

INTERMEDIATE SCHOOL DISTRICT NO. 917
ROSEMOUNT, MINNESOTA

Financial Report

Year Ended
June 30, 2011

Table of Contents

	Page
SCHOOL BOARD AND ADMINISTRATION	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-17
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements	
Governmental Funds	
Balance Sheet	20
Reconciliation of the Balance Sheet to the Statement of Net Assets	21
Statement of Revenue, Expenditures, and Changes in Fund Balances	22
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	23
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	24
Proprietary Funds	
Statement of Net Assets	25
Statement of Revenue, Expenses, and Changes in Fund Net Assets	26
Statement of Cash Flows	27
Fiduciary Funds	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	28
Notes to Basic Financial Statements	29-48
REQUIRED SUPPLEMENTARY INFORMATION	
Other Post-Employment Benefits Plan	
Schedule of Funding Progress	49
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
General Fund	
Comparative Balance Sheet	50
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	51
Combining Balance Sheet by Account	52-53
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account	54-55
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	
Secondary Education Account	56
Special Education Account	57
Services Allocation Account	58
District Support Services Account	59

INDEPENDENT SCHOOL DISTRICT NO. 917

Table of Contents (continued)

	Page
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (CONTINUED)	
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)	
Capital Expenditure Account	60
Secondary Resale Account	61
Special Education Resale Account	62
Capital Projects – Building Construction Fund	
Comparative Balance Sheet	63
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	64
Nonmajor Fund – Food Service Special Revenue Fund	
Balance Sheet	65
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	66
Internal Service Funds	
Combining Statement of Net Assets	67
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets	68
Combining Statement of Cash Flows	69
 SUPPLEMENTAL INFORMATION	
Government-Wide Revenue by Type	70
Government-Wide Expenses by Function	71
General Fund Revenue by Source	72–73
General Fund Expenditures by Object	74–75
 SINGLE AUDIT AND OTHER REQUIRED REPORTS	
Schedule of Expenditures of Federal Awards	76
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	77–78
Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	79–80
Independent Auditor’s Report on Compliance With Minnesota State Laws and Regulations	81
Schedule of Findings and Questioned Costs	82–83
Uniform Financial Accounting and Reporting Standards Compliance Table	84–85

INTERMEDIATE SCHOOL DISTRICT NO. 917

School Board and Administration
as of June 30, 2011

SCHOOL BOARD

<u>Board of Directors</u>	<u>Member District</u>	<u>Position on Board</u>
Jill Lewis	ISD No. 199	Chairperson
Vicki Roy	ISD No. 191	Vice Chairperson
Vanda Pressnall	ISD No. 195	Treasurer
Deb Clark	SSD No. 6	Clerk
Dan Cater	ISD No. 200	Director
Kathy Lewis	ISD No. 194	Director
D. Tom Ryerson	ISD No. 197	Director
Veronica Walter	ISD No. 192	Director

ADMINISTRATION

John Christiansen	Superintendent
Melissa Schaller	Director of Special Education
Dan Hurley	Director of Secondary Technical Center
Nicolle Roush	Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2010 and, in our report dated December 2, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above 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, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended June 30, 2011.

The financial statements include prior year partial comparative information, which does not include all of the information required in 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, 2010, from which such information was derived.

(continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules and supplemental information, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the District. 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 combining and individual fund statements and schedules and Schedule of Expenditures of Federal Awards 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. The 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 supplemental information and the UFARS Compliance Table 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.

Malloy, Montague, Karnowski, Radosewich, & Co., P.A.
December 1, 2011

INTERMEDIATE SCHOOL DISTRICT NO. 917

Management's Discussion and Analysis Year Ended June 30, 2011

This section of Intermediate School District No. 917's (the District) annual financial report presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the other components of the District's annual financial report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report 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.

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

Government-Wide Statements

The government-wide statements (Statement of Net Assets 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 Assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets 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 changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including secondary vocational, special education, and administration, are primarily financed with membership fees, access fees, and operating grants.

Fund Financial Statements

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by debt covenants.
- The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

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 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 statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds, including funds for accounting for post-employment severance and other post-employment benefits (OPEB) and the dental self-insurance plan.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. 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 Assets:

Table 1 Summary Statement of Net Assets as of June 30, 2011 and 2010		
	2011	2010
Assets		
Current and other assets	\$ 10,382,261	\$ 9,496,542
Capital assets, net of accumulated depreciation	7,726,283	7,782,767
Total assets	\$ 18,108,544	\$ 17,279,309
Liabilities		
Current and other liabilities	\$ 2,964,187	\$ 3,018,846
Long-term liabilities, including due within one year	9,048,622	9,108,917
Total liabilities	\$ 12,012,809	\$ 12,127,763
Net assets		
Invested in capital assets, net of related debt	\$ 561,192	\$ 537,304
Restricted for capital projects	1,599,878	1,506,357
Restricted for other purposes	4,912	4,912
Unrestricted	3,929,753	3,102,973
Total net assets	\$ 6,095,735	\$ 5,151,546

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt 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 District's increase in total net assets in fiscal 2011 is attributable to the increase in the General Fund balance of \$707,418.

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

Table 2 Summary Statement of Activities for the Years Ended June 30, 2011 and 2010		
	2011	2010
Revenues		
Program revenues		
Charges for services	\$ 7,484,976	\$ 7,782,625
Operating grants and contributions	15,265,005	14,567,950
Capital grants and contributions	567,175	617,930
General revenues		
Other	194,445	330,483
Investment earnings	30,081	6,884
Gain on sale of capital assets	—	261,868
Total revenues	<u>23,541,682</u>	<u>23,567,740</u>
Expenses		
Administrative and support services	1,614,185	1,279,128
Secondary vocational/DCALS	3,855,919	3,778,602
Special education programs	16,699,413	16,753,538
Food service	74,423	71,375
Interest and fiscal charges on debt	353,553	361,888
Total expenses	<u>22,597,493</u>	<u>22,244,531</u>
Change in net assets	<u>\$ 944,189</u>	<u>\$ 1,323,209</u>

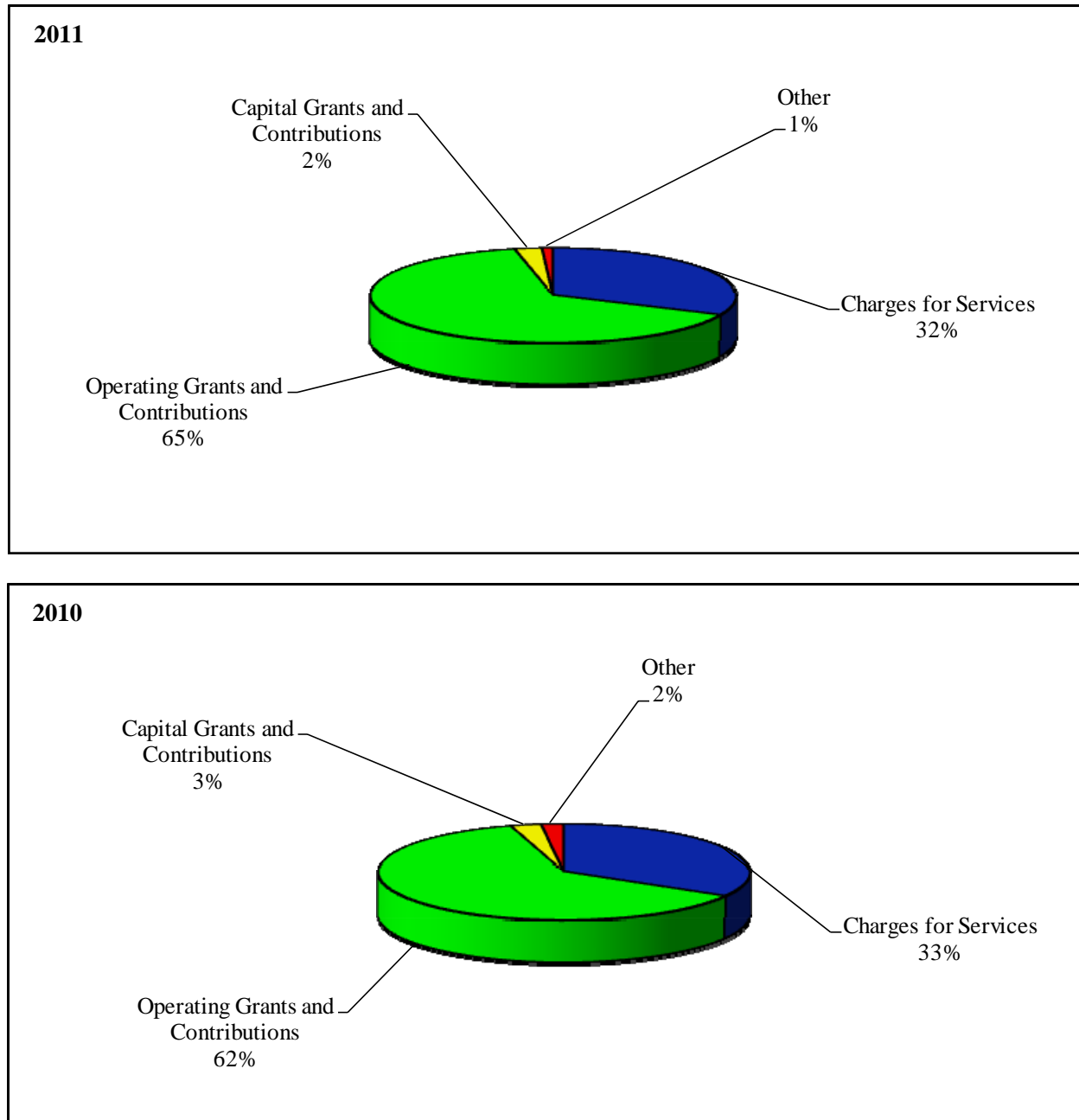
This format is similar to fund financial statements except that this is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment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

The District's total revenues were \$23,541,682 for the year ended June 30, 2011. Charges for services accounted for 32 percent of total revenues for the year, while operating grants accounted for 65 percent. The remainder of the revenues was from capital grants, interest, and other.

The total cost of all programs and services was \$22,597,493. The District's expenses are predominantly related to educating students. In fiscal 2010–2011, 91 percent of the District's expenses were devoted to this purpose. The administrative and support services activity of the District accounted for 7.1 percent of total expenses for the year. It should be noted that the District allocated \$1,207,905 in administrative and support services expenses to the secondary vocational/Dakota County Alternative Learning School (DCALS) and special education programs in fiscal 2011.

