

INTERMEDIATE DISTRICT NO. 287
PLYMOUTH, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2016

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INTERMEDIATE DISTRICT NO. 287

Table of Contents

	Page
INTRODUCTORY SECTION	
BOARD OF DIRECTORS AND ADMINISTRATION	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	2–4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5–16
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19
Reconciliation of the Balance Sheet to the Statement of Net Position	20
Statement of Revenue, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	23
Proprietary Fund	
Internal Service Fund	
Statement of Net Position	24
Statement of Revenue, Expenses, and Changes in Net Position	25
Statement of Cash Flows	26
Fiduciary Funds	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	27
Notes to Basic Financial Statements	28–56
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association Pension Benefits Plan	
Schedule of District’s Proportionate Share of Net Pension Liability	57
Schedule of District Contributions	57
Teachers Retirement Association Pension Benefits Plan	
Schedule of District’s and Non-Employer Proportionate Share of Net Pension Liability	58
Schedule of District Contributions	58
Schedules of Funding Progress	
Other Post-Employment Benefits Plan	59
Pension Benefits Plan	59

INTERMEDIATE DISTRICT NO. 287

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	60
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	61
General Fund	
Comparative Balance Sheet	62
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	63
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account	64–65
Schedules of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	
Career and Technical Education Account	66
Academic Education Account	67
Special Education Account	68
District-Wide Account	69
Severance and Property Account	70
Student Clubs Account	71
Food Service Special Revenue Fund	
Comparative Balance Sheet	72
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	73
Community Service Special Revenue Fund	
Comparative Balance Sheet	74
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	75
Debt Service Fund	
Comparative Balance Sheet	76
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	77
Proprietary Funds	
Internal Service Funds	
Combining Statement of Net Position	78
Combining Statement of Revenue, Expenses, and Changes in Net Position	79
Combining Statement of Cash Flows	80

INTERMEDIATE DISTRICT NO. 287

Table of Contents (continued)

	Page
OTHER DISTRICT INFORMATION	
Government-Wide Revenue by Type	81
Government-Wide Expenses by Function	82–83
General Fund Revenue by Source	84
OTHER REQUIRED REPORTS	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	85–86
Independent Auditor’s Report on Minnesota Legal Compliance	87
Uniform Financial Accounting and Reporting Standards Compliance Table	88–89

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INTRODUCTORY SECTION

INTERMEDIATE DISTRICT NO. 287

Board of Directors and Administration
as of June 30, 2016

BOARD OF DIRECTORS

<u>Board of Directors</u>	<u>Member District</u>	<u>Position on Board</u>
Carol Bomben	Eden Prairie	Chairperson
Ann Bremer	Westonka	Vice Chairperson
Michèle Kunz	Orono	Treasurer
Nancy Rowley	Richfield	Clerk
Karen Filla	Minnetonka	Director
Nancy Gores	St. Louis Park	Director
Dean Henke	Osseo	Director
Regina Neville	Edina	Director
Jeffrey Palm	Brooklyn Center	Director
Laura Ronbeck	Hopkins	Director
Sherry Tyrrell	Robbinsdale	Director
Andrea Cuene	Wayzata	Director

ADMINISTRATION

Sandra Lewandowski	Superintendent
Anne Becker	General Counsel
Chad Maxa	Executive Director of Technology and Innovation
Elisabeth Lodge Rogers	Executive Director of Special Services and Educational Programs
Mae Hawkins	Executive Director of Business Services
Michelle Axell	Director of Human Resources
Michael Cowles	Director of Facilities
Rachel Hicks	Director of Communications and Public Relations
Christina Houck	Director of Special Education and Student Support Services
Jennifer Nelson	Director of Planning and Improvement
Jonathan Voss	Director of Teaching and Learning
Gloria Wilder	Director of Finance
David Anderson	Finance Manager

FINANCIAL SECTION

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PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Intermediate District No. 287
Plymouth, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intermediate District No. 287 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying 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 district information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 21, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report December 19, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 19, 2016

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INTERMEDIATE DISTRICT NO. 287

Management's Discussion and Analysis Year Ended June 30, 2016

This section of Intermediate District No. 287's (the District) annual financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. We encourage readers to consider the financial information presented here in conjunction with the other components of the District's annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual 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, 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 changes in member district usage and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including career and technical education, academic education, special education, student clubs, administrative support services, operations and maintenance, food service, and community service, are primarily financed with tuition, membership fees, access fees, and operating grants.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue Fund and Community Service Special Revenue Fund) 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.

- Some funds are required by state law and by bond covenants.
- The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The Internal Service Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its health and dental self-insurance activities. These services have been included within governmental activities in the government-wide financial statements.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2016	2015
Assets		
Current and other assets	\$ 25,977,911	\$ 23,802,013
Restricted assets	6,472,417	5,084,808
Capital assets, net of accumulated depreciation	72,795,935	74,138,777
Total assets	\$ 105,246,263	\$ 103,025,598
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	\$ 10,599,793	\$ 9,530,253
Liabilities		
Current and other liabilities	\$ 9,190,803	\$ 8,599,518
Long-term liabilities, including due within one year	126,790,004	122,987,847
Total liabilities	\$ 135,980,807	\$ 131,587,365
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	\$ 7,656,607	\$ 12,517,712
Net position		
Net investment in capital assets	\$ 3,616,592	\$ 2,718,148
Restricted	7,245,071	6,050,915
Unrestricted	(38,653,021)	(40,318,289)
Total net position	\$ (27,791,358)	\$ (31,549,226)

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, may 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, which impacts the unrestricted portion of net position.

Overall, net position increased by \$3,757,868 during the current year. The net investment in capital assets increased by \$898,444 from capital asset additions, retirement of debt, and annual depreciation. The increase in restricted assets is largely attributable to payments to the Debt Service Fund's cash held in escrow, which will be used to pay a portion of the North Education Center's outstanding debt. The unrestricted portion of the net position increased \$1,665,268 from current year operating results in the General and Internal Service Funds.

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

Table 2		
Summary Statement of Activities		
for the Years Ended June 30, 2016 and 2015		
	<u>2016</u>	<u>2015</u>
Revenue		
Program revenues		
Charges for services	\$ 23,370,376	\$ 23,560,298
Operating grants and contributions	56,860,030	55,382,586
General revenues		
General grants and aids	5,204,510	5,175,838
Other general revenues	469,565	799,531
Investment earnings	222,549	152,814
Total revenue	<u>86,127,030</u>	<u>85,071,067</u>
Expenses		
Career and technical education	1,142,660	1,204,770
Academic education	10,121,670	10,771,569
Special education	51,068,483	49,436,189
Student clubs	29,516	29,074
Administrative support services and operations and maintenance	15,386,789	15,884,064
Food service	718,400	771,783
Community service	162,080	152,350
Interest and fiscal charges on debt	3,739,564	3,835,131
Total expenses	<u>82,369,162</u>	<u>82,084,930</u>
Change in net position	3,757,868	2,986,137
Net position – beginning	<u>(31,549,226)</u>	<u>(34,535,363)</u>
Net position – ending	<u><u>\$ (27,791,358)</u></u>	<u><u>\$ (31,549,226)</u></u>

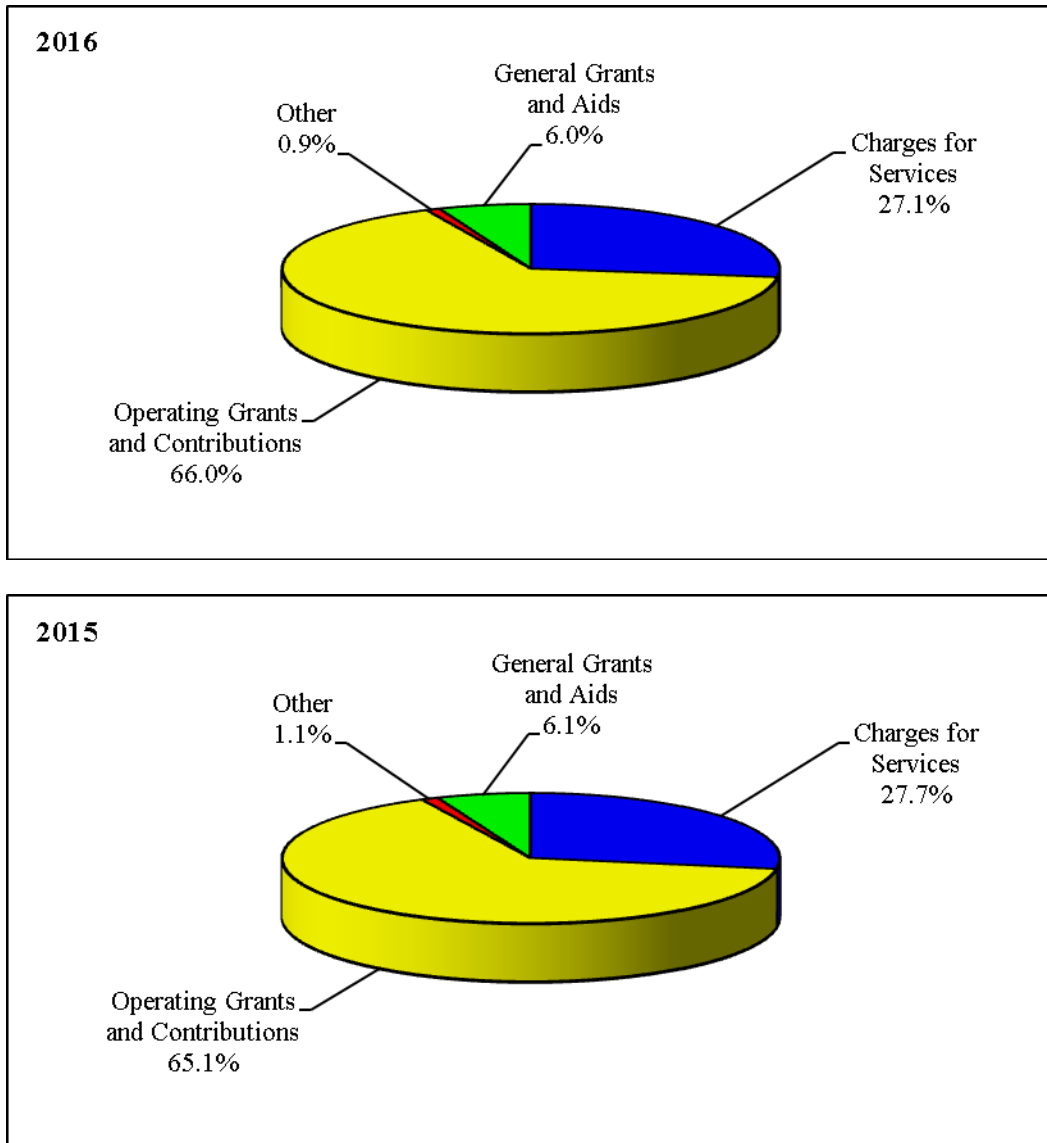
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

The District's total revenues were \$86,127,030 for the year ended June 30, 2016. Charges for services account for 27.1 percent of total revenues for the year, while operating grants and contributions accounted for 66.0 percent. General grants and aids accounted for 6.0 percent of the total revenue and are mainly from pass-through levies for debt service, the federal reimbursement received for interest payments made on the Build America Bonds, and Qualified School Construction Bonds.

