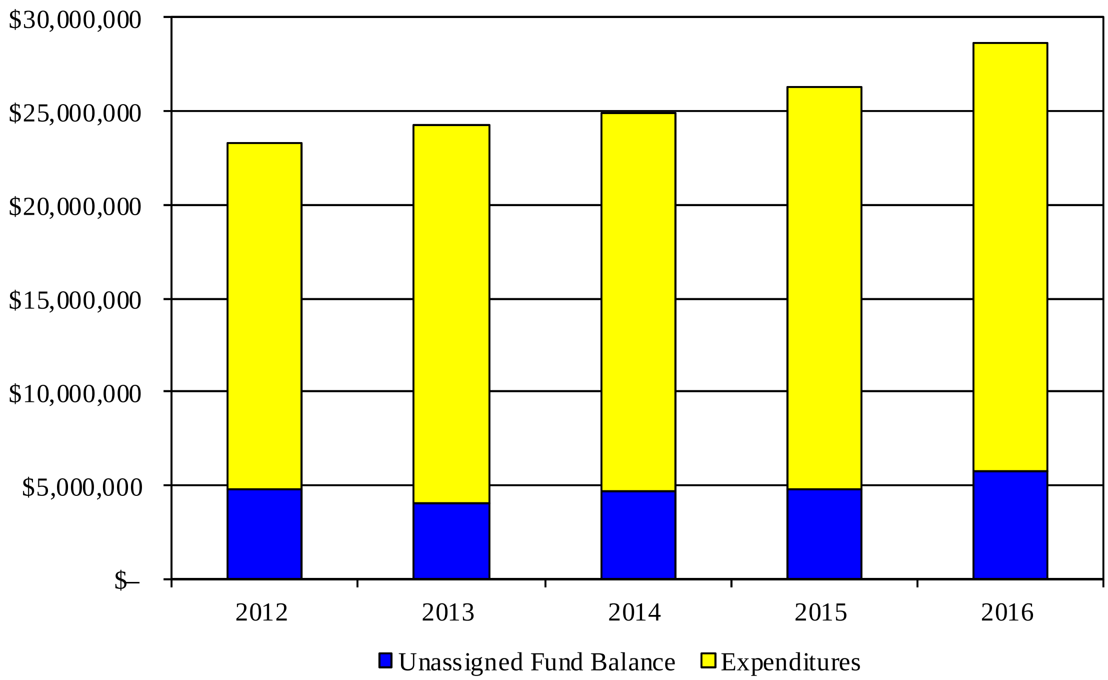
	2016	2015	Amount of Increase (Decrease)
Salaries	$ 17,199,017	$ 15,757,624	$ 1,441,393
Employee benefits	6,082,823	5,901,053	181,770
Purchased services	3,374,797	3,059,678	315,119
Supplies and materials	759,859	713,877	45,982
Other expenditures	27,180	23,752	3,428
Capital expenditures	600,291	268,582	331,709
Debt service	554,908	559,401	(4,493)
Total General Fund expenditures	$ 28,598,875	$ 26,283,967	$ 2,314,908

Total General Fund expenditures increased $2,314,908, or 8.8 percent, from the previous year. Overall, the changes in expenditures can be attributed to an increase in overall salaries and an increase in employees. Also, a new operating lease for the TEA Program lead to additional lease expenditures of about $254,000, remodeling expenditures of about $208,000, and van replacement equipment purchases of around $72,600 during the fiscal year when compared to the prior year.

In summary, 2015–2016 General Fund revenues and other financing sources exceeded General Fund expenditures and other financing uses by $1,060,997. As a result, total fund balance increased to $7,338,004 at June 30, 2016. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance increased from $4,807,307 at June 30, 2015 to $5,730,521 at June 30, 2016.

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 $5.7 million at June 30, 2016 represents 20.0 percent of annual expenditures, or over two months of school year operations. The fund balances of an intermediate school district are key to its financial success as the cash flow advance options available to intermediate school districts are more restrictive to access as an independent school district. In addition, the District maintains a healthy fund balance at a time when it is needed to maintain cash flow with the unpredictable nature of when the state of Minnesota employs funding payment shifts to balance the state budget. The continued maintenance of fund balance is essential for the District to minimize the impact that cash flow borrowing would have to member districts that would have to back any cash flow debt incurred by the District. With a metering system and limited cash flow borrowing options available, the District believes it is necessary to maintain a minimum fund balance of 15.0 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, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue and other financing sources	$ 30,742,282	$ 30,001,222	$ 29,698,046	$ (303,176)
Expenditures and other financing uses	$ 30,455,332	$ 29,953,963	$ 28,637,049	$ (1,316,914)

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 1.0 percent due to several factors. The District's anticipated revenues are determined by actual expenditures incurred, which came in under budget by about $1,300,000, resulting in revenue coming in under budget. In 2015 and 2016, the District experienced special education tuition revenues exceeding special education expenditures.

The District's expenditures and other financing uses were less than budgeted amounts by 4.4 percent due to several factors. Overall, the District's salary and benefit expenditures came in significantly lower than budget because the budget included additional staffing compliments in special education programs to accommodate any increased student participation that went unfilled. In addition, the District was faced with the challenge of filling or maintaining special education positions. The District budgeted conservatively in several areas, including substitutes, maintenance and repair services, leases, utilities, mileage, and overhead expenditures incurred through shared space with Dakota County Technical College.

CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND

Expenditures exceeded revenues by $44,221 for the year due to architectural fees occurring in fiscal year 2015–2016 for the fiscal year 2016–2017 addition at the Alliance Education Center. The fund balance in this fund is restricted for capital projects.

FOOD SERVICE SPECIAL REVENUE FUND

Expenditures exceeded revenues by $38,174 for the year. In order to eliminate the potential deficit in the Food Service Special Revenue Fund, the School Board approved a transfer of $38,174 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, 2016 and 2015:

Table 10
Capital Assets
Years Ended June 30, 2016 and 2015

	2016	2015	Net Change
Land	$ 682,011	$ 683,993	$ (1,982)
Buildings	8,492,082	8,492,082	–
Furniture and equipment	4,234,042	4,008,386	225,656
Less accumulated depreciation	(6,463,640)	(6,186,276)	(277,364)
Total	$ 6,944,495	$ 6,998,185	$ (53,690)
Depreciation expense	$ 289,489	$ 276,776	$ 12,713

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
Years Ended June 30, 2016 and 2015

	2016	2015	Change
Capital leases payable	$ 6,820,000	$ 7,070,000	$ (250,000)
Unamortized discount	(116,350)	(122,725)	6,375
Net pension liability – PERA	4,954,489	4,570,667	383,822
Net pension liability – TRA	12,087,423	9,349,486	2,737,937
Severance benefits payable	470,984	479,110	(8,126)
Compensated absences payable	309,678	286,552	23,126
Net OPEB obligation	1,214,523	1,000,053	214,470
Total	$ 25,740,747	$ 22,633,143	$ 3,107,604

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

Current examples of support services include:

- Partnering with Independent School District (ISD) No. 197 to operate the DCALS North in West St. Paul.
- Providing 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 administrator and support staff groups.
- Convening regional planning groups to initiate collaborations with counties, non-profit organizations, businesses, higher education, etc., to enhance services for students, families, and staff.
- Collaborate with other intermediate districts and the Association of Metropolitan School Districts to advocate for legislation action to assist district services.

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

- The inability of Congress to agree on educational funding or the reauthorization of the Elementary and Secondary Education Act creates an uncertain revenue picture going forward for federal education revenue.

- The state of Minnesota has an improving fiscal forecast, but the funding increases for education are still less than inflation. Since educational funding makes up a significant portion of the state budget, schools can expect the fiscal climate for the near future to remain modest with little recovery from the pressures of inflation.