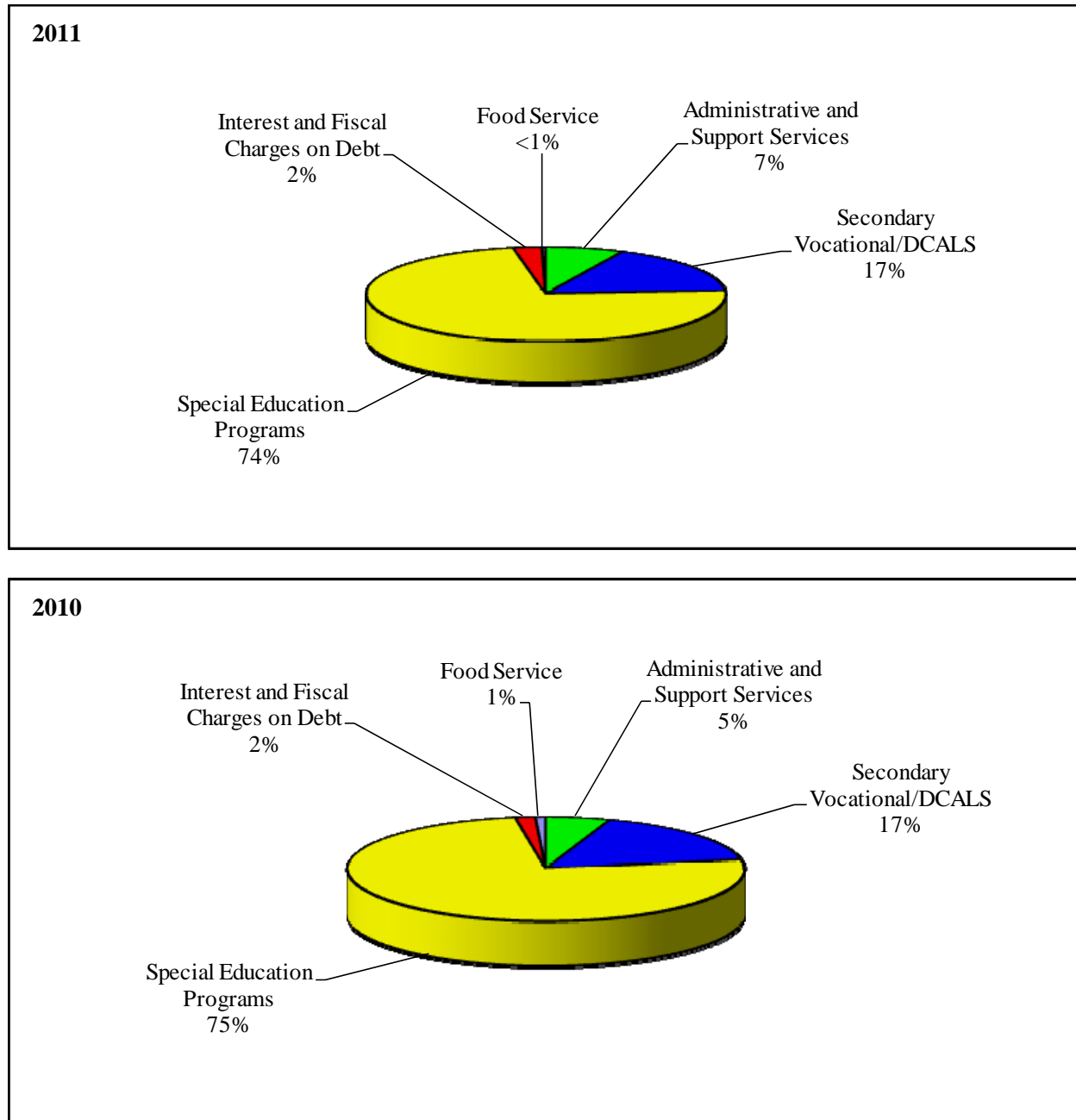
Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2011 and 2010



The District's revenues are largely received from operating grants and contributions and charges for services.

Figure B – Expenses for Fiscal Years 2011 and 2010



The District's expenses are predominately related to educating students.

Table 3
Net Cost of Governmental Activities
for the Years Ending June 30, 2011 and 2010

	2011		2010	
	Total Cost of Services	Net (Expense Over) Revenue From Services	Total Cost of Services	Net (Expense Over) Revenue From Services
Governmental activities				
Administrative and support services	\$ 1,614,185	\$ (64,950)	\$ 1,279,128	\$ (84,036)
Secondary vocational/DCALS	3,855,919	482,739	3,778,602	401,147
Special education programs	16,699,413	676,890	16,753,538	786,677
Food service	74,423	(21,463)	71,375	(17,926)
Interest and fiscal charges	353,553	(353,553)	361,888	(361,888)
Total	<u>\$ 22,597,493</u>	<u>\$ 719,663</u>	<u>\$ 22,244,531</u>	<u>\$ 723,974</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental 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, 2011 and 2010

	2011	2010	Increase (Decrease)	Total Percent Change
Major funds				
General	\$ 6,519,018	\$ 5,811,600	\$ 707,418	12.2%
Capital Projects – Building Construction	<u>676,682</u>	<u>691,945</u>	<u>(15,263)</u>	(2.2%)
Total governmental funds	<u>\$ 7,195,700</u>	<u>\$ 6,503,545</u>	<u>\$ 692,155</u>	10.6%

The District ended the year with a 12.2 percent increase in the General Fund balance. This increase is \$1,088,838 higher than what was anticipated in the revised budget. The District projected a decrease in the fund balance of \$381,420. A significant portion of the unanticipated increase in fund balance was derived from the additional revenues received for fiscal year 2009–2010 and 2010–2011 special education state aid. Currently, the special education state aid calculations generated by the Minnesota Department of Education (MDE) for special education tuition billing exceeds the District’s special education programs administrative and operating building expenditures. In addition, the District’s anticipated fund balance reduction of around \$170,000 in secondary’s alternative learning programs was not recognized due to an additional 43 students in the DCALS and extended year alternative programs.

Analysis of the General Fund

Table 5 presents a summary of General Fund revenue:

Table 5 General Fund Revenue for the Years Ended June 30, 2011 and 2010			
	2011	2010	Amount of Increase (Decrease)
Local sources			
Tuition	\$ 7,641,179	\$ 7,654,799	\$ (13,620)
Other	622,409	1,117,132	(494,723)
State sources	14,316,638	13,769,740	546,898
Federal sources	907,892	711,218	196,674
Total General Fund revenues	<u>\$ 23,488,118</u>	<u>\$ 23,252,889</u>	<u>\$ 235,229</u>

Overall, the changes in revenues can be attributed to:

- The District experienced a reduction in local sources of revenue due to discontinuance of interest earnings on a revenue bond issued for Alliance Education Center. In addition, Medicare assistance third party billing revenues decreased in comparison to fiscal 2010.
- The District received additional state sources through the MDE special education tuition billing system.
- The District received additional federal dollars from a new Education Jobs Fund and from funds carried over from fiscal 2010 in the infants and toddlers program.

Table 6 presents a summary of General Fund expenditures:

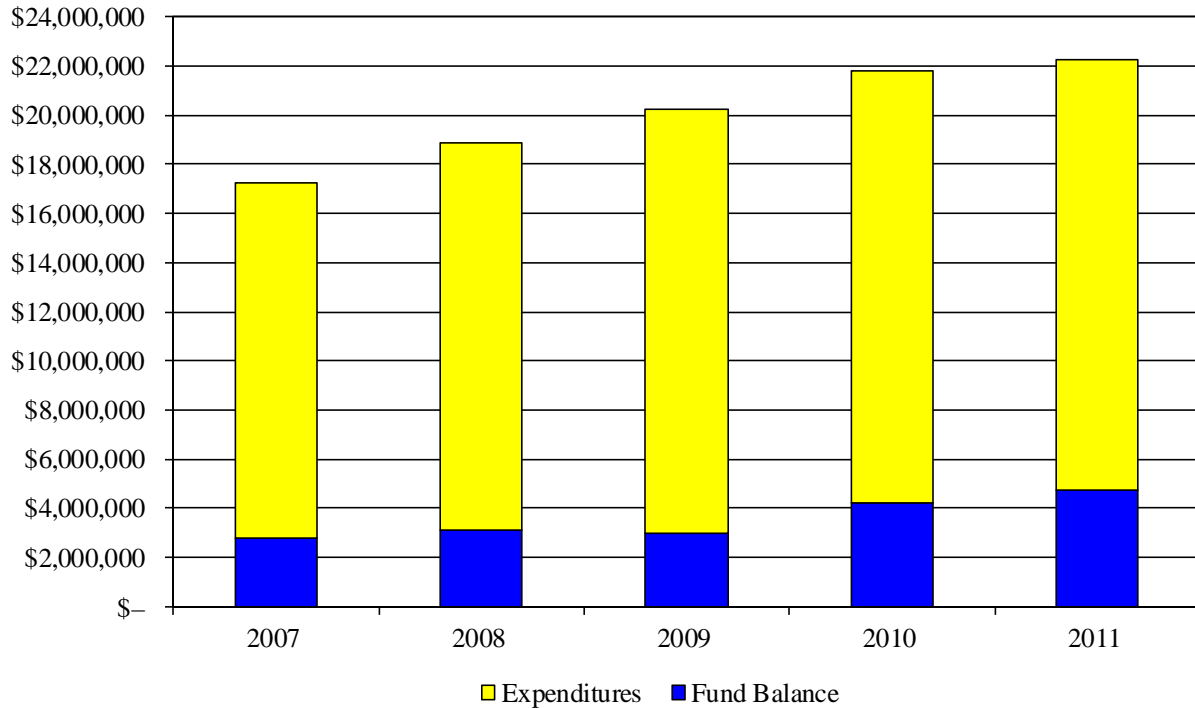
Table 6 General Fund Expenditures for the Years Ended June 30, 2011 and 2010			
	<u>2011</u>	<u>2010</u>	<u>Amount of Increase (Decrease)</u>
Salaries	\$ 13,483,693	\$ 13,352,945	\$ 130,748
Employee benefits	4,702,359	4,427,378	274,981
Purchased services	3,122,818	2,608,115	514,703
Supplies and materials	529,884	812,766	(282,882)
Other expenditures	21,131	22,842	(1,711)
Capital expenditures	343,651	175,328	168,323
Debt service	<u>555,701</u>	<u>558,951</u>	<u>(3,250)</u>
Total General Fund expenditures	<u>\$ 22,759,237</u>	<u>\$ 21,958,325</u>	<u>\$ 800,912</u>

Overall, the changes in expenditures can be attributed to:

- Even though the District's average salary and benefit increase in union contract settlements for fiscal 2011 were approximately 3 percent the District recognized minimal salary and benefit increases due to changeover of senior staff.
- The District's purchased services expenditures increased with the additional social workers added under a contract with and outside agency on behalf of our member school districts.
- Supplies and materials expenditures decreased significantly in fiscal year 2011 due to the delay in purchasing new curriculum in the District's special education programs until fiscal year 2012.

The following shows the General Fund unassigned (formerly unreserved – undesignated) fund balance as compared to expenditures:

Figure C
General Fund
Unassigned (Formerly Unreserved – Undesignated)
Fund Balance as Compared to Expenditures
(Excludes Capital Outlay Expenditures)
Last Five Fiscal Years



The graph above is the single best measure of overall financial health. The unassigned fund balance of \$4.9 million at June 30, 2011 represents 22 percent of annual expenditures (excluding outlay expenditures), or over two and a half 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 independent school districts are more restrictive to access as an intermediate school district. In addition, the District is receiving metered payments through the MDE for 30 percent of special education tuition. With a metering system and limited cash flow borrowing options available, the District believes it is necessary to maintain a minimum fund balance of 15 percent of annual expenditures to assure financial stability. The District continues to monitor its fund balances closely.

