

INTERMEDIATE SCHOOL DISTRICT NO. 917
ROSEMOUNT, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2020

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INTERMEDIATE SCHOOL DISTRICT NO. 917

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INDEPENDENT SCHOOL DISTRICT NO. 917

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INTRODUCTORY SECTION

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INTERMEDIATE SCHOOL DISTRICT NO. 917

School Board and Administration
as of June 30, 2020

SCHOOL BOARD

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

ADMINISTRATION

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

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FINANCIAL SECTION

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
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Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other information section, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 2, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 16, 2020

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Management's Discussion and Analysis Year Ended June 30, 2020

This section of Intermediate School District No. 917's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by \$11,646,354 (net position deficit). The District's total net position decreased by \$583,608 during the fiscal year ended June 30, 2020, excluding the change in accounting principle as discussed below.
- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this standard changed the way the District reports certain fiduciary activities that were previously reported in a separate financial document. The implementation of this standard increased beginning net position in the government-wide statements and beginning fund balance in the General Fund by \$3,820.
- The District's total General Fund balance at June 30, 2020 is \$10,132,120.
- The District's governmental funds Balance Sheet reflects a \$9,471,747 unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view, that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2020 and 2019		
	2020	2019
Assets		
Current and other assets	\$ 19,322,793	\$ 17,368,195
Capital assets, net of accumulated depreciation	<u>9,050,323</u>	<u>9,108,562</u>
Total assets	<u><u>\$ 28,373,116</u></u>	<u><u>\$ 26,476,757</u></u>
Deferred outflows of resources		
Pension plan deferments	\$ 17,692,896	\$ 23,444,119
OPEB plan deferments	80,002	60,929
Deferred charge on refunding debt	<u>313,957</u>	<u>336,382</u>
Total deferred outflows of resources	<u><u>\$ 18,086,855</u></u>	<u><u>\$ 23,841,430</u></u>
Liabilities		
Current and other liabilities	\$ 4,338,495	\$ 4,069,088
Long-term liabilities, including due within one year	<u>31,745,650</u>	<u>29,869,071</u>
Total liabilities	<u><u>\$ 36,084,145</u></u>	<u><u>\$ 33,938,159</u></u>
Deferred inflows of resources		
Pension plan deferments	\$ 21,635,829	\$ 27,005,050
OPEB plan deferments	<u>386,351</u>	<u>441,544</u>
Total deferred inflows of resources	<u><u>\$ 22,022,180</u></u>	<u><u>\$ 27,446,594</u></u>
Net position		
Net investment in capital assets	\$ 1,894,018	\$ 1,667,450
Restricted for other purposes	93,757	138,880
Unrestricted	<u>(13,634,129)</u>	<u>(12,872,896)</u>
Total net position	<u><u>\$ (11,646,354)</u></u>	<u><u>\$ (11,066,566)</u></u>

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's total net position at June 30, 2020 was \$579,788 less than in the prior year, mainly due to the change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans, which also contributed to the change in deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

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

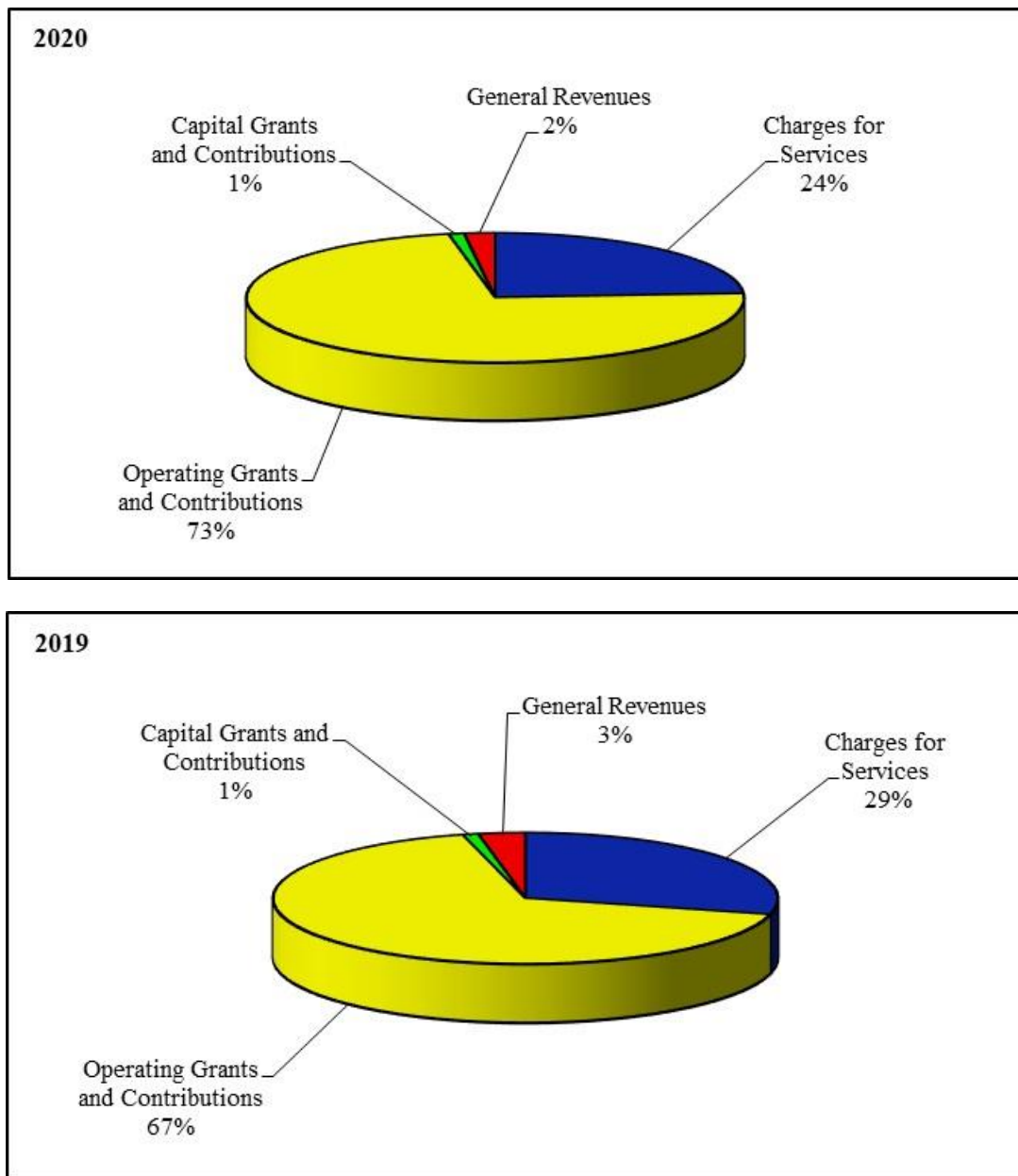
Table 2 Summary Statement of Activities for the Years Ended June 30, 2020 and 2019		
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 10,276,311	\$ 11,429,417
Operating grants and contributions	30,724,528	26,541,284
Capital grants and contributions	591,900	548,350
General revenues		
Other	594,648	917,328
Investment earnings	104,869	153,615
Total revenues	<u>42,292,256</u>	<u>39,589,994</u>
Expenses		
Administrative and support services	1,980,504	1,943,841
Secondary vocational/DCALS	4,104,278	2,399,143
Special education programs	36,440,788	26,491,744
Food service	114,859	159,619
Interest and fiscal charges on debt	235,435	241,276
Total expenses	<u>42,875,864</u>	<u>31,235,623</u>
Change in net position	(583,608)	8,354,371
Net position – beginning, as previously reported	(11,066,566)	(19,420,937)
Change in accounting principle	3,820	–
Net position – beginning, as restated	<u>(11,062,746)</u>	<u>(19,420,937)</u>
Net position – ending	<u><u>\$ (11,646,354)</u></u>	<u><u>\$ (11,066,566)</u></u>

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

The total cost of all programs and services was \$42,875,864. The District's expenses are predominantly related to educating students. In fiscal 2019–2020, 95 percent of the District's expenses were devoted to this purpose. The administrative and support services activity of the District accounted for 5 percent of total expenses for the year. It should be noted that the District allocated \$1,922,050 in administrative and support services expenses to the secondary vocational/Dakota County Area Learning School (DCALS) and special education programs in fiscal 2020. The increase in operating grants and contributions is mainly related to increases in state special education aid in the current year. The increase in expenses reflects the change in the PERA and the TRA multiple-employer defined benefit pension plans in both fiscal 2020 and 2019 as mentioned earlier.

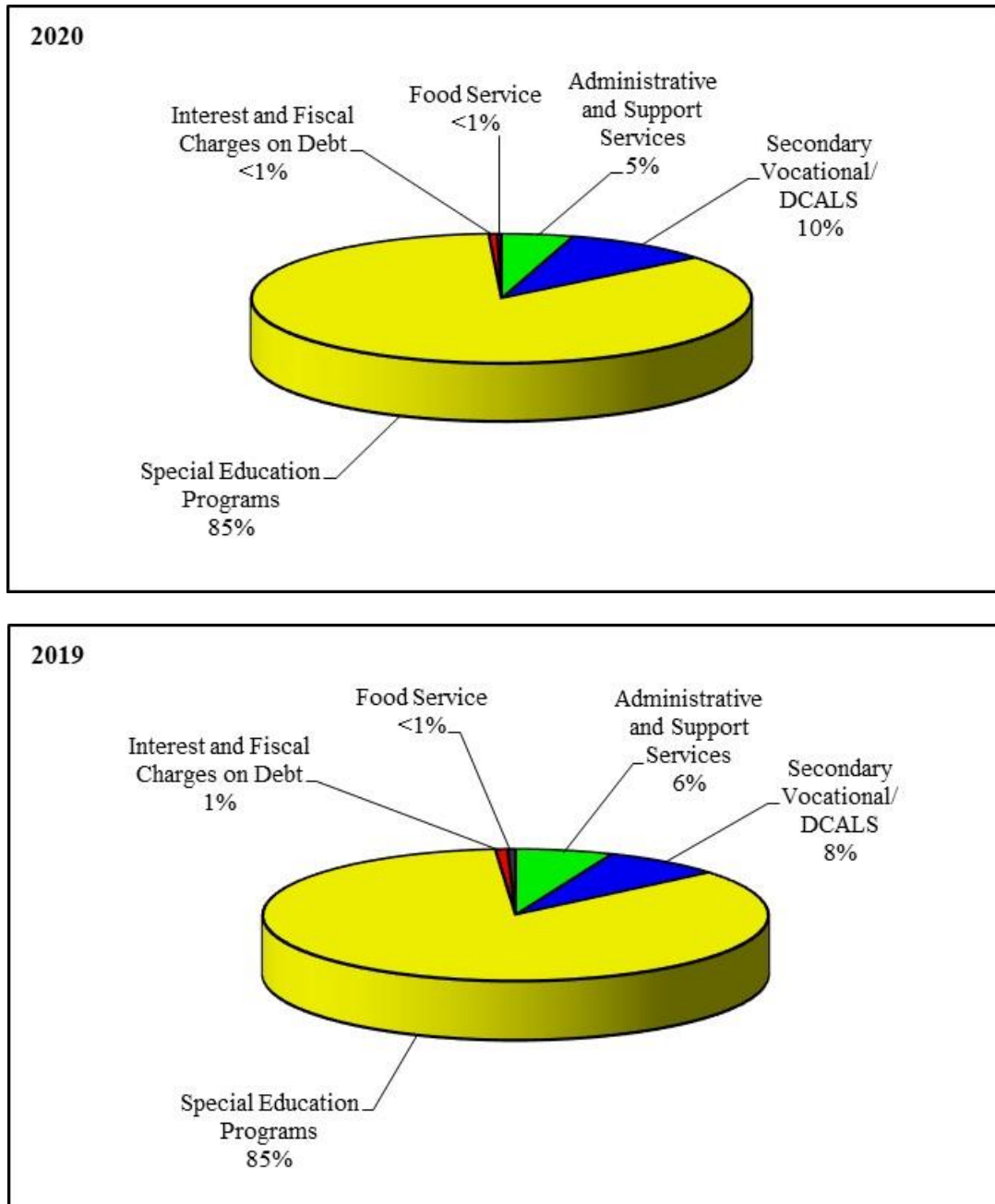
Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2020 and 2019