- The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

- The District has appropriate fund balances to provide adequate opportunity to adapt to uncontrolled changes in revenue sources for the short term (two or three years). The recent changes to the special education funding system beginning with the 2015–2016 fiscal year will not be fully known until the system has been utilized for two to three years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	$ 8,738,241	$ 6,964,155
Receivables		
Accounts and interest	15,921	9,204
Due from other governmental units	3,455,676	2,893,151
Inventory	695	49,563
Prepaid items	47,709	29,449
Restricted assets – temporarily restricted		
Cash and investments held by trustee	594,906	592,320
Capital assets		
Not depreciated	682,011	683,993
Depreciated, net of accumulated depreciation	6,262,484	6,314,192
Total capital assets, net of accumulated depreciation	6,944,495	6,998,185
Total assets	19,797,643	17,536,027
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	3,183,346	2,496,992
Total assets and deferred outflows of resources	$ 22,980,989	$ 20,033,019
Liabilities		
Salaries and compensated absences payable	$ 2,740,655	$ 2,283,364
Accounts and contracts payable	184,950	74,622
Accrued interest payable	123,008	127,045
Due to other governmental units	578,476	478,243
Unearned revenue	121,072	218,639
Long-term liabilities		
Due within one year	316,894	300,586
Due in more than one year	25,423,853	22,332,557
Total long-term liabilities	25,740,747	22,633,143
Total liabilities	29,488,908	25,815,056
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	1,886,222	4,316,750
Net position		
Net investment in capital assets	712,743	516,185
Restricted for capital projects	751,269	815,115
Restricted for other purposes	98,510	94,525
Unrestricted	(9,956,663)	(11,524,612)
Total net position	(8,394,141)	(10,098,787)
Total liabilities, deferred inflows of resources, and net position	$ 22,980,989	$ 20,033,019

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016			
			Program Revenues	
Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions
Governmental activities				
Administrative and support services	$ 1,886,824	$ (1,480,762)	$ 417,720	$ –
Secondary vocational/DCALS	2,993,362	296,790	3,181,157	239,345
Special education programs	22,764,328	1,183,972	5,144,545	20,020,781
Food service	131,729	–	22,316	67,568
Interest and fiscal charges on debt	307,246	–	–	–
Total governmental activities	$ 28,083,489	$ –	$ 8,765,738	$ 20,327,694

General revenues
Other general revenues
Investment earnings
Total general revenues

Change in net position

Net position – beginning

Net position – ending

See notes to basic financial statements

		2015
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Governmental Activities	Governmental Activities
$ –	$ 11,658	$ 194
554,908	685,258	432,600
–	1,217,026	310,396
–	(41,845)	(34,736)
–	(307,246)	(316,820)
$ 554,908	1,564,851	391,634
	91,146	96,383
	48,649	29,332
	139,795	125,715
	1,704,646	517,349
	(10,098,787)	(10,616,136)
	$ (8,394,141)	$ (10,098,787)

INTERMEDIATE SCHOOL DISTRICT NO. 917

Balance Sheet
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds 2016	Total Governmental Funds 2015
Assets					
Cash and temporary investments	$ 6,709,235	$ 67,051	$ 355	$ 6,776,641	$ 5,817,109
Cash and investments held by trustee	594,906	–	–	594,906	592,320
Receivables					
Accounts and interest	15,921	–	–	15,921	9,204
Due from other governmental units	3,455,676	–	–	3,455,676	2,893,151
Inventory	695	–	–	695	49,563
Prepaid items	47,709	–	–	47,709	29,449
Total assets	$10,824,142	$ 67,051	$ 355	$10,891,548	$ 9,390,796
Liabilities					
Salaries and compensated absences payable	$ 2,740,655	$ –	$ –	$ 2,740,655	$ 2,283,364
Accounts and contracts payable	46,100	–	190	46,290	22,271
Due to other governmental units	578,476	–	–	578,476	478,243
Unearned revenue	120,907	–	165	121,072	218,639
Total liabilities	3,486,138	–	355	3,486,493	3,002,517
Fund balances					
Nonspendable	48,404	–	–	48,404	79,012
Restricted	1,377,634	67,051	–	1,444,685	1,501,960
Assigned	181,445	–	–	181,445	–
Unassigned	5,730,521	–	–	5,730,521	4,807,307
Total fund balances	7,338,004	67,051	–	7,405,055	6,388,279
Total liabilities and fund balances	$10,824,142	$ 67,051	$ 355	$10,891,548	$ 9,390,796

See notes to basic financial statements

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2016
(With Partial Comparative Information as of June 30, 2015)

	2016	2015
Total fund balances – governmental funds	$ 7,405,055	$ 6,388,279
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	13,408,135	13,184,461
Accumulated depreciation	(6,463,640)	(6,186,276)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Capital lease payable	(6,820,000)	(7,070,000)
Compensated absences payable	(309,678)	(286,552)
Net pension liability – PERA	(4,954,489)	(4,570,667)
Net pension liability – TRA	(12,087,423)	(9,349,486)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(123,008)	(127,045)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	3,183,346	2,496,992
Deferred inflows – PERA and TRA pension plans	(1,886,222)	(4,316,750)
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	116,350	122,725
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.	137,433	(384,468)
Total net position – governmental activities	$ (8,394,141)	$ (10,098,787)

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds 2016	Total Governmental Funds 2015
Revenue					
Local sources					
Tuition	$ 8,662,123	$ –	$ –	$ 8,662,123	$ 7,693,829
Investment earnings	44,556	204	–	44,760	29,332
Other	737,405	–	22,317	759,722	742,721
State sources	20,091,649	–	5,117	20,096,766	17,926,946
Federal sources	161,193	–	62,451	223,644	213,198
Total revenue	29,696,926	204	89,885	29,787,015	26,606,026
Expenditures					
Current					
Administrative and support services	463,923	–	–	463,923	509,814
Secondary vocational/DCALS	3,361,023	–	–	3,361,023	3,475,851
Special education programs	24,219,021	–	–	24,219,021	21,738,901
Food service	–	–	128,059	128,059	112,487
Capital outlay	–	44,425	–	44,425	–
Debt service					
Principal	250,000	–	–	250,000	245,000
Interest and fiscal charges	304,908	–	–	304,908	314,401
Total expenditures	28,598,875	44,425	128,059	28,771,359	26,396,454
Excess (deficiency) of revenue over expenditures	1,098,051	(44,221)	(38,174)	1,015,656	209,572
Other financing sources (uses)					
Proceeds from sale of assets	1,120	–	–	1,120	187
Transfers in	–	–	38,174	38,174	30,794
Transfers out	(38,174)	–	–	(38,174)	(30,794)
Total other financing sources (uses)	(37,054)	–	38,174	1,120	187
Net change in fund balances	1,060,997	(44,221)	–	1,016,776	209,759
Fund balances					
Beginning of year	6,277,007	111,272	–	6,388,279	6,178,520
End of year	$ 7,338,004	$ 67,051	$ –	$ 7,405,055	$ 6,388,279

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, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Total net change in fund balances – governmental funds	$ 1,016,776	$ 209,759
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	241,512	96,092
Depreciation expense	(289,489)	(276,776)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.	250,000	245,000
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	4,037	3,956
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(6,375)	(6,375)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	(383,822)	726,417
Net pension liability – TRA	(2,737,937)	2,462,223
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
Loss on disposal of capital assets	(5,713)	(70,085)
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.	521,901	(23,378)
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	(23,126)	(11,220)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	686,354	1,478,486
Deferred inflows – PERA and TRA pension plans	2,430,528	(4,316,750)
Change in net position – governmental activities	$ 1,704,646	$ 517,349