General Fund Budgetary Highlights

Table 7 Financial Position – General Fund Last Five Fiscal Years					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Unassigned (formerly unreserved – undesignated) fund balance	\$ 2,752,544	\$ 3,125,745	\$ 2,946,371	\$ 4,186,226	\$ 4,909,422
Percent increase (decrease)	12.0%	13.6%	(5.7%)	42.1%	17.3%
Expenditures (excludes capital outlay expenditures)	\$ 17,259,026	\$ 18,896,888	\$ 20,265,523	\$ 21,782,997	\$ 22,415,586
Percent increase (decrease)	6.4%	9.5%	7.2%	7.5%	2.9%
Fund balance as a percentage of expenditures	15.9%	16.5%	14.5%	19.2%	21.9%

Table 8 summarizes the General Fund budget to actual comparison:

Table 8 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue and other financing sources	<u>\$ 23,587,775</u>	<u>\$ 23,662,727</u>	<u>\$ 23,488,118</u>	<u>\$ (174,609)</u>
Expenditures and other financing uses	<u>\$ 23,724,047</u>	<u>\$ 24,044,147</u>	<u>\$ 22,780,700</u>	<u>\$ (1,263,447)</u>

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

The District made revisions to the budget during the budget process in May. 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 expenditures and other financing uses were less than budgeted amounts by 5 percent due to several factors. Overall, the District's salary and benefit expenditures came in significantly lower than budgeted because the budget included additional staffing compliments in targeted services and special education programs to accommodate any increased student participation. In addition, the District budgeted conservatively in several areas, including maintenance and repair services, leases, utilities, mileage, and overhead expenditures incurred through shared space with Dakota County Technical College.

Building Construction – Capital Projects Fund

Expenditures exceeded revenues by \$15,263 for the year. The fund balance in this fund is restricted for capital projects and debt service.

Food Service Special Revenue Fund

Expenditures exceeded revenues by \$21,463 for the year. In order to eliminate the potential deficit in the Food Service Special Revenue Fund, the School Board approved a transfer of \$21,463 from the General Fund.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 9 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, 2011 and 2010:

Table 9			
Capital Assets			
	<u>2011</u>	<u>2010</u>	<u>Net Change</u>
Land	\$ 683,993	\$ 683,993	\$ –
Buildings	8,732,533	8,732,533	–
Furniture and equipment	4,049,918	3,836,274	213,644
Less accumulated depreciation	<u>(5,740,161)</u>	<u>(5,470,033)</u>	<u>(270,128)</u>
Total	<u>\$ 7,726,283</u>	<u>\$ 7,782,767</u>	<u>\$ (56,484)</u>
Depreciation expense	<u>\$ 270,128</u>	<u>\$ 272,630</u>	<u>\$ (2,502)</u>

Long-Term Liabilities

Table 10 illustrates the components of the District's long-term liabilities, together with changes from the prior year:

Table 10			
Outstanding Long-Term Liabilities			
	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Capital leases payable	\$ 7,990,000	\$ 8,195,000	\$ (205,000)
Unamortized discount	(148,227)	(154,602)	6,375
Severance benefits payable	548,624	567,783	(19,159)
Compensated absences payable	231,342	233,869	(2,527)
Net OPEB obligation	<u>426,883</u>	<u>266,867</u>	<u>160,016</u>
Total	<u><u>\$ 9,048,622</u></u>	<u><u>\$ 9,108,917</u></u>	<u><u>\$ (60,295)</u></u>

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

SEVERANCE AND OPEB BENEFITS INTERNAL SERVICE FUND

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

Current examples of support services include:

- Authorizer of Sobriety High Charter School to provide students of member districts, as well as others, with a sober learning environment after returning from treatment.
- Providing interim administrative services to member districts when needed.
- Providing a legal services option to member districts at below market rate.
- Providing supplemental educational services to member district students under the No Child Left Behind Act.
- Partnering with Independent School District Nos. 197 and 199 to operate Dakota County Area Learning School – North in West St. Paul.
- Providing administration of a Targeted Services program for Independent School District Nos. 197 and 192.
- Organize and facilitate regional networking meetings for administrator and support staff groups.
- Coordinating regional studies of potential shared services such as transportation or on-line learning options.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is 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 this report or need additional financial information, contact the Business Office, Intermediate School District No. 917, 1300 – 145th Street East, Rosemount, Minnesota 55068-2999.

BASIC FINANCIAL STATEMENTS

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Assets
as of June 30, 2011
(With Partial Comparative Information as of June 30, 2010)

	Governmental Activities	
	2011	2010
Assets		
Cash and temporary investments	\$ 2,112,841	\$ 2,079,803
Receivables		
Accounts and interest	16,989	2,050
Due from other governmental units	7,661,059	6,595,230
Inventory	4,897	13,409
Prepaid items	4,806	11,115
Restricted assets – temporarily restricted		
Cash and investments held by trustee	581,669	794,935
Capital assets		
Not depreciated	683,993	683,993
Depreciated, net of accumulated depreciation	7,042,290	7,098,774
Total capital assets, net of accumulated depreciation	<u>7,726,283</u>	<u>7,782,767</u>
Total assets	<u>\$ 18,108,544</u>	<u>\$ 17,279,309</u>
Liabilities		
Salaries and compensated absences payable	\$ 1,636,510	\$ 1,495,154
Accounts and contracts payable	54,244	350,866
Accrued interest payable	142,603	146,125
Due to other governmental units	821,600	987,734
Unearned revenue	309,230	38,967
Long-term liabilities		
Due within one year	370,618	578,566
Due in more than one year	8,678,004	8,530,351
Total long-term liabilities	<u>9,048,622</u>	<u>9,108,917</u>
Total liabilities	12,012,809	12,127,763
Net assets		
Invested in capital assets, net of related debt	561,192	537,304
Restricted for capital projects	1,599,878	1,506,357
Restricted for other purposes	4,912	4,912
Unrestricted	3,929,753	3,102,973
Total net assets	<u>6,095,735</u>	<u>5,151,546</u>
Total liabilities and net assets	<u>\$ 18,108,544</u>	<u>\$ 17,279,309</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Activities
Year Ended June 30, 2011
(With Partial Comparative Information for the Year Ended June 30, 2010)

Functions/Programs	2011					2010	
	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities							
Administrative and support services	\$ 1,614,185	\$(1,207,905)	\$ 305,475	\$ 20,881	\$ 14,974	\$ (64,950)	\$ (84,036)
Secondary vocational/ DCALS	3,855,919	209,572	3,795,609	200,420	552,201	482,739	401,147
Special education programs	16,699,413	998,333	3,367,946	15,006,690	—	676,890	786,677
Food service	74,423	—	15,946	37,014	—	(21,463)	(17,926)
Interest and fiscal charges on debt	353,553	—	—	—	—	(353,553)	(361,888)
Total governmental activities	<u>\$22,597,493</u>	<u>\$ —</u>	<u>\$7,484,976</u>	<u>\$15,265,005</u>	<u>\$ 567,175</u>	719,663	723,974
General revenue							
Other general revenues						194,445	330,483
Investment earnings						30,081	6,884
Gain on sale of capital assets						—	261,868
Total general revenue						<u>224,526</u>	<u>599,235</u>
Change in net assets						944,189	1,323,209
Net assets – beginning						<u>5,151,546</u>	<u>3,828,337</u>
Net assets – ending						<u>\$6,095,735</u>	<u>\$5,151,546</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Balance Sheet
Governmental Funds
as of June 30, 2011
(With Partial Comparative Information as of June 30, 2010)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
				2011	2010
Assets					
Cash and temporary investments	\$ 1,062,392	\$ 678,547	\$ –	\$ 1,740,939	\$ 1,958,148
Cash and investments held by trustee	581,669	–	–	581,669	794,935
Receivables					
Accounts and interest	16,989	–	–	16,989	2,050
Due from other governmental units	7,661,059	–	–	7,661,059	6,595,230
Due from other funds	–	–	–	–	6,030
Inventory	4,897	–	–	4,897	13,409
Prepaid items	4,806	–	–	4,806	11,115
Total assets	\$ 9,331,812	\$ 678,547	\$ –	\$ 10,010,359	\$ 9,380,917
Liabilities and Fund Balances					
Liabilities					
Salaries and compensated absences payable	\$ 1,636,510	\$ –	\$ –	\$ 1,636,510	\$ 1,495,154
Accounts and contracts payable	45,454	1,865	–	47,319	349,487
Due to other governmental units	821,600	–	–	821,600	987,734
Due to other funds	–	–	–	–	6,030
Unearned revenue	309,230	–	–	309,230	38,967
Total liabilities	2,812,794	1,865	–	2,814,659	2,877,372
Fund balances					
Nonspendable	4,806	–	–	4,806	11,115
Restricted	1,604,790	676,682	–	2,281,472	2,306,204
Unassigned	4,909,422	–	–	4,909,422	4,186,226
Total fund balances	6,519,018	676,682	–	7,195,700	6,503,545
Total liabilities and fund balances	\$ 9,331,812	\$ 678,547	\$ –	\$ 10,010,359	\$ 9,380,917

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
as of June 30, 2011
(With Partial Comparative Information as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
Total fund balances – governmental funds	\$ 7,195,700	\$ 6,503,545
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets are included in net assets, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	13,466,444	13,252,800
Accumulated depreciation	(5,740,161)	(5,470,033)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable.		
Capital lease payable	(7,990,000)	(8,195,000)
Compensated absences payable	(231,342)	(233,869)
Accrued interest payable on long-term debt is included in net assets, but is excluded from fund balances until due and payable.	(142,603)	(146,125)
Debt issuance premiums and discounts are excluded from net assets until amortized, but are included in fund balances upon issuance as other financing sources and uses.	148,227	154,602
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 Assets.	<u>(610,530)</u>	<u>(714,374)</u>
Total net assets – governmental activities	<u>\$ 6,095,735</u>	<u>\$ 5,151,546</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011
(With Partial Comparative Information for the Year Ended June 30, 2010)