The total cost of all programs and services was \$82,369,162, which is slightly more than fiscal 2015 by \$284,232. The special education programs experienced an increase of 3.3 percent related to increases in employee salary and benefits.

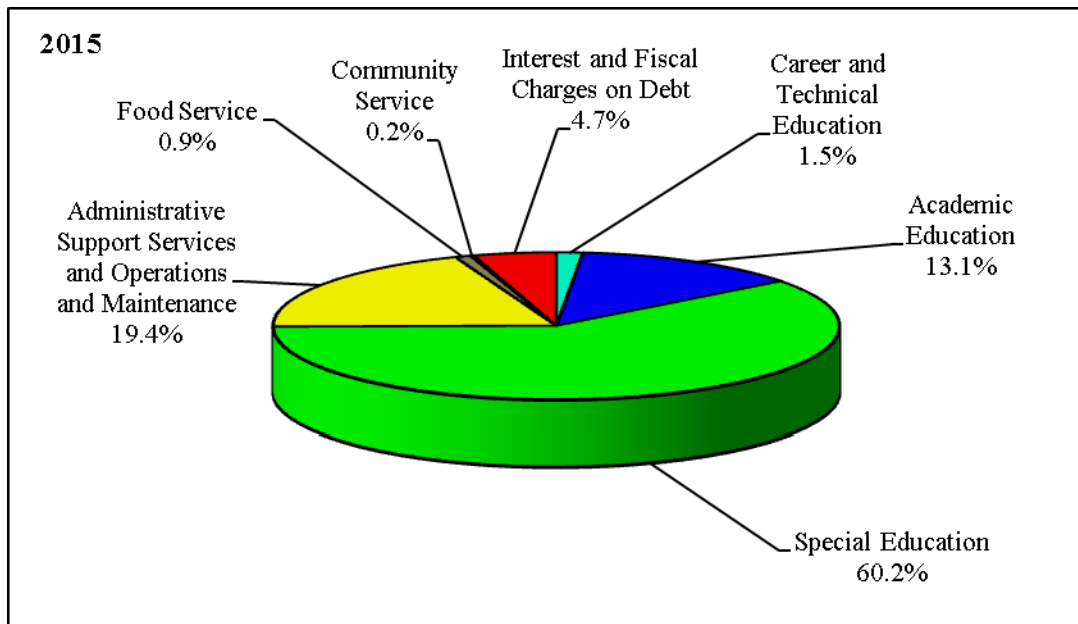
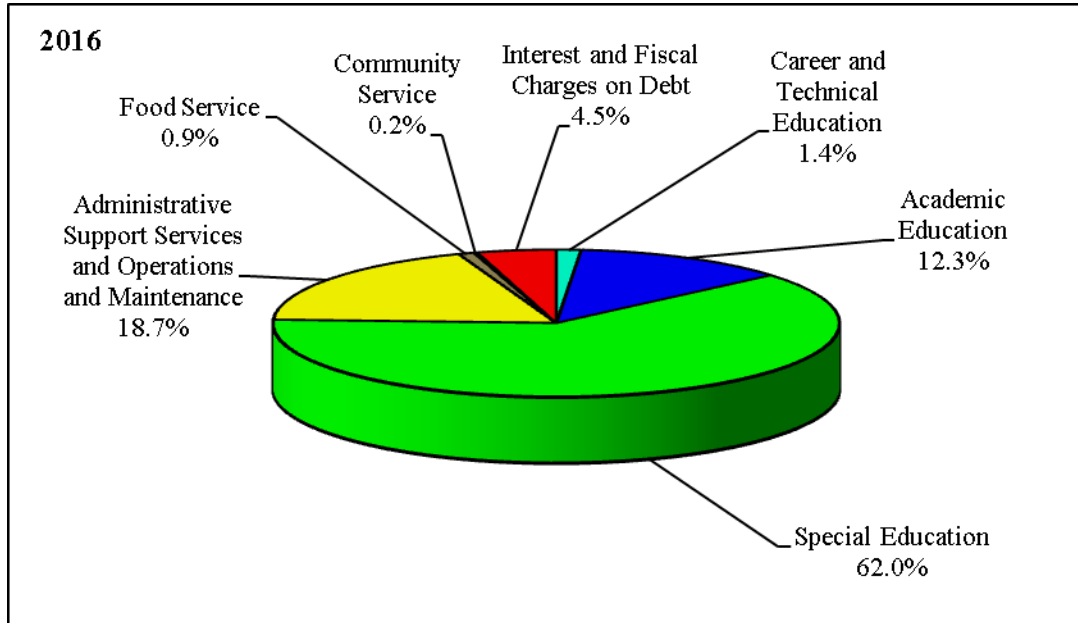
Figures A and B show further analysis of these revenue sources and expense functions:

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



The largest share of the District’s revenue results from services to member and nonmember school districts that normally result in tuition charges and service fees. Special education tuition billing has been processed through the Minnesota Department of Education (MDE) since 2009. Based on the special education services and costs reported to the MDE, the District generates both state special education aid and MDE-generated tuition billing revenue. Because these dollars flow through the state, they are classified as an operating grant rather than a charge for services.

Figure B – Expenses for Fiscal Years 2016 and 2015



The District’s expenses are predominately in categories that correlate directly to providing instruction, which includes: special education, academic education, and career and technical education, comprising 75.7 percent of the total. Total expenses for the year in administrative support services and operations and maintenance were 18.7 percent, which include administrative, business and instructional support services, building operations, and maintenance. Debt service expenses related to financing of facilities were 4.5 percent of total expenses.

Table 3 presents the net cost of governmental activities by functional activity of the District:

	2016		2015	
	Total Cost of Services	Net (Expenses Over) Revenues From Services	Total Cost of Services	Net (Expenses Over) Revenues From Services
Governmental activities				
Career and technical education	\$ 1,142,660	\$ 147,509	\$ 1,204,770	\$ 28,839
Academic education	10,121,670	(512,405)	10,771,569	(1,083,632)
Special education	51,068,483	944,820	49,436,189	1,001,600
Student clubs	29,516	5,267	29,074	4,271
Administrative support services and operations and maintenance	15,386,789	1,375,275	15,884,064	1,146,554
Food service	718,400	(262,591)	771,783	(328,754)
Community service	162,080	(97,067)	152,350	(75,793)
Interest and fiscal charges on debt	3,739,564	(3,739,564)	3,835,131	(3,835,131)
Total	<u>\$ 82,369,162</u>	<u>\$ (2,138,756)</u>	<u>\$ 82,084,930</u>	<u>\$ (3,142,046)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 4 shows the change in total fund balances of each of the District's governmental funds:

	2016	2015	Increase (Decrease)
Major funds			
General	\$ 15,731,113	\$ 15,263,526	\$ 467,587
Debt Service Fund	6,540,934	5,121,534	1,419,400
Total governmental funds	<u>\$ 22,272,047</u>	<u>\$ 20,385,060</u>	<u>\$ 1,886,987</u>

The Board of Director’s fund balance policy states: “To ensure the financial strength and stability of the District, the Board of Directors will endeavor to maintain an unassigned fund balance of at least 6 to 8 percent of the District’s General Fund operating budget, excluding operating capital programs.”

The District transferred an amount to an assigned fund balance for severance to continue to fund future severance obligations. The District also has an assigned fund balance for MDE special education state aid tuition adjustments totaling \$2,425,433. This is in recognition of the potential for additional calculation changes in these areas by state agencies.

Analysis of the General Fund

Table 5 presents a summary of General Fund revenues:

Table 5			
General Fund Revenues			
for the Years Ended June 30, 2016 and 2015			
	2016	2015	Amount of Increase (Decrease)
Local sources			
Pass-through levies	\$ 3,850,274	\$ 3,151,287	\$ 698,987
Tuition	19,398,980	20,430,978	(1,031,998)
Investment earnings	28,814	7,291	21,523
Other	2,765,720	3,072,016	(306,296)
State sources	53,880,747	51,522,895	2,357,852
Federal sources	275,271	928,060	(652,789)
	<u>\$ 80,199,806</u>	<u>\$ 79,112,527</u>	<u>\$ 1,087,279</u>
Total General Fund revenues			

The District received over \$3.8 million in property taxes that were levied on the District’s behalf by its member districts. The pass-through levies are authorized in Minnesota Statutes to cover the District’s lease costs, safe school initiatives, and health and safety programs. The decrease in tuition revenue and increase in state sources is due in part to funding changes that directly transfer portions of state categorical aid to the District, eliminating the need to bill local districts for these revenues. State sources were also increased as a result of an increase in enrollment in the Northern Star Online Learning Program.

Table 6 presents a summary of General Fund expenditures:

	2016	2015	Amount of Increase (Decrease)
Salaries	\$ 47,251,674	\$ 46,140,295	\$ 1,111,379
Employee benefits	18,768,376	17,265,104	1,503,272
Purchased services	8,693,061	9,003,725	(310,664)
Supplies and materials	1,103,513	1,189,421	(85,908)
Capital expenditures	1,215,858	1,181,471	34,387
Other expenditures	316,428	309,567	6,861
Debt service	2,028,396	2,028,396	-
Total General Fund expenditures	\$ 79,377,306	\$ 77,117,979	\$ 2,259,327

The increase in expenditures of \$2,259,327 from the prior year is mainly due to an increase in overall salaries and employee benefits costs, the most significant of which occurred in the Special Education Program.

Table 7 shows the General Fund unassigned fund balance as compared to expenditures:

	2012	2013	2014	2015	2016
Unrestricted – unassigned fund balance	\$ 6,187,960	\$ 6,310,491	\$ 6,393,048	\$ 6,485,489	\$ 6,528,445
Unassigned fund balance as a percentage of noncapital related expenditures	7.8%	8.5%	8.4%	8.4%	8.2%

Unassigned fund balance as a percentage of noncapital related expenditures is one key measurement of a district's financial health. The unassigned fund balance of \$6,528,445 at June 30, 2016 represents 8.2 percent of annual expenditures. The District continues to monitor its fund balances closely. The Board of Director's policy sets a goal of at least 6.0 to 8.0 percent for the unassigned fund balance as a percentage of noncapital-related expenditures.