See notes to basic financial statements

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Tuition	$ 8,587,340	$ 8,681,651	$ 8,662,123	$ (19,528)
Investment earnings	28,600	28,400	44,556	16,156
Other	659,133	783,590	737,405	(46,185)
State sources	21,301,382	20,340,168	20,091,649	(248,519)
Federal sources	165,827	167,413	161,193	(6,220)
Total revenue	30,742,282	30,001,222	29,696,926	(304,296)
Expenditures				
Current				
Administrative and support services	519,317	439,141	463,923	24,782
Secondary vocational/DCALS	3,519,408	3,434,304	3,361,023	(73,281)
Special education programs	25,827,499	25,491,410	24,219,021	(1,272,389)
Debt service				
Principal	250,000	250,000	250,000	–
Interest and fiscal charges	304,908	304,908	304,908	–
Total expenditures	30,421,132	29,919,763	28,598,875	(1,320,888)
Excess of revenue over expenditures	321,150	81,459	1,098,051	1,016,592
Other financing sources (uses)				
Proceeds from sale of assets	–	–	1,120	1,120
Transfers out	(34,200)	(34,200)	(38,174)	(3,974)
Total other financing sources (uses)	(34,200)	(34,200)	(37,054)	(2,854)
Net change in fund balances	$ 286,950	$ 47,259	1,060,997	$ 1,013,738
Fund balances				
Beginning of year			6,277,007	
End of year			$ 7,338,004	

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
Proprietary Funds
Internal Service Funds
as of June 30, 2016
(With Partial Comparative Actual Amounts as of June 30, 2015)

	2016	2015
Assets		
Current assets		
Cash and temporary investments	$ 1,961,600	$ 1,147,046
Liabilities		
Current liabilities		
Accounts and contracts payable	138,660	52,351
Severance benefits payable	13,139	13,139
Total current liabilities	151,799	65,490
Long-term liabilities		
Net OPEB obligation	1,214,523	1,000,053
Severance benefits payable	457,845	465,971
Total long-term liabilities	1,672,368	1,466,024
Total liabilities	1,824,167	1,531,514
Net position (deficit)		
Unrestricted	$ 137,433	$ (384,468)

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
Internal Service Funds
Year Ended June 30, 2016
(With Partial Comparative Information for the Year Ended June 30, 2015)

	2016	2015
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 2,145,912	$ 530,373
Operating expenses		
Post-employment severance and health benefits	231,293	190,241
Dental benefit claims	347,660	363,880
Medical benefit claims	1,048,947	–
Total operating expenses	1,627,900	554,121
Operating income (loss)	518,012	(23,748)
Nonoperating revenue		
Investment earnings	3,889	370
Change in net position	521,901	(23,378)
Net position (deficit)		
Beginning of year	(384,468)	(361,090)
End of year	$ 137,433	$ (384,468)

See notes to basic financial statements

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Cash Flows
Proprietary Funds
Internal Service Funds
Year Ended June 30, 2016
(With Partial Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Contributions from governmental funds	$ 2,145,912	$ 530,373
Post-employment severance and health benefit payments	(30,449)	(11,004)
Payments for medical claims	(952,519)	–
Payments for dental claims	(352,279)	(352,774)
Net cash flows from operating activities	810,665	166,595
Cash flows from investing activities		
Investment income received	3,889	370
Net increase in cash and cash equivalents	814,554	166,965
Cash and temporary investments		
Beginning of year	1,147,046	980,081
End of year	$ 1,961,600	$ 1,147,046
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ 518,012	$ (23,748)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Severance benefits payable	(8,126)	5,243
Net OPEB obligation	214,470	168,020
Prepaid items	–	474
Accounts payable	86,309	16,606
Net cash flows from operating activities	$ 810,665	$ 166,595

See notes to basic financial statements

Fiduciary Funds
Statement of Fiduciary Net Position
as of June 30, 2016

	Private-Purpose Trust Fund
Assets	
Cash and temporary investments	$ 1,966
Net position	
Held in trust for scholarships	$ 1,966

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Private-Purpose Trust Fund
Additions	
Gifts and bequests	$ 5
Deductions	
Scholarships	178
Change in net position	(173)
Net position	
Beginning of year	2,139
End of year	$ 1,966

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

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

C. Minnesota State Colleges and Universities

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide Financial Statement Presentation

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

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

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

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

E. Fund Financial Statement Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for 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.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Nonmajor Governmental Funds

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

Proprietary Funds

Internal Service Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has 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. Expenditures exceeded budgeted amounts in the Food Service Special Revenue Fund by $1,089.

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 June 30, 2016.

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 is not depreciated.

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

L. Long-Term Obligations

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

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

M. Compensated Absences

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Sick Pay

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

O. Severance Benefits

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

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

P. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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 (DTRFA) in 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 fiscal 2016.

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 were as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Charges and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2015	$ 2,603	$ 359,130	$ 352,774	$ 8,959
2016	$ 8,959	$ 352,733	$ 352,279	$ 9,413

Changes in the balance of health insurance claim liabilities for the last year is as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Charges and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2016	$ –	$ 1,047,519	$ 952,519	$ 95,000

R. Deferred Outflows/Inflows of Resources

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

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

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

S. Statement of Cash Flows

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

T. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in 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, 2015, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was $960,903, while the balance on the bank records was $1,083,497. At June 30, 2016, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk. At June 30, 2016, the District had 66.8 percent of its portfolio invested in a guaranteed investment contract with Credit Agricole Corporate and Investment Bank.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary

The following table presents the District's deposit and investment balances at June 30, 2016, and information relating to potential investment risks:

Investment Type	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements	Interest Risk – Maturity Duration in Years: Less Than 1	1 to 5	5 to 10	More Than 10	Total
Investment pools/mutual funds								
Minnesota School District Liquid Asset Fund	AAA	S&P	NAV	N/A	N/A	N/A	N/A	$ 7,779,305
First American Treasury Obligations Fund Class D	AAA	S&P	Level 1	N/A	N/A	N/A	N/A	35,504
Guaranteed investment contract								
Credit Agricole Corporate and Investment Bank	N/A	N/A	Level 2	N/A	N/A	N/A	$ 559,401	559,401
								8,374,210
Deposits								960,903
Total cash and investments								$ 9,335,113

NAV – Investment measured at Net Asset Value
N/A – Not Applicable

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

Cash and temporary investments – Statement of Net Position	$ 8,738,241
Cash and temporary investments held by trustee – Statement of Net Position	594,906
Cash and temporary investments – Statement of Fiduciary Net Position – Private-Purpose Trust Fund	1,966
Total cash and investments	$ 9,335,113

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

For MSDLAF investments valued at NAV, 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, 2016 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	$ 683,993	$ –	$ 1,982	$ 682,011
Capital assets, depreciated				
Buildings	8,492,082	–	–	8,492,082
Furniture and equipment	4,008,386	241,512	15,856	4,234,042
Total capital assets, depreciated	12,500,468	241,512	15,856	12,726,124
Less accumulated depreciation for				
Buildings	(2,775,509)	(129,922)	(12,125)	(2,893,306)
Furniture and equipment	(3,410,767)	(159,567)	–	(3,570,334)
Total accumulated depreciation	(6,186,276)	(289,489)	(12,125)	(6,463,640)
Net capital assets, depreciated	6,314,192	(47,977)	3,731	6,262,484
Total capital assets, net	$ 6,998,185	$ (47,977)	$ 5,713	$ 6,944,495

Depreciation expense for the year ended June 30, 2016 was charged to the following governmental functions:

Administrative and support services	$ 29,774
Secondary vocational/DCALS	18,218
Special education instruction	241,497
Total depreciation expense	$ 289,489

NOTE 4 – LONG-TERM LIABILITIES

A. Components and Changes in Long-Term Liabilities

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

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
Capital leases payable	$ 7,070,000	$ –	$ 250,000	$ 6,820,000	$ 260,000
Unamortized discount	(122,725)	–	(6,375)	(116,350)	–
Severance benefits payable	479,110	13,637	21,763	470,984	13,139
Compensated absences payable	286,552	66,881	43,755	309,678	43,755
Net OPEB obligation (see Note 7)	1,000,053	281,648	67,178	1,214,523	–
Net pension liability – PERA	4,570,667	1,212,702	828,880	4,954,489	–
Net pension liability – TRA	9,349,486	3,491,367	753,430	12,087,423	–
	$ 22,633,143	$ 5,066,235	$ 1,958,631	$ 25,740,747	$ 316,894

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Description of Long-Term Liabilities

- **Capital Leases Payable –** In September 2007, the District entered into a capital lease agreement with the Dakota County Community Development Agency (DCCDA) to finance building construction. The DCCDA issued $8,480,000 of lease revenue bonds to pay for these costs. The revenue bonds bear interest rates that range from 3.875 percent to 4.500 percent and have a final maturity of February 2034. The lease-purchase agreement requires the District to make semiannual payments beginning August 1, 2008 equal to the principal and interest due on the revenue bonds. Annual principal and interest payments on this lease will be paid by the General Fund. Tuition revenue in the 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 this lease payable. As of June 30, 2016, the net book value of the capitalized assets related to this lease was $5,586,653.