	General Fund	Capital Projects – Building Construction Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
				2011	2010
Revenue					
Local sources					
Tuition	\$ 7,641,179	\$ –	\$ –	\$ 7,641,179	\$ 7,654,799
Investment earnings	29,476	383	–	29,859	6,518
Other	592,933	–	15,946	608,879	1,127,263
State sources	14,316,638	–	2,196	14,318,834	13,771,967
Federal sources	907,892	–	34,818	942,710	746,908
Total revenue	23,488,118	383	52,960	23,541,461	23,307,455
Expenditures					
Current					
Administrative and support services	441,433	–	–	441,433	144,316
Secondary vocational/DCALS	4,068,842	–	–	4,068,842	3,980,393
Special education programs	17,693,261	–	–	17,693,261	17,274,665
Food service	–	–	74,423	74,423	71,375
Capital outlay	–	15,646	–	15,646	–
Debt service					
Principal	205,000	–	–	205,000	200,000
Interest and fiscal charges	350,701	–	–	350,701	358,951
Total expenditures	22,759,237	15,646	74,423	22,849,306	22,029,700
Excess (deficiency) of revenue over expenditures	728,881	(15,263)	(21,463)	692,155	1,277,755
Other financing sources (uses)					
Proceeds from sale of assets	–	–	–	–	1,020,650
Transfers in	–	–	21,463	21,463	17,926
Transfers out	(21,463)	–	–	(21,463)	(17,926)
Total other financing sources (uses)	(21,463)	–	21,463	–	1,020,650
Net change in fund balances	707,418	(15,263)	–	692,155	2,298,405
Fund balances					
Beginning of year	5,811,600	691,945	–	6,503,545	4,205,140
End of year	\$ 6,519,018	\$ 676,682	\$ –	\$ 7,195,700	\$ 6,503,545

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
Governmental Funds
Year Ended June 30, 2011

(With Partial Comparative Information for the Year Ended June 30, 2010)

	2011	2010
Total net change in fund balances – governmental funds	\$ 692,155	\$ 2,298,405
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net assets 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	213,644	75,502
Depreciation expense	(270,128)	(272,630)
Repayment of long-term debt principal does not affect the change in net assets. However it reduces fund balances.	205,000	200,000
Interest on long-term debt is included in the change in net assets as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	3,522	3,438
Debt issuance premiums and discounts are included in the change in net assets 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)
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 assets. However, only the sale proceeds are included in the change in fund balances.		
Gain on sale of capital assets	–	(758,782)
Losses on disposal of capital assets	–	(36,157)
The internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is included in the governmental activities in the Statement of Activities.	103,844	(142,499)
Certain expenses are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	2,527	(37,693)
Change in net assets – governmental activities	<u>\$ 944,189</u>	<u>\$ 1,323,209</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Tuition	\$ 7,828,761	\$ 7,641,545	\$ 7,641,179	\$ (366)
Investment earnings	—	14,000	29,476	15,476
Other	270,747	658,201	592,933	(65,268)
State sources	14,862,471	14,413,943	14,316,638	(97,305)
Federal sources	625,796	935,038	907,892	(27,146)
Total revenue	<u>23,587,775</u>	<u>23,662,727</u>	<u>23,488,118</u>	<u>(174,609)</u>
Expenditures				
Current				
Administrative and support services	213,143	484,334	441,433	(42,901)
Secondary vocational/DCALS	4,244,971	4,413,963	4,068,842	(345,121)
Special education programs	18,693,852	18,573,769	17,693,261	(880,508)
Debt service				
Principal	205,000	205,000	205,000	—
Interest and fiscal charges	350,701	350,701	350,701	—
Total expenditures	<u>23,707,667</u>	<u>24,027,767</u>	<u>22,759,237</u>	<u>(1,268,530)</u>
Excess (deficiency) of revenue over expenditures	(119,892)	(365,040)	728,881	1,093,921
Other financing (uses)				
Transfers out	<u>(16,380)</u>	<u>(16,380)</u>	<u>(21,463)</u>	<u>(5,083)</u>
Net change in fund balances	<u>\$ (136,272)</u>	<u>\$ (381,420)</u>	707,418	<u>\$ 1,088,838</u>
Fund balances				
Beginning of year			<u>5,811,600</u>	
End of year			<u>\$ 6,519,018</u>	

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Assets
 Proprietary Funds
 Internal Service Funds
 as of June 30, 2011
 (With Comparative Actual Amounts as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and temporary investments	\$ 371,902	\$ 121,655
Liabilities		
Current liabilities		
Accounts payable	6,925	1,379
Severance benefits payable	33,618	139,697
Total current liabilities	<u>40,543</u>	<u>141,076</u>
Long-term liabilities		
Net OPEB obligation	426,883	266,867
Severance benefits payable	515,006	428,086
Total long-term liabilities	<u>941,889</u>	<u>694,953</u>
Total liabilities	<u>982,432</u>	<u>836,029</u>
Net assets (deficit)		
Unrestricted	<u>\$ (610,530)</u>	<u>\$ (714,374)</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Operating revenue		
Local sources		
Contributions from governmental funds	\$ 590,264	\$ 449,018
Operating expenses		
Post-employment severance and health benefits	201,809	289,597
Dental benefit claims	<u>284,833</u>	<u>302,286</u>
Total operating expenses	<u>486,642</u>	<u>591,883</u>
Operating income (loss)	103,622	(142,865)
Nonoperating revenue		
Investment earnings	<u>222</u>	<u>366</u>
Change in net assets	103,844	(142,499)
Net assets (deficit)		
Beginning of year	<u>(714,374)</u>	<u>(571,875)</u>
End of year	<u><u>\$ (610,530)</u></u>	<u><u>\$ (714,374)</u></u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Cash Flows
Proprietary Funds
Internal Service Funds
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2011</u>
Cash flows from operating activities		
Contributions from other funds	\$ 590,264	\$ 449,018
Post-employment severance and health benefit payments	(60,952)	(152,406)
Payments for dental claims	(279,287)	(305,600)
Net cash used by operating activities	<u>250,025</u>	<u>(8,988)</u>
Cash flows from investing activities		
Investment income received	<u>222</u>	<u>366</u>
Net increase (decrease) in cash and cash equivalents	250,247	(8,622)
Cash and temporary investments		
Beginning of year	<u>121,655</u>	<u>130,277</u>
End of year	<u>\$ 371,902</u>	<u>\$ 121,655</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 103,622	\$ (142,865)
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities		
Post-employment severance benefits payable	(19,159)	53
Net OPEB obligation	160,016	137,900
Accounts payable	<u>5,546</u>	<u>(4,076)</u>
Net cash used by operating activities	<u>\$ 250,025</u>	<u>\$ (8,988)</u>

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Fiduciary Net Assets
as of June 30, 2011

	Private-Purpose Trust Fund
Assets	
Cash and temporary investments	\$ 1,019
Net assets	
Held in trust for scholarships	\$ 1,019

Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2011

	Private-Purpose Trust Fund
Additions	
Investment earnings	\$ 1
Gifts and bequests	650
Total additions	651
Deductions	
Scholarships	1,350
Purchased services	778
Total deductions	2,128
Change in net assets	(1,477)
Net assets	
Beginning of year	2,496
End of year	\$ 1,019

See notes to basic financial statements

INTERMEDIATE SCHOOL DISTRICT NO. 917

Notes to Basic Financial Statements June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

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

C. Minnesota State Colleges and Universities

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Assets 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 Statements of Fiduciary Net Assets 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. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally directed revenues are reported as general revenues.

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

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

E. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide 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. The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

Nonmajor Governmental Funds

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

Proprietary Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

F. Budgetary Information

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

G. Cash and Temporary Investments

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

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

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

H. Receivables

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

I. Inventories

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

J. Prepaid Items

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

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,250 or more for capitalizing capital assets. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

L. Long-Term Obligations

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

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

M. Compensated Absences

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

N. Sick Pay

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

O. Severance Benefits

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. The District participates in the Minnesota School Board Association Insurance Trust (MSBAIT), a public entity risk management and insurance program for approximately 375 member districts. The District pays an annual premium to MSBAIT for insurance coverage. The MSBAIT agreement provides that MSBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. 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 2011.
2. **Self-Insurance** – The District maintains an Internal Service Fund to account for and finance its uninsured risk of loss for an employee dental plan. The Internal Service Fund is funded by the District, employee contributions, and interest income. The claims liability reported in the Internal Service Fund at June 30, 2011 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the Internal Service Fund's claims liability were:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2010	\$ 4,693	\$ 302,286	\$ 305,600	\$ 1,379
2011	\$ 1,379	\$ 284,833	\$ 279,287	\$ 6,925

Q. Statement of Cash Flows

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

R. Use of Estimates

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

S. Restricted Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Assets** – Consists of net assets 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 Assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

U. Fund Balance Classifications

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. 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, 2010, 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.

W. Change in Accounting Principle

For the year ended June 30, 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The District is implementing this standard retroactively, meaning prior year fund balance classifications have been restated. More information on these fund balance classifications is included elsewhere in these notes.

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 \$261,484 while the balance on the bank records was \$611,290. At June 30, 2011, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary

The following table presents the District's deposit and investment balances at June 30, 2011, and information relating to potential investment risks:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years				Total
	Rating	Agency	Less Than 1	1 to 5	5 to 10	More Than 10	
Guaranteed investment contract							
Calyon Bank, New York Branch	AA-	S&P	\$ –	\$ –	\$ –	\$ 559,401	\$ 559,401
Investment pools/mutual funds							
Minnesota School District							
Liquid Asset Fund							
Liquid portfolio	AAAm	S&P	N/A	N/A	N/A	N/A	568
Max portfolio	AAAm	S&P	N/A	N/A	N/A	N/A	1,851,871
First American Treasury							
Obligations Fund – Class D	AAAm	S&P	N/A	N/A	N/A	N/A	22,205
Total investments							<u>2,434,045</u>
Deposits							<u>261,484</u>
Total cash and investments							<u>\$ 2,695,529</u>

N/A – Not Applicable

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

Cash and temporary investments – Statement of Net Assets	\$ 2,112,841
Cash and investments held by trustee – Statement of Net Assets	581,669
Cash and temporary investments – Statement of Fiduciary Net Assets – Private-Purpose Trust Fund	<u>1,019</u>
Total cash and investments	<u>\$ 2,695,529</u>

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

NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation activity for the year ended June 30, 2011 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 683,993	\$ –	\$ –	\$ –	\$ 683,993
Capital assets, depreciated					
Buildings	8,732,533	–	–	–	8,732,533
Furniture and equipment	3,836,274	213,644	–	–	4,049,918
Total capital assets, depreciated	12,568,807	213,644	–	–	12,782,451
Less accumulated depreciation for					
Buildings	(2,270,699)	(141,312)	–	–	(2,412,011)
Furniture and equipment	(3,199,334)	(128,816)	–	–	(3,328,150)
Total accumulated depreciation	(5,470,033)	(270,128)	–	–	(5,740,161)
Net capital assets, depreciated	7,098,774	(56,484)	–	–	7,042,290
Total capital assets, net	\$ 7,782,767	\$ (56,484)	\$ –	\$ –	\$ 7,726,283

Depreciation expense for the year ended June 30, 2011 was charged to the following governmental functions:

Administrative and support services	\$ 36,616
Secondary vocational/DCALS	25,594
Special education instruction	207,918
Total depreciation expense	\$ 270,128

NOTE 4 – LONG-TERM LIABILITIES

A. Components and Changes in Long-Term Liabilities

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

	June 30, 2010	Additions	Retirements	June 30, 2011	Due Within One Year
Capital leases payable	\$ 8,195,000	\$ –	\$ 205,000	\$ 7,990,000	\$ 215,000
Unamortized discount	(154,602)	–	(6,375)	(148,227)	–
Severance benefits payable	567,783	33,618	52,777	548,624	33,618
Compensated absences payable	233,869	119,182	121,709	231,342	122,000
Net OPEB obligation (see Note 7)	266,867	211,642	51,626	426,883	–
	\$ 9,108,917	\$ 364,442	\$ 424,737	\$ 9,048,622	\$ 370,618

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.
- **Severance Benefits Payable** – Severance benefits are paid by the applicable Internal Service Fund. Annual payments to retire severance benefit liabilities have not been determined and will depend on actual employee turnover.
- **Compensated Absences Payable** – Compensated absences payable represent accrued vacation payable at year-end. Compensated absences are paid by the General Fund. These benefits are not funded until the year of payment. Annual payments to retire compensated absences payable will depend on employee turnover and actual employee absences.