General Fund Budgetary Highlights

Table 8 summarizes the General Fund budget to actual comparison:

	Original Budget	Final Budget	Actual	Over (Under) Final Budget	
				Amount	Percent
Revenue and other financing sources	<u>\$ 78,566,855</u>	<u>\$ 79,167,818</u>	<u>\$ 80,207,962</u>	<u>\$ 1,040,144</u>	<u>1.3%</u>
Expenditures and other financing uses	<u>\$ 78,735,208</u>	<u>\$ 80,280,256</u>	<u>\$ 79,740,375</u>	<u>\$ (539,881)</u>	<u>(0.7%)</u>

Revenues were mainly over budget from higher state aid revenue, and greater than expected enrollment. Expenditures were mainly under budget in capital expenditures. 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.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, debt principal, interest, and related costs.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 9 shows the District's capital assets, together with changes from the previous year. The table also shows total depreciation expense for fiscal years ending June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Net Change</u>
Land	\$ 10,865,963	\$ 10,865,963	\$ -
Buildings	76,291,939	75,866,367	425,572
Equipment	4,036,408	3,863,228	173,180
Construction in progress	62,657	275,819	(213,162)
Less accumulated depreciation	<u>(18,461,032)</u>	<u>(16,732,600)</u>	<u>(1,728,432)</u>
Total	<u>\$ 72,795,935</u>	<u>\$ 74,138,777</u>	<u>\$ (1,342,842)</u>
Depreciation expense	<u>\$ 1,767,237</u>	<u>\$ 3,577,390</u>	<u>\$ (1,810,153)</u>

The depreciation expense decline in the current year is the result of revised methods and lives used by the District for depreciating buildings.

Long-Term Liabilities

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Capital leases payable	\$ 22,104,549	\$ 22,929,558	\$ (825,009)
Certificates of participation payable	47,035,000	48,440,000	(1,405,000)
Premium (discount) on debt issued	39,794	51,071	(11,277)
Severance benefits payable	6,427,606	6,441,637	(14,031)
Compensated absences payable	600,589	501,004	99,585
Net OPEB obligation	2,752,545	2,576,124	176,421
Net pension obligation	-	152,017	(152,017)
Net pension liability – PERA	15,112,225	14,801,819	310,406
Net pension liability – TRA	<u>32,717,696</u>	<u>27,094,617</u>	<u>5,623,079</u>
Total	<u>\$ 126,790,004</u>	<u>\$ 122,987,847</u>	<u>\$ 3,802,157</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is dependent on selling services to independent school districts throughout the state of Minnesota for its revenue. The majority of this revenue is generated through services provided to the member independent school districts of the District. For the past few years, legislated revenue increases to these members for providing educational services have not been sufficient to meet instructional program needs and increased costs due to inflation. The District continuously endeavors to control costs and also meet the needs of its member districts by providing specialized programs for their students.

One member district has given notice of its intent to withdraw membership as of June 30, 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, 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 Services Office, Intermediate District No. 287, 1820 North Xenium Lane, Plymouth, Minnesota 55441.

BASIC FINANCIAL STATEMENTS

INTERMEDIATE DISTRICT NO. 287

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

	Governmental Activities	
	2016	2015
Assets		
Cash and temporary investments	\$ 9,650,391	\$ 13,130,936
Receivables		
Accounts and interest	421,427	404,229
Due from other governmental units	15,818,200	10,108,049
Inventory	5,919	4,223
Prepaid items	81,974	154,576
Restricted assets – temporarily restricted		
Cash and investments for debt service	6,472,417	5,084,808
Capital assets, net of depreciation		
Not depreciated	10,928,620	11,141,782
Depreciated, net of accumulated depreciation	61,867,315	62,996,995
Total capital assets, net of accumulated depreciation	<u>72,795,935</u>	<u>74,138,777</u>
Total assets	105,246,263	103,025,598
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	10,599,793	9,530,253
Total assets and deferred outflows of resources	<u>\$ 115,846,056</u>	<u>\$ 112,555,851</u>
Liabilities		
Salaries and compensated absences payable	\$ 5,816,278	\$ 5,860,752
Accounts and contracts payable	1,848,417	1,114,954
Accrued interest payable	559,163	585,555
Due to other governmental units	700,225	796,220
Unearned revenue	266,720	242,037
Long-term liabilities		
Due within one year	3,620,968	3,457,528
Due in more than one year	123,169,036	119,530,319
Total long-term liabilities	<u>126,790,004</u>	<u>122,987,847</u>
Total liabilities	135,980,807	131,587,365
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	7,656,607	12,517,712
Net position		
Net investment in capital assets	3,616,592	2,718,148
Restricted for		
State funding restrictions	704,137	929,381
Debt service	6,540,934	5,121,534
Unrestricted	(38,653,021)	(40,318,289)
Total net position	<u>(27,791,358)</u>	<u>(31,549,226)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 115,846,056</u>	<u>\$ 112,555,851</u>

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

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

Functions/Programs	2016			2015	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Career and technical education	\$ 1,142,660	\$ 1,251,404	\$ 38,765	\$ 147,509	\$ 28,839
Academic education	10,121,670	5,521,770	4,087,495	(512,405)	(1,083,632)
Special education	51,068,483	10,102,215	41,911,088	944,820	1,001,600
Student clubs	29,516	–	34,783	5,267	4,271
Administrative support services and operations and maintenance	15,386,789	6,329,803	10,432,261	1,375,275	1,146,554
Food service	718,400	100,171	355,638	(262,591)	(328,754)
Community service	162,080	65,013	–	(97,067)	(75,793)
Interest and fiscal charges on debt	3,739,564	–	–	(3,739,564)	(3,835,131)
Total governmental activities	<u>\$ 82,369,162</u>	<u>\$ 23,370,376</u>	<u>\$ 56,860,030</u>	(2,138,756)	(3,142,046)
General revenues					
General grants and aids				5,204,510	5,175,838
Other general revenues				469,565	799,531
Investment earnings				222,549	152,814
Total general revenues				<u>5,896,624</u>	<u>6,128,183</u>
Change in net position				3,757,868	2,986,137
Net position – beginning				<u>(31,549,226)</u>	<u>(34,535,363)</u>
Net position – ending				<u>\$ (27,791,358)</u>	<u>\$ (31,549,226)</u>

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

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

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds	
				2016	2015
Assets					
Cash and temporary investments	\$ 7,011,042	\$ 71,616	\$ -	\$ 7,082,658	\$ 12,630,307
Cash and investments held by trustee	-	6,472,417	-	6,472,417	5,084,808
Receivables					
Accounts and interest	395,186	-	3,453	398,639	404,229
Due from other funds	12,663	-	-	12,663	9,883
Due from other governmental units	15,800,784	-	17,416	15,818,200	10,108,049
Inventory	-	-	5,919	5,919	4,223
Prepaid items	80,200	-	1,774	81,974	154,576
Total assets	\$ 23,299,875	\$ 6,544,033	\$ 28,562	\$ 29,872,470	\$ 28,396,075
Liabilities					
Salaries and compensated absences payable	\$ 5,816,067	\$ -	\$ 211	\$ 5,816,278	\$ 5,847,921
Due to other funds	-	-	12,663	12,663	9,883
Accounts and contracts payable	797,234	3,099	4,204	804,537	1,114,954
Due to other governmental units	697,566	-	2,659	700,225	796,220
Unearned revenue	257,895	-	8,825	266,720	242,037
Total liabilities	7,568,762	3,099	28,562	7,600,423	8,011,015
Fund balances					
Nonspendable	80,200	-	-	80,200	149,666
Restricted	651,691	6,540,934	-	7,192,625	6,003,736
Assigned	8,470,777	-	-	8,470,777	7,746,169
Unassigned	6,528,445	-	-	6,528,445	6,485,489
Total fund balances	15,731,113	6,540,934	-	22,272,047	20,385,060
Total liabilities and fund balances	\$ 23,299,875	\$ 6,544,033	\$ 28,562	\$ 29,872,470	\$ 28,396,075

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2016

(With Partial Comparative Information as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Total fund balances – governmental funds	\$ 22,272,047	\$ 20,385,060
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	91,256,967	90,871,377
Accumulated depreciation	(18,461,032)	(16,732,600)
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.		
	(559,163)	(585,555)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. 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.		
Capital leases payable	(22,104,549)	(22,929,558)
Certificates of participation payable	(47,035,000)	(48,440,000)
Unamortized premium/discount on debt issued	(39,794)	(51,071)
Severance benefits payable	(6,427,606)	(6,441,637)
Compensated absences payable	(600,589)	(501,004)
Net other post-employment benefit obligation	(2,752,545)	(2,576,124)
Net pension obligation	–	(152,017)
Net pension liability – PERA	(15,112,225)	(14,801,819)
Net pension liability – TRA	(32,717,696)	(27,094,617)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	10,599,793	9,530,253
Deferred inflows – PERA and TRA pension plans	(7,656,607)	(12,517,712)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.		
	<u>1,546,641</u>	<u>487,798</u>
Total net position – governmental activities	<u>\$ (27,791,358)</u>	<u>\$ (31,549,226)</u>

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

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

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds	
				2016	2015
Revenue					
Local sources					
Pass-through levies	\$ 3,850,274	\$ 3,681,021	\$ –	\$ 7,531,295	\$ 6,806,914
Tuition	19,398,980	–	12,416	19,411,396	20,445,297
Investment earnings	28,814	193,735	–	222,549	152,814
Other	2,765,720	–	152,768	2,918,488	3,228,206
State sources	53,880,747	–	17,407	53,898,154	51,539,392
Federal sources	275,271	1,523,490	338,231	2,136,992	2,780,658
Total revenue	80,199,806	5,398,246	520,822	86,118,874	84,953,281
Expenditures					
Current					
Career and technical education	1,134,462	–	–	1,134,462	1,211,785
Academic education	9,637,553	–	–	9,637,553	9,863,612
Special education	51,127,387	–	–	51,127,387	48,946,253
Student clubs	29,516	–	–	29,516	29,074
Administrative support services and operations and maintenance	15,419,992	–	–	15,419,992	15,038,859
Food service	–	–	718,471	718,471	777,192
Community service	–	–	165,420	165,420	152,564
Debt service					
Principal	825,010	1,404,999	–	2,230,009	2,142,998
Interest and fiscal charges	1,203,386	2,573,847	–	3,777,233	3,859,911
Total expenditures	79,377,306	3,978,846	883,891	84,240,043	82,022,248
Excess (deficiency) of revenue over expenditures	822,500	1,419,400	(363,069)	1,878,831	2,931,033
Other financing sources (uses)					
Transfers in	–	–	363,069	363,069	410,363
Transfers (out)	(363,069)	–	–	(363,069)	(410,363)
Sale of assets	8,156	–	–	8,156	35,957
Total other financing sources (uses)	(354,913)	–	363,069	8,156	35,957
Net change in fund balances	467,587	1,419,400	–	1,886,987	2,966,990
Fund balances					
Beginning of year	15,263,526	5,121,534	–	20,385,060	17,418,070
End of year	\$ 15,731,113	\$ 6,540,934	\$ –	\$ 22,272,047	\$ 20,385,060