- **Severance Benefits Payable** – Severance benefits are paid by the applicable Internal Service Fund. Annual payments to retire severance benefit liabilities have not been determined and will depend on actual employee turnover.

- **Compensated Absences Payable** – Compensated absences payable represent accrued vacation payable at year-end. Compensated absences are paid by the General Fund. These benefits are not funded until the year of payment. Annual payments to retire compensated absences payable will depend on employee turnover and actual employee absences.

- **Other Long-Term Liabilities** – The District offers a number of benefits to its employees, including pensions and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund.

C. Minimum Debt Payments

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

Year Ending June 30,	Principal	Interest
2017	$ 260,000	$ 295,220
2018	270,000	285,145
2019	285,000	274,345
2020	295,000	262,945
2021	305,000	251,145
2022–2026	1,730,000	1,051,185
2027–3031	2,140,000	641,820
2032–3034	1,535,000	140,175
	$ 6,820,000	$ 3,201,980

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, 2016, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Food Service Special Revenue Fund	Total
Nonspendable				
Prepaid items	$ 47,709	$ –	$ –	$ 47,709
Inventory	695	–	–	695
Total nonspendable	48,404	–	–	48,404
Restricted for				
Basic skills	98,510	–	–	98,510
Debt service	594,906	–	–	594,906
Capital purposes	684,218	67,051	–	751,269
Total restricted	1,377,634	67,051	–	1,444,685
Assigned for subsequent year's budgeted deficit	181,445	–	–	181,445
Unassigned	5,730,521	–	–	5,730,521
Total	$ 7,338,004	$ 67,051	$ –	$ 7,405,055

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, 2016, the unassigned fund balance of the General Fund was 20.0 percent of fiscal 2016 expenditures.

C. Deficit Fund Balance

At June 30, 2016, the Post-Employment Benefits Internal Service Fund had a deficit fund balance of $717,756.

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 General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity and administered by a Board of Trustees. The Board 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 (DCR) Plan administered by MnSCU.

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 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. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan. The District's contributions to the GERF for the year ended June 30, 2016 were $451,532. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Year Ended June 30,			
	2015		2016	
	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 plan's fiscal year ended June 30, 2016, were $805,427. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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 Non-Employer Pension Allocations:

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 340,207,590
Deduct employer contributions not related to future contribution efforts	(704,635)
Deduct the TRA's contributions not included in allocation	(435,999)
Total employer contributions	339,066,956
Total non-employer contributions	41,587,410
Total contributions reported in Schedule of Employer and Non-Employer Pension Allocations	$ 380,654,366

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.

D. Merger of Duluth Teachers Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the DTRFA with the TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of the DTRFA.

	June 30, 2014 CAFR	Restated
Total pension liability (a)	$ 24,901,612,000	$ 25,299,564,000
Plan fiduciary net position (b)	20,293,684,000	20,519,756,000
Net pension liability (a-b)	$ 4,607,928,000	$ 4,779,808,000

.

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

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of $4,954,489 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.0956 percent, which was a decrease of 0.0017 percent from its proportion measured as of June 30, 2014.

The GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into the GERF, effective January 1, 2015, and (2) revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9 percent. The Legislature has since set the discount rate in statute at 8.0 percent. Beginning with the June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB Statement No. 68 accounting requirements will be increased to 8.0 percent to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of $509,692 for its proportionate share of the GERF's pension expense.

At June 30, 2016, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 45,947	$ 249,790
Changes in actuarial assumptions	308,548	–
Difference between projected and actual investment earnings	–	441,041
Changes in proportion	–	68,985
District's contributions to the GERF subsequent to the measurement date	451,532	–
Total	$ 806,027	$ 759,816

A total of $451,532 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	$ (115,109)
2018	$ (115,109)
2019	$ (292,358)
2020	$ 117,255

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of $12,087,423 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2015, 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 0.1954 percent at the end of the measurement period and 0.2029 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$ 12,087,423
District's proportionate share of the net pension liability associated with the District	$ 1,482,856

For the year ended June 30, 2016, the District recognized pension expense of $752,253. It also recognized $262,111 as an increase to pension expense for the support provided by direct aid.

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

At June 30, 2016, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 642,691	$ –
Changes in actuarial assumptions	929,201	–
Difference between projected and actual investment earnings	–	1,005,960
Changes in proportion	–	120,446
District's contributions to the TRA subsequent to the measurement date	805,427	–
Total	$ 2,377,319	$ 1,126,406

A total of $805,427 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	$ (65,157)
2018	$ (65,157)
2019	$ (65,157)
2020	$ 640,957

F. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active member payroll growth	3.50% per year	3.50–12.00% based on years of service
Investment rate of return	7.90%	8.00%

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

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

Actuarial assumptions used in the June 30, 2015, valuation for the GERF were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for the PERA's other plans, but assumptions are reviewed annually.

The actuarial assumptions used in the June 30, 2015, valuation for the TRA were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.0 percent annually with no increase to 2.5 percent projected. The prior year valuation assumed a 2.5 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.90 percent for the GERF and 8.00 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.

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

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

G. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent for the GERF and 8.00 percent for the TRA. This is a decrease from the discount rate at the prior measurement date of 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2016 contribution rates, 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, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 7,790,216	$ 4,954,489	$ 2,612,612
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	$ 18,398,622	$ 12,087,423	$ 6,820,544

I. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

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

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	$ 264,635
Interest on net OPEB obligation	33,281
Adjustment to ARC	(16,268)
Annual OPEB cost	281,648
Contributions made	67,178
Increase in net OPEB obligation	214,470
Net OPEB obligation – beginning of year	1,000,053
Net OPEB obligation – end of year	$ 1,214,523

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 256,695	$ 125,000	48.7%	$ 832,033
June 30, 2015	$ 248,433	$ 80,413	32.4%	$ 1,000,053
June 30, 2016	$ 281,648	$ 67,178	23.9%	$ 1,214,523

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

D. Funded Status and Funding Progress

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

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

F. Actuarial Methods and Assumptions

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

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

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

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

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The District is leasing buildings and space in several locations. The District incurred expenditures of $803,484 for operating leases during the year ended June 30, 2016. These leases are scheduled to expire on various dates through 2031. The following is a summary of minimum lease payments for all operating leases:

Year Ending June 30,	Amount
2017	$ 457,628
2018	464,720
2019	471,869
2020	479,077
2021	486,344
2022–2026	1,640,945
2027–2031	1,243,645
	$ 5,244,228

B. Federal and State Revenues

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

C. Legal Contingencies

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

NOTE 10 – INTERFUND TRANSFERS

The General Fund made an interfund transfer of $38,174 to the Food Service Special Revenue Fund to eliminate a fund balance deficit at year-end.

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

REQUIRED SUPPLEMENTARY INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Schedule of District's Proportionate Share of Net Pension Liability
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

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 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	$ 5,105,448	89.53%	78.70%
06/30/2016	06/30/2015	0.0956%	$ 4,954,489	$ 5,613,356	88.26%	78.20%

Schedule of District Contributions
Public Employees Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement 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	06/30/2015	$ 414,341	$ 414,341	$ –	$ 5,613,356	7.38%
06/30/2016	06/30/2016	$ 451,532	$ 451,532	$ –	$ 6,015,751	7.51%

Note 1: **Changes of Benefit Terms**. (1) The Minneapolis Employees Retirement Fund was merged into the GERF on January 1, 2015. (2) Revisions to Minnesota Statutes to make changes to contribution rates less prescriptive and more flexible.