C. Minimum Debt Payments

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

Year Ending June 30,	Principal	Interest
2012	\$ 215,000	\$ 342,245
2013	225,000	333,376
2014	235,000	324,095
2015	245,000	314,401
2016	250,000	304,910
2017–2021	1,415,000	1,368,800
2022–2026	1,730,000	1,051,185
2027–2031	2,140,000	641,820
2032–2034	1,535,000	140,173
	<u>\$ 7,990,000</u>	<u>\$ 4,821,006</u>

NOTE 5 – FUND BALANCES

During fiscal 2011, the District retroactively implemented the requirements of a new accounting pronouncement, GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

NOTE 5 – FUND BALANCES (CONTINUED)

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

A. Classifications

At June 30, 2011, 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	\$ 4,806	\$ –	\$ –	\$ 4,806
Restricted				
Basic skills	4,912	–	–	4,912
Debt service	581,669	–	–	581,669
Capital purposes	1,018,209	–	–	1,018,209
Building construction	–	676,682	–	676,682
Total restricted	1,604,790	676,682	–	2,281,472
Unassigned	4,909,422	–	–	4,909,422
Total	\$ 6,519,018	\$ 676,682	\$ –	\$ 7,195,700

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum unassigned fund balance for the General Fund. The policy states the District will strive to maintain a minimum unassigned General Fund balance of 15 percent of the annual budget. At June 30, 2011, the unassigned fund balance of the General Fund was 21.6 percent of fiscal 2011 expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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

Teachers' Retirement Association (TRA)

A. Plan Description

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

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

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

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

Tier I

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

With these provisions:

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

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.5 percent per year.

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

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

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

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

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296-6449 or (800) 657-3853.

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for Coordinated Plan members and 9.5 percent for Basic Plan members. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2010, 2009, and 2008 were approximately \$3.79 billion, \$3.76 billion, and \$3.65 billion, respectively.

The District's contributions for the years ended June 30, 2011, 2010, and 2009 were \$486,766, \$490,087, and \$466,786, respectively, equal to the contractually required contributions for each year as set by state statutes.

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

Public Employees' Retirement Association (PERA)

A. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERS members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. That report may be obtained on the web at mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2010. The contribution rate for Coordinated Plan members increased to 6.25 percent effective January 1, 2011. The District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.00 percent for Coordinated Plan members. Employer contribution rates for the Coordinated Plan increased to 7.25 percent effective January 1, 2011.

The District's contributions to GERS for the years ended June 30, 2011, 2010, and 2009 were \$307,426, \$286,284, and \$252,298, respectively, equal to the contractually required contributions for each year as set by state statutes.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS 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, 2011, the plan had 284 active participants and 8 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 is no invested plan assets accumulated for payment of future benefits.

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

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 215,787
Interest on net OPEB obligation	12,009
Adjustment to annual required contribution	(16,154)
Annual OPEB cost (expense)	211,642
Contributions made	51,626
Increase in net OPEB obligation	160,016
Net OPEB obligation – beginning of year	266,867
Net OPEB obligation – end of year	\$ 426,883

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, 2009	\$ 212,448	\$ 83,481	39.3%	\$ 128,967
June 30, 2010	\$ 210,507	\$ 72,607	34.5%	\$ 266,867
June 30, 2011	\$ 211,642	\$ 51,626	24.4%	\$ 426,883

D. Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,373,077, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,373,077. The covered payroll (annual payroll of active employees covered by the plan) was \$11,861,681, and the ratio of the UAAL to the covered payroll was 11.6 percent.

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

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 4.0 percent rate of projected salary increases; an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after seven years, and a dental cost trend rate of 4.0 percent. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period on July 1, 2010 for the various amortization layers ranged from 28 to 30 years.

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District offers its employees a flexible benefit plan, a cafeteria plan (the Plan) created in accordance with Internal Revenue Code § 125. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependant care benefits.

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

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

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

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The District is leasing buildings and space in several locations. The District incurred expenditures of \$481,240 for operating leases during the year ended June 30, 2011. These leases are scheduled to expire on various dates through 2016. The following is a summary of minimum lease payments for all operating leases:

Year Ending June 30,	Amount
2012	\$ 253,431
2013	226,819
2014	146,391
2015	102,053
2016	64,383
	<u>\$ 793,077</u>

B. Federal and State Revenues

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

C. Legal Contingencies

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

NOTE 10 – LINE OF CREDIT

In January 2011, the District entered into a line of credit agreement with a national bank pursuant to Minnesota Statute § 123B.12(b). This agreement allows the District to borrow up to \$1,250,000. Principal and interest with respect to each advance under this line of credit shall be repaid within 45 days. Interest accrues at an annual rate equal to the prime rate plus 0.05 percent with a floor of 5 percent. This line of credit agreement expired June 30, 2011. No advances were made against this line of credit during the year ended June 30, 2011.

NOTE 11 – INTERFUND TRANSFERS

The General Fund made an interfund transfer of \$21,463 to the Food Service Special Revenue Fund to eliminate a fund balance deficit at year-end. Such interfund balances and transfers reported in the fund financial statements are eliminated in the government-wide statements.

REQUIRED SUPPLEMENTARY INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Required Supplementary Information
Schedule of Funding Progress
June 30, 2011

Other Post-Employment Benefits Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Payroll</u>
July 1, 2008	\$ 1,462,608	\$ —	\$ 1,462,608	— %	\$ 11,154,270	13.10 %
July 1, 2010	\$ 1,373,077	\$ —	\$ 1,373,077	— %	\$ 11,861,681	11.60 %

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Comparative Balance Sheet
as of June 30, 2011 and 2010

	2011	2010
	<u>2011</u>	<u>2010</u>
Assets		
Cash and temporary investments	\$ 1,062,392	\$ 1,266,203
Cash and investments held by trustee	581,669	794,935
Receivables		
Accounts and interest	16,989	2,050
Due from other school districts	1,870,639	2,013,991
Due from Minnesota Department of Education	5,785,890	4,551,079
Due from other governmental units	4,530	23,789
Due from other funds	—	6,030
Inventory	4,897	13,409
Prepaid items	4,806	11,115
	<u>4,806</u>	<u>11,115</u>
Total assets	<u>\$ 9,331,812</u>	<u>\$ 8,682,601</u>
Liabilities and Fund Balances		
Liabilities		
Salaries and compensated absences payable	\$ 1,636,510	\$ 1,495,154
Accounts and contracts payable	45,454	349,487
Due to other school districts	502,542	672,177
Due to other governmental units	319,058	315,216
Unearned revenue	309,230	38,967
Total liabilities	<u>2,812,794</u>	<u>2,871,001</u>
Fund balances		
Nonspendable for prepaid items	4,806	11,115
Restricted for basic skills	4,912	4,912
Restricted for debt service	581,669	794,935
Restricted for capital purposes	1,018,209	814,412
Unassigned	4,909,422	4,186,226
Total fund balances	<u>6,519,018</u>	<u>5,811,600</u>
Total liabilities and fund balances	<u>\$ 9,331,812</u>	<u>\$ 8,682,601</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 7,641,545	\$ 7,641,179	\$ (366)	\$ 7,654,799
Investment earnings	14,000	29,476	15,476	5,401
Other	658,201	592,933	(65,268)	1,111,731
State sources	14,413,943	14,316,638	(97,305)	13,769,740
Federal sources	935,038	907,892	(27,146)	711,218
Total revenue	<u>23,662,727</u>	<u>23,488,118</u>	<u>(174,609)</u>	<u>23,252,889</u>
Expenditures				
Current				
Administrative and support services	484,334	441,433	(42,901)	144,316
Secondary vocational/DCALS	4,413,963	4,068,842	(345,121)	3,980,393
Special education programs	18,573,769	17,693,261	(880,508)	17,274,665
Debt service				
Principal	205,000	205,000	—	200,000
Interest and fiscal charges	350,701	350,701	—	358,951
Total expenditures	<u>24,027,767</u>	<u>22,759,237</u>	<u>(1,268,530)</u>	<u>21,958,325</u>
Excess (deficiency) of revenue over expenditures	(365,040)	728,881	1,093,921	1,294,564
Other financing sources (uses)				
Proceeds from sale of assets	—	—	—	1,020,650
Transfers out	<u>(16,380)</u>	<u>(21,463)</u>	<u>(5,083)</u>	<u>(17,926)</u>
Total other financing sources (uses)	<u>(16,380)</u>	<u>(21,463)</u>	<u>(5,083)</u>	<u>1,002,724</u>
Net change in fund balances	<u>\$ (381,420)</u>	707,418	<u>\$ 1,088,838</u>	2,297,288
Fund balances				
Beginning of year		<u>5,811,600</u>		<u>3,514,312</u>
End of year		<u>\$ 6,519,018</u>		<u>\$ 5,811,600</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Combining Balance Sheet by Account
as of June 30, 2011

	Secondary Education	Special Education	Services Allocation	District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
Assets								
Cash and temporary investments (deficit)	\$ 1,641,757	\$ (1,630,659)	\$ (26,287)	\$ 19,211	\$ 1,018,209	\$ 31,698	\$ 8,463	\$ 1,062,392
Cash and investments held by trustee	—	—	—	—	581,669	—	—	581,669
Receivables								
Accounts and interest	—	4,174	10,839	—	—	1,976	—	16,989
Due from other school districts	815,354	990,008	53,162	12,115	—	—	—	1,870,639
Due from Minnesota Department of Education	9,792	5,776,098	—	—	—	—	—	5,785,890
Due from other governmental units	—	—	4,530	—	—	—	—	4,530
Inventory	—	—	—	—	—	—	4,897	4,897
Prepaid items	2,947	1,709	150	—	—	—	—	4,806
Total assets	\$ 2,469,850	\$ 5,141,330	\$ 42,394	\$ 31,326	\$ 1,599,878	\$ 33,674	\$ 13,360	\$ 9,331,812
Liabilities and Fund Balances								
Liabilities								
Salaries and compensated absences payable	\$ 253,967	\$ 1,360,845	\$ 18,142	\$ —	\$ —	\$ 3,556	\$ —	\$ 1,636,510
Accounts and contracts payable	4,169	16,668	23,165	—	—	1,378	74	45,454
Due to other school districts	142,148	349,176	—	11,218	—	—	—	502,542
Due to other governmental units	100,353	217,364	1,087	—	—	245	9	319,058
Unearned revenue	1,776	307,454	—	—	—	—	—	309,230
Total liabilities	502,413	2,251,507	42,394	11,218	—	5,179	83	2,812,794
Fund balances (deficit)								
Nonspendable for prepaid items	2,947	1,709	150	—	—	—	—	4,806
Restricted for basic skills	—	4,912	—	—	—	—	—	4,912
Restricted for debt service	—	—	—	—	581,669	—	—	581,669
Restricted for capital purposes	—	—	—	—	1,018,209	—	—	1,018,209
Unassigned	1,964,490	2,883,202	(150)	20,108	—	28,495	13,277	4,909,422
Total fund balances	1,967,437	2,889,823	—	20,108	1,599,878	28,495	13,277	6,519,018
Total liabilities and fund balances	\$ 2,469,850	\$ 5,141,330	\$ 42,394	\$ 31,326	\$ 1,599,878	\$ 33,674	\$ 13,360	\$ 9,331,812