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

Figure B – Expenses for Fiscal Years 2020 and 2019



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

Table 3
Net Cost of Governmental Activities
for the Years Ended June 30, 2020 and 2019

	2020		2019	
	Total Cost of Services	Net (Expense) Revenue From Services	Total Cost of Services	Net (Expense) Revenue From Services
Governmental activities				
Administrative and support services	\$ 1,980,504	\$ (32,954)	\$ 1,943,841	\$ 291,199
Secondary vocational/DCALS	4,104,278	555,917	2,399,143	2,227,174
Special education programs	36,440,788	(1,556,449)	26,491,744	5,049,782
Food service	114,859	(14,204)	159,619	(43,451)
Interest and fiscal charges	235,435	(235,435)	241,276	(241,276)
Total	<u>\$ 42,875,864</u>	<u>\$ (1,283,125)</u>	<u>\$ 31,235,623</u>	<u>\$ 7,283,428</u>

The overall net (expense) revenue from service was \$8,566,553 less than fiscal 2019, due mainly to the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier in both fiscal 2020 and fiscal 2019.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

<p style="text-align: center;">Table 4 Governmental Fund Balances as of June 30, 2020 and 2019</p>				
	2020	2019	Change	Total Percent Change
Major fund				
General	\$ 10,132,120	\$ 9,797,202	\$ 334,918	3.4%
Nonmajor fund				
Food Service Special Revenue	—	—	—	—
Total governmental funds	<u>\$ 10,132,120</u>	<u>\$ 9,797,202</u>	<u>\$ 334,918</u>	3.4%

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

ENROLLMENT

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

	<u>2015–2016</u>	<u>2016–2017</u>	<u>2017–2018</u>	<u>2018–2019</u>	<u>2019–2020</u>
Secondary vocational resource programs	108.41	92.80	106.57	101.79	94.33
DCALS programs	216.20	214.84	271.12	320.89	332.34
Special education resource programs	419.44	478.42	466.30	479.53	506.55

Funding for Minnesota school districts is largely driven by enrollment. In the current economic environment, member districts are striving to keep their students at their sites whenever possible. Overall, the District's secondary vocational resource programs experienced a slight decline in students in 2019–2020. Alternative learning (DCALS) programs continue to experience growth from the previous fiscal year. Special education resource programs are experiencing growth in Dakota County Alternative Learning (DCALS), Program Alternative for Communication Education and Socialization (PACES), Students with Unique Needs (SUN), Therapeutic Education Alternative (TEA), Transition Education Services (TESA), Intra-Dakota Educational Alternative (IDEA), and several Care and Treatment programs. These programs have declining enrollment in Deaf and Hard of Hearing Resources (DHH), and Dakota Alternative for Severely Handicapped (DASH). They also closed the Youth Transition Program (YTP). Stable and predictable enrollment to maintain and fund programs will continue to be especially challenging in the secondary vocational resource programs.

GENERAL FUND

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

Table 6
Financial Position – General Fund
Last Five Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Unassigned fund balance	\$ 5,730,521	\$ 5,922,746	\$ 6,634,983	\$ 9,339,643	\$ 9,471,747
Percent increase	3.5%	3.4%	12.0%	40.8%	1.4%
Expenditures	\$ 28,598,875	\$ 33,366,968	\$ 32,756,448	\$ 38,602,276	\$ 41,790,457
Percent increase (decrease)	8.8%	16.7%	(1.8%)	17.8%	8.3%
Unassigned fund balance as a percentage of expenditures	20.0%	17.8%	20.3%	24.2%	22.7%

The District ended the year with a \$331,098 increase in the General Fund balance excluding the change in accounting principle. Unassigned General Fund balance increased \$132,104. The total increase of \$331,098 is \$250,659 higher than anticipated in the District's revised budget. The reason for the variance is due to the District experiencing better than expected results in the Secondary Education Account totaling \$384,344, including revenue exceeding projections by \$85,401, mainly due to having higher than anticipated enrollment, including 12 additional students at the DCALS program in fiscal 2020. Expenditures were lower than anticipated in this account by \$298,943, mainly in salaries and purchased services.

The District experienced a lower increase to fund balance than anticipated results in the Special Education Account with an increase of \$11,657, compared to an anticipated increase of \$148,637. State aid was less than budget, due to lower program activity in the current year. The special education programs received less tuition revenue than anticipated totaling \$314,581 for fiscal year 2020. Expenditures were also lower than budgeted amounts mainly in salaries, benefits, and across all areas as a result of moving to distance learning at the end of March, due to COVID-19.

Table 7 presents a summary of General Fund revenue:

Table 7 General Fund Revenue for the Years Ended June 30, 2020 and 2019			
	2020	2019	Change
Local sources			
Tuition	\$ 10,282,316	\$ 11,324,143	\$ (1,041,827)
Investment earnings	54,944	85,149	(30,205)
Other	542,624	961,796	(419,172)
State sources	31,092,613	27,879,426	3,213,187
Federal sources	156,934	142,549	14,385
Total General Fund revenues	<u>\$ 42,129,431</u>	<u>\$ 40,393,063</u>	<u>\$ 1,736,368</u>

Total General Fund revenues increased \$1,736,368, or 4.3 percent, in fiscal 2020, as compared to the previous year. Overall, the changes in revenues can be attributed to an increase in enrollment of 31 ADMs in combination with increased expenditures, resulting in an increase in state revenue sources through tuition billing. Direct tuition revenues declined to local school districts for services outside of the state tuition billing system, due to a reduction of general education students billed directly and an increase in students receiving special education services billed through the state's system.

The increase in state sources is due to a 2.0 percent increase in general education revenues. The remaining increase is the result of increased revenues from special education aid. There was an under accrual in the prior year that resulted in approximately \$178,662 of fiscal 2019 state special education aid revenue being recognized in the current year. The remaining increase in special education revenues is the result of increased entitlements of about \$2,884,344. Increased entitlement is due to average salary and benefit increases per contract of approximately 3.7 percent and an increase related to ADM growth. The growth was the result of several factors, including the Concord Education Center being in full operation in 2020. The DCALS, PACES, SUN, TESA, and TEA programs also expanded. In addition, students served by the District are changing and the District is serving more complex students with more services that need higher staffing ratios of related staff.

Table 8 presents a summary of General Fund expenditures:

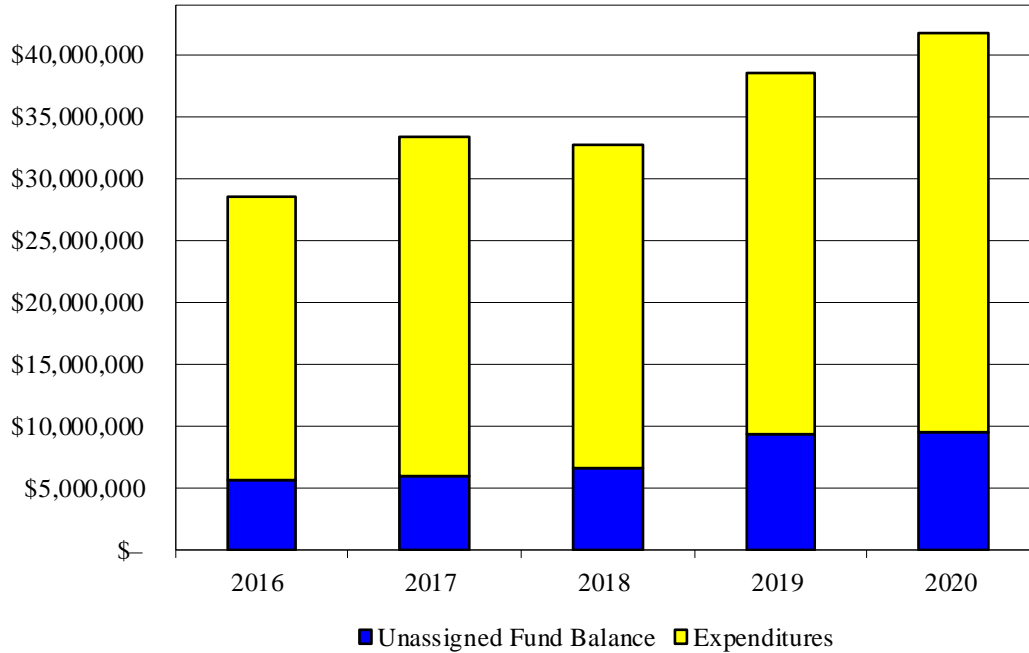
Table 8 General Fund Expenditures for the Years Ended June 30, 2020 and 2019			
	2020	2019	Change
Salaries	\$ 24,999,206	\$ 22,746,079	\$ 2,253,127
Employee benefits	9,022,930	8,042,126	980,804
Purchased services	5,129,662	5,019,654	110,008
Supplies and materials	1,155,196	1,058,944	96,252
Other expenditures	144,951	130,238	14,713
Capital expenditures	815,812	1,081,735	(265,923)
Debt service	522,700	523,500	(800)
Total General Fund expenditures	<u>\$ 41,790,457</u>	<u>\$ 38,602,276</u>	<u>\$ 3,188,181</u>

Total General Fund expenditures increased \$3,188,181, or 8.3 percent, from the previous year. Overall, the changes in expenditures can be attributed to an increase in salaries and benefits, which was mainly due to increases of 54.7 full-time equivalent (FTE) employees in the current year.

In summary, 2019–2020 General Fund revenues exceeded General Fund expenditures and other financing uses by \$331,098. As a result, total fund balance increased to \$10,132,120 at June 30, 2020 after including the change in accounting principle of \$3,820. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance increased from \$9,339,643 at June 30, 2019, to \$9,471,747 at June 30, 2020.

The following shows the General Fund unassigned fund balance as compared to expenditures:

Figure C
General Fund
Unassigned Fund Balance as Compared to Expenditures
Last Five Fiscal Years



The graph above is the single best measure of overall financial health. The unassigned fund balance of \$9.5 million at June 30, 2020, represents 22.7 percent of annual expenditures, or over two months of school year operations. The fund balances of an intermediate school district are key to its financial success, as the cash flow advance options available to intermediate school districts are more restrictive to access, compared to an independent school district. The continued maintenance of fund balance is essential for the District to minimize the impact that cash flow borrowing would have to member districts that would have to back any cash flow debt incurred by the District. With the current metering system and limited cash flow borrowing options available, the District believes it is necessary to maintain a minimum fund balance of 15.0 percent of annual budget to assure financial stability. The District's fund balance provides opportunities to incur one-time capital expenditures to mitigate the amount of long-term facilities maintenance levy that the District requests on behalf of member districts. The District continues to monitor its fund balances closely.