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

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%

Schedule of District Contributions
Teachers Retirement Association Pension Benefits Plan
Year Ended June 30, 2016

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement 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	06/30/2015	$ 743,688	$ 743,688	$ –	$ 9,915,820	7.50%
06/30/2016	06/30/2016	$ 805,427	$ 805,427	$ –	$ 10,745,627	7.50%

Note 1: **Changes of Benefit Terms**. The DTRFA was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions.** The annual cost of living adjustment 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. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Other Post-Employment Benefits Plan
Schedule of Funding Progress
Year Ended June 30, 2016

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

SUPPLEMENTAL INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ 6,709,235	$ 5,707,461
Cash and investments held by trustee	594,906	592,320
Receivables		
Accounts and interest	15,921	9,204
Due from other school districts	2,168,713	1,428,880
Due from Minnesota Department of Education	1,248,051	1,409,755
Due from other governmental units	38,912	52,892
Inventory	695	49,563
Prepaid items	47,709	29,449
Total assets	$ 10,824,142	$ 9,279,524
Liabilities		
Salaries and compensated absences payable	$ 2,740,655	$ 2,283,364
Accounts and contracts payable	46,100	22,271
Due to other school districts	401,802	285,564
Due to other governmental units	176,674	192,679
Unearned revenue	120,907	218,639
Total liabilities	3,486,138	3,002,517
Fund balances		
Nonspendable for prepaid items	47,709	29,449
Nonspendable for inventory	695	49,563
Restricted for debt service	594,906	592,320
Restricted for basic skills	98,510	94,525
Restricted for capital purposes	684,218	703,843
Assigned for subsequent year’s budgeted deficit	181,445	–
Unassigned	5,730,521	4,807,307
Total fund balances	7,338,004	6,277,007
Total liabilities and fund balances	$ 10,824,142	$ 9,279,524

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	$ 8,681,651	$ 8,662,123	$ (19,528)	$ 7,693,829
Investment earnings	28,400	44,556	16,156	29,297
Other	783,590	737,405	(46,185)	722,695
State sources	20,340,168	20,091,649	(248,519)	17,921,967
Federal sources	167,413	161,193	(6,220)	156,510
Total revenue	30,001,222	29,696,926	(304,296)	26,524,298
Expenditures				
Current				
Administrative and support services	439,141	441,123	1,982	509,814
Secondary vocational/DCALS	3,434,304	3,383,823	(50,481)	3,475,851
Special education programs	25,491,410	24,219,021	(1,272,389)	21,738,901
Debt service				
Principal	250,000	250,000	–	245,000
Interest and fiscal charges	304,908	304,908	–	314,401
Total expenditures	29,919,763	28,598,875	(1,320,888)	26,283,967
Excess of revenue over expenditures	81,459	1,098,051	1,016,592	240,331
Other financing sources (uses)				
Proceeds from sale of assets	–	1,120	1,120	187
Transfers out	(34,200)	(38,174)	(3,974)	(30,794)
Total other financing sources (uses)	(34,200)	(37,054)	(2,854)	(30,607)
Net change in fund balances	$ 47,259	1,060,997	$ 1,013,738	209,724
Fund balances				
Beginning of year		6,277,007		6,067,283
End of year		$ 7,338,004		$ 6,277,007

General Fund
Combining Balance Sheet by Account
as of June 30, 2016

	Secondary Education	Special Education	Services Allocation
Assets			
Cash and temporary investments (deficit)	$ 1,502,229	$ 4,505,991	$ (20,496)
Cash and investments held by trustee	–	–	–
Receivables			
Accounts and interest	44	229	15,648
Due from other school districts	834,688	1,266,966	67,059
Due from Minnesota Department of Education	35,660	1,212,391	–
Due from other governmental units	38,912	–	–
Inventory	–	–	–
Prepaid items	20,790	26,334	585
Total assets	$ 2,432,323	$ 7,011,911	$ 62,796
Liabilities			
Salaries and compensated absences payable	$ 299,632	$ 2,390,655	$ 50,368
Accounts and contracts payable	9,440	14,841	7,099
Due to other school districts	118,345	283,457	–
Due to other governmental units	67,493	106,110	299
Unearned revenue	1,083	114,794	5,030
Total liabilities	495,993	2,909,857	62,796
Fund balances (deficit)			
Nonspendable for prepaid items	20,790	26,334	585
Nonspendable for inventory	–	–	–
Restricted for debt service	–	–	–
Restricted for basic skills programs	24	98,486	–
Restricted for capital purposes	–	–	–
Assigned for subsequent year’s budgeted deficit	–	–	–
Unassigned – safe schools restricted account deficit	–	–	(585)
Unassigned	1,915,516	3,977,234	–
Total fund balances	1,936,330	4,102,054	–
Total liabilities and fund balances	$ 2,432,323	$ 7,011,911	$ 62,796

District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
$ 671	$ 698,281	$ 10,463	$ 12,096	$ 6,709,235
–	594,906	–	–	594,906
–	–	–	–	15,921
–	–	–	–	2,168,713
–	–	–	–	1,248,051
–	–	–	–	38,912
–	–	258	437	695
–	–	–	–	47,709
$ 671	$ 1,293,187	$ 10,721	$ 12,533	$ 10,824,142
$ –	$ –	$ –	$ –	$ 2,740,655
–	14,063	427	230	46,100
–	–	–	–	401,802
–	–	2,745	27	176,674
–	–	–	–	120,907
–	14,063	3,172	257	3,486,138
–	–	–	–	47,709
–	–	258	437	695
–	594,906	–	–	594,906
–	–	–	–	98,510
–	684,218	–	–	684,218
–	181,445	–	–	181,445
–	–	–	–	(585)
671	(181,445)	7,291	11,839	5,731,106
671	1,279,124	7,549	12,276	7,338,004
$ 671	$ 1,293,187	$ 10,721	$ 12,533	$ 10,824,142

General Fund
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2016

	Secondary Education	Special Education	Services Allocation
Revenue			
Local sources			
Tuition	$ 3,110,396	$ 4,579,099	$ 417,720
Investment earnings	3,872	8,973	–
Other	1,638	644,251	7,755
State sources	175,196	19,900,805	15,648
Federal sources	161,193	–	–
Total revenue	3,452,295	25,133,128	441,123
Expenditures			
Current			
Administrative and support services	–	–	441,123
Secondary vocational/DCALS	3,246,387	–	–
Special education programs	–	24,207,628	–
Debt service			
Principal	–	–	–
Interest and fiscal charges	–	–	–
Total expenditures	3,246,387	24,207,628	441,123
Excess (deficiency) of revenue over expenditures	205,908	925,500	–
Other financing sources (uses)			
Proceeds from sale of assets	–	140	–
Transfers out	–	(38,174)	–
Total other financing sources (uses)	–	(38,034)	–
Net change in fund balances	205,908	887,466	–
Fund balances			
Beginning of year	1,730,422	3,214,588	–
End of year	$ 1,936,330	$ 4,102,054	$ –

District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
$ –	$ 554,908	$ –	$ –	$ 8,662,123
–	31,711	–	–	44,556
–	–	72,784	10,977	737,405
–	–	–	–	20,091,649
–	–	–	–	161,193
–	586,619	72,784	10,977	29,696,926
–	–	–	–	441,123
–	48,750	88,686	–	3,383,823
–	–	–	11,393	24,219,021
–	250,000	–	–	250,000
–	304,908	–	–	304,908
–	603,658	88,686	11,393	28,598,875
–	(17,039)	(15,902)	(416)	1,098,051
–	–	980	–	1,120
–	–	–	–	(38,174)
–	–	980	–	(37,054)
–	(17,039)	(14,922)	(416)	1,060,997
671	1,296,163	22,471	12,692	6,277,007
$ 671	$ 1,279,124	$ 7,549	$ 12,276	$ 7,338,004