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2011

	Secondary Education	Special Education	Services Allocation	District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
Revenue								
Local sources								
Tuition	\$ 3,656,422	\$ 3,087,411	\$ 305,475	\$ 39,670	\$ 552,201	\$ —	\$ —	\$ 7,641,179
Investment earnings (charges)	927	(392)	—	—	28,941	—	—	29,476
Other	8,787	390,143	1,559	31,831	1,707	137,627	21,279	592,933
State sources	49,708	14,210,549	56,381	—	—	—	—	14,316,638
Federal sources	172,435	735,457	—	—	—	—	—	907,892
Total revenue	3,888,279	18,423,168	363,415	71,501	582,849	137,627	21,279	23,488,118
Expenditures								
Current								
Administrative and support services	—	—	363,415	75,741	2,277	—	—	441,433
Secondary vocational/DCALS	3,872,245	—	—	—	70,060	126,537	—	4,068,842
Special education programs	—	17,673,252	—	—	—	—	20,009	17,693,261
Debt service								
Principal	—	—	—	—	205,000	—	—	205,000
Interest and fiscal charges	—	—	—	—	350,701	—	—	350,701
Total expenditures	3,872,245	17,673,252	363,415	75,741	628,038	126,537	20,009	22,759,237
Excess (deficiency) of revenue over expenditures	16,034	749,916	—	(4,240)	(45,189)	11,090	1,270	728,881
Other financing (uses)								
Transfers out	—	(21,463)	—	—	—	—	—	(21,463)
Net change in fund balances	16,034	728,453	—	(4,240)	(45,189)	11,090	1,270	707,418
Fund balances								
Beginning of year	1,951,403	2,161,370	—	24,348	1,645,067	17,405	12,007	5,811,600
End of year	\$ 1,967,437	\$ 2,889,823	\$ —	\$ 20,108	\$ 1,599,878	\$ 28,495	\$ 13,277	\$ 6,519,018

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, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 3,734,851	\$ 3,656,422	\$ (78,429)	\$ 3,715,685
Investment earnings	–	927	927	2,663
Other	9,083	8,787	(296)	13,587
State sources	60,376	49,708	(10,668)	10,195
Federal sources	202,426	172,435	(29,991)	150,108
Total revenue	<u>4,006,736</u>	<u>3,888,279</u>	<u>(118,457)</u>	<u>3,892,238</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	2,367,120	2,253,662	(113,458)	2,268,974
Employee benefits	753,788	680,947	(72,841)	679,673
Purchased services	667,047	563,196	(103,851)	533,333
Supplies and materials	159,453	106,857	(52,596)	96,268
Other expenditures	1,819	1,949	130	1,700
Capital expenditures	56,695	56,062	(633)	8,024
Allocated overhead	213,466	209,572	(3,894)	219,410
Total expenditures	<u>4,219,388</u>	<u>3,872,245</u>	<u>(347,143)</u>	<u>3,807,382</u>
Net change in fund balances	<u>\$ (212,652)</u>	16,034	<u>\$ 228,686</u>	84,856
Fund balances				
Beginning of year		<u>1,951,403</u>		<u>1,866,547</u>
End of year		<u>\$ 1,967,437</u>		<u>\$ 1,951,403</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Special Education Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 3,025,460	\$ 3,087,411	\$ 61,951	\$ 3,332,630
Investment earnings (charges)	–	(392)	(392)	221
Other	407,518	390,143	(17,375)	603,186
State sources	14,297,042	14,210,549	(86,493)	13,721,390
Federal sources	732,612	735,457	2,845	561,110
Total revenue	<u>18,462,632</u>	<u>18,423,168</u>	<u>(39,464)</u>	<u>18,218,537</u>
Expenditures				
Current				
Special education programs				
Salaries	10,735,417	10,405,760	(329,657)	10,298,835
Employee benefits	3,976,994	3,800,881	(176,113)	3,538,306
Purchased services	2,078,230	1,914,616	(163,614)	1,787,311
Supplies and materials	468,901	292,226	(176,675)	567,867
Other expenditures	12,453	5,569	(6,884)	7,240
Capital expenditures	265,339	255,867	(9,472)	116,850
Debt service	1,000	–	(1,000)	–
Allocated overhead	1,014,935	998,333	(16,602)	937,527
Total expenditures	<u>18,553,269</u>	<u>17,673,252</u>	<u>(880,017)</u>	<u>17,253,936</u>
Excess of revenue over expenditures	(90,637)	749,916	840,553	964,601
Other financing (uses)				
Transfers out	<u>(16,380)</u>	<u>(21,463)</u>	<u>(5,083)</u>	<u>(17,926)</u>
Net change in fund balances	<u>\$ (107,017)</u>	728,453	<u>\$ 835,470</u>	946,675
Fund balances				
Beginning of year		<u>2,161,370</u>		<u>1,214,695</u>
End of year		<u>\$ 2,889,823</u>		<u>\$ 2,161,370</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Services Allocation Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 308,475	\$ 305,475	\$ (3,000)	\$ –
Other	1,500	1,559	59	–
State sources	56,525	56,381	(144)	38,155
Total revenue	366,500	363,415	(3,085)	38,155
Expenditures				
Current				
Administrative and support services				
Salaries	782,424	786,795	4,371	749,966
Employee benefits	216,266	214,980	(1,286)	204,226
Purchased services	514,263	490,893	(23,370)	179,556
Supplies and materials	44,541	42,391	(2,150)	19,702
Other expenditures	13,749	13,613	(136)	13,475
Capital expenditures	23,658	22,648	(1,010)	28,167
Allocated overhead	(1,228,401)	(1,207,905)	20,496	(1,156,937)
Total expenditures	366,500	363,415	(3,085)	38,155
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, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 20,557	\$ 39,670	\$ 19,113	\$ 44,033
Other	95,000	31,831	(63,169)	51,691
Total revenue	<u>115,557</u>	<u>71,501</u>	<u>(44,056)</u>	<u>95,724</u>
Expenditures				
Current				
Administrative and support services				
Salaries	15,517	18,715	3,198	17,851
Employee benefits	2,040	2,419	379	2,310
Purchased services	96,000	34,564	(61,436)	59,937
Supplies and materials	–	13,246	13,246	6,575
Capital expenditures	2,000	6,797	4,797	–
Total expenditures	<u>115,557</u>	<u>75,741</u>	<u>(39,816)</u>	<u>86,673</u>
Net change in fund balances	<u>\$ –</u>	<u>(4,240)</u>	<u>\$ (4,240)</u>	9,051
Fund balances				
Beginning of year		<u>24,348</u>		<u>15,297</u>
End of year		<u>\$ 20,108</u>		<u>\$ 24,348</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Capital Expenditure Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 552,202	\$ 552,201	\$ (1)	\$ 562,451
Investment earnings	14,000	28,941	14,941	2,517
Other	—	1,707	1,707	253,572
Total revenue	566,202	582,849	16,647	818,540
Expenditures				
Current				
Administrative and support services				
Capital expenditures	2,277	2,277	—	19,488
Secondary vocational/DCALS				
Purchased services	73,758	70,060	(3,698)	15,512
Debt service				
Principal	205,000	205,000	—	200,000
Interest and fiscal charges	350,701	350,701	—	358,951
Total expenditures	631,736	628,038	(3,698)	593,951
Excess (deficiency) of revenue over expenditures	(65,534)	(45,189)	20,345	224,589
Other financing sources				
Proceeds from sale of assets	—	—	—	1,020,650
Net change in fund balances	\$ (65,534)	(45,189)	\$ 20,345	\$ 1,245,239
Fund balances				
Beginning of year		1,645,067		399,828
End of year		\$ 1,599,878		\$ 1,645,067

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, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 122,600	\$ 137,627	\$ 15,027	\$ 167,075
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	16,541	18,760	2,219	17,225
Employee benefits	2,876	3,133	257	2,863
Purchased services	27,300	29,480	2,180	32,560
Supplies and materials	74,100	75,164	1,064	101,625
Capital expenditures	–	–	–	2,799
Other expenditures	–	–	–	427
Total expenditures	<u>120,817</u>	<u>126,537</u>	<u>5,720</u>	<u>157,499</u>
Net change in fund balances	<u>\$ 1,783</u>	<u>11,090</u>	<u>\$ 9,307</u>	<u>9,576</u>
Fund balances				
Beginning of year		<u>17,405</u>		<u>7,829</u>
End of year		<u>\$ 28,495</u>		<u>\$ 17,405</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Special Education Resale Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 22,500	\$ 21,279	\$ (1,221)	\$ 22,620
Expenditures				
Current				
Special education programs				
Supplies and materials	20,500	20,009	(491)	20,729
Net change in fund balances	<u>\$ 2,000</u>	1,270	<u>\$ (730)</u>	1,891
Fund balances				
Beginning of year		12,007		10,116
End of year		<u>\$ 13,277</u>		<u>\$ 12,007</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and temporary investments	<u>\$ 678,547</u>	<u>\$ 691,945</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,865	\$ –
Fund balances		
Restricted for building construction	<u>676,682</u>	<u>691,945</u>
Total liabilities and fund balances	<u>\$ 678,547</u>	<u>\$ 691,945</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Capital Projects – Building Construction Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011
 (With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 2,000	\$ 383	\$ (1,617)	\$ 1,117
Expenditures				
Capital outlay	19,600	15,646	(3,954)	–
Net change in fund balances	<u>\$ (17,600)</u>	(15,263)	<u>\$ 2,337</u>	1,117
Fund balances				
Beginning of year		691,945		690,828
End of year		<u>\$ 676,682</u>		<u>\$ 691,945</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund
Balance Sheet
as of June 30, 2011

Assets

Receivables

Due from other governmental units

\$ —

Liabilities

Liabilities

Due to other governmental units

\$ —

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, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 17,700	\$ 15,946	\$ (1,754)	\$ 15,532
State sources	2,130	2,196	66	2,227
Federal sources	36,865	34,818	(2,047)	35,690
Total revenue	56,695	52,960	(3,735)	53,449
Expenditures				
Purchased services	3,495	4,025	530	972
Supplies and materials	73,100	70,398	(2,702)	70,403
Total expenditures	76,595	74,423	(2,172)	71,375
Excess (deficiency) of revenue over expenditures	(19,900)	(21,463)	(1,563)	(17,926)
Other financing sources				
Transfers in	19,900	21,463	1,563	17,926
Net change in fund balances	\$ —	—	\$ —	—
Fund balances				
Beginning of year		—		—
End of year		\$ —		\$ —