General Fund Budgetary Highlights

Table 9 summarizes the General Fund budget to actual comparison:

Table 9 General Fund Budget Year Ended June 30, 2020				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue	<u>\$ 44,251,126</u>	<u>\$ 43,911,919</u>	<u>\$ 42,129,431</u>	<u>\$ (1,782,488)</u>
Expenditures and other financing uses	<u>\$ 44,297,349</u>	<u>\$ 43,831,480</u>	<u>\$ 41,798,333</u>	<u>\$ (2,033,147)</u>

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

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

The District's revenues were lower than budgeted amounts by 4.1 percent, due to several factors. The District's anticipated revenues are determined by actual expenditures incurred, which came in under budget by \$2,030,463.

The District's expenditures and other financing uses were less than budgeted amounts by 4.6 percent, due to several factors. Overall, expenditures were under budget by \$2.0 million. The District continues to have unfilled complements on average of 50 employees at any given time during the current year, as it was difficult to find nonlicensed personnel. In addition, the District discontinued hiring in the spring due to moving to distance learning, due to the COVID-19 pandemic. In addition, with moving to distance learning there was additional cost savings in various areas from supplies, equipment, utilities, and mileage that were unforeseen.

FOOD SERVICE SPECIAL REVENUE FUND

Expenditures exceeded revenues by \$7,876 for the year. In order to eliminate the potential deficit in the Food Service Special Revenue Fund, the School Board approved a transfer of \$7,876 from the General Fund.

INTERNAL SERVICE FUNDS

The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District has three internal service funds. The District's internal service funds include financing for post-employment severance benefits and OPEB, and self-insurance of the employee medical and dental insurance programs. The self-insurance program experienced a \$1.2 million increase in fund balance, due to a decrease in claims, higher case claims, and utilization of service, due to the COVID-19 pandemic.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 10 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2020 and 2019:

Table 10 Capital Assets as of June 30, 2020 and 2019			
	2020	2019	Change
Land	\$ 655,000	\$ 655,000	\$ —
Buildings	11,274,493	11,168,352	106,141
Furniture and equipment	2,710,754	2,489,329	221,425
Less accumulated depreciation	<u>(5,589,924)</u>	<u>(5,204,119)</u>	<u>(385,805)</u>
Total	<u>\$ 9,050,323</u>	<u>\$ 9,108,562</u>	<u>\$ (58,239)</u>
Depreciation expense	<u>\$ 422,942</u>	<u>\$ 406,143</u>	<u>\$ 16,799</u>

Long-Term Liabilities

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

Table 11 Outstanding Long-Term Liabilities as of June 30, 2020 and 2019			
	2020	2019	Change
Certificates of participation payable	\$ 7,245,000	\$ 7,540,000	\$ (295,000)
Unamortized premium (discount)	225,262	237,494	(12,232)
Net pension liability	22,127,351	20,169,161	1,958,190
Severance benefits payable	391,406	398,749	(7,343)
Compensated absences payable	375,856	337,148	38,708
Total OPEB liability	<u>1,380,775</u>	<u>1,186,519</u>	<u>194,256</u>
Total	<u>\$ 31,745,650</u>	<u>\$ 29,869,071</u>	<u>\$ 1,876,579</u>

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

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

The District is charged by Minnesota Statutes to provide low incidence special education and secondary vocational technical education services to its member districts. In addition, the statutes indicate that intermediate districts should also provide its members with such other services that they require. Therefore, the District continually evaluates current service offerings and reviews additional areas of potential service to our member districts.

Current support services include:

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

Additional potential collaborative support services include:

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

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

- The District has appropriate fund balances to provide adequate opportunities to adapt to uncontrolled changes in revenue sources for the short-term (two or three years). The special education funding system is being managed in different ways by member districts. This drives each district to make different decisions about which services they provide on their own and which services they procure from the District. We need to remain relevant, responsible, and responsive to the ever-changing needs of the member districts.
- As general education revenue for many of our member districts may likely retract, we are aware that the cost efficiency of our Special Educational models will become a more significant concern.
- We are concerned that with the higher resignation rate, and the challenges of retention of certified teachers, the District will be challenged to fill all positions. As a district, we may need to consider potential incentives to hire qualified personnel.
- Due to the pandemic, we are aware that the needs of our students are greater than ever. We are aware that there may be a need for additional spending to help students recover from the lost opportunities from 2020.
- Career and Technical education is in a precarious position. As member districts close due to the pandemic, our student enrollment continues to decline. It will be a significant economic struggle to retain the current course offerings in our Career and Technical Education programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	Governmental Activities	
	2020	2019
Assets		
Cash and temporary investments	\$ 8,893,977	\$ 6,166,940
Receivables		
Accounts and interest	19,208	25,119
Due from other governmental units	10,233,224	11,003,361
Inventory	1,168	153
Prepaid items	130,839	129,147
Restricted assets – temporarily restricted		
Cash and investments held by trustee	44,377	43,475
Capital assets		
Not depreciated	655,000	655,000
Depreciated, net of accumulated depreciation	8,395,323	8,453,562
Total capital assets, net of accumulated depreciation	9,050,323	9,108,562
Total assets	28,373,116	26,476,757
Deferred outflows of resources		
Pension plan deferments	17,692,896	23,444,119
OPEB plan deferments	80,002	60,929
Deferred charge on refunding	313,957	336,382
Total deferred outflows of resources	18,086,855	23,841,430
Total assets and deferred outflows of resources	\$ 46,459,971	\$ 50,318,187
Liabilities		
Salaries and compensated absences payable	\$ 3,342,825	\$ 3,028,460
Accounts and contracts payable	330,903	443,075
Accrued interest payable	92,417	94,875
Due to other governmental units	565,643	412,071
Unearned revenue	6,707	90,607
Long-term liabilities		
Due within one year	473,696	506,241
Due in more than one year	31,271,954	29,362,830
Total long-term liabilities	31,745,650	29,869,071
Total liabilities	36,084,145	33,938,159
Deferred inflows of resources		
Pension plan deferments	21,635,829	27,005,050
OPEB plan deferments	386,351	441,544
Total deferred inflows of resources	22,022,180	27,446,594
Net position		
Net investment in capital assets	1,894,018	1,667,450
Restricted for other purposes	93,757	138,880
Unrestricted	(13,634,129)	(12,872,896)
Total net position	(11,646,354)	(11,066,566)
Total liabilities, deferred inflows of resources, and net position	\$ 46,459,971	\$ 50,318,187

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Activities
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

2020				
Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues	
			Charges for Services	Operating Grants and Contributions
Governmental activities				
Administrative and support services	\$ 1,980,504	\$ (1,922,050)	\$ —	\$ —
Secondary vocational/DCALS	4,104,278	183,085	3,696,966	623,614
Special education programs	36,440,788	1,738,965	6,553,089	30,026,515
Food service	114,859	—	26,256	74,399
Interest and fiscal charges on debt	235,435	—	—	—
Total governmental activities	<u>\$ 42,875,864</u>	<u>\$ —</u>	<u>\$ 10,276,311</u>	<u>\$ 30,724,528</u>
General revenues				
Other general revenues				
Investment earnings				
Total general revenues				
Change in net position				
Net position – beginning, as previously reported				
Change in accounting principle				
Net position – beginning, as restated				
Net position – ending				

		2019
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Governmental Activities	Governmental Activities
\$ 25,500	\$ (32,954)	\$ 291,199
522,700	555,917	2,227,174
43,700	(1,556,449)	5,049,782
—	(14,204)	(43,451)
—	(235,435)	(241,276)
<u>\$ 591,900</u>	(1,283,125)	7,283,428
	594,648	917,328
	104,869	153,615
	<u>699,517</u>	<u>1,070,943</u>
	(583,608)	8,354,371
	(11,066,566)	(19,420,937)
	3,820	—
	<u>(11,062,746)</u>	<u>(19,420,937)</u>
	<u>\$ (11,646,354)</u>	<u>\$ (11,066,566)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Balance Sheet
Governmental Funds
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	General Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
			2020	2019
Assets				
Cash and temporary investments	\$ 3,737,056	\$ –	\$ 3,737,056	\$ 2,146,835
Cash and investments held by trustee	44,377	–	44,377	43,475
Receivables				
Accounts and interest	9,547	6,075	15,622	23,455
Due from other governmental units	10,233,224	–	10,233,224	11,003,361
Due from other funds	5,999	–	5,999	50
Inventory	1,168	–	1,168	153
Prepaid items	129,983	–	129,983	129,109
Total assets	\$ 14,161,354	\$ 6,075	\$ 14,167,429	\$ 13,346,438
Liabilities				
Salaries and compensated absences payable	\$ 3,342,825	\$ –	\$ 3,342,825	\$ 3,028,460
Accounts and contracts payable	115,433	76	115,509	19,231
Due to other governmental units	564,269	–	564,269	410,888
Due to other funds	–	5,999	5,999	50
Unearned revenue	6,707	–	6,707	90,607
Total liabilities	4,029,234	6,075	4,035,309	3,549,236
Fund balances				
Nonspendable	131,151	–	131,151	129,262
Restricted	138,134	–	138,134	182,355
Assigned	391,088	–	391,088	145,942
Unassigned	9,471,747	–	9,471,747	9,339,643
Total fund balances	10,132,120	–	10,132,120	9,797,202
Total liabilities and fund balances	\$ 14,161,354	\$ 6,075	\$ 14,167,429	\$ 13,346,438

INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Total fund balances – governmental funds	\$ 10,132,120	\$ 9,797,202
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	14,640,247	14,312,681
Accumulated depreciation	(5,589,924)	(5,204,119)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
Certificates of participation payable	(7,245,000)	(7,540,000)
Compensated absences payable	(375,856)	(337,148)
Net pension liability	(22,127,351)	(20,169,161)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(92,417)	(94,875)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	17,692,896	23,444,119
Deferred inflows of resources – pension plan deferments	(21,635,829)	(27,005,050)
Deferred outflows of resources – deferred charge on refunding	313,957	336,382
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	(225,262)	(237,494)
The internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
	<u>2,866,065</u>	<u>1,630,897</u>
Total net position – governmental activities	<u>\$ (11,646,354)</u>	<u>\$ (11,066,566)</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2020
 (With Partial Comparative Information for the Year Ended June 30, 2019)

	General Fund	Nonmajor Fund – Food Service Special Revenue Fund	Total Governmental Funds	
			2020	2019
Revenue				
Local sources				
Tuition	\$ 10,282,316	\$ –	\$ 10,282,316	\$ 11,324,143
Investment earnings	54,944	–	54,944	85,149
Other	542,624	32,322	574,946	990,617
State sources	31,092,613	5,976	31,098,589	27,886,724
Federal sources	156,934	68,423	225,357	236,546
Total revenue	<u>42,129,431</u>	<u>106,721</u>	<u>42,236,152</u>	<u>40,523,179</u>
Expenditures				
Current				
Administrative and support services	25,575	–	25,575	500,039
Secondary vocational/DCALS	4,124,404	–	4,124,404	3,737,910
Special education programs	37,117,778	–	37,117,778	33,840,827
Food service	–	114,597	114,597	159,488
Debt service				
Principal	295,000	–	295,000	290,000
Interest and fiscal charges	227,700	–	227,700	233,500
Total expenditures	<u>41,790,457</u>	<u>114,597</u>	<u>41,905,054</u>	<u>38,761,764</u>
Excess (deficiency) of revenue over expenditures	338,974	(7,876)	331,098	1,761,415
Other financing sources (uses)				
Proceeds from sale of assets	–	–	–	11,855
Transfers in	–	7,876	7,876	29,372
Transfers out	<u>(7,876)</u>	<u>–</u>	<u>(7,876)</u>	<u>(29,372)</u>
Total other financing sources (uses)	<u>(7,876)</u>	<u>7,876</u>	<u>–</u>	<u>11,855</u>
Net change in fund balances	331,098	–	331,098	1,773,270
Fund balances				
Beginning of year, as previously reported	9,797,202	–	9,797,202	8,023,932
Change in accounting principle	<u>3,820</u>	<u>–</u>	<u>3,820</u>	<u>–</u>
Beginning of year, as restated	<u>9,801,022</u>	<u>–</u>	<u>9,801,022</u>	<u>8,023,932</u>
End of year	<u>\$ 10,132,120</u>	<u>\$ –</u>	<u>\$ 10,132,120</u>	<u>\$ 9,797,202</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Total net change in fund balances – governmental funds	\$ 331,098	\$ 1,773,270
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	364,703	271,466
Depreciation expense	(422,942)	(406,143)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.	295,000	290,000
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	2,458	2,417
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	12,232	12,232
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(1,958,190)	28,921,193
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	–	29,311
The internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	1,235,168	509,972
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	(38,708)	(36,483)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(5,751,223)	(4,095,862)
Deferred inflows of resources – pension plan deferments	5,369,221	(18,894,577)
Deferred outflows of resources – deferred charge on refunding	<u>(22,425)</u>	<u>(22,425)</u>
Change in net position – governmental activities	<u>\$ (583,608)</u>	<u>\$ 8,354,371</u>