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	$ 3,092,494	$ 3,110,396	$ 17,902	$ 3,013,776
Investment earnings	550	3,872	3,322	553
Other	150	1,638	1,488	7,604
State sources	76,316	175,196	98,880	105,919
Federal sources	167,413	161,193	(6,220)	151,510
Total revenue	3,336,923	3,452,295	115,372	3,279,362
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	1,771,012	1,766,552	(4,460)	1,818,549
Employee benefits	653,302	613,991	(39,311)	684,389
Purchased services	539,190	466,365	(72,825)	506,510
Supplies and materials	78,922	73,283	(5,639)	63,230
Other expenditures	950	1,133	183	2,785
Capital expenditures	20,726	28,273	7,547	25,795
Allocated overhead	306,313	296,790	(9,523)	280,631
Total expenditures	3,370,415	3,246,387	(124,028)	3,381,889
Excess (deficiency) of revenue over expenditures	(33,492)	205,908	239,400	(102,527)
Other financing sources				
Proceeds from sale of assets	–	–	–	187
Net change in fund balances	$ (33,492)	205,908	$ 239,400	(102,340)
Fund balances				
Beginning of year		1,730,422		1,832,762
End of year		$ 1,936,330		$ 1,730,422

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	$ 4,616,529	$ 4,579,099	$ (37,430)	$ 3,652,478
Investment earnings	–	8,973	8,973	400
Other	712,630	644,251	(68,379)	629,749
State sources	20,255,852	19,900,805	(355,047)	17,783,764
Federal sources	–	–	–	5,000
Total revenue	25,585,011	25,133,128	(451,883)	22,071,391
Expenditures				
Current				
Special education programs				
Salaries	15,262,612	14,518,245	(744,367)	13,075,819
Employee benefits	5,371,368	5,231,164	(140,204)	4,966,320
Purchased services	2,395,814	2,201,135	(194,679)	1,763,028
Supplies and materials	669,607	565,465	(104,142)	570,294
Other expenditures	17,365	10,435	(6,930)	6,247
Capital expenditures	545,369	497,210	(48,159)	226,484
Allocated overhead	1,220,775	1,183,974	(36,801)	1,118,880
Total expenditures	25,482,910	24,207,628	(1,275,282)	21,727,072
Excess of revenue over expenditures	102,101	925,500	823,399	344,319
Other financing sources (uses)				
Proceeds from sale of assets	–	140	140	–
Transfers out	(34,200)	(38,174)	(3,974)	(30,794)
Total other financing sources (uses)	(34,200)	(38,034)	(3,834)	(30,794)
Net change in fund balances	$ 67,901	887,466	$ 819,565	313,525
Fund balances				
Beginning of year		3,214,588		2,901,063
End of year		$ 4,102,054		$ 3,214,588

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	$ 417,720	$ 417,720	$ –	$ 468,174
Other	8,421	7,755	(666)	7,116
State sources	8,000	15,648	7,648	32,284
Total revenue	434,141	441,123	6,982	507,574
Expenditures				
Current				
Administrative and support services				
Salaries	916,163	914,218	(1,945)	863,256
Employee benefits	242,850	237,668	(5,182)	250,344
Purchased services	702,535	674,770	(27,765)	732,924
Supplies and materials	31,318	29,699	(1,619)	29,749
Other expenditures	15,085	15,258	173	14,509
Capital expenditures	53,278	50,272	(3,006)	16,303
Allocated overhead	(1,527,088)	(1,480,762)	46,326	(1,399,511)
Total expenditures	434,141	441,123	6,982	507,574
Net change in fund balances	$ –	–	$ –	–
Fund balances				
Beginning of year		–		–
End of year		$ –		$ –

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	$ 5,000	$ –	$ (5,000)	$ 2,240
Expenditures				
Current				
Administrative and support services				
Purchased services	5,000	–	(5,000)	2,240
Net change in fund balances	$ –	–	$ –	–
Fund balances				
Beginning of year		671		671
End of year		$ 671		$ 671

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	$ 554,908	$ 554,908	$ –	$ 559,401
Investment earnings	27,850	31,711	3,861	28,344
Total revenue	582,758	586,619	3,861	587,745
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	14,500	25,950	11,450	19,362
Capital expenditures	–	22,800	22,800	–
Debt service				
Principal	250,000	250,000	–	245,000
Interest and fiscal charges	304,908	304,908	–	314,401
Total expenditures	569,408	603,658	34,250	578,763
Net change in fund balances	$ 13,350	(17,039)	$ (30,389)	8,982
Fund balances				
Beginning of year		1,296,163		1,287,181
End of year		$ 1,279,124		$ 1,296,163

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	$ 49,389	$ 72,784	$ 23,395	$ 62,472
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	–	5,642	5,642	35,614
Supplies and materials	49,389	80,954	31,565	38,775
Capital expenditures	–	1,736	1,736	–
Other expenditures	–	354	354	211
Total expenditures	49,389	88,686	39,297	74,600
Excess (deficiency) of revenue over expenditures	–	(15,902)	(15,902)	(12,128)
Other financing sources				
Proceeds from sale of assets	–	980	980	–
Net change in fund balances	$ –	(14,922)	$ (14,922)	(12,128)
Fund balances				
Beginning of year		22,471		34,599
End of year		$ 7,549		$ 22,471

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INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Special Education Resale Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	$ 8,000	$ 10,977	$ 2,977	$ 13,514
Expenditures				
Current				
Special education programs				
Purchased services	–	935	935	–
Supplies and materials	8,500	10,458	1,958	11,829
Total expenditures	8,500	11,393	2,893	11,829
Net change in fund balances	$ (500)	(416)	$ 84	1,685
Fund balances				
Beginning of year		12,692		11,007
End of year		$ 12,276		$ 12,692

INTERMEDIATE SCHOOL DISTRICT NO. 917

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ 67,051	$ 111,272
Fund balances		
Restricted for capital purposes	$ 67,051	$ 111,272

INTERMEDIATE SCHOOL DISTRICT NO. 917

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 204	$ 204	$ 35
Expenditures				
Capital outlay	44,425	44,425	–	–
Net change in fund balances	$ (44,425)	(44,221)	$ 204	35
Fund balances				
Beginning of year		111,272		111,237
End of year		$ 67,051		$ 111,272

INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2016 and 2015

	2016	2015
Assets		
Cash and temporary investments	$ 355	$ (1,624)
Receivables		
Due from other governmental units	–	1,624
Total assets	$ 355	$ –
Liabilities		
Accounts payable	$ 190	$ –
Unearned revenue	165	–
Total liabilities	$ 355	$ –

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	$ 24,720	$ 22,317	$ (2,403)	$ 20,026
State sources	5,200	5,117	(83)	4,979
Federal sources	62,850	62,451	(399)	56,688
Total revenue	92,770	89,885	(2,885)	81,693
Expenditures				
Purchased services	8,229	8,307	78	3,838
Supplies and materials	118,741	119,752	1,011	108,649
Total expenditures	126,970	128,059	1,089	112,487
Excess (deficiency) of revenue over expenditures	(34,200)	(38,174)	(3,974)	(30,794)
Other financing sources				
Transfers in	34,200	38,174	3,974	30,794
Net change in fund balances	$ –	–	$ –	–
Fund balances				
Beginning of year		–		–
End of year		$ –		$ –

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits	Totals 2016	Totals 2015
Assets					
Cash and temporary investments	$ 328,904	$ 664,945	$ 967,751	$ 1,961,600	$ 1,147,046
Liabilities					
Current liabilities					
Accounts and contracts payable	42,232	96,428	–	138,660	52,351
Severance benefits payable	–	–	13,139	13,139	13,139
Total current liabilities	42,232	96,428	13,139	151,799	65,490
Long-term liabilities					
Net other post-employment benefit obligations	–	–	1,214,523	1,214,523	1,000,053
Severance benefits payable	–	–	457,845	457,845	465,971
Total long-term liabilities	–	–	1,672,368	1,672,368	1,466,024
Total liabilities	42,232	96,428	1,685,507	1,824,167	1,531,514
Net position (deficit)					
Unrestricted	$ 286,672	$ 568,517	$ (717,756)	$ 137,433	$ (384,468)