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Total net change in fund balances – governmental funds	\$ 1,886,987	\$ 2,966,990
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	425,645	585,017
Depreciation expense	(1,767,237)	(3,577,390)
Repayment of long-term debt principal does not affect the change in net position. However, it reduces fund balances.		
Capital lease payable	825,009	782,998
Certificates of participation payable	1,405,000	1,360,000
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.		
	26,392	24,755
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	(310,406)	2,352,458
Net pension liability – TRA	(5,623,079)	3,992,148
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.		
	(1,250)	(1,324)
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.		
	1,058,843	20,277
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 or interest and fiscal charges.		
	11,277	25
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.		
Severance benefits payable	14,031	615,180
Compensated absences payable	(99,585)	11,484
Net other post-employment benefit obligation	(176,421)	(129,161)
Net pension obligation	152,017	48,107
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	1,069,540	6,452,285
Deferred inflows – PERA and TRA pension plans	4,861,105	(12,517,712)
Change in net position – governmental activities	<u>\$ 3,757,868</u>	<u>\$ 2,986,137</u>

See notes to basic financial statements

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INTERMEDIATE DISTRICT NO. 287

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Pass-through levies	\$ 3,466,400	\$ 3,788,518	\$ 3,850,274	\$ 61,756
Tuition	20,416,340	20,377,931	19,398,980	(978,951)
Investment earnings	15,000	8,000	28,814	20,814
Other	3,014,961	2,909,698	2,765,720	(143,978)
State sources	51,590,384	51,586,131	53,880,747	2,294,616
Federal sources	63,770	497,540	275,271	(222,269)
Total revenue	<u>78,566,855</u>	<u>79,167,818</u>	<u>80,199,806</u>	<u>1,031,988</u>
Expenditures				
Current				
Career and technical education	1,309,384	1,169,150	1,134,462	(34,688)
Academic education	9,327,553	9,276,123	9,637,553	361,430
Special education	50,312,895	51,029,170	51,127,387	98,217
Student clubs	34,366	33,465	29,516	(3,949)
Administrative support services and operations and maintenance				
Annual costs	15,259,128	16,254,677	15,419,992	(834,685)
Debt service				
Principal	824,910	824,910	825,010	100
Interest and fiscal charges	1,229,697	1,207,697	1,203,386	(4,311)
Total expenditures	<u>78,297,933</u>	<u>79,795,192</u>	<u>79,377,306</u>	<u>(417,886)</u>
Excess (deficiency) of revenue over expenditures	268,922	(627,374)	822,500	1,449,874
Other financing sources (uses)				
Transfers (out)	(437,275)	(485,064)	(363,069)	121,995
Sale of assets	—	—	8,156	8,156
Total other financing sources (uses)	<u>(437,275)</u>	<u>(485,064)</u>	<u>(354,913)</u>	<u>130,151</u>
Net change in fund balances	<u>\$ (168,353)</u>	<u>\$ (1,112,438)</u>	467,587	<u>\$ 1,580,025</u>
Fund balances				
Beginning of year			<u>15,263,526</u>	
End of year			<u>\$ 15,731,113</u>	

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

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

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and temporary investments	\$ 2,567,733	\$ 500,629
Receivables		
Accounts and interest	<u>22,788</u>	<u>—</u>
Total current assets	<u>2,590,521</u>	<u>500,629</u>
Current liabilities		
Accounts payable	148,095	—
Claims payable	<u>895,785</u>	<u>12,831</u>
Total current liabilities	<u>1,043,880</u>	<u>12,831</u>
Net position		
Unrestricted	<u>\$ 1,546,641</u>	<u>\$ 487,798</u>

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

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

	<u>2016</u>	<u>2015</u>
Operating revenue		
Contributions from governmental funds	\$ 10,984,415	\$ 558,135
Operating expenses		
Dental benefit claims and expenses	552,991	537,858
Health benefit claims and expenses	<u>9,372,581</u>	<u>—</u>
Total operating expenses	<u>9,925,572</u>	<u>537,858</u>
Operating income	1,058,843	20,277
Net position		
Beginning of year	<u>487,798</u>	<u>467,521</u>
End of year	<u><u>\$ 1,546,641</u></u>	<u><u>\$ 487,798</u></u>

See notes to basic financial statements

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INTERMEDIATE DISTRICT NO. 287

Statement of Cash Flows

Proprietary Fund

Internal Service Fund

Year Ended June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 10,961,627	\$ 558,135
Payments for claims	<u>(8,894,523)</u>	<u>(533,802)</u>
Net cash provided by operating activities	2,067,104	24,333
Cash and temporary investments		
Beginning of year	<u>500,629</u>	<u>476,296</u>
End of year	<u><u>\$ 2,567,733</u></u>	<u><u>\$ 500,629</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,058,843	\$ 20,277
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Increase in accounts payable	148,095	-
Increase in claims payable	882,954	4,056
Accounts receivable	<u>(22,788)</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 2,067,104</u></u>	<u><u>\$ 24,333</u></u>

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

Statement of Fiduciary Net Position
as of June 30, 2016

	<u>Employee Benefit Trust Fund</u>	<u>Scholarship Private-Purpose Trust Fund</u>
Assets		
Cash and temporary investments	\$ 88,405	\$ 94,801
Prepaid items	4,677	-
Total assets	<u>93,082</u>	<u>94,801</u>
Liabilities	<u>82,398</u>	<u>-</u>
Net position		
Held in trust for flexible benefits	<u>\$ 10,684</u>	
Held in trust for scholarships		<u>\$ 94,801</u>

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

	<u>Employee Benefit Trust Fund</u>	<u>Scholarship Private-Purpose Trust Fund</u>
Additions		
Plan member contributions	\$ 493,120	\$ -
Donations	-	2,025
Total additions	<u>493,120</u>	<u>2,025</u>
Deductions		
Benefits to plan members	493,120	-
Scholarships awarded	-	7,538
Total deductions	<u>493,120</u>	<u>7,538</u>
Change in net position	-	(5,513)
Net position		
Beginning of year	<u>10,684</u>	<u>100,314</u>
End of year	<u>\$ 10,684</u>	<u>\$ 94,801</u>

See notes to basic financial statements

INTERMEDIATE DISTRICT NO. 287

Notes to Basic Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The financial statements of Intermediate District No. 287 (the District) 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.

The District is an instrumentality of the state of Minnesota established to function as an educational institution. The District's Board of Directors is responsible for legislative and fiscal control of the District. A superintendent is appointed by the Board of Directors and is responsible for administrative control of the District.

B. Reporting Entity

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, district school boards can elect to either control or not control extracurricular activities. The District's Board of Directors has elected to exercise control over extracurricular activities; therefore, the extracurricular student activity accounts are included in the District's General Fund.

C. Government-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the Proprietary Fund (Internal Service Fund) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Governmental funds 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. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Federal revenue is recorded in the year in which the related expenditure is made. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Other revenue is considered available if collected within 60 days after year-end. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and use 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 has included in the General Fund subdivisions to account for revenue and expenditures for career and technical education, academic education, special education, district-wide (including administrative support services and operations and maintenance), severance and property, and student clubs.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, debt principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District’s child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Proprietary Fund

Internal Service Funds – The internal service funds are used to account for and finance the uninsured risk of loss of the District’s self-insured plans that provide employee health and dental insurance benefits.

Fiduciary Fund

Employee Benefit Trust Fund – The Employee Benefit Trust Fund is used to administer resources received and held by the District as the trustee for others. The Employee Benefit Trust Fund includes the District’s flexible benefit plan (Internal Revenue Code [IRC] § 125 Cafeteria Plan).

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Each June, the Board of Directors adopts an annual budget for the following fiscal year for the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, and Debt Service Fund. 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 appropriations lapse at year-end. Expenditures exceeded budgeted amounts in the Debt Service Fund by \$8,388.

F. Cash and 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 Debt Service Fund, the cash is restricted for debt payments. Interest earned on these investments was allocated directly to those accounts.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date. Repurchase agreement investments are valued on a cost-basis measure and, therefore, are not subject to the fair value disclosures.

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

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

See Note 2 for the District's recurring fair value measurements as of June 30, 2016.

G. Receivables

All receivables are shown net of any allowance for uncollectibles; however, no allowance has been recorded. The District believes all receivables are fully collectible within one year.

H. Inventories

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

I. Prepaid Items

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for purchased or constructed assets. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are 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, ranging from 20 to 50 years for buildings, and 4 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

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.

K. Unearned Revenue

Unearned revenue consists of tuition for fiscal 2017, West Suburban Summer School classes collected with spring registration, gifts and grants for the fiscal 2017 school year, and balances remaining in student lunch accounts.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Compensated Absences Payable

- 1. Vacation Pay** – Employees are entitled to vacation based on length of employment, 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 earned or 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.
- 2. 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 and convertible sick leave payments for some employees upon termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Severance Benefits

The District provides lump sum severance or retirement pay to eligible employees in accordance with provisions in certain collectively bargained contracts.

Members of certain employee groups within the District, including teachers, may become eligible to receive lump sum severance or retirement 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 employee can receive severance or retirement benefits that exceed one year's salary. Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Severance or retirement benefits are required to be paid out over a 21-month period following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For other employees, severance benefits are paid into a pay deferral plan or healthcare savings plan as directed by the individual retirees. Severance is 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 or retirement pay is accrued in the governmental fund financial statements only when it becomes due and payable.

O. 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 Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

P. Tuition Billings

The District's policy is to recognize tuition revenue in the fiscal year that corresponds with the fiscal year in which the educational services are rendered to resident districts. Therefore, tuition revenue for the year ended June 30, 2016 represents services performed during the 2015–2016 fiscal year.

Special education, career and technical education, and academic tuition billings are based on a determination of the general education, categorical aids, prior legislative formulas for cooperation revenue, and any other pertinent levy dollars as provided by legislation to each student's resident local school district.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in fiscal 2016.
2. **Self-Insurance** – The District utilizes an Internal Service Fund to account for and finance its uninsured risk of loss for its employee dental and health plans. The Internal Service Fund is funded by the District, employee contributions, and interest income (if any). The claims liability reported in the Internal Service Fund for the dental and health plans at June 30, 2016 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the Internal Service Fund’s medical and dental plan claims liability were:

Dental

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
June 30, 2015	\$ 8,775	\$ 537,858	\$ 533,802	\$ 12,831
June 30, 2016	\$ 12,831	\$ 552,991	\$ 555,265	\$ 10,557

Medical

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
June 30, 2016	\$ –	\$ 9,224,486	\$ 8,339,258	\$ 885,228

R. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

S. Statement of Cash Flows

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

T. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable 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 fund financial statements these assets have been reported as "cash and investments held by trustee" while the interest receivable is included within accounts and interest receivable.

U. Use of Estimates

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

V. Net Position

In the government-wide and proprietary 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 its 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Committed** – Consists of internally imposed constraints that are established by resolution of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors 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 Board of Directors policy, the District’s Director of Finance is 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.