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2020

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Tuition	\$ 10,708,256	\$ 10,879,177	\$ 10,282,316	\$ (596,861)
Investment earnings	45,000	83,600	54,944	(28,656)
Other	599,006	552,717	542,624	(10,093)
State sources	32,732,967	32,224,347	31,092,613	(1,131,734)
Federal sources	165,897	172,078	156,934	(15,144)
Total revenue	44,251,126	43,911,919	42,129,431	(1,782,488)
Expenditures				
Current				
Administrative and support services	36,200	39,716	25,575	(14,141)
Secondary vocational/DCALS	4,181,334	4,441,353	4,124,404	(316,949)
Special education programs	39,546,555	38,817,151	37,117,778	(1,699,373)
Debt service				
Principal	295,000	295,000	295,000	—
Interest and fiscal charges	227,700	227,700	227,700	—
Total expenditures	44,286,789	43,820,920	41,790,457	(2,030,463)
Excess (deficiency) of revenue over expenditures	(35,663)	90,999	338,974	247,975
Other financing (uses)				
Transfers out	(10,560)	(10,560)	(7,876)	2,684
Net change in fund balances	<u>\$ (46,223)</u>	<u>\$ 80,439</u>	331,098	<u>\$ 250,659</u>
Fund balances				
Beginning of year, as previously reported			9,797,202	
Change in accounting principle			3,820	
Beginning of year, as restated			<u>9,801,022</u>	
End of year			<u>\$ 10,132,120</u>	

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Net Position
 Proprietary Funds
 Internal Service Funds
 as of June 30, 2020
 (With Partial Comparative Actual Amounts as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and temporary investments	\$ 5,156,921	\$ 4,020,105
Accounts receivable	3,586	1,664
Prepaid items	856	38
Total assets	<u>5,161,363</u>	<u>4,021,807</u>
Deferred outflows of resources		
OPEB plan deferments	80,002	60,929
Liabilities		
Current liabilities		
Accounts and contracts payable	215,394	423,844
Due to other governmental units	1,374	1,183
Severance benefits payable	18,424	31,448
Total current liabilities	<u>235,192</u>	<u>456,475</u>
Long-term liabilities		
Total OPEB liability	1,380,775	1,186,519
Severance benefits payable	372,982	367,301
Total long-term liabilities	<u>1,753,757</u>	<u>1,553,820</u>
Total liabilities	<u>1,988,949</u>	<u>2,010,295</u>
Deferred inflows of resources		
OPEB plan deferments	<u>386,351</u>	<u>441,544</u>
Net position		
Unrestricted	<u>\$ 2,866,065</u>	<u>\$ 1,630,897</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2020
 (With Partial Comparative Information for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 5,016,767	\$ 4,564,468
Operating expenses		
Post-employment severance and health benefits	139,516	131,096
Medical benefit claims	3,291,125	3,554,211
Dental benefit claims	400,882	437,654
Total operating expenses	<u>3,831,523</u>	<u>4,122,961</u>
Operating income	1,185,244	441,507
Nonoperating revenue		
Investment earnings	<u>49,924</u>	<u>68,465</u>
Change in net position	1,235,168	509,972
Net position		
Beginning of year	<u>1,630,897</u>	<u>1,120,925</u>
End of year	<u>\$ 2,866,065</u>	<u>\$ 1,630,897</u>

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Statement of Cash Flows
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2020
 (With Partial Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 5,014,845	\$ 4,564,192
Post-employment severance and health benefit payments	(27,687)	(67,540)
Payments for medical claims	(3,493,526)	(3,345,985)
Payments for dental claims	(406,740)	(401,985)
Net cash flows from operating activities	<u>1,086,892</u>	<u>748,682</u>
Cash flows from investing activities		
Investment income received	<u>49,924</u>	<u>68,465</u>
Net increase in cash and cash equivalents	1,136,816	817,147
Cash and temporary investments		
Beginning of year	<u>4,020,105</u>	<u>3,202,958</u>
End of year	<u><u>\$ 5,156,921</u></u>	<u><u>\$ 4,020,105</u></u>
Reconciliation of operating income to net cash flows		
from operating activities		
Operating income	\$ 1,185,244	\$ 441,507
Adjustments to reconcile operating income to net cash		
flows from operating activities		
Changes in assets and liabilities		
Receivables	(1,922)	(276)
Prepaid items	(818)	(1)
OPEB plan deferments	(74,266)	429,913
Accounts and contracts payable	(208,450)	243,712
Due to other governmental units	191	183
Severance benefits payable	(7,343)	(42,697)
Total OPEB liability	<u>194,256</u>	<u>(323,659)</u>
Net cash flows from operating activities	<u><u>\$ 1,086,892</u></u>	<u><u>\$ 748,682</u></u>

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INTERMEDIATE SCHOOL DISTRICT NO. 917

Notes to Basic Financial Statements June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

C. Minnesota State Colleges and Universities

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

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

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

E. Fund Financial Statement Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Description of Funds

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

Major Governmental Funds

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

Nonmajor Governmental Funds

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

Proprietary Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

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

G. Cash and Temporary Investments

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

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

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

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

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

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

H. Receivables

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

I. Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Prepaid Items

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

K. Capital Assets

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

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

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

L. Long-Term Obligations

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

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

M. Compensated Absences

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Sick Pay

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

O. Severance Benefits

The District provides lump sum severance pay to eligible employees in accordance with provisions in certain collectively bargained contracts. Members of certain employee groups may become eligible to receive lump sum severance pay benefits. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the applicable internal service fund as it is earned and it becomes probable it will vest at some point in the future.

P. State-Wide Pension Plans

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plan.

The District makes premium payments to the internal service funds on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

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

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Charges and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2019	\$ 13,175	\$ 437,654	\$ 401,985	\$ 48,844
2020	\$ 48,844	\$ 400,882	\$ 406,740	\$ 42,986

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

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Charges and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2019	\$ 166,957	\$ 3,553,028	\$ 3,344,985	\$ 375,000
2020	\$ 375,000	\$ 3,290,934	\$ 3,493,526	\$ 172,408

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Deferred Outflows/Inflows of Resources

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

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

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

S. Statement of Cash Flows

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

T. Use of Estimates

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

U. Restricted Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Net Position

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

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

W. Fund Balance Classifications

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Y. Change in Accounting Principle

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by accounting for the extracurricular student activity funds in the General Fund and its governmental activities, rather than in a separate audit report as it has in the past. The standard required retroactive implementation, which resulted in the restatement of fund balance in the General Fund and Net Position of Governmental Activities as of June 30, 2019. The restatement resulted in an increase in fund balance and net position of \$3,820 as of July 1, 2019.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

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

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

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

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

At year-end, the carrying amount of the District's deposits was \$652,369, while the balance on the bank records was \$653,214. At June 30, 2020, 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, 2020, and information relating to potential investment risks:

Investment Type	Credit Risk		Fair Value Measurements	Interest Risk – Maturity Duration in Years				Total
	Rating	Agency		Less Than 1	1 to 5	5 to 10	More Than 10	
Investment pools/mutual funds								
Minnesota School District Liquid Asset Fund								
Liquid Class	AAA	S&P	Amortized cost	N/A	N/A	N/A	N/A	\$ 832
MAX Class	AAA	S&P	Amortized cost	N/A	N/A	N/A	N/A	8,240,776
First American Treasury Obligations Fund Class D	AAA	S&P	Level 1	N/A	N/A	N/A	N/A	44,377
								8,285,985
Deposits								652,369
Total cash and investments								\$ 8,938,354

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

Cash and temporary investments – Statement of Net Position	\$ 8,893,977
Cash and investments held by trustee – Statement of Net Position	44,377
Total cash and investments	<u>\$ 8,938,354</u>

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation activity for the year ended June 30, 2020 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 655,000	\$ –	\$ –	\$ –	\$ 655,000
Construction in progress	–	106,141	–	(106,141)	–
Total capital asset, not depreciated	<u>655,000</u>	<u>106,141</u>	<u>–</u>	<u>(106,141)</u>	<u>655,000</u>
Capital assets, depreciated					
Buildings	11,168,352	–	–	106,141	11,274,493
Furniture and equipment	<u>2,489,329</u>	<u>258,562</u>	<u>(37,137)</u>	<u>–</u>	<u>2,710,754</u>
Total capital assets, depreciated	13,657,681	258,562	(37,137)	106,141	13,985,247
Less accumulated depreciation for					
Buildings	(3,494,345)	(270,339)	–	–	(3,764,684)
Furniture and equipment	<u>(1,709,774)</u>	<u>(152,603)</u>	<u>37,137</u>	<u>–</u>	<u>(1,825,240)</u>
Total accumulated depreciation	<u>(5,204,119)</u>	<u>(422,942)</u>	<u>37,137</u>	<u>–</u>	<u>(5,589,924)</u>
Net capital assets, depreciated	<u>8,453,562</u>	<u>(164,380)</u>	<u>–</u>	<u>106,141</u>	<u>8,395,323</u>
Total capital assets, net	<u>\$ 9,108,562</u>	<u>\$ 94,182</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 9,050,323</u>

Depreciation expense for the year ended June 30, 2020 was charged to the following governmental functions:

Administrative and support services	\$ 15,783
Secondary vocational/DCALS	19,311
Special education programs	387,586
Food service	<u>262</u>
Total depreciation expense	<u>\$ 422,942</u>

NOTE 4 – LONG-TERM LIABILITIES

A. Components and Changes in Long-Term Liabilities

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

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
Certificates of participation	\$ 7,540,000	\$ –	\$ 295,000	\$ 7,245,000	\$ 305,000
Unamortized premium/discount	237,494	–	12,232	225,262	–
Severance benefits payable	398,749	18,424	25,767	391,406	18,424
Compensated absences payable	337,148	188,980	150,272	375,856	150,272
Total OPEB liability	1,186,519	213,782	19,526	1,380,775	–
Net pension liability	<u>20,169,161</u>	<u>3,786,169</u>	<u>1,827,979</u>	<u>22,127,351</u>	<u>–</u>
	<u>\$ 29,869,071</u>	<u>\$ 4,207,355</u>	<u>\$ 2,330,776</u>	<u>\$ 31,745,650</u>	<u>\$ 473,696</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Description of Long-Term Liabilities

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

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

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

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2020:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 6,275,161	\$ 1,440,014	\$ 1,013,347	\$ 1,001,673
TRA	15,852,190	16,252,882	20,622,482	3,348,199
Total	<u>\$ 22,127,351</u>	<u>\$ 17,692,896</u>	<u>\$ 21,635,829</u>	<u>\$ 4,349,872</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**C. Minimum Debt Payments**