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Net Assets
as of June 30, 2011
(With Comparative Totals as of June 30, 2010)

	Dental Self-Insurance	Post-Employment Employee Benefits	Totals	
			2011	2010
Assets				
Cash and temporary investments	\$ 163,574	\$ 208,328	\$ 371,902	\$ 121,655
Liabilities				
Current liabilities				
Accounts payable	6,925	—	6,925	1,379
Severance benefits payable	—	33,618	33,618	139,697
Total current liabilities	6,925	33,618	40,543	141,076
Long-term liabilities				
Net other post-employment benefit obligation	—	426,883	426,883	266,867
Severance benefits payable	—	515,006	515,006	428,086
Total long-term liabilities	—	941,889	941,889	694,953
Total liabilities	6,925	975,507	982,432	836,029
Net assets (deficit)				
Unrestricted	\$ 156,649	\$ (767,179)	\$ (610,530)	\$ (714,374)

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	Dental Self-Insurance	Post-Employment Employee Benefits	Totals	
			2011	2010
Operating revenue				
Local sources				
Contributions from governmental funds	\$ 356,764	\$ 233,500	\$ 590,264	\$ 449,018
Operating expenses				
Post-employment severance and health benefits	—	201,809	201,809	289,597
Dental benefit claims	284,833	—	284,833	302,286
Total operating expenses	284,833	201,809	486,642	591,883
Operating income (loss)	71,931	31,691	103,622	(142,865)
Nonoperating revenue				
Investment earnings	76	146	222	366
Change in net assets	72,007	31,837	103,844	(142,499)
Net assets (deficit)				
Beginning of year	84,642	(799,016)	(714,374)	(571,875)
End of year	\$ 156,649	\$ (767,179)	\$ (610,530)	\$ (714,374)

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	Dental Self-Insurance	Post-Employment Employee Benefits	Totals	
			2011	2010
Cash flows from operating activities				
Contributions from governmental funds	\$ 356,764	\$ 233,500	\$ 590,264	\$ 449,018
Post-employment severance and health benefit payments	—	(60,952)	(60,952)	(152,406)
Payments for dental claims	(279,287)	—	(279,287)	(305,600)
Net cash provided (used) by operating activities	77,477	172,548	250,025	(8,988)
Cash flows from investing activities				
Investment income received	76	146	222	366
Net change in cash and cash equivalents	77,553	172,694	250,247	(8,622)
Cash and temporary investments				
Beginning of year	86,021	35,634	121,655	130,277
End of year	\$ 163,574	\$ 208,328	\$ 371,902	\$ 121,655
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 71,931	\$ 31,691	\$ 103,622	\$ (142,865)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Changes in assets and liabilities				
Post-employment severance benefits payable	—	(19,159)	(19,159)	53
Net other post-employment benefit obligation	—	160,016	160,016	137,900
Accounts payable	5,546	—	5,546	(4,076)
Net cash provided (used) by operating activities	\$ 77,477	\$ 172,548	\$ 250,025	\$ (8,988)

SUPPLEMENTAL INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Government-Wide Revenue by Type
Last Nine Fiscal Years

Year Ended June 30,	Program Revenues			General Revenues	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Investment Earnings and Other	
2003	\$ 12,987,521 93%	\$ 985,870 7%	\$ 11,150 —	\$ 35,181 —	\$ 14,019,722 100%
2004	13,748,514 93%	858,557 6%	36,463 —	89,667 1%	14,733,201 100%
2005	14,646,565 94%	845,216 5%	19,867 —	107,332 1%	15,618,980 100%
2006	15,285,571 94%	750,792 5%	14,796 —	234,665 1%	16,285,824 100%
2007	16,426,457 93%	837,561 5%	21,621 —	270,425 2%	17,556,064 100%
2008	18,090,478 94%	884,092 5%	23,469 —	281,238 1%	19,279,277 100%
2009	6,592,339 33%	12,759,841 63%	734,740 3%	133,252 1%	20,220,172 100%
2010	7,782,625 33%	14,567,950 62%	617,930 3%	599,235 2%	23,567,740 100%
2011	7,484,976 32%	15,265,005 65%	567,175 2%	224,526 1%	23,541,682 100%

Note 1: 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.

Note 2: The District implemented GASB Statement No. 34 in fiscal year 2003. This information is not available for previous fiscal years.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Government-Wide Expenses by Function
Last Nine 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
2003	\$ 920,785 6%	\$ 3,070,738 21%	\$ 10,406,799 72%	\$ — —	\$ — —	\$ 14,398,322 100%
2004	1,051,279 7%	3,138,694 21%	11,072,294 73%	— —	— —	15,262,267 100%
2005	1,073,594 7%	3,492,142 22%	11,493,554 71%	— —	— —	16,059,290 100%
2006	1,112,460 7%	3,269,581 20%	11,708,188 73%	— —	— —	16,090,229 100%
2007	1,309,198 7%	3,239,749 19%	12,838,805 74%	— —	— —	17,387,752 100%
2008	1,143,629 6%	3,629,059 19%	14,148,809 74%	— —	223,767 1%	19,145,264 100%
2009	1,484,759 7%	3,698,703 18%	15,126,240 73%	— —	410,161 2%	20,719,863 100%
2010	1,279,128 6%	3,778,602 17%	16,753,538 75%	71,375 —	361,888 2%	22,244,531 100%
2011	1,614,185 7%	3,855,919 17%	16,699,413 74%	74,423 —	353,553 2%	22,597,493 100%

Note 1: The District implemented GASB Statement No. 34 in fiscal year 2003. This information is not available for previous fiscal years.

Note 2: The Food Service Special Revenue Fund was established in fiscal year 2010.

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Revenue by Source
Last Ten Fiscal Years

	Year Ended June 30,	Tuition Revenue	Investment Earnings (Charges)	Other Revenue	State Revenue	Federal Revenue	Total
Secondary education	2002	\$ 3,029,886	\$ 29,267	\$ 74,365	\$ (1,373)	\$ 342,328	\$ 3,474,473
	2003	2,702,396	16,043	56,228	—	302,637	3,077,304
	2004	2,675,474	11,830	62,787	—	241,980	2,992,071
	2005	3,000,884	19,424	54,720	—	253,175	3,328,203
	2006	3,055,645	40,955	77,678	—	288,346	3,462,624
	2007	3,103,608	54,287	3,198	—	292,365	3,453,458
	2008	3,534,488	60,762	25,461	—	341,820	3,962,531
	2009	3,349,713	11,583	26,599	—	186,813	3,574,708
	2010	3,715,685	2,663	13,587	10,195	150,108	3,892,238
	2011	3,656,422	927	8,787	49,708	172,435	3,888,279
Special education	2002	9,982,251	14,097	148,879	97,035	624,118	10,866,380
	2003	10,232,880	38	97,303	57,238	535,409	10,922,868
	2004	10,919,002	(1,287)	202,505	—	540,209	11,660,429
	2005	11,468,180	(6,682)	134,097	—	560,570	12,156,165
	2006	11,950,232	(7,457)	208,229	1,000	446,384	12,598,388
	2007	13,082,524	(19,682)	208,659	—	450,424	13,721,925
	2008	14,331,589	(4,875)	177,538	—	455,666	14,959,918
	2009	3,004,086	4,242	202,077	12,035,354	464,375	15,710,134
	2010	3,332,630	221	603,186	13,721,390	561,110	18,218,537
	2011	3,087,411	(392)	390,143	14,210,549	735,457	18,423,168
Services allocation	2002	—	—	—	23,073	—	23,073
	2003	—	—	—	17,579	—	17,579
	2004	—	—	18,150	41,318	—	59,468
	2005	—	—	—	25,485	—	25,485
	2006	—	—	—	22,482	—	22,482
	2007	—	—	—	30,904	—	30,904
	2008	—	—	—	53,764	—	53,764
	2009	—	—	—	190,765	—	190,765
	2010	—	—	—	38,155	—	38,155
	2011	305,475	—	1,559	56,381	—	363,415
District support services	2002	—	—	—	—	—	—
	2003	—	—	—	—	—	—
	2004	—	—	2,376	—	—	2,376
	2005	—	—	99,698	—	—	99,698
	2006	—	(4,141)	185,532	—	—	181,391
	2007	—	—	179,943	—	—	179,943
	2008	—	—	155,710	—	—	155,710
	2009	—	—	64,729	—	—	64,729
	2010	44,033	—	51,691	—	—	95,724
	2011	39,670	—	31,831	—	—	71,501

(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	2002	—	(3,030)	—	228,390	—	225,360
	2003	—	(121)	—	—	—	(121)
	2004	—	78	—	—	—	78
	2005	—	44	—	—	—	44
	2006	—	97	—	—	—	97
	2007	—	115	—	—	—	115
	2008	—	452	—	—	—	452
	2009	565,508	17,854	—	—	—	583,362
	2010	562,451	2,517	253,572	—	—	818,540
	2011	552,201	28,941	1,707	—	—	582,849
Secondary resale	2002	—	—	—	—	—	—
	2003	—	—	—	—	—	—
	2004	—	—	—	—	—	—
	2005	—	—	—	—	—	—
	2006	—	—	—	—	—	—
	2007	—	—	125,497	—	—	125,497
	2008	—	—	117,092	—	—	117,092
	2009	—	—	67,919	—	—	67,919
	2010	—	—	167,075	—	—	167,075
	2011	—	—	137,627	—	—	137,627
Special education resale	2002	—	—	—	—	—	—
	2003	—	—	—	—	—	—
	2004	—	—	—	—	—	—
	2005	—	—	—	—	—	—
	2006	—	—	—	—	—	—
	2007	—	—	17,368	—	—	17,368
	2008	—	—	19,349	—	—	19,349
	2009	—	—	22,886	—	—	22,886
	2010	—	—	22,620	—	—	22,620
	2011	—	—	21,279	—	—	21,279

Note 1: The District Support Services Account was established in fiscal year 2004.

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

Note 3: The Special Education Resale Account was established in fiscal year 2007.