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the Board of Directors.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

At year-end, the carrying amount of the District's deposits was \$54,076 while the balance on the bank records was \$54,076. At June 30, 2016, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

B. Cash on Hand

Cash in the possession of the District, consisting of petty cash and change funds, totaled \$480 at year-end.

C. 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.

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, when purchasing investments the District considers such things as interest rates and cash flow needs.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk. At June 30, 2016, the District’s investments portfolio includes the following percentages of specific issuers:

Repurchase agreement	
Citigroup Global Markets	39.8%

This asset is being held by a trustee as required in the debt issuance documents for the certificates of participation issued by the District. This asset will be used to pay future debt service.

D. Summary Information

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

Investment Type	Credit Risk		Interest	Fair Value Measurements Using	Carrying Value
	Credit Rating	Rating Agency	Rate Risk Maturity Date		
Repurchase agreement					
Citigroup Global Markets	AAA	S&P	> 10 years	N/A	\$ 6,472,417
Investment pools/mutual funds					
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	NAV	5,521,784
Minnesota School District Liquid Asset Fund					
Liquid portfolio	AAA	S&P	N/A	NAV	<u>4,257,257</u>
Total investments					16,251,458
Deposits					54,076
Cash on hand					<u>480</u>
Total cash and investments					<u>\$ 16,306,014</u>

NAV – Investments valued at net asset value

N/A – Not Applicable

The underlying security for the repurchase agreement is a guaranteed investment contract rated AAA by Standard & Poor’s. The MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF) are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission. The District’s investments with the MNTrust and the MSDLAF are measured at the net asset value (NAV) per share provided by the pool, which is based on an amortized cost method that approximates fair value.

For the MSDLAF and the MNTrust investments valued at NAV, there are no unfunded commitments; redemption frequency is daily; there is no redemption notice for MNTrust and the MSDLAF Liquid Class.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Cash and temporary investments – Statement of Net Position	\$ 9,650,391
Restricted assets – cash and investments for debt service – Statement of Net Position	6,472,417
Cash and investments – Statement of Fiduciary Net Position	
Employee Benefit Trust Fund	88,405
Scholarship Private-Purpose Trust Fund	<u>94,801</u>
 Total cash and investments	 <u><u>\$ 16,306,014</u></u>

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 10,865,963	\$ –	\$ –	\$ –	\$ 10,865,963
Construction in progress	<u>275,819</u>	<u>162,268</u>	<u>–</u>	<u>(375,430)</u>	<u>62,657</u>
Total capital assets, not depreciated	11,141,782	162,268	–	(375,430)	10,928,620
Capital assets, depreciated					
Buildings	75,866,367	50,142	–	375,430	76,291,939
Equipment	<u>3,863,228</u>	<u>213,235</u>	<u>(40,055)</u>	<u>–</u>	<u>4,036,408</u>
Total capital assets, depreciated	79,729,595	263,377	(40,055)	375,430	80,328,347
Less accumulated depreciation for					
Buildings	(13,232,326)	(1,515,104)	–	–	(14,747,430)
Equipment	<u>(3,500,274)</u>	<u>(252,133)</u>	<u>38,805</u>	<u>–</u>	<u>(3,713,602)</u>
Total accumulated depreciation	(16,732,600)	(1,767,237)	38,805	–	(18,461,032)
Net capital assets, depreciated	<u>62,996,995</u>	<u>(1,503,860)</u>	<u>(1,250)</u>	<u>375,430</u>	<u>61,867,315</u>
Total capital assets, net	<u><u>\$ 74,138,777</u></u>	<u><u>\$ (1,341,592)</u></u>	<u><u>\$ (1,250)</u></u>	<u><u>\$ –</u></u>	<u><u>\$ 72,795,935</u></u>

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

Career and technical education	\$ 18,379
Academic education	550,318
Special education	653,171
Administrative support services and operations and maintenance	<u>545,369</u>
 Total depreciation expense	 <u><u>\$ 1,767,237</u></u>

NOTE 4 – LONG-TERM LIABILITIES

A. Components and Changes in Long-Term Liabilities

	June 30, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
Capital leases payable	\$ 22,929,558	\$ –	\$ 825,009	\$ 22,104,549	\$ 869,277
Certificates of participation payable	48,440,000	–	1,405,000	47,035,000	1,450,000
Unamortized premium/discount on debt issued	51,071	–	11,277	39,794	–
Severance benefits payable	6,441,637	677,524	691,555	6,427,606	701,102
Compensated absences payable	501,004	650,686	551,101	600,589	600,589
Net other post-employment benefit obligation (OPEB)	2,576,124	817,742	641,321	2,752,545	–
Net pension obligation*	152,017	–	152,017	–	–
Net pension liability – PERA	14,801,819	3,698,997	3,388,591	15,112,225	–
Net pension liability – TRA	27,094,617	9,451,213	3,828,134	32,717,696	–
	<u>\$ 122,987,847</u>	<u>\$ 15,296,162</u>	<u>\$ 11,494,005</u>	<u>\$ 126,790,004</u>	<u>\$ 3,620,968</u>

* During the year ended June 30, 2016 the pension obligations were converted to OPEB obligations. As a result, these obligations are included as part of the net other post-employment benefit obligations in the current year.

B. Descriptions of Long-Term Liabilities

1. Capital Leases Payable – The following capital leases are outstanding as of June 30, 2016:

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Capital leases payable					
North Vector	02/15/2005	5.37%	\$ 96,000	01/15/2025	\$ 55,473
South Education Center – construction	10/10/2006	5.30%	\$ 25,400,000	11/01/2032	22,049,076
Total capital leases payable					<u>\$ 22,104,549</u>

The assets acquired through the capital leases have been recorded in capital assets within building and equipment costs of \$25,496,000. The building and equipment costs are depreciated using the straight-line method over the life of the leases. The lease obligations will be repaid through the General Fund. Certain future pass-through levies of the member districts have been pledged for the payment of these capital leases.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

- 2. Certificates of Participation Payable** – The following certificates of participation are outstanding as of June 30, 2016:

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
Refunding Certificate of Participation – 2009A (Bren Road)	07/15/2009	1.65–5.00%	\$ 8,570,000	02/01/2025	\$ 5,325,000
Refunding Certificate of Participation – 2010C (SEC Land)	06/30/2010	2.00–4.25%	\$ 7,405,000	02/01/2028	5,575,000
Certificate of Participation – 2010A	01/07/2010	2.40%	\$ 3,200,000	02/01/2020	1,390,000
Certificate of Participation – 2010B (Build America Bonds – Direct Pay)	01/07/2010	5.48%	\$ 2,050,000	02/01/2025	2,050,000
Certificate of Participation – 2010E (Qualified School Construction Bonds – Direct Pay)	11/18/2010	6.00%	\$ 29,790,000	02/01/2029	29,790,000
Certificate of Participation – 2011A	05/19/2011	3.00–4.20%	\$ 4,075,000	02/01/2026	<u>2,905,000</u>
Total certificates of participation payable					<u>\$ 47,035,000</u>

The certificates of participation will be repaid by the Debt Service Fund. The District’s 2010B Certificates of Participation were issued as Build America Bonds – Direct Pay, and the District’s 2010E Certificates of Participation were issued as Qualified School Construction Bonds – Direct Pay for which the District will receive federal tax credits toward the interest payments on these debt issues. Certain future pass-through levies of the member districts have been pledged for the payment of these certificates. A portion of the District’s annual payments are being held in an escrow account that is being held for payment of future debt service.

- 3. Severance Benefits Payable** – Severance benefits payable consist of early retirement incentive benefits payable to employees. Severance benefit liabilities are paid by the General Fund. Annual payments to retire the severance benefit liabilities have not been determined and will depend on actual employee turnover.
- 4. Compensated Absences Payable** – Compensated absences payable represent accrued vacation payable at year-end. Compensated absences are paid by the General Fund. Annual payments to retire compensated absences payable have not been determined and will depend on employee turnover and actual employee absences.
- 5. Other Long-Term Liabilities** – The District offers a number of benefits to its employees, including: pensions and other post-employment benefits (OPEB). The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General and Internal Service Funds.

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

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

Year Ending June 30,	Capital Leases		Certificates of Participation	
	Principal	Interest	Principal	Interest
2017	\$ 869,277	\$ 1,159,120	\$ 1,450,000	\$ 2,510,756
2018	915,918	1,112,478	1,505,000	2,459,506
2019	965,062	1,063,335	1,560,000	2,403,981
2020	1,016,842	1,011,554	1,620,000	2,340,771
2021	1,071,401	956,995	1,690,000	2,272,961
2022–2026	6,275,569	3,858,559	8,310,000	10,197,703
2027–2031	8,113,336	1,989,380	30,900,000	5,429,200
2032–2035	2,877,144	153,671	–	–
	<u>\$ 22,104,549</u>	<u>\$ 11,305,092</u>	<u>\$ 47,035,000</u>	<u>\$ 27,614,879</u>

NOTE 5 – FUND BALANCES

A. Classifications

At June 30, 2016, a summary of the District’s governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Nonspendable			
Prepaid items	\$ 80,200	\$ –	\$ 80,200
Restricted			
Basic skills	191,375	–	191,375
Safe schools	460,316	–	460,316
Debt service	–	6,540,934	6,540,934
Total restricted	<u>651,691</u>	<u>6,540,934</u>	<u>7,192,625</u>
Assigned			
Severance	5,558,446	–	5,558,446
Tuition adjustments	2,425,433	–	2,425,433
Property	118,700	–	118,700
Student clubs	52,446	–	52,446
Vehicle depreciation	36,529	–	36,529
Self-insurance	76,299	–	76,299
Collaborative curriculum project	202,924	–	202,924
Total assigned	<u>8,470,777</u>	<u>–</u>	<u>8,470,777</u>
Unassigned	<u>6,528,445</u>	<u>–</u>	<u>6,528,445</u>
Total	<u>\$ 15,731,113</u>	<u>\$ 6,540,934</u>	<u>\$ 22,272,047</u>

B. Fund Balance Policy

The Board of Directors has formally adopted a fund balance policy regarding the unassigned fund balance for the General Fund. The policy establishes that the District will endeavor to maintain an unassigned fund balance of at least 6.0–8.0 percent of the District’s General Fund operating budget, excluding operating capital programs. At June 30, 2016, the unassigned fund balance of the General Fund was 8.2 percent of total current year expenditures.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the District's OPEB Plan, a single-employer defined benefit plan administered by the District. There are 754 active plan participants and 30 retired plan participants. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For benefit eligible employees, the District continues to contribute its portion of health insurance costs for retired employees for a specified amount of time as defined within the guidelines of each employee group agreement. Benefits paid by the District differ by employee group, with some contracts specifying a certain dollar amount per month, and some covering a percentage of premium costs. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage upon retirement, if they wish to continue their coverage.