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 305,000	\$ 221,800
2022	310,000	215,700
2023	315,000	209,500
2024	325,000	201,625
2025	330,000	193,500
2026–2030	1,805,000	815,900
2031–2035	2,085,000	493,800
2036–2039	1,770,000	134,550
	<u>\$ 7,245,000</u>	<u>\$ 2,486,375</u>

NOTE 5 – FUND BALANCES

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

A. Classifications

At June 30, 2020, a summary of the District’s governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Food Service Special Revenue Fund</u>	<u>Total</u>
Nonspendable			
Inventory	\$ 1,168	\$ –	\$ 1,168
Prepaid items	129,983	–	129,983
Total nonspendable	<u>131,151</u>	<u>–</u>	<u>131,151</u>
Restricted for			
Student activities	4,863	–	4,863
Debt service	44,377	–	44,377
Basic skills	88,894	–	88,894
Total restricted	<u>138,134</u>	<u>–</u>	<u>138,134</u>
Assigned			
Subsequent year’s budgeted deficit	391,088	–	391,088
Unassigned	<u>9,471,747</u>	<u>–</u>	<u>9,471,747</u>
Total	<u>\$ 10,132,120</u>	<u>\$ –</u>	<u>\$ 10,132,120</u>

NOTE 5 – FUND BALANCES (CONTINUED)

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum unassigned fund balance for the General Fund. The policy states the District will strive to maintain a minimum unassigned General Fund balance of 15.0 percent of the annual budget. At June 30, 2020, the unassigned fund balance of the General Fund was 22.7 percent of fiscal 2020 expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

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

B. Benefits Provided

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

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

1. GERS Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with the minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit at least one month but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

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

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2020, were \$670,963. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,					
	2018		2019		2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.50 %	11.00 %	11.71 %	11.00 %	11.92 %
Coordinated Plan	7.50 %	7.50 %	7.50 %	7.71 %	7.50 %	7.92 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2020, were \$1,215,570. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

	<i>in thousands</i>
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300
Add employer contributions not related to future contribution efforts	(688)
Deduct the TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total nonemployer contributions	<u>35,588</u>
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 437,714</u>

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$6,275,161 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1135 percent at the end of the measurement period and 0.1052 percent for the beginning of the period.

The District's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 6,275,161
State's proportionate share of the net pension liability associated with the District	\$ 194,992

For the year ended June 30, 2020, the District recognized pension expense of \$987,070 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$14,603 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

At June 30, 2020, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 161,972	\$ –
Changes in actuarial assumptions	–	447,149
Differences between expected and actual investment earnings	–	566,198
Changes in proportion	607,079	–
District's contributions to the GERF subsequent to the measurement date	670,963	–
Total	<u>\$ 1,440,014</u>	<u>\$ 1,013,347</u>

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

A total of \$670,963 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (53,959)
2022	\$ (199,548)
2023	\$ (902)
2024	\$ 10,113

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$15,852,190 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.2487 percent at the end of the measurement period and 0.2282 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 15,852,190
State's proportionate share of the net pension liability associated with the District	\$ 1,402,823

For the year ended June 30, 2020, the District recognized pension expense of \$3,241,568. It also recognized \$106,631 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

At June 30, 2020, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ —	\$ 354,106
Changes in actuarial assumptions	10,953,825	19,073,368
Difference between projected and actual investment earnings	—	1,195,008
Changes in proportion	4,083,487	—
District's contributions to the TRA subsequent to the measurement date	1,215,570	—
Total	\$ 16,252,882	\$ 20,622,482

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

A total of \$1,215,570 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ 1,248,810
2022	\$ 579,988
2023	\$ (4,416,554)
2024	\$ (3,216,621)
2025	\$ 219,207

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

Actuarial assumptions used in the June 30, 2019 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. Economic assumptions were updated in 2018, based on a review of inflation and investment return assumptions. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

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

The following changes in actuarial assumptions and plan provisions occurred in 2019:

1. GERP

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90 %
Fixed income	20.0	0.75 %
International equity	17.5	5.30/5.90 %
Cash equivalents	2.0	– %
Total	100.0 %	

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 10,316,026	\$ 6,275,161	\$ 2,938,623
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 25,272,267	\$ 15,852,190	\$ 8,085,476

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

H. Pension Plan Fiduciary Net Position

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

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

I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

The United States and global markets experienced declines in values, resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on the PERA's and the TRA's discount rate, as well as the value of each plan's investments. Any impact caused by the resulting declines have not been included in the schedules as of June 30, 2019.

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

A. Plan Descriptions

The District provides post-employment healthcare benefits to certain eligible employees through a single-employer defined benefit OPEB Plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups, with benefit eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a separate financial report.

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

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

B. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's contributions in the current year totaled \$54,365 as required on a pay-as-you-go basis to finance the current year benefits as described in the previous section. The District has not established a trust fund to finance these OPEB benefits.

C. Membership

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

Retirees and beneficiaries receiving benefits	2
Active plan members	<u>515</u>
Total members	<u><u>517</u></u>

D. Total OPEB Liability of the District

The District's total OPEB liability of \$1,380,775 at year-end was measured as of July 1, 2019, and was determined by an actuarial valuation with a valuation date of July 1, 2018.

E. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2018 and measurement date as of July 1, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.10%
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.25% in 2019, grading to 5.00% over 5 years
Dental trend rate	4.00%

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

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale. Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**F. Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Beginning balance	\$ 1,186,519
Changes for the year	
Service cost	179,538
Interest	46,781
Assumption changes	27,367
Benefit payments	(59,430)
Total net changes	<u>194,256</u>
Ending balance	<u><u>\$ 1,380,775</u></u>

G. Changes in Actuarial Assumptions

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

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.10%	3.10%	4.10%
Total OPEB liability	\$ 1,478,301	\$ 1,380,775	\$ 1,287,917

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

	<u>1% Decrease in Healthcare Cost Trend Rates</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase in Healthcare Cost Trend Rates</u>
Healthcare trend rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Dental trend rate	3.00%	4.00%	5.00%
Total OPEB liability	\$ 1,236,601	\$ 1,380,775	\$ 1,553,603

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

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

The District recognized OPEB expense of \$139,516 in the current year, and at year-end reported the following deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 25,637	\$ –
Differences between expected and actual economic experience	–	386,351
District's contributions subsequent to the measurement date	54,365	–
Total	<u>\$ 80,002</u>	<u>\$ 386,351</u>

A total of \$54,365 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021.

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

Year Ending June 30,	OPEB Expense
2021	\$ (51,964)
2022	\$ (51,964)
2023	\$ (51,964)
2024	\$ (51,964)
2025	\$ (51,964)
Thereafter	\$ (100,894)

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

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

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

NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The District is leasing buildings and space in several locations. The District incurred expenditures of \$1,511,267 for operating leases during the year ended June 30, 2020. These leases are mostly financed by lease levies by member districts, which totaled \$1,353,232 in fiscal 2020. These leases are scheduled to expire on various dates through 2034. The following is a summary of minimum lease payments for all operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,156,009
2022	1,173,381
2023	970,350
2024	984,905
2025	999,679
2026–2030	5,227,872
2031–2034	<u>2,459,440</u>
	<u><u>\$ 12,971,636</u></u>

B. Federal and State Revenues

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

C. Legal Contingencies

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. COVID-19 Pandemic

The COVID-19 pandemic has caused economic and financial market volatility in the United States and around the world, along with significant business and operational disruptions for many organizations. Due to the unknown breadth and duration of this pandemic, any potential impact it may have on the District's future operations and financial condition cannot be determined at this time and has not been reflected in these financial statements.

NOTE 10 – INTERFUND TRANSFERS AND BALANCES

The General Fund made an interfund transfer of \$7,876 to the Food Service Special Revenue Fund to eliminate a fund balance deficit at year-end.

The General Fund had a \$5,999 due from the Food Service Special Revenue Fund. This due from other funds will be paid with future revenues of the Food Service Special Revenue Fund.

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

NOTE 11 – DEFICIT FUND BALANCE

The Post-Employment Employee Benefits Internal Service Fund had a deficit net position at June 30, 2020 of \$699,101. This deficit will be funded by future district contributions to this fund.

REQUIRED SUPPLEMENTARY INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2020

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

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2020

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

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

INTERMEDIATE SCHOOL DISTRICT NO. 917

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2020

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

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2020

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

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

INDEPENDENT SCHOOL DISTRICT NO. 917

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Total
OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2018	2019	2020
Total OPEB liability			
Service cost	\$ 172,192	\$ 164,578	\$ 179,538
Interest	50,548	56,111	46,781
Assumption changes	—	1,687	27,367
Difference between expected and actual experience	—	(496,737)	—
Benefit payments	(53,728)	(49,298)	(59,430)
Net change in total OPEB liability	169,012	(323,659)	194,256
Total OPEB liability – beginning of year	1,341,166	1,510,178	1,186,519
Total OPEB liability – end of year	\$ 1,510,178	\$ 1,186,519	\$ 1,380,775
Covered-employee payroll	\$ 17,301,959	\$ 21,687,037	\$ 22,337,648
Total OPEB liability as a percentage of covered-employee payroll	8.73%	5.47%	6.18%

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

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

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information
June 30, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued)
June 30, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued) June 30, 2020

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued)
June 30, 2020

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 917

Notes to Required Supplementary Information (continued)
June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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SUPPLEMENTAL INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Comparative Balance Sheet
as of June 30, 2020 and 2019

	2020	2019
Assets		
Cash and temporary investments	\$ 3,737,056	\$ 2,146,835
Cash and investments held by trustee	44,377	43,475
Receivables		
Accounts and interest	9,547	23,405
Due from other school districts	3,055,925	3,517,804
Due from Minnesota Department of Education	7,149,669	7,485,557
Due from other governmental units	27,630	—
Due from other funds	5,999	50
Inventory	1,168	153
Prepaid items	129,983	129,109
Total assets	<u>\$ 14,161,354</u>	<u>\$ 13,346,388</u>
Liabilities		
Salaries and compensated absences payable	\$ 3,342,825	\$ 3,028,460
Accounts and contracts payable	115,433	19,231
Due to other school districts	329,921	187,913
Due to other governmental units	234,348	222,975
Unearned revenue	6,707	90,607
Total liabilities	<u>4,029,234</u>	<u>3,549,186</u>
Fund balances		
Nonspendable for inventory	1,168	153
Nonspendable for prepaid items	129,983	129,109
Restricted for student activities	4,863	—
Restricted for debt service	44,377	43,475
Restricted for basic skills	88,894	138,880
Assigned for subsequent year's budgeted deficit	391,088	145,942
Unassigned	9,471,747	9,339,643
Total fund balances	<u>10,132,120</u>	<u>9,797,202</u>
Total liabilities and fund balances	<u>\$ 14,161,354</u>	<u>\$ 13,346,388</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 10,879,177	\$ 10,282,316	\$ (596,861)	\$ 11,324,143
Investment earnings	83,600	54,944	(28,656)	85,149
Other	552,717	542,624	(10,093)	961,796
State sources	32,224,347	31,092,613	(1,131,734)	27,879,426
Federal sources	172,078	156,934	(15,144)	142,549
Total revenue	<u>43,911,919</u>	<u>42,129,431</u>	<u>(1,782,488)</u>	<u>40,393,063</u>
Expenditures				
Current				
Administrative and support services	36,916	25,575	(11,341)	500,039
Secondary vocational/DCALS	4,444,153	4,124,404	(319,749)	3,737,042
Special education programs	38,817,151	37,117,778	(1,699,373)	33,840,827
Capital outlay	—	—	—	868
Debt service				
Principal	295,000	295,000	—	290,000
Interest and fiscal charges	227,700	227,700	—	233,500
Total expenditures	<u>43,820,920</u>	<u>41,790,457</u>	<u>(2,030,463)</u>	<u>38,602,276</u>
Excess of revenue over expenditures	90,999	338,974	247,975	1,790,787
Other financing sources (uses)				
Proceeds from sale of assets	—	—	—	11,855
Transfers out	(10,560)	(7,876)	2,684	(29,372)
Total other financing sources (uses)	<u>(10,560)</u>	<u>(7,876)</u>	<u>2,684</u>	<u>(17,517)</u>
Net change in fund balances	<u>\$ 80,439</u>	<u>331,098</u>	<u>\$ 250,659</u>	<u>1,773,270</u>
Fund balances				
Beginning of year, as previously reported		9,797,202		8,023,932
Change in accounting principle		3,820		—
Beginning of year, as restated		<u>9,801,022</u>		<u>8,023,932</u>
End of year		<u>\$ 10,132,120</u>		<u>\$ 9,797,202</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund
Combining Balance Sheet by Account
as of June 30, 2020