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits	Totals 2016	Totals 2015
Operating revenue					
Charges for services					
Contributions from governmental funds	$ 381,912	$ 1,616,822	$ 147,178	$ 2,145,912	$ 530,373
Operating expenses					
Post-employment severance and health benefits	–	–	231,293	231,293	190,241
Medical benefit claims	–	1,048,947	–	1,048,947	–
Dental benefit claims	347,660	–	–	347,660	363,880
Total operating expenses	347,660	1,048,947	231,293	1,627,900	554,121
Operating income (loss)	34,252	567,875	(84,115)	518,012	(23,748)
Nonoperating revenue					
Investment earnings	748	642	2,499	3,889	370
Change in net position	35,000	568,517	(81,616)	521,901	(23,378)
Net position (deficit)					
Beginning of year	251,672	–	(636,140)	(384,468)	(361,090)
End of year	$ 286,672	$ 568,517	$ (717,756)	$ 137,433	$ (384,468)

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits	Totals 2016	Totals 2015
Cash flows from operating activities					
Contributions from governmental funds	$ 381,912	$ 1,616,822	$ 147,178	$ 2,145,912	$ 530,373
Post-employment severance and health benefit payments	–	–	(30,449)	(30,449)	(11,004)
Payments for medical claims	–	(952,519)	–	(952,519)	–
Payments for dental claims	(352,279)	–	–	(352,279)	(352,774)
Net cash flows from operating activities	29,633	664,303	116,729	810,665	166,595
Cash flows from investing activities					
Investment income received	748	642	2,499	3,889	370
Net change in cash and cash equivalents	30,381	664,945	119,228	814,554	166,965
Cash and temporary investments					
Beginning of year	298,523	–	848,523	1,147,046	980,081
End of year	$ 328,904	$ 664,945	$ 967,751	$ 1,961,600	$ 1,147,046
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	$ 34,252	$ 567,875	$ (84,115)	$ 518,012	$ (23,748)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets and liabilities					
Post-employment severance benefits payable	–	–	(8,126)	(8,126)	5,243
Net other post-employment benefit obligation	–	–	214,470	214,470	168,020
Prepaid items	–	–	–	–	474
Accounts payable	(4,619)	96,428	(5,500)	86,309	16,606
Net cash flows from operating activities	$ 29,633	$ 664,303	$ 116,729	$ 810,665	$ 166,595

OTHER INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues			General Revenues	
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Investment Earnings and Other	Total
2007	$ 16,426,457	$ 837,561	$ 21,621	$ 270,425	$ 17,556,064
	93%	5%	–	2%	100%
2008	18,090,478	884,092	23,469	281,238	19,279,277
	94%	5%	–	1%	100%
2009	6,592,339	12,759,841	734,740	133,252	20,220,172
	33%	63%	3%	1%	100%
2010	7,782,625	14,567,950	617,930	599,235	23,567,740
	33%	62%	3%	2%	100%
2011	7,484,976	15,265,005	567,175	224,526	23,541,682
	32%	65%	2%	1%	100%
2012	7,848,114	14,720,483	498,613	136,147	23,203,357
	34%	63%	2%	1%	100%
2013	7,839,060	15,177,273	580,348	126,115	23,722,796
	33%	64%	2%	1%	100%
2014	7,619,433	17,064,879	581,454	97,720	25,363,486
	30%	67%	3%	–	100%
2015	7,876,725	18,073,067	559,401	125,715	26,634,908
	30%	68%	2%	–	100%
2016	8,765,738	20,327,694	554,908	139,795	29,788,135
	30%	68%	2%	–	100%

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

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
2007	$ 1,309,198	$ 3,239,749	$ 12,838,805	$ –	$ –	$ 17,387,752
	8%	19%	74%	–	–	100%
2008	1,143,629	3,629,059	14,148,809	–	223,767	19,145,264
	5%	19%	74%	–	1%	100%
2009	1,484,759	3,698,703	15,126,240	–	410,161	20,719,863
	7%	18%	73%	–	2%	100%
2010	1,279,128	3,778,602	16,753,538	71,375	361,888	22,244,531
	6%	17%	75%	–	2%	100%
2011	1,614,185	3,855,919	16,699,413	74,423	353,553	22,597,493
	7%	17%	74%	–	2%	100%
2012	1,765,768	3,875,566	17,292,500	101,616	344,925	23,380,375
	8%	17%	74%	–	1%	100%
2013	1,998,969	3,962,647	18,097,103	85,779	335,885	24,480,383
	8%	17%	74%	–	1%	100%
2014	1,892,695	3,483,868	19,239,348	108,123	326,431	25,050,465
	7%	14%	77%	–	1%	100%
2015	1,867,491	3,182,362	20,634,460	116,426	316,820	26,117,559
	8%	12%	79%	–	1%	100%
2016	1,886,824	2,993,362	22,764,328	131,729	307,246	28,083,489
	7%	11%	81%	–	1%	100%

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

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	2007	$ 3,103,608	$ 54,287	$ 3,198	$ –	$ 292,365	$ 3,453,458
	2008	3,534,488	60,762	25,461	–	341,820	3,962,531
	2009	3,349,713	11,583	26,599	–	186,813	3,574,708
	2010	3,715,685	2,663	13,587	10,195	150,108	3,892,238
	2011	3,656,422	927	8,787	49,708	172,435	3,888,279
	2012	3,938,532	920	21,437	61,110	197,689	4,219,688
	2013	3,587,494	855	8,645	75,408	150,577	3,822,979
	2014	3,113,264	1,301	3,335	118,957	154,147	3,391,004
	2015	3,013,776	553	7,604	105,919	151,510	3,279,362
	2016	3,110,396	3,872	1,638	175,196	161,193	3,452,295
Special education	2007	13,082,524	(19,682)	208,659	–	450,424	13,721,925
	2008	14,331,589	(4,875)	177,538	–	455,666	14,959,918
	2009	3,004,086	4,242	202,077	12,035,354	464,375	15,710,134
	2010	3,332,630	221	603,186	13,721,390	561,110	18,218,537
	2011	3,087,411	(392)	390,143	14,210,549	735,457	18,423,168
	2012	2,962,399	(341)	529,239	14,199,467	172,752	17,863,516
	2013	3,202,954	44	546,076	14,861,033	5,000	18,615,107
	2014	3,396,148	1,119	568,794	16,689,111	5,000	20,660,172
	2015	3,652,478	400	629,749	17,783,764	5,000	22,071,391
	2016	4,579,099	8,973	644,251	19,900,805	–	25,133,128
Services allocation	2007	–	–	–	30,904	–	30,904
	2008	–	–	–	53,764	–	53,764
	2009	–	–	–	190,765	–	190,765
	2010	–	–	–	38,155	–	38,155
	2011	305,475	–	1,559	56,381	–	363,415
	2012	352,800	–	8,402	43,416	–	404,618
	2013	449,954	–	8,474	34,896	–	493,324
	2014	432,465	–	5,654	36,921	–	475,040
	2015	468,174	–	7,116	32,284	–	507,574
	2016	417,720	–	7,755	15,648	–	441,123
District support services	2007	–	–	179,943	–	–	179,943
	2008	–	–	155,710	–	–	155,710
	2009	–	–	64,729	–	–	64,729
	2010	44,033	–	51,691	–	–	95,724
	2011	39,670	–	31,831	–	–	71,501
	2012	24,600	–	26,485	–	–	51,085
	2013	–	–	44,058	–	–	44,058
	2014	–	–	31,060	–	–	31,060
	2015	–	–	2,240	–	–	2,240
	2016	–	–	–	–	–	–

(continued)