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined periodically by the District. There are no invested plan assets accumulated for payment of future benefits.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 865,625
Interest on net OPEB obligation	96,605
Adjustment to ARC	(144,488)
Annual OPEB cost (expense)	<u>817,742</u>
Contributions made	<u>641,321</u>
Increase in net OPEB obligation	176,421
Net OPEB – beginning of year	<u>2,576,124</u>
Net OPEB – end of year	<u><u>\$ 2,752,545</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 953,759	\$ 535,416	56.1%	\$ 2,446,963
June 30, 2015	\$ 950,264	\$ 821,103	86.4%	\$ 2,576,124
June 30, 2016	\$ 817,742	\$ 641,321	78.4%	\$ 2,752,545

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$8,059,925, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,059,925. The covered payroll (annual payroll of active employees covered by the plan) was \$46,013,623, and the ratio of the UAAL to the covered payroll was 17.5 percent.

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

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

E. Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.75 percent investment rate of return (net of administrative expenses) based on the District's own investments; an inflation rate of 2.75; and annual healthcare cost trend rate of 7.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after seven years. The UAAL is being amortized on a level dollar basis over a 30-year open period.

NOTE 7 – 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 IRC.

1. General Employees Retirement Fund (GERF)

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

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). The GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Association (TRA)

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90.0 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

1. GERF Benefits

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

2. TRA Benefits

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

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

NOTE 7 – 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. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for the Coordinated Plan.

The District’s contributions to the GERF for the year ended June 30, 2016 were \$1,322,815. The District’s contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Year Ended June 30,			
	2015		2016	
	Employee	Employer	Employee	Employer
Basic Plan	11.0%	11.5%	11.0%	11.5%
Coordinated Plan	7.5%	7.5%	7.5%	7.5%

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2016, were \$2,089,182. 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 Non-Employer Pension Allocations:

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

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

E. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$15,112,225 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the District's proportion was 0.2916 percent, which was a decrease of 0.0235 percent from its proportion measured as of June 30, 2014.

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$1,307,066 for its proportionate share of the GERF's pension expense.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 140,147	\$ 761,913
Changes in actuarial assumptions	941,136	–
Difference between projected and actual investment earnings	–	1,345,267
Changes in proportion	–	953,608
District’s contributions to the GERF subsequent to the measurement date	<u>1,322,815</u>	<u>–</u>
Total	<u>\$ 2,404,098</u>	<u>\$ 3,060,788</u>

A total of \$1,322,815 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (598,838)
2018	\$ (598,838)
2019	\$ (1,139,480)
2020	\$ 357,651

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$32,717,696 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.5289 percent at the end of the measurement period and 0.5880 percent for the beginning of the period.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

District’s proportionate share of net pension liability	\$ 32,717,696
State’s proportionate share of the net pension liability associated with the District	\$ 4,013,309

For the year ended June 30, 2016, the District recognized pension expense of \$2,107,130. It also recognized \$709,471 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,860,309	\$ –
Changes in actuarial assumptions	2,515,120	–
Difference between projected and actual investment earnings	–	3,144,449
Changes in proportion	1,731,084	1,451,370
District’s contributions to the TRA subsequent to the measurement date	<u>2,089,182</u>	<u>–</u>
Total	<u>\$ 8,195,695</u>	<u>\$ 4,595,819</u>

A total of \$2,089,182 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2017	\$ (105,400)
2018	\$ (105,400)
2019	\$ (105,400)
2020	\$ 1,826,894

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

F. Actuarial Assumptions

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

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

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

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

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

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

The long-term expected rate of return on pension plan investments is 7.90 percent for the GERF and 8.00 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 23,761,790	\$ 15,112,225	\$ 7,969,014
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	\$ 49,800,568	\$ 32,717,696	\$ 18,461,545

I. Pension Plan Fiduciary Net Position

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

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

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

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

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

Amounts withheld for medical reimbursement and dependent care are paid by the District and maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements as an Employee Benefit Trust 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 claims of general creditors in the future.

NOTE 9 – OPERATING LEASES

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of \$415,281 for operating leases during the year ended June 30, 2016. These leases are scheduled to expire on various dates through fiscal 2020. Many of the leases are negotiated on a yearly basis and payment commitments extend out one year. The following is a summary of minimum lease payment commitments for all operating leases:

Year Ending June 30,	Amount
2017	\$ 367,787
2018	339,619
2019	307,445
2020	60,340
	<u>\$ 1,075,191</u>

NOTE 10 – INTERFUND TRANSFERS AND BALANCES

A. Interfund Transfers

At June 30, 2016, the District's Food Service Special Revenue Fund and Community Service Special Revenue Fund received a transfer in of \$262,662 and \$100,407, respectively, from the General Fund. This transfer was made to fund current year operations in these funds.

NOTE 10 – INTERFUND TRANSFERS AND BALANCES (CONTINUED)

B. Interfund Loans

At June 30, 2016, the District's Food Service Special Revenue and Community Service Special Revenue Funds had interfund payables to the General Fund totaling \$7,927 and \$4,736, respectively.

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenue

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.

B. 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 adverse effect on its financial position.

C. Member District Withdrawal

Independent School District (ISD) No. 276 gave notice to the District that it will withdraw as a member of the District effective during fiscal 2017. As a result of this withdrawal, the District entered into a withdrawal agreement with ISD No. 276 pursuant to the joint powers agreement which governs the operation of the District.

D. State Tuition Billing Revenue

At June 30, 2016, the District reported a balance due from other governmental units of approximately \$7.4 million related to amounts receivable from the MDE for state aids from the state's special education tuition billing process.

Special education state aid revenue includes amounts related to tuition billings to other school districts for special education services, which are computed using formulas derived by the MDE. Because of the timing of the MDE's calculations, these final aid amounts for fiscal 2016 have not been finalized. The amount of the receivable and revenue recorded for fiscal 2016 for state special education aid is calculated using preliminary information available to the District.

The District has reported a \$2,425,433 assigned fund balance for tuition adjustments of the MDE tuition calculations in the General Fund. This was reported to recognize the potential for additional calculation changes in these aid categories by state agencies.

NOTE 12 – SUBSEQUENT EVENT

In August 2016, the District issued \$25,805,000 of certificates of participation to refund the South Education Center capital leases payable, Series 2006 and the refunding certificate of participation, Series 2010C. The interest cost on these certificates is 2.31 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

INTERMEDIATE DISTRICT NO. 287

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3151%	\$ 14,801,819	\$ 16,777,909	88.22%	78.70%
06/30/2016	06/30/2015	0.2916%	\$ 15,112,225	\$ 17,124,370	88.25%	78.20%

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 1,263,957	\$ 1,263,957	\$ -	\$ 17,124,370	7.38%
06/30/2016	06/30/2016	\$ 1,322,815	\$ 1,322,815	\$ -	\$ 17,638,480	7.50%

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

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

INTERMEDIATE DISTRICT NO. 287

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5880%	\$ 27,094,617	\$ 1,906,176	\$ 29,000,793	\$ 26,838,372	100.95%	81.50%
06/30/2016	06/30/2015	0.5289%	\$ 32,717,696	\$ 4,013,309	\$ 36,731,005	\$ 26,851,536	121.85%	76.80%

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	06/30/2015	\$ 2,013,921	\$ 2,013,921	\$ -	\$ 26,851,536	7.50%
06/30/2016	06/30/2016	\$ 2,089,182	\$ 2,089,182	\$ -	\$ 27,856,299	7.50%

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

Note 2: **Change of Assumptions.** The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. Details, if necessary, can be obtained from the TRA's CAFR.

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

INTERMEDIATE DISTRICT NO. 287

Schedules of Funding Progress
Year Ended June 30, 2016

The following schedules present trend information about the amounts contributed to the Other Post-Employment Benefits Plan and Pension Benefits Plan of Intermediate District No. 287:

Other Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2011	\$ 9,532,459	\$ -	\$ 9,532,459	- %	\$ 34,915,812	27.3 %
July 1, 2013	\$ 9,327,173	\$ -	\$ 9,327,173	- %	\$ 37,767,517	24.7 %
July 1, 2015	\$ 8,059,925	\$ -	\$ 8,059,925	- %	\$ 46,013,623	17.5 %

Pension Benefits Plan

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2011	\$ 409,117	\$ -	\$ 409,117	- %	\$ 34,915,812	1.2 %
July 1, 2013	\$ 371,252	\$ -	\$ 371,252	- %	\$ 37,767,517	1.0 %

Note: During the year ended June 30, 2016, the pension obligations were converted to OPEB obligations. As a result, these obligations are included as part of the net OPEB obligations in the current year.

SUPPLEMENTAL INFORMATION

INTERMEDIATE DISTRICT NO. 287

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2016

	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Total
Assets			
Cash and temporary investments	\$ -	\$ -	\$ -
Receivables			
Accounts and interest	48	3,405	3,453
Due from other governmental units	14,116	3,300	17,416
Inventory	5,919	-	5,919
Prepaid items	198	1,576	1,774
	<u>20,281</u>	<u>8,281</u>	<u>28,562</u>
Total assets	<u>\$ 20,281</u>	<u>\$ 8,281</u>	<u>\$ 28,562</u>
Liabilities			
Salaries and compensated absences payable	\$ 211	\$ -	\$ 211
Due to other funds	7,927	4,736	12,663
Accounts and contracts payable	659	3,545	4,204
Due to other governmental units	2,659	-	2,659
Unearned revenue	8,825	-	8,825
	<u>20,281</u>	<u>8,281</u>	<u>28,562</u>
Total liabilities	<u>\$ 20,281</u>	<u>\$ 8,281</u>	<u>\$ 28,562</u>

INTERMEDIATE DISTRICT NO. 287

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2016

	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Total
Revenue			
Local sources			
Tuition	\$ –	\$ 12,416	\$ 12,416
Other	100,171	52,597	152,768
State sources	17,407	–	17,407
Federal sources	338,231	–	338,231
Total revenue	<u>455,809</u>	<u>65,013</u>	<u>520,822</u>
Expenditures			
Current			
Food service	718,471	–	718,471
Community service	<u>–</u>	<u>165,420</u>	<u>165,420</u>
Total expenditures	<u>718,471</u>	<u>165,420</u>	<u>883,891</u>
Excess (deficiency) of revenue over expenditures	(262,662)	(100,407)	(363,069)
Other financing sources			
Transfers in	<u>262,662</u>	<u>100,407</u>	<u>363,069</u>
Net change in fund balance	–	–	–
Fund balances			
Beginning of year	<u>–</u>	<u>–</u>	<u>–</u>
End of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