	Secondary Education	Special Education	Services Allocation
Assets			
Cash and temporary investments (deficit)	\$ 5,412,638	\$ (1,627,871)	\$ (47,875)
Cash and investments held by trustee	—	—	—
Receivables			
Accounts and interest	—	2,526	6,856
Due from other school districts	1,566,159	1,420,566	69,200
Due from Minnesota Department of Education	141,260	7,008,409	—
Due from other governmental units	—	27,630	—
Due from other funds	5,999	—	—
Inventory	—	—	—
Prepaid items	15,176	113,772	1,035
Total assets	<u>\$ 7,141,232</u>	<u>\$ 6,945,032</u>	<u>\$ 29,216</u>
Liabilities			
Salaries and compensated absences payable	\$ 3,342,825	\$ —	\$ —
Accounts and contracts payable	2,120	93,570	19,616
Due to other school districts	75,041	251,814	3,066
Due to other governmental units	110,973	122,550	692
Unearned revenue	—	365	5,842
Total liabilities	<u>3,530,959</u>	<u>468,299</u>	<u>29,216</u>
Fund balances (deficit)			
Nonspendable for inventory	—	—	—
Nonspendable for prepaid items	15,176	113,772	1,035
Restricted for student activities	4,863	—	—
Restricted for debt service	—	—	—
Restricted for basic skills	—	88,894	—
Assigned for subsequent year's budgeted deficit	79,101	302,523	—
Unassigned	3,511,133	5,971,544	(1,035)
Total fund balances	<u>3,610,273</u>	<u>6,476,733</u>	<u>—</u>
Total liabilities and fund balances	<u>\$ 7,141,232</u>	<u>\$ 6,945,032</u>	<u>\$ 29,216</u>

District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
\$ 671	\$ (29,962)	\$ 18,639	\$ 10,816	\$ 3,737,056
—	44,377	—	—	44,377
—	—	—	165	9,547
—	—	—	—	3,055,925
—	—	—	—	7,149,669
—	—	—	—	27,630
—	—	—	—	5,999
—	—	670	498	1,168
—	—	—	—	129,983
<u>\$ 671</u>	<u>\$ 14,415</u>	<u>\$ 19,309</u>	<u>\$ 11,479</u>	<u>\$ 14,161,354</u>
\$ —	\$ —	\$ —	\$ —	\$ 3,342,825
—	—	—	127	115,433
—	—	—	—	329,921
—	—	129	4	234,348
—	—	—	500	6,707
—	—	129	631	4,029,234
—	—	670	498	1,168
—	—	—	—	129,983
—	—	—	—	4,863
—	44,377	—	—	44,377
—	—	—	—	88,894
—	3,000	2,864	3,600	391,088
671	(32,962)	15,646	6,750	9,471,747
<u>671</u>	<u>14,415</u>	<u>19,180</u>	<u>10,848</u>	<u>10,132,120</u>
<u>\$ 671</u>	<u>\$ 14,415</u>	<u>\$ 19,309</u>	<u>\$ 11,479</u>	<u>\$ 14,161,354</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund

Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2020

	Secondary Education	Special Education	Services Allocation
Revenue			
Local sources			
Tuition	\$ 3,671,622	\$ 6,087,994	\$ —
Investment earnings	32,575	19,033	—
Other	4,735	504,261	75
State sources	547,390	30,519,723	25,500
Federal sources	156,934	—	—
Total revenue	<u>4,413,256</u>	<u>37,131,011</u>	<u>25,575</u>
Expenditures			
Current			
Administrative and support services	—	—	25,575
Secondary vocational/DCALS	4,103,597	—	—
Special education programs	—	37,111,478	—
Debt service			
Principal	—	—	—
Interest and fiscal charges	—	—	—
Total expenditures	<u>4,103,597</u>	<u>37,111,478</u>	<u>25,575</u>
Excess (deficiency) of revenue over expenditures	309,659	19,533	—
Other financing (uses)			
Transfers out	<u>—</u>	<u>(7,876)</u>	<u>—</u>
Net change in fund balances	309,659	11,657	—
Fund balances			
Beginning of year, as previously reported	3,296,794	6,465,076	—
Change in accounting principle	<u>3,820</u>	<u>—</u>	<u>—</u>
Beginning of year, as restated	<u>3,300,614</u>	<u>6,465,076</u>	<u>—</u>
End of year	<u>\$ 3,610,273</u>	<u>\$ 6,476,733</u>	<u>\$ —</u>

District Support Services	Capital Expenditure	Secondary Resale	Special Education Resale	Total
\$ —	\$ 522,700	\$ —	\$ —	\$ 10,282,316
—	3,336	—	—	54,944
—	5,500	17,999	10,054	542,624
—	—	—	—	31,092,613
—	—	—	—	156,934
—	531,536	17,999	10,054	42,129,431
—	—	—	—	25,575
—	2,199	18,608	—	4,124,404
—	—	—	6,300	37,117,778
—	295,000	—	—	295,000
—	227,700	—	—	227,700
—	524,899	18,608	6,300	41,790,457
—	6,637	(609)	3,754	338,974
—	—	—	—	(7,876)
—	6,637	(609)	3,754	331,098
671	7,778	19,789	7,094	9,797,202
—	—	—	—	3,820
671	7,778	19,789	7,094	9,801,022
\$ 671	\$ 14,415	\$ 19,180	\$ 10,848	\$ 10,132,120

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, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 3,953,902	\$ 3,671,622	\$ (282,280)	\$ 4,188,911
Investment earnings	35,000	32,575	(2,425)	37,628
Other	2,400	4,735	2,335	5,934
State sources	164,475	547,390	382,915	223,735
Federal sources	172,078	156,934	(15,144)	142,549
Total revenue	<u>4,327,855</u>	<u>4,413,256</u>	<u>85,401</u>	<u>4,598,757</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Salaries	2,504,840	2,360,808	(144,032)	2,068,260
Employee benefits	876,258	869,042	(7,216)	757,912
Purchased services	613,164	475,240	(137,924)	461,012
Supplies and materials	113,791	87,823	(25,968)	128,964
Other expenditures	15,228	18,682	3,454	16,964
Capital expenditures	92,983	108,917	15,934	64,031
Allocated overhead	186,276	183,085	(3,191)	216,229
Total expenditures	<u>4,402,540</u>	<u>4,103,597</u>	<u>(298,943)</u>	<u>3,713,372</u>
Net change in fund balances	<u>\$ (74,685)</u>	<u>309,659</u>	<u>\$ 384,344</u>	<u>885,385</u>
Fund balances				
Beginning of year, as previously reported		3,296,794		2,411,409
Change in accounting principle		3,820		—
Beginning of year, as restated		<u>3,300,614</u>		<u>2,411,409</u>
End of year		<u>\$ 3,610,273</u>		<u>\$ 3,296,794</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, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 6,402,575	\$ 6,087,994	\$ (314,581)	\$ 6,145,683
Investment earnings	45,000	19,033	(25,967)	43,324
Other	488,901	504,261	15,360	909,380
State sources	32,028,872	30,519,723	(1,509,149)	27,625,713
Total revenue	38,965,348	37,131,011	(1,834,337)	34,724,100
Expenditures				
Current				
Special education programs				
Salaries	22,197,217	21,472,374	(724,843)	19,587,249
Employee benefits	7,828,936	7,792,000	(36,936)	6,954,251
Purchased services	4,900,471	4,348,076	(552,395)	3,814,927
Supplies and materials	1,184,391	973,863	(210,528)	840,307
Other expenditures	100,141	107,636	7,495	95,781
Capital expenditures	819,916	678,564	(141,352)	1,012,620
Allocated overhead	1,775,079	1,738,965	(36,114)	1,522,784
Total expenditures	38,806,151	37,111,478	(1,694,673)	33,827,919
Excess (deficiency) of revenue over expenditures	159,197	19,533	(139,664)	896,181
Other financing sources (uses)				
Proceeds from sale of assets	—	—	—	11,855
Transfers out	(10,560)	(7,876)	2,684	(29,372)
Total other financing sources (uses)	(10,560)	(7,876)	2,684	(17,517)
Net change in fund balances	\$ 148,637	11,657	\$ (136,980)	878,664
Fund balances				
Beginning of year		6,465,076		5,586,412
End of year		\$ 6,476,733		\$ 6,465,076

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, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ —	\$ —	\$ —	\$ 466,049
Other	5,916	75	(5,841)	4,012
State sources	31,000	25,500	(5,500)	29,978
Total revenue	<u>36,916</u>	<u>25,575</u>	<u>(11,341)</u>	<u>500,039</u>
Expenditures				
Current				
Administrative and support services				
Salaries	1,188,234	1,166,024	(22,210)	1,090,570
Employee benefits	359,418	361,888	2,470	329,963
Purchased services	327,574	301,730	(25,844)	738,997
Supplies and materials	85,742	71,066	(14,676)	57,813
Other expenditures	18,734	18,586	(148)	17,493
Capital expenditures	18,913	28,331	9,418	4,216
Allocated overhead	(1,961,699)	(1,922,050)	39,649	(1,739,013)
Total expenditures	<u>36,916</u>	<u>25,575</u>	<u>(11,341)</u>	<u>500,039</u>
Net change in fund balances	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Fund balances				
Beginning of year		<u>—</u>		<u>—</u>
End of year		<u>\$ —</u>		<u>\$ —</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – District Support Services Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	<u>\$ –</u>	\$ –	<u>\$ –</u>	\$ –
Fund balances				
Beginning of year		<u>671</u>		<u>671</u>
End of year		<u>\$ 671</u>		<u>\$ 671</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Capital Expenditure Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition	\$ 522,700	\$ 522,700	\$ –	\$ 523,500
Investment earnings	3,600	3,336	(264)	4,197
Other	5,500	5,500	–	–
Total revenue	<u>531,800</u>	<u>531,536</u>	<u>(264)</u>	<u>527,697</u>
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	3,000	2,199	(801)	3,000
Debt service				
Principal	295,000	295,000	–	290,000
Interest and fiscal charges	<u>227,700</u>	<u>227,700</u>	<u>–</u>	<u>233,500</u>
Total expenditures	<u>525,700</u>	<u>524,899</u>	<u>(801)</u>	<u>526,500</u>
Net change in fund balances	<u>\$ 6,100</u>	<u>6,637</u>	<u>\$ 537</u>	<u>1,197</u>
Fund balances				
Beginning of year		<u>7,778</u>		<u>6,581</u>
End of year		<u>\$ 14,415</u>		<u>\$ 7,778</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund – Secondary Resale Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 39,500	\$ 17,999	\$ (21,501)	\$ 29,593
Expenditures				
Current				
Secondary vocational/DCALS				
Purchased services	647.00	2,417	1,770	1,698
Supplies and materials	37,966	16,144	(21,822)	18,972
Other expenditures	–	47	47	–
Capital outlay	–	–	–	868
Total expenditures	<u>38,613</u>	<u>18,608</u>	<u>(20,005)</u>	<u>21,538</u>
Net change in fund balances	<u>\$ 887</u>	<u>(609)</u>	<u>\$ (1,496)</u>	8,055
Fund balances				
Beginning of year		<u>19,789</u>		<u>11,734</u>
End of year		<u>\$ 19,180</u>		<u>\$ 19,789</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, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 10,500	\$ 10,054	\$ (446)	\$ 12,877
Expenditures				
Current				
Special education programs				
Purchased services	—	—	—	20
Supplies and materials	11,000	6,300	(4,700)	12,888
Total expenditures	11,000	6,300	(4,700)	12,908
Net change in fund balances	<u>\$ (500)</u>	3,754	<u>\$ 4,254</u>	(31)
Fund balances				
Beginning of year		7,094		7,125
End of year		<u>\$ 10,848</u>		<u>\$ 7,094</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Accounts receivable	<u>\$ 6,075</u>	<u>\$ 50</u>
Liabilities		
Accounts payable	\$ 76	\$ —
Due to other funds	<u>5,999</u>	<u>50</u>
Total liabilities	<u>\$ 6,075</u>	<u>\$ 50</u>