INTERMEDIATE SCHOOL DISTRICT NO. 917

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

	Year Ended June 30,	Tuition Revenue	Investment Earnings (Charges)	Other Revenue	State Revenue	Federal Revenue	Total
Capital expenditure	2007	–	115	–	–	–	115
	2008	–	452	–	–	–	452
	2009	565,508	17,854	–	–	–	583,362
	2010	562,451	2,517	253,572	–	–	818,540
	2011	552,201	28,941	1,707	–	–	582,849
	2012	477,245	28,827	–	–	–	506,072
	2013	558,376	28,560	–	–	–	586,936
	2014	559,095	28,959	–	–	–	588,054
	2015	559,401	28,344	–	–	–	587,745
	2016	554,908	31,711	–	–	–	586,619
Secondary resale	2007	–	–	125,497	–	–	125,497
	2008	–	–	117,092	–	–	117,092
	2009	–	–	67,919	–	–	67,919
	2010	–	–	167,075	–	–	167,075
	2011	–	–	137,627	–	–	137,627
	2012	–	–	60,687	–	–	60,687
	2013	–	–	70,329	–	–	70,329
	2014	–	–	119,308	–	–	119,308
	2015	–	–	62,472	–	–	62,472
	2016	–	–	72,784	–	–	72,784
Special education resale	2007	–	–	17,368	–	–	17,368
	2008	–	–	19,349	–	–	19,349
	2009	–	–	22,886	–	–	22,886
	2010	–	–	22,620	–	–	22,620
	2011	–	–	21,279	–	–	21,279
	2012	–	–	19,406	–	–	19,406
	2013	–	–	17,856	–	–	17,856
	2014	–	–	16,693	–	–	16,693
	2015	–	–	13,514	–	–	13,514
	2016	–	–	10,977	–	–	10,977

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	2007	$ 1,871,490	$ 545,270	$ 564,066	$ 112,876	$ 203,055	$ 3,296,757
	2008	2,009,066	607,325	727,957	149,561	201,426	3,695,335
	2009	2,063,886	655,558	552,483	115,595	197,555	3,585,077
	2010	2,268,974	679,673	533,333	105,992	219,410	3,807,382
	2011	2,253,662	680,947	563,196	164,868	209,572	3,872,245
	2012	2,365,115	732,814	515,206	133,740	220,927	3,967,802
	2013	2,449,860	795,235	535,087	120,327	234,507	4,135,016
	2014	1,894,098	702,336	521,496	92,923	260,228	3,471,081
	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
Special education	2007	8,395,050	2,441,463	1,496,680	383,206	881,392	13,597,791
	2008	9,194,539	2,804,869	1,561,057	475,149	864,291	14,899,905
	2009	9,656,932	3,149,781	1,629,135	353,336	920,575	15,709,759
	2010	10,298,835	3,538,306	1,787,311	691,957	937,527	17,253,936
	2011	10,405,760	3,800,881	1,914,616	553,662	998,333	17,673,252
	2012	10,813,236	4,049,078	1,277,070	968,086	1,021,841	17,673,252
	2013	11,308,037	4,313,213	1,516,683	678,276	1,060,534	18,876,743
	2014	12,056,948	4,645,254	1,660,968	640,865	1,056,905	20,060,940
	2015	13,075,819	4,966,320	1,763,028	803,025	1,118,880	21,727,072
	2016	14,518,245	5,231,164	2,201,135	1,073,110	1,183,974	24,207,628
Services allocation	2007	665,717	170,325	221,124	58,185	(1,084,447)	30,904
	2008	711,026	185,819	147,102	75,534	(1,065,717)	53,764
	2009	733,346	194,078	318,981	62,490	(1,118,130)	190,765
	2010	749,966	204,226	179,556	61,344	(1,156,937)	38,155
	2011	786,795	214,980	490,893	78,652	(1,207,905)	363,415
	2012	786,232	237,644	569,416	54,094	(1,242,768)	404,618
	2013	789,620	253,125	707,647	37,971	(1,295,039)	363,415
	2014	799,495	259,349	676,557	56,770	(1,317,131)	475,040
	2015	863,256	250,344	732,924	60,561	(1,399,511)	507,574
	2016	914,218	237,668	674,770	95,229	(1,480,762)	441,123
District support services	2007	66,830	22,666	84,585	–	–	174,081
	2008	–	–	135,085	–	–	135,085
	2009	3,518	451	67,754	–	–	71,723
	2010	17,851	2,310	59,937	6,575	–	86,673
	2011	18,715	2,419	34,564	20,043	–	75,741
	2012	14,916	3,696	26,936	6,594	–	52,142
	2013	–	–	44,060	–	–	75,741
	2014	–	–	31,087	18,351	–	49,438
	2015	–	–	2,240	–	–	2,240
	2016	–	–	–	–	–	–

(continued)

INTERMEDIATE SCHOOL DISTRICT NO. 917

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

	Year Ended June 30,	Salary Expenditures	Employee Benefits Expenditures	Purchased Services Expenditures	Other Expenditures	Allocated Overhead	Total
Capital expenditure	2007	–	–	–	–	–	–
	2008	–	–	–	6,802,482	–	6,802,482
	2009	2,802	238	210,640	558,208	–	771,888
	2010	–	–	15,512	578,439	–	593,951
	2011	–	–	70,060	557,978	–	628,038
	2012	–	–	73,093	574,847	–	647,940
	2013	–	–	26,673	622,286	–	628,038
	2014	–	–	137,765	559,095	–	696,860
	2015	–	–	19,362	559,401	–	578,763
	2016	–	–	25,950	577,708	–	603,658
Secondary resale	2007	29,140	6,449	53,112	59,080	–	147,781
	2008	16,588	2,687	24,423	50,785	–	94,483
	2009	18,063	2,914	23,520	18,036	–	62,533
	2010	17,225	2,863	32,560	104,851	–	157,499
	2011	18,760	3,133	29,480	75,164	–	126,537
	2012	–	–	12,293	47,733	–	60,026
	2013	–	–	13,099	52,500	–	65,599
	2014	–	–	20,863	101,682	–	122,545
	2015	–	–	35,614	38,986	–	74,600
	2016	–	–	5,642	83,044	–	88,686
Special education resale	2007	–	–	296	11,416	–	11,712
	2008	–	–	–	18,316	–	18,316
	2009	–	–	705	18,754	–	19,459
	2010	–	–	–	20,729	–	20,729
	2011	–	–	–	20,009	–	20,009
	2012	–	–	60	17,319	–	17,379
	2013	–	–	–	19,246	–	19,246
	2014	–	–	1,262	18,338	–	19,600
	2015	–	–	–	11,829	–	11,829
	2016	–	–	935	10,458	–	11,393

Note: The Capital Expenditure Account was established in fiscal year 2008.

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OTHER REQUIRED REPORTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2016.

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)

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
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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 29, 2016

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
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Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2016.

MINNESOTA LEGAL COMPLIANCE

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit 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 29, 2016

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2016

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 29,696,926	$ 29,696,926	$ –
Total expenditures		$ 28,598,875	$ 28,598,874	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 48,404	$ 48,404	$ –
Restricted				
403	Staff development	$ –	$ –	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ –	$ –	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
411	Severance pay	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ –	$ –	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
441	Basic skills programs	$ 98,510	$ 98,509	$ 1
445	Career and technical programs	$ –	$ –	$ –
446	First grade preparedness	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
450	Pre-kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
464	Restricted fund balance	$ 1,279,124	$ 1,279,123	$ 1
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 181,445	$ 181,445	$ –
Unassigned				
422	Unassigned fund balance	$ 5,730,521	$ 5,730,522	$ (1)
Food Service				
Total revenue		$ 89,885	$ 89,884	$ 1
Total expenditures		$ 128,059	$ 128,058	$ 1
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
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	$ –	$ –	$ –

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2016

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 204	$ 204	$ –
Total expenditures		$ 44,425	$ 44,425	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
464	Restricted fund balance	$ 67,051	$ 67,051	$ –
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		$ 5	$ 5	$ –
Total expenditures		$ 178	$ 179	$ (1)
422	Net position	$ 1,966	$ 1,966	$ –
Internal Service				
Total revenue		$ 2,149,801	$ 2,149,802	$ (1)
Total expenditures		$ 1,627,900	$ 1,627,901	$ (1)
422	Net position	$ 137,433	$ 137,434	$ (1)
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

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