INTERMEDIATE DISTRICT NO. 287

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 7,011,042	\$ 12,593,581
Receivables		
Accounts and interest	395,186	402,503
Due from other funds	12,663	9,883
Due from other governmental units	15,800,784	10,095,632
Prepaid items	<u>80,200</u>	<u>149,666</u>
Total assets	<u>\$ 23,299,875</u>	<u>\$ 23,251,265</u>
Liabilities		
Salaries and compensated absences payable	\$ 5,816,067	\$ 5,841,000
Accounts and contracts payable	797,234	1,111,648
Due to other governmental units	697,566	796,067
Unearned revenue	<u>257,895</u>	<u>239,024</u>
Total liabilities	<u>7,568,762</u>	<u>7,987,739</u>
Fund balances		
Nonspendable for prepaid items	80,200	149,666
Restricted for health and safety	-	94
Restricted for basic skills	191,375	317,124
Restricted for safe schools	460,316	564,984
Assigned for severance	5,558,446	5,445,665
Assigned for tuition adjustments	2,425,433	1,646,636
Assigned for property	118,700	245,581
Assigned for student clubs	52,446	47,179
Assigned for vehicle depreciation	36,529	28,587
Assigned for self-insurance	76,299	76,299
Assigned for collaborative curriculum project	202,924	256,222
Unassigned	<u>6,528,445</u>	<u>6,485,489</u>
Total fund balances	<u>15,731,113</u>	<u>15,263,526</u>
Total liabilities and fund balances	<u>\$ 23,299,875</u>	<u>\$ 23,251,265</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Pass-through levies	\$ 3,788,518	\$ 3,850,274	\$ 61,756	\$ 3,151,287
Tuition	20,377,931	19,398,980	(978,951)	20,430,978
Investment earnings	8,000	28,814	20,814	7,291
Other	2,909,698	2,765,720	(143,978)	3,072,016
State sources	51,586,131	53,880,747	2,294,616	51,522,895
Federal sources	497,540	275,271	(222,269)	928,060
Total revenue	<u>79,167,818</u>	<u>80,199,806</u>	<u>1,031,988</u>	<u>79,112,527</u>
Expenditures				
Current				
Career and technical education	1,169,150	1,134,462	(34,688)	1,211,785
Academic education	9,276,123	9,637,553	361,430	9,863,612
Special education	51,029,170	51,127,387	98,217	48,946,253
Student clubs	33,465	29,516	(3,949)	29,074
Administrative support services and operations and maintenance				
Annual costs	16,254,677	15,419,992	(834,685)	15,038,859
Debt service				
Principal	824,910	825,010	100	782,998
Interest and fiscal charges	1,207,697	1,203,386	(4,311)	1,245,398
Total expenditures	<u>79,795,192</u>	<u>79,377,306</u>	<u>(417,886)</u>	<u>77,117,979</u>
Excess (deficiency) of revenue over expenditures	(627,374)	822,500	1,449,874	1,994,548
Other financing sources (uses)				
Transfers (out)	(485,064)	(363,069)	121,995	(410,363)
Sale of assets	–	8,156	8,156	35,957
Total other financing sources (uses)	<u>(485,064)</u>	<u>(354,913)</u>	<u>130,151</u>	<u>(374,406)</u>
Net change in fund balances	<u>\$ (1,112,438)</u>	<u>467,587</u>	<u>\$ 1,580,025</u>	<u>1,620,142</u>
Fund balances				
Beginning of year		<u>15,263,526</u>		<u>13,643,384</u>
End of year		<u>\$ 15,731,113</u>		<u>\$ 15,263,526</u>

INTERMEDIATE DISTRICT NO. 287

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

	Career and Technical Education Account	Academic Education Account	Special Education Account
Revenue			
Local sources			
Pass-through levies	\$ 170,696	\$ 37,682	\$ -
Tuition	1,080,495	4,692,011	11,603,684
Investment earnings	891	-	21,842
Other	571	1,426,251	145,929
State sources	20,291	3,453,320	40,269,094
Federal sources	18,243	-	-
Total revenue	<u>1,291,187</u>	<u>9,609,264</u>	<u>52,040,549</u>
Expenditures			
Current			
Career and technical education	1,134,462	-	-
Academic education	-	9,637,553	-
Special education	-	-	51,127,387
Student clubs	-	-	-
Administrative support services and operations and maintenance	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,134,462</u>	<u>9,637,553</u>	<u>51,127,387</u>
Excess (deficiency) of revenue over expenditures	156,725	(28,289)	913,162
Other financing sources (uses)			
Intrafund transfers	(39,998)	(142,086)	563,990
Transfers (out)	-	-	-
Sale of assets	-	-	4,735
Total other financing sources (uses)	<u>(39,998)</u>	<u>(142,086)</u>	<u>568,725</u>
Net change in fund balances	116,727	(170,375)	1,481,887
Fund balances (deficit)			
Beginning of year	<u>181,253</u>	<u>(342,056)</u>	<u>7,793,599</u>
End of year	<u>\$ 297,980</u>	<u>\$ (512,431)</u>	<u>\$ 9,275,486</u>

District-Wide Account	Severance and Property Account	Student Clubs Account	Total
\$ 3,641,896	\$ —	\$ —	\$ 3,850,274
2,022,790	—	—	19,398,980
6,081	—	—	28,814
1,158,186	—	34,783	2,765,720
10,138,042	—	—	53,880,747
257,028	—	—	275,271
<u>17,224,023</u>	<u>—</u>	<u>34,783</u>	<u>80,199,806</u>
—	—	—	1,134,462
—	—	—	9,637,553
—	—	—	51,127,387
—	—	29,516	29,516
15,111,792	308,200	—	15,419,992
825,010	—	—	825,010
1,203,386	—	—	1,203,386
<u>17,140,188</u>	<u>308,200</u>	<u>29,516</u>	<u>79,377,306</u>
83,835	(308,200)	5,267	822,500
(676,006)	294,100	—	—
(363,069)	—	—	(363,069)
3,421	—	—	8,156
<u>(1,035,654)</u>	<u>294,100</u>	<u>—</u>	<u>(354,913)</u>
(951,819)	(14,100)	5,267	467,587
<u>1,892,305</u>	<u>5,691,246</u>	<u>47,179</u>	<u>15,263,526</u>
<u>\$ 940,486</u>	<u>\$ 5,677,146</u>	<u>\$ 52,446</u>	<u>\$ 15,731,113</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Pass-through levies	\$ 117,005	\$ 170,696	\$ 53,691	\$ 129,262
Tuition	1,033,221	1,080,495	47,274	1,081,111
Investment earnings	–	891	891	197
Other	–	571	571	1,137
State sources	–	20,291	20,291	–
Federal sources	18,924	18,243	(681)	20,600
Total revenue	<u>1,169,150</u>	<u>1,291,187</u>	<u>122,037</u>	<u>1,232,307</u>
Expenditures				
Career and technical education				
Salaries and wages	802,831	824,669	21,838	841,578
Employee benefits	230,080	256,753	26,673	209,431
Purchased services	22,100	21,916	(184)	85,750
Supplies and materials	94,489	57,704	(36,785)	60,566
Capital expenditures	18,700	9,780	(8,920)	9,022
Other	950	380	(570)	5,438
Allocated costs	<u>(40,000)</u>	<u>(36,740)</u>	<u>3,260</u>	
Total expenditures	<u>1,129,150</u>	<u>1,134,462</u>	<u>5,312</u>	<u>1,211,785</u>
Excess of revenue over expenditures	40,000	156,725	116,725	20,522
Other financing (uses)				
Intrafund transfers	<u>(40,000)</u>	<u>(39,998)</u>	<u>2</u>	<u>–</u>
Net change in fund balances	<u>\$ –</u>	<u>116,727</u>	<u>\$ 116,727</u>	<u>20,522</u>
Fund balances				
Beginning of year		<u>181,253</u>		<u>160,731</u>
End of year		<u>\$ 297,980</u>		<u>\$ 181,253</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Pass-through levies	\$ 50,000	\$ 37,682	\$ (12,318)	\$ 73,656
Tuition	4,398,806	4,692,011	293,205	4,672,420
Other	1,614,525	1,426,251	(188,274)	1,690,146
State sources	3,009,841	3,453,320	443,479	3,244,631
Total revenue	<u>9,073,172</u>	<u>9,609,264</u>	<u>536,092</u>	<u>9,680,853</u>
Expenditures				
Academic education				
Salaries and wages	5,884,726	6,119,894	235,168	6,244,918
Employee benefits	1,988,913	2,084,431	95,518	2,165,280
Purchased services	1,261,248	1,401,708	140,460	1,339,875
Supplies and materials	116,569	115,382	(1,187)	96,176
Capital expenditures	16,378	6,479	(9,899)	12,580
Other	8,289	31,924	23,635	4,783
Allocated costs	(142,100)	(122,265)	19,835	–
Total expenditures	<u>9,134,023</u>	<u>9,637,553</u>	<u>503,530</u>	<u>9,863,612</u>
Excess (deficiency) of revenue over expenditures	(60,851)	(28,289)	32,562	(182,759)
Other financing sources (uses)				
Intrafund transfers	<u>(142,100)</u>	<u>(142,086)</u>	<u>14</u>	<u>30,824</u>
Net change in fund balances	<u>\$ (202,951)</u>	<u>(170,375)</u>	<u>\$ 32,576</u>	<u>(151,935)</u>
Fund balances (deficit)				
Beginning of year		<u>(342,056)</u>		<u>(190,121)</u>
End of year		<u>\$ (512,431)</u>		<u>\$ (342,056)</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 13,081,242	\$ 11,603,684	\$ (1,477,558)	\$ 12,740,985
Investment earnings	8,000	21,842	13,842	8,013
Other	80,190	145,929	65,739	129,286
State sources	38,019,120	40,269,094	2,249,974	37,510,675
Total revenue	<u>51,188,552</u>	<u>52,040,549</u>	<u>851,997</u>	<u>50,388,959</u>
Expenditures				
Special education				
Current				
Salaries and wages	33,816,785	33,899,869	83,084	33,098,438
Employee benefits	13,951,256	14,177,784	226,528	12,881,885
Purchased services	2,385,308	2,383,930	(1,378)	2,206,587
Supplies and materials	536,830	407,838	(128,992)	510,092
Capital expenditures	317,329	216,127	(101,202)	235,377
Other	21,662	41,839	20,177	13,874
Debt service				
Interest and fiscal charges	4,311	–	(4,311)	–
Total expenditures	<u>51,033,481</u>	<u>51,127,387</u>	<u>93,906</u>	<u>48,946,253</u>
Excess of revenue over expenditures	155,071	913,162	758,091	1,442,706
Other financing sources (uses)				
Intrafund transfers	–	563,990	563,990	(172,925)
Sale of assets	–	4,735	4,735	35,660
Total other financing sources (uses)	<u>–</u>	<u>568,725</u>	<u>568,725</u>	<u>(137,265)</u>
Net change in fund balances	<u>\$ 155,071</u>	<u>1,481,887</u>	<u>\$ 1,326,816</u>	<u>1,305,441</u>
Fund balances				
Beginning of year		<u>7,793,599</u>		<u>6,488,158</u>
End of year		<u>\$ 9,275,486</u>		<u>\$ 7,793,599</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Pass-through levies	\$ 3,621,513	\$ 3,641,896	\$ 20,383	\$ 2,948,369
Tuition	1,864,662	2,022,790	158,128	1,936,462
Investment earnings (charges)	–	6,081	6,081	(919)
Other	1,187,383	1,158,186	(29,197)	1,218,104
State sources	10,557,170	10,138,042	(419,128)	10,767,589
Federal sources	478,616	257,028	(221,588)	907,460
Total revenue	<u>17,709,344</u>	<u>17,224,023</u>	<u>(485,321)</u>	<u>17,777,065</u>
Expenditures				
Current				
Administrative support services and operations and maintenance				
Salaries and wages	6,417,594	6,407,242	(10,352)	5,955,361
Employee benefits	2,310,659	2,249,408	(61,251)	2,008,508
Purchased services	5,124,029	4,885,507	(238,522)	5,371,513
Supplies and materials	552,553	522,589	(29,964)	522,587
Capital expenditures	1,558,148	983,472	(574,676)	924,492
Other	291,694	212,769	(78,925)	256,398
Allocated costs	(332,000)	(149,195)	182,805	(1,104)
Debt service				
Principal	824,910	825,010	100	782,998
Interest and fiscal charges	1,203,386	1,203,386	–	1,245,398
Total expenditures	<u>17,950,973</u>	<u>17,140,188</u>	<u>(810,785)</u>	<u>17,066,151</u>
Excess (deficiency) of revenue over expenditures	(241,629)	83,835	325,464	710,914
Other financing sources (uses)				
Intrafund transfers	182,100	(676,006)	(858,106)	–
Transfers (out)	(485,064)	(363,069)	121,995	(410,363)
Sale of assets	–	3,421	3,421	297
Total other financing sources (uses)	<u>(302,964)</u>	<u>(1,035,654)</u>	<u>(732,690)</u>	<u>(410,066)</u>
Net change in fund balances	<u>\$ (544,593)</u>	<u>(951,819)</u>	<u>\$ (407,226)</u>	<u>300,848</u>
Fund balances				
Beginning of year		<u>1,892,305</u>		<u>1,591,457</u>
End of year		<u>\$ 940,486</u>		<u>\$ 1,892,305</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016			2015
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Administrative support services and operations and maintenance				
Allocated costs	<u>514,100</u>	<u>308,200</u>	<u>(205,900)</u>	<u>1,104</u>
Excess (deficiency) of revenue over expenditures	(514,100)	(308,200)	205,900	(1,104)
Other financing sources				
Intrafund transfers	<u>-</u>	<u>294,100</u>	<u>294,100</u>	<u>142,101</u>
Net change in fund balances	<u><u>\$ (514,100)</u></u>	<u>(14,100)</u>	<u><u>\$ 500,000</u></u>	<u>140,997</u>
Fund balances				
Beginning of year		<u>5,691,246</u>		<u>5,550,249</u>
End of year		<u><u>\$ 5,677,146</u></u>		<u><u>\$ 5,691,246</u></u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Other	\$ 27,600	\$ 34,783	\$ 7,183	\$ 33,343
Expenditures				
Current				
Student clubs				
Pupil support services	<u>33,465</u>	<u>29,516</u>	<u>(3,949)</u>	<u>29,074</u>
Net change in fund balances	<u>\$ (5,865)</u>	<u>5,267</u>	<u>\$ 11,132</u>	<u>4,269</u>
Fund balances				
Beginning of year		<u>47,179</u>		<u>42,910</u>
End of year		<u>\$ 52,446</u>		<u>\$ 47,179</u>