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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, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 40,000	\$ 32,322	\$ (7,678)	\$ 28,821
State sources	9,700	5,976	(3,724)	7,298
Federal sources	104,208	68,423	(35,785)	93,997
Total revenue	<u>153,908</u>	<u>106,721</u>	<u>(47,187)</u>	<u>130,116</u>
Expenditures				
Purchased services	6,445	5,055	(1,390)	11,453
Supplies and materials	<u>165,150</u>	<u>109,542</u>	<u>(55,608)</u>	<u>148,035</u>
Total expenditures	<u>171,595</u>	<u>114,597</u>	<u>(56,998)</u>	<u>159,488</u>
Excess (deficiency) of revenue over expenditures	(17,687)	(7,876)	9,811	(29,372)
Other financing sources				
Transfers in	<u>17,687</u>	<u>7,876</u>	<u>(9,811)</u>	<u>29,372</u>
Net change in fund balances	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Fund balances				
Beginning of year		<u>—</u>		<u>—</u>
End of year		<u>\$ —</u>		<u>\$ —</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2020
(With Comparative Totals as of June 30, 2019)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Assets			
Current assets			
Cash and temporary investments	\$ 535,686	\$ 3,242,662	\$ 1,378,573
Accounts receivable	—	3,586	—
Prepaid items	—	—	856
Total assets	<u>535,686</u>	<u>3,246,248</u>	<u>1,379,429</u>
Deferred outflows of resources			
OPEB plan deferments	<u>—</u>	<u>—</u>	<u>80,002</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	42,986	172,408	—
Due to other governmental units	—	1,374	—
Severance benefits payable	<u>—</u>	<u>—</u>	<u>18,424</u>
Total current liabilities	<u>42,986</u>	<u>173,782</u>	<u>18,424</u>
Long-term liabilities			
Total OPEB liability	—	—	1,380,775
Severance benefits payable	<u>—</u>	<u>—</u>	<u>372,982</u>
Total long-term liabilities	<u>—</u>	<u>—</u>	<u>1,753,757</u>
Total liabilities	<u>42,986</u>	<u>173,782</u>	<u>1,772,181</u>
Deferred inflows of resources			
OPEB plan deferments	<u>—</u>	<u>—</u>	<u>386,351</u>
Net position			
Unrestricted	<u>\$ 492,700</u>	<u>\$ 3,072,466</u>	<u>\$ (699,101)</u>

Totals	
2020	2019
\$ 5,156,921	\$ 4,020,105
3,586	1,664
856	38
<u>5,161,363</u>	<u>4,021,807</u>
<u>80,002</u>	<u>60,929</u>
215,394	423,844
1,374	1,183
18,424	31,448
<u>235,192</u>	<u>456,475</u>
1,380,775	1,186,519
372,982	367,301
<u>1,753,757</u>	<u>1,553,820</u>
<u>1,988,949</u>	<u>2,010,295</u>
<u>386,351</u>	<u>441,544</u>
<u>\$ 2,866,065</u>	<u>\$ 1,630,897</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Operating revenue			
Charges for services			
Contributions from governmental funds	\$ 506,781	\$ 4,366,207	\$ 143,779
Operating expenses			
Post-employment severance and health benefits	—	—	139,516
Medical benefit claims	—	3,291,125	—
Dental benefit claims	400,882	—	—
Total operating expenses	<u>400,882</u>	<u>3,291,125</u>	<u>139,516</u>
Operating income	105,899	1,075,082	4,263
Nonoperating revenue			
Investment earnings	<u>5,009</u>	<u>29,322</u>	<u>15,593</u>
Change in net position	110,908	1,104,404	19,856
Net position			
Beginning of year	<u>381,792</u>	<u>1,968,062</u>	<u>(718,957)</u>
End of year	<u>\$ 492,700</u>	<u>\$ 3,072,466</u>	<u>\$ (699,101)</u>

Totals	
2020	2019
\$ 5,016,767	\$ 4,564,468
139,516	131,096
3,291,125	3,554,211
400,882	437,654
<u>3,831,523</u>	<u>4,122,961</u>
1,185,244	441,507
<u>49,924</u>	<u>68,465</u>
1,235,168	509,972
<u>1,630,897</u>	<u>1,120,925</u>
<u>\$ 2,866,065</u>	<u>\$ 1,630,897</u>

INTERMEDIATE SCHOOL DISTRICT NO. 917

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Dental Self-Insurance	Medical Self-Insurance	Post-Employment Employee Benefits
Cash flows from operating activities			
Contributions from governmental funds	\$ 508,445	\$ 4,362,621	\$ 143,779
Post-employment severance and health benefit payments	—	—	(27,687)
Payments for medical claims	—	(3,493,526)	—
Payments for dental claims	(406,740)	—	—
Net cash flows from operating activities	101,705	869,095	116,092
Cash flows from investing activities			
Investment income received	5,009	29,322	15,593
Net change in cash and cash equivalents	106,714	898,417	131,685
Cash and temporary investments			
Beginning of year	428,972	2,344,245	1,246,888
End of year	\$ 535,686	\$ 3,242,662	\$ 1,378,573
Reconciliation of operating income to net cash flows from operating activities			
Operating income	\$ 105,899	\$ 1,075,082	\$ 4,263
Adjustments to reconcile operating income to net cash flows from operating activities			
Changes in assets and liabilities			
Accounts receivable	1,664	(3,586)	—
Prepaid items	—	—	(818)
OPEB plan deferments	—	—	(74,266)
Accounts and contracts payable	(5,858)	(202,592)	—
Due to other governmental units	—	191	—
Severance benefits payable	—	—	(7,343)
Total OPEB liability	—	—	194,256
Net cash flows from operating activities	\$ 101,705	\$ 869,095	\$ 116,092

Totals	
2020	2019
\$ 5,014,845	\$ 4,564,192
(27,687)	(67,540)
(3,493,526)	(3,345,985)
(406,740)	(401,985)
1,086,892	748,682
49,924	68,465
1,136,816	817,147
4,020,105	3,202,958
\$ 5,156,921	\$ 4,020,105
\$ 1,185,244	\$ 441,507
(1,922)	(276)
(818)	(1)
(74,266)	429,913
(208,450)	243,712
191	183
(7,343)	(42,697)
194,256	(323,659)
\$ 1,086,892	\$ 748,682

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OTHER INFORMATION

INTERMEDIATE SCHOOL DISTRICT NO. 917

Government-Wide Revenue by Type
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues			General Revenues	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Investment Earnings and Other	
2011	\$ 7,484,976 32%	\$ 15,265,005 65%	\$ 567,175 2%	\$ 224,526 1%	\$ 23,541,682 100%
2012	7,848,114 34%	14,720,483 63%	498,613 2%	136,147 1%	23,203,357 100%
2013	7,839,060 33%	15,177,273 64%	580,348 2%	126,115 1%	23,722,796 100%
2014	7,619,433 30%	17,064,879 67%	581,454 3%	97,720 —	25,363,486 100%
2015	7,876,725 30%	18,073,067 67%	559,401 2%	125,715 1%	26,634,908 100%
2016	8,765,738 30%	20,327,694 68%	554,908 2%	139,795 —	29,788,135 100%
2017	8,910,685 28%	21,223,814 67%	539,240 2%	845,477 3%	31,519,216 100%
2018	9,660,814 28%	23,146,660 67%	557,650 2%	580,576 3%	33,945,700 100%
2019	11,429,417 29%	26,541,284 67%	548,350 1%	1,070,943 3%	39,589,994 100%
2020	10,276,311 24%	30,724,528 73%	591,900 1%	699,517 2%	42,292,256 100%

INTERMEDIATE SCHOOL DISTRICT NO. 917

Government-Wide Expenses by Program
Last Ten Fiscal Years

Year Ended June 30,	Administrative and Support Services	Secondary Vocational/ DCALS	Special Education Programs	Food Service	Interest and Fiscal Charges on Debt	Total
2011	\$ 1,614,185 7%	\$ 3,855,919 17%	\$ 16,699,413 74%	\$ 74,423 –	\$ 353,553 2%	\$ 22,597,493 100%
2012	1,765,768 8%	3,875,566 17%	17,292,500 74%	101,616 –	344,925 1%	23,380,375 100%
2013	1,998,969 8%	3,962,647 16%	18,097,103 74%	85,779 –	335,885 1%	24,480,383 100%
2014	1,892,695 8%	3,483,868 14%	19,239,348 77%	108,123 –	326,431 1%	25,050,465 100%
2015	1,867,491 8%	3,182,362 12%	20,634,460 79%	116,426 –	316,820 1%	26,117,559 100%
2016	1,886,824 8%	2,993,362 11%	22,764,328 81%	131,729 –	307,246 1%	28,083,489 100%
2017	3,088,390 8%	3,590,904 10%	30,535,125 81%	143,390 –	301,437 1%	37,659,246 100%
2018	2,370,386 6%	4,185,093 11%	31,992,143 82%	136,447 –	246,834 1%	38,930,903 100%
2019	1,943,841 6%	2,399,143 8%	26,491,744 85%	159,619 –	241,276 1%	31,235,623 100%
2020	1,980,504 5%	4,104,278 10%	36,440,788 85%	114,859 –	235,435 –	42,875,864 100%