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Expenditures by Object
Last Ten Fiscal Years

	Year Ended June 30,	Salary Expenditures	Employee Benefits Expenditures	Purchased Services Expenditures	Other Expenditures	Allocated Overhead	Total
Secondary education	2002	\$ 1,918,591	\$ 443,548	\$ 618,325	\$ 207,510	\$ 228,914	\$ 3,416,888
	2003	1,846,165	445,119	511,387	191,963	195,321	3,189,955
	2004	1,892,392	460,814	482,018	188,981	200,419	3,224,624
	2005	1,889,985	487,743	496,042	197,639	195,183	3,266,592
	2006	1,990,866	546,367	565,985	260,036	189,815	3,553,069
	2007	1,871,490	545,270	564,066	112,876	203,055	3,296,757
	2008	2,009,066	607,325	727,957	149,561	201,426	3,695,335
	2009	2,063,886	655,558	552,483	115,595	197,555	3,585,077
	2010	2,268,974	679,673	533,333	105,992	219,410	3,807,382
	2011	2,253,662	680,947	563,196	164,868	209,572	3,872,245
Special education	2002	6,918,254	1,598,964	1,340,356	449,491	749,573	11,056,638
	2003	7,093,594	1,662,362	1,271,812	324,806	676,934	11,029,508
	2004	7,399,074	1,807,684	1,458,179	317,152	736,785	11,718,874
	2005	7,573,709	1,997,793	1,405,226	414,445	753,184	12,144,357
	2006	7,718,588	2,143,520	1,403,163	395,922	764,969	12,426,162
	2007	8,395,050	2,441,463	1,496,680	383,206	881,392	13,597,791
	2008	9,194,539	2,804,869	1,561,057	475,149	864,291	14,899,905
	2009	9,656,932	3,149,781	1,629,135	353,336	920,575	15,709,759
	2010	10,298,835	3,538,306	1,787,311	691,957	937,527	17,253,936
	2011	10,405,760	3,800,881	1,914,616	553,662	998,333	17,673,252
Services allocation	2002	553,371	142,982	233,568	71,639	(978,487)	23,073
	2003	537,373	157,498	162,316	32,647	(872,255)	17,579
	2004	587,797	163,151	188,176	57,548	(937,204)	59,468
	2005	563,366	168,404	158,183	83,899	(948,367)	25,485
	2006	611,029	167,821	146,551	51,865	(954,784)	22,482
	2007	665,717	170,325	221,124	58,185	(1,084,447)	30,904
	2008	711,026	185,819	147,102	75,534	(1,065,717)	53,764
	2009	733,346	194,078	318,981	62,490	(1,118,130)	190,765
	2010	749,966	204,226	179,556	61,344	(1,156,937)	38,155
	2011	786,795	214,980	490,893	78,652	(1,207,905)	363,415
District support services	2002	—	—	—	—	—	—
	2003	—	—	—	—	—	—
	2004	1,003	126	14,023	8,698	—	23,850
	2005	63,625	15,555	101,453	(16,301)	—	164,332
	2006	50,055	14,146	162,234	(8,906)	—	217,529
	2007	66,830	22,666	84,585	—	—	174,081
	2008	—	—	135,085	—	—	135,085
	2009	3,518	451	67,754	—	—	71,723
	2010	17,851	2,310	59,937	6,575	—	86,673
	2011	18,715	2,419	34,564	20,043	—	75,741

(continued)

INTERMEDIATE SCHOOL DISTRICT NO. 917

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

	<u>Year Ended June 30,</u>	<u>Salary Expenditures</u>	<u>Employee Benefits Expenditures</u>	<u>Purchased Services Expenditures</u>	<u>Other Expenditures</u>	<u>Allocated Overhead</u>	<u>Total</u>
Capital expenditure	2002	—	—	1,400	217,440	—	218,840
	2003	—	—	3,033	—	—	3,033
	2004	—	—	25,485	19,140	—	44,625
	2005	—	—	—	—	—	—
	2006	—	—	—	—	—	—
	2007	—	—	—	—	—	—
	2008	—	—	—	6,802,482	—	6,802,482
	2009	2,802	238	210,640	558,208	—	771,888
	2010	—	—	15,512	578,439	—	593,951
	2011	—	—	70,060	557,978	—	628,038
Secondary resale	2002	—	—	—	—	—	—
	2003	—	—	—	—	—	—
	2004	—	—	—	—	—	—
	2005	—	—	—	—	—	—
	2006	—	—	—	—	—	—
	2007	29,140	6,449	53,112	59,080	—	147,781
	2008	16,588	2,687	24,423	50,785	—	94,483
	2009	18,063	2,914	23,520	18,036	—	62,533
	2010	17,225	2,863	32,560	104,851	—	157,499
	2011	18,760	3,133	29,480	75,164	—	126,537
Special education resale	2002	—	—	—	—	—	—
	2003	—	—	—	—	—	—
	2004	—	—	—	—	—	—
	2005	—	—	—	—	—	—
	2006	—	—	—	—	—	—
	2007	—	—	296	11,416	—	11,712
	2008	—	—	—	18,316	—	18,316
	2009	—	—	705	18,754	—	19,459
	2010	—	—	—	20,729	—	20,729
	2011	—	—	—	20,009	—	20,009

Note 1: The District Support Services Account was established in fiscal year 2004.

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

Note 3: The Special Education Resale Account was established in fiscal year 2007.

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INTERMEDIATE SCHOOL DISTRICT NO. 917

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
U.S. Department of Agriculture		
Passed through Minnesota Department of Education		
National School Lunch Program	10.555	\$ 34,818
U.S. Department of Education		
Passed through Minnesota Department of Education		
Career and Technical Education – Basic Grants to States	84.048	139,626
Special Education – Grants for Infants and Families	84.181	574,488
Education Jobs Fund	84.410	147,836
Special education cluster		
Special Education – Grants to States	84.027	14,870
Special Education – Preschool Grants	84.173	<u>31,072</u>
Total for special education cluster		<u>45,942</u>
Total federal awards		<u><u>\$ 942,710</u></u>

Note 1: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Provided
Career & Technical Education – Grants to States	84.048	\$ 82,922
Special Education – Grants for Infants and Families	84.181	511,211
Special Education – Preschool Grants	84.173	<u>31,072</u>
		<u><u>\$ 625,205</u></u>

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 of
Intermediate School District No. 917
Rosemount, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2011. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended solely for the information and use of management, the School Board, others within the District, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

December 1, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Intermediate School District No. 917 (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

(continued)

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the School Board, others within the District, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnawski, Radosovich, & Co., P.A.

December 1, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
MINNESOTA STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the District complied with the material terms and conditions of applicable legal provisions, except as noted in the Schedule of Findings and Questioned Costs.

The District's responses to the findings in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the School Board, others within the District, and the Office of the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

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

December 1, 2011

INTERMEDIATE SCHOOL DISTRICT NO. 917

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued? X Unqualified
 Qualified
 Adverse
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiencies identified? Yes X None reported
Noncompliance material to the financial statements: Yes X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? Yes X No
Significant deficiencies identified? Yes X None reported

Type of auditor's report issued on compliance for major programs? X Unqualified
 Qualified
 Adverse
 Disclaimer

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Programs tested as major programs:

<u>Program or Cluster</u>	<u>CFDA No.</u>
The U.S. Department of Education Special Education – Grants for Infants and Families	84.181

Threshold for distinguishing type A and B programs. \$ 300,000

Does the auditee qualify as a low-risk auditee? Yes X No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

INTERMEDIATE SCHOOL DISTRICT NO. 917

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2011

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None.

D. FINDINGS – MINNESOTA LAWS AND REGULATIONS

2011-1 CONTRACT LANGUAGE – PAYMENT OF SUBCONTRACTORS

Criteria – Minnesota Statute § 471.425, Subd. 4a.

Condition – Independent School District No. 917's (the District) contracts for construction services must include specific language that requires the prime contractor to pay any subcontractors within 10 days of the prime contractor's receipt of payment from the District or pay interest at the rate of 1.5 percent per month on any unpaid balance. This required language was not included in the contract we tested during the year ended June 30, 2011.

Questioned Costs – Not applicable.

Context – The only bid awarded by the District was tested and was not in compliance. This is a current year finding.

Effect – One contract awarded by the District did not include the required statutory language.

Recommendation – We recommend that the District include this required language in all future contracts.

Corrective Action Plan

Actions Planned – The required contract language will be added to all District contracts in the future. All contracts awarded for construction will be reviewed by the Business Manager to ensure the required language is included.

Official Responsible – Nicolle Roush, Business Manager.

Planned Completion Date – June 30, 2012.

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – Nicolle Roush, Business Manager, will also review contracts to ensure the planned controls are being followed and the required language is included.

**E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

No audit findings at June 30, 2010.

INTERMEDIATE SCHOOL DISTRICT NO. 917
Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2011

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 23,488,118	\$ 23,488,118	\$ –
Total expenditures		\$ 22,759,237	\$ 22,759,234	\$ 3
Nonspendable				
460	Nonspendable fund balance	\$ 4,806	\$ 4,806	\$ –
Restricted/reserve				
403	Staff development	\$ –	\$ –	\$ –
405	Deferred maintenance	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
411	Severance pay	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 4,912	\$ 4,912	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
446	First grade preparedness	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ 1,599,878	\$ 1,599,878	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ –	\$ –	\$ –
Unassigned				
422	Unassigned fund balance	\$ 4,909,422	\$ 4,909,422	\$ –
Food Service				\$ –
Total revenue		\$ 52,960	\$ 52,960	\$ –
Total expenditures		\$ 74,423	\$ 74,423	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				\$ –
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2011

		<u>Audit</u>	<u>UFARS</u>	<u>Audit - UFARS</u>
Building Construction				
Total revenue		\$ 383	\$ 383	\$ -
Total expenditures		\$ 15,646	\$ 15,646	\$ -
Nond spendable				
460	Nond spendable fund balance	\$ -	\$ -	\$ -
Restricted/reserve				
407	Capital projects levy	\$ -	\$ -	\$ -
409	Alternative facility program	\$ -	\$ -	\$ -
413	Project funded by COP	\$ -	\$ -	\$ -
Restricted				
464	Restricted fund balance	\$ 676,682	\$ 676,682	\$ -
Unassigned				
463	Unassigned fund balance	\$ -	\$ -	\$ -
Debt Service				
Total revenue		\$ -	\$ -	\$ -
Total expenditures		\$ -	\$ -	\$ -
Nond spendable				
460	Nond spendable fund balance	\$ -	\$ -	\$ -
Restricted/reserve				
425	Bond refundings	\$ -	\$ -	\$ -
451	QZAB payments	\$ -	\$ -	\$ -
Restricted				
464	Restricted fund balance	\$ -	\$ -	\$ -
Unassigned				
463	Unassigned fund balance	\$ -	\$ -	\$ -
Trust				
Total revenue		\$ 651	\$ 651	\$ -
Total expenditures		\$ 2,128	\$ 2,128	\$ -
422	Net assets	\$ 1,019	\$ 1,019	\$ -
Internal Service				
Total revenue		\$ 590,486	\$ 590,487	\$ (1)
Total expenditures		\$ 486,642	\$ 486,642	\$ -
422	Net assets	\$ (610,530)	\$ (610,529)	\$ (1)
OPEB Revocable Trust Fund				
Total revenue		\$ -	\$ -	\$ -
Total expenditures		\$ -	\$ -	\$ -
422	Net assets	\$ -	\$ -	\$ -
OPEB Irrevocable Trust Fund				
Total revenue		\$ -	\$ -	\$ -
Total expenditures		\$ -	\$ -	\$ -
422	Net assets	\$ -	\$ -	\$ -
OPEB Debt Service Fund				
Total revenue		\$ -	\$ -	\$ -
Total expenditures		\$ -	\$ -	\$ -
Nond spendable				
460	Nond spendable 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.