INTERMEDIATE DISTRICT NO. 287

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ -	\$ -
Receivables		
Accounts and interest	48	541
Due from other governmental units	14,116	10,588
Inventory	5,919	4,223
Prepaid items	198	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 20,281</u>	<u>\$ 15,352</u>
Liabilities		
Salaries and compensated absences payable	\$ 211	\$ 6,921
Due to other funds	7,927	3,427
Accounts and contracts payable	659	1,838
Due to other governmental units	2,659	153
Unearned revenue	8,825	3,013
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 20,281</u>	<u>\$ 15,352</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 86,970	\$ 100,171	\$ 13,201	\$ 94,141
State sources	14,550	17,407	2,857	16,497
Federal sources	295,800	338,231	42,431	332,387
Total revenue	<u>397,320</u>	<u>455,809</u>	<u>58,489</u>	<u>443,025</u>
Expenditures				
Current				
Food service	<u>768,487</u>	<u>718,471</u>	<u>(50,016)</u>	<u>777,192</u>
Excess (deficiency) of revenue over expenditures	(371,167)	(262,662)	108,505	(334,167)
Other financing sources				
Transfers in	<u>371,167</u>	<u>262,662</u>	<u>(108,505)</u>	<u>334,167</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 DISTRICT NO. 287

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ -	\$ -
Receivables		
Accounts and interest	3,405	1,185
Due from other governmental units	3,300	1,829
Prepaid items	<u>1,576</u>	<u>4,910</u>
Total assets	<u>\$ 8,281</u>	<u>\$ 7,924</u>
Liabilities		
Due to other funds	\$ 4,736	\$ 6,456
Accounts and contracts payable	<u>3,545</u>	<u>1,468</u>
Total liabilities	<u>\$ 8,281</u>	<u>\$ 7,924</u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition	\$ 13,400	\$ 12,416	\$ (984)	\$ 14,319
Other	52,000	52,597	597	62,049
Total revenue	<u>65,400</u>	<u>65,013</u>	<u>(387)</u>	<u>76,368</u>
Expenditures				
Current				
Community service	<u>179,297</u>	<u>165,420</u>	<u>(13,877)</u>	<u>152,564</u>
Excess (deficiency) of revenue over expenditures	(113,897)	(100,407)	13,490	(76,196)
Other financing sources				
Transfers in	<u>113,897</u>	<u>100,407</u>	<u>(13,490)</u>	<u>76,196</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 DISTRICT NO. 287

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

	<u>2016</u>	<u>2015</u>
Assets		
Cash and temporary investments	\$ 71,616	\$ 36,726
Cash and investments held by trustee	<u>6,472,417</u>	<u>5,084,808</u>
Total assets	<u><u>\$ 6,544,033</u></u>	<u><u>\$ 5,121,534</u></u>
Liabilities		
Accounts payable	\$ 3,099	\$ -
Fund balances		
Restricted for debt service	<u>6,540,934</u>	<u>5,121,534</u>
Total liabilities and fund balances	<u><u>\$ 6,544,033</u></u>	<u><u>\$ 5,121,534</u></u>

INTERMEDIATE DISTRICT NO. 287

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

	2016		Over (Under) Budget	2015
	Budget	Actual		Actual
Revenue				
Local sources				
Pass-through levies	\$ 3,644,335	\$ 3,681,021	\$ 36,686	\$ 3,655,627
Investment earnings	193,895	193,735	(160)	145,523
Federal sources	1,519,392	1,523,490	4,098	1,520,211
Total revenue	<u>5,357,622</u>	<u>5,398,246</u>	<u>40,624</u>	<u>5,321,361</u>
Expenditures				
Debt service				
Principal	1,405,000	1,404,999	(1)	1,360,000
Interest	2,556,457	2,556,447	(10)	2,599,107
Fiscal charges and other	9,001	17,400	8,399	15,406
Total expenditures	<u>3,970,458</u>	<u>3,978,846</u>	<u>8,388</u>	<u>3,974,513</u>
Net change in fund balances	<u>\$ 1,387,164</u>	1,419,400	<u>\$ 32,236</u>	1,346,848
Fund balances				
Beginning of year		<u>5,121,534</u>		<u>3,774,686</u>
End of year		<u>\$ 6,540,934</u>		<u>\$ 5,121,534</u>

INTERMEDIATE DISTRICT NO. 287

Combining Statement of Net Position
 Proprietary Fund
 Internal Service Fund
 as of June 30, 2016

(With Partial Comparative Information as of June 30, 2015)

	Health Self-Insurance	Dental Self-Insurance	2016	2015
Current assets				
Cash and temporary investments	\$ 2,038,310	\$ 529,423	\$ 2,567,733	\$ 500,629
Receivables				
Accounts and interest	19,827	2,961	22,788	-
Total current assets	<u>2,058,137</u>	<u>532,384</u>	<u>2,590,521</u>	<u>500,629</u>
Current liabilities				
Accounts payable	148,095	-	148,095	-
Claims payable	885,228	10,557	895,785	12,831
Total current liabilities	<u>1,033,323</u>	<u>10,557</u>	<u>1,043,880</u>	<u>12,831</u>
Net position				
Unrestricted	<u>\$ 1,024,814</u>	<u>\$ 521,827</u>	<u>\$ 1,546,641</u>	<u>\$ 487,798</u>

INTERMEDIATE DISTRICT NO. 287

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

	Health Self-Insurance	Dental Self-Insurance	2016	2015
Operating revenue				
Contributions from governmental funds	\$ 10,397,395	\$ 587,020	\$ 10,984,415	\$ 558,135
Operating expenses				
Dental benefit claims and expenses	-	552,991	552,991	537,858
Health benefit claims and expenses	9,372,581	-	9,372,581	-
Total operating expenses	<u>9,372,581</u>	<u>552,991</u>	<u>9,925,572</u>	<u>537,858</u>
Operating income	1,024,814	34,029	1,058,843	20,277
Net position				
Beginning of year	<u>-</u>	<u>487,798</u>	<u>487,798</u>	<u>467,521</u>
End of year	<u>\$ 1,024,814</u>	<u>\$ 521,827</u>	<u>\$ 1,546,641</u>	<u>\$ 487,798</u>

INTERMEDIATE DISTRICT NO. 287

Combining Statement of Cash Flows
 Proprietary Fund
 Internal Service Fund
 Year Ended June 30, 2016

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

	Health Self-Insurance	Dental Self-Insurance	2016	2015
Cash flows from operating activities				
Received from assessments made to other funds	\$ 10,377,568	\$ 584,059	\$ 10,961,627	\$ 558,135
Payments for claims	(8,339,258)	(555,265)	(8,894,523)	(533,802)
Net cash provided by operating activities	<u>2,038,310</u>	<u>28,794</u>	<u>2,067,104</u>	<u>24,333</u>
Cash and temporary investments				
Beginning of year	—	500,629	500,629	476,296
End of year	<u>\$ 2,038,310</u>	<u>\$ 529,423</u>	<u>\$ 2,567,733</u>	<u>\$ 500,629</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 1,024,814	\$ 34,029	\$ 1,058,843	\$ 20,277
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Increase in accounts payable	148,095	—	148,095	—
Increase (decrease) in claims payable	885,228	(2,274)	882,954	4,056
Accounts receivable	(19,827)	(2,961)	(22,788)	—
Net cash provided by operating activities	<u>\$ 2,038,310</u>	<u>\$ 28,794</u>	<u>\$ 2,067,104</u>	<u>\$ 24,333</u>

OTHER DISTRICT INFORMATION

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INTERMEDIATE DISTRICT NO. 287

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		
2007	\$ 55,