INTERMEDIATE SCHOOL DISTRICT NO. 917

General Fund Revenue by Source
Last Ten Fiscal Years

	Year Ended June 30,	Tuition Revenue	Investment Earnings (Charges)	Other Revenue	State Revenue	Federal Revenue	Total
Secondary education	2011	\$ 3,656,422	\$ 927	\$ 8,787	\$ 49,708	\$ 172,435	\$ 3,888,279
	2012	3,938,532	920	21,437	61,110	197,689	4,219,688
	2013	3,587,494	855	8,645	75,408	150,577	3,822,979
	2014	3,113,264	1,301	3,335	118,957	154,147	3,391,004
	2015	3,013,776	553	7,604	105,919	151,510	3,279,362
	2016	3,110,396	3,872	1,638	175,196	161,193	3,452,295
	2017	3,052,790	4,528	1,408	185,739	139,698	3,384,163
	2018	3,548,099	10,887	866	181,063	150,934	3,891,849
	2019	4,188,911	37,628	5,934	223,735	142,549	4,598,757
	2020	3,671,622	32,575	4,735	547,390	156,934	4,413,256
Special education	2011	3,087,411	(392)	390,143	14,210,549	735,457	18,423,168
	2012	2,962,399	(341)	529,239	14,199,467	172,752	17,863,516
	2013	3,202,954	44	546,076	14,861,033	5,000	18,615,107
	2014	3,396,148	1,119	568,794	16,689,111	5,000	20,660,172
	2015	3,652,478	400	629,749	17,783,764	5,000	22,071,391
	2016	4,579,099	8,973	644,251	19,900,805	—	25,133,128
	2017	4,857,838	8,952	548,626	20,873,915	—	26,289,331
	2018	5,193,103	26,198	458,843	23,243,634	—	28,921,778
	2019	6,145,683	43,324	909,380	27,625,713	—	34,724,100
	2020	6,087,994	19,033	504,261	30,519,723	—	37,131,011
Services allocation	2011	305,475	—	1,559	56,381	—	363,415
	2012	352,800	—	8,402	43,416	—	404,618
	2013	449,954	—	8,474	34,896	—	493,324
	2014	432,465	—	5,654	36,921	—	475,040
	2015	468,174	—	7,116	32,284	—	507,574
	2016	417,720	—	7,755	15,648	—	441,123
	2017	432,832	—	5,462	30,377	—	468,671
	2018	457,002	—	7,003	29,193	—	493,198
	2019	466,049	—	4,012	29,978	—	500,039
	2020	—	—	75	25,500	—	25,575
District support services	2011	39,670	—	31,831	—	—	71,501
	2012	24,600	—	26,485	—	—	51,085
	2013	—	—	44,058	—	—	44,058
	2014	—	—	31,060	—	—	31,060
	2015	—	—	2,240	—	—	2,240
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—
	2019	—	—	—	—	—	—
	2020	—	—	—	—	—	—

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	2011	552,201	28,941	1,707	—	—	582,849
	2012	477,245	28,827	—	—	—	506,072
	2013	558,376	28,560	—	—	—	586,936
	2014	559,095	28,959	—	—	—	588,054
	2015	559,401	28,344	—	—	—	587,745
	2016	554,908	31,711	—	—	—	586,619
	2017	555,220	45,416	—	—	—	600,636
	2018	505,000	3,843	—	—	—	508,843
	2019	523,500	4,197	—	—	—	527,697
	2020	522,700	3,336	5,500	—	—	531,536
Secondary resale	2011	—	—	137,627	—	—	137,627
	2012	—	—	60,687	—	—	60,687
	2013	—	—	70,329	—	—	70,329
	2014	—	—	119,308	—	—	119,308
	2015	—	—	62,472	—	—	62,472
	2016	—	—	72,784	—	—	72,784
	2017	—	—	27,382	—	—	27,382
	2018	—	—	24,148	—	—	24,148
	2019	—	—	29,593	—	—	29,593
	2020	—	—	17,999	—	—	17,999
Special education resale	2011	—	—	21,279	—	—	21,279
	2012	—	—	19,406	—	—	19,406
	2013	—	—	17,856	—	—	17,856
	2014	—	—	16,693	—	—	16,693
	2015	—	—	13,514	—	—	13,514
	2016	—	—	10,977	—	—	10,977
	2017	—	—	10,636	—	—	10,636
	2018	—	—	9,385	—	—	9,385
	2019	—	—	12,877	—	—	12,877
	2020	—	—	10,054	—	—	10,054

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	2011	\$ 2,253,662	\$ 680,947	\$ 563,196	\$ 164,868	\$ 209,572	\$ 3,872,245
	2012	2,365,115	732,814	515,206	133,740	220,927	3,967,802
	2013	2,449,860	795,235	535,087	120,327	234,507	4,135,016
	2014	1,894,098	702,336	521,496	92,923	260,228	3,471,081
	2015	1,818,549	684,389	506,510	91,810	280,631	3,381,889
	2016	1,766,552	613,991	466,365	102,689	296,790	3,246,387
	2017	1,849,994	629,643	413,106	238,242	270,734	3,401,719
	2018	1,939,231	657,156	445,562	100,948	256,317	3,399,214
	2019	2,068,260	757,912	461,012	209,959	216,229	3,713,372
	2020	2,360,808	869,042	475,240	215,422	183,085	4,103,597
Special education	2011	10,405,760	3,800,881	1,914,616	553,662	998,333	17,673,252
	2012	10,813,236	4,049,078	1,277,070	968,086	1,021,841	18,129,311
	2013	11,308,037	4,313,213	1,516,683	678,276	1,060,534	18,876,743
	2014	12,056,948	4,645,254	1,660,968	640,865	1,056,905	20,060,940
	2015	13,075,819	4,966,320	1,763,028	803,025	1,118,880	21,727,072
	2016	14,518,245	5,231,164	2,201,135	1,073,110	1,183,974	24,207,628
	2017	15,576,866	5,191,320	2,382,990	1,056,040	1,256,491	25,463,707
	2018	17,216,772	5,800,717	2,412,031	1,377,018	1,399,608	28,206,146
	2019	19,587,249	6,954,251	3,814,927	1,948,708	1,522,784	33,827,919
	2020	21,472,374	7,792,000	4,348,076	1,760,063	1,738,965	37,111,478
Services allocation	2011	786,795	214,980	490,893	78,652	(1,207,905)	363,415
	2012	786,232	237,644	569,416	54,094	(1,242,768)	404,618
	2013	789,620	253,125	707,647	37,971	(1,295,039)	363,415
	2014	799,495	259,349	676,557	56,770	(1,317,131)	475,040
	2015	863,256	250,344	732,924	60,561	(1,399,511)	507,574
	2016	914,218	237,668	674,770	95,229	(1,480,762)	441,123
	2017	987,354	267,621	673,348	67,572	(1,527,224)	468,671
	2018	1,035,133	280,301	773,447	60,242	(1,655,925)	493,198
	2019	1,090,570	329,963	738,997	79,522	(1,739,013)	500,039
	2020	1,166,024	361,888	301,730	117,983	(1,922,050)	25,575
District support services	2011	18,715	2,419	34,564	20,043	—	75,741
	2012	14,916	3,696	26,936	6,594	—	52,142
	2013	—	—	44,060	—	—	75,741
	2014	—	—	31,087	18,351	—	49,438
	2015	—	—	2,240	—	—	2,240
	2016	—	—	—	—	—	—
	2017	—	—	—	—	—	—
	2018	—	—	—	—	—	—
	2019	—	—	—	—	—	—
	2020	—	—	—	—	—	—

INTERMEDIATE SCHOOL DISTRICT NO. 917

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

	Year Ended June 30,	Salary Expenditures	Employee Benefits Expenditures	Purchased Services Expenditures	Other Expenditures	Allocated Overhead	Total
Capital expenditure	2011	—	—	70,060	557,978	—	628,038
	2012	—	—	73,093	574,847	—	647,940
	2013	—	—	26,673	622,286	—	628,038
	2014	—	—	137,765	559,095	—	696,860
	2015	—	—	19,362	559,401	—	578,763
	2016	—	—	25,950	577,708	—	603,658
	2017	—	—	40,812	3,954,374	—	3,995,186
	2018	—	—	7,712	615,346	—	623,058
	2019	—	—	3,000	523,500	—	526,500
	2020	—	—	2,199	522,700	—	524,899
Secondary resale	2011	18,760	3,133	29,480	75,164	—	126,537
	2012	—	—	12,293	47,733	—	60,026
	2013	—	—	13,099	52,500	—	65,599
	2014	—	—	20,863	101,682	—	122,545
	2015	—	—	35,614	38,986	—	74,600
	2016	—	—	5,642	83,044	—	88,686
	2017	—	—	2,430	22,527	—	24,957
	2018	—	—	1,654	20,734	—	22,388
	2019	—	—	1,698	19,840	—	21,538
	2020	—	—	2,417	16,191	—	18,608
Special education resale	2011	—	—	—	20,009	—	20,009
	2012	—	—	60	17,319	—	17,379
	2013	—	—	—	19,246	—	19,246
	2014	—	—	1,262	18,338	—	19,600
	2015	—	—	—	11,829	—	11,829
	2016	—	—	935	10,458	—	11,393
	2017	—	—	—	12,728	—	12,728
	2018	—	—	245	12,199	—	12,444
	2019	—	—	20	12,888	—	12,908
	2020	—	—	—	6,300	—	6,300

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 16, 2020

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate School District No. 917 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2020.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 16, 2020

INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2020

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 42,129,431	\$ 42,129,432	\$ (1)
Total expenditures		\$ 41,790,457	\$ 41,790,456	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ 131,151	\$ 131,152	\$ (1)
Restricted				
401	Student activities	\$ 4,863	\$ 4,863	\$ –
402	Scholarships	\$ –	\$ –	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP			
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 88,894	\$ 88,894	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 44,377	\$ 44,377	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 391,088	\$ 391,088	\$ –
Unassigned				
422	Unassigned fund balance	\$ 9,471,747	\$ 9,471,747	\$ –
Food Service				
Total revenue		\$ 106,721	\$ 106,722	\$ (1)
Total expenditures		\$ 114,597	\$ 114,598	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INTERMEDIATE SCHOOL DISTRICT NO. 917

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2020

			Audit	UFARS	Audit – UFARS
Building Construction					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
Nonspendable					
460	Nonspendable fund balance		\$ –	\$ –	\$ –
Restricted					
407	Capital projects levy		\$ –	\$ –	\$ –
413	Projects funded by COP		\$ –	\$ –	\$ –
467	Long-term facilities maintenance		\$ –	\$ –	\$ –
464	Restricted fund balance		\$ –	\$ –	\$ –
Unassigned					
463	Unassigned fund balance		\$ –	\$ –	\$ –
Debt Service					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
Nonspendable					
460	Nonspendable fund balance		\$ –	\$ –	\$ –
Restricted					
425	Bond refundings		\$ –	\$ –	\$ –
433	Maximum effort loan		\$ –	\$ –	\$ –
451	QZAB payments		\$ –	\$ –	\$ –
464	Restricted fund balance		\$ –	\$ –	\$ –
467	Long-term facilities maintenance		\$ –	\$ –	\$ –
Unassigned					
463	Unassigned fund balance		\$ –	\$ –	\$ –
Trust					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
401	Student activities		\$ –	\$ –	\$ –
402	Scholarships		\$ –	\$ –	\$ –
422	Net position		\$ –	\$ –	\$ –
Custodial Fund					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
401	Student activities		\$ –	\$ –	\$ –
402	Scholarships		\$ –	\$ –	\$ –
448	Achievement and integration		\$ –	\$ –	\$ –
464	Restricted		\$ –	\$ –	\$ –
Internal Service					
Total revenue			\$ 5,066,691	\$ 5,066,691	\$ –
Total expenditures			\$ 3,831,523	\$ 3,831,523	\$ –
422	Net position		\$ 2,866,065	\$ 2,866,065	\$ –
OPEB Revocable Trust Fund					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
422	Net position		\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
422	Net position		\$ –	\$ –	\$ –
OPEB Debt Service Fund					
Total revenue			\$ –	\$ –	\$ –
Total expenditures			\$ –	\$ –	\$ –
Nonspendable					
460	Nonspendable fund balance		\$ –	\$ –	\$ –
Restricted					
425	Bond refundings		\$ –	\$ –	\$ –
464	Restricted fund balance		\$ –	\$ –	\$ –
Unassigned					
463	Unassigned fund balance		\$ –	\$ –	\$ –

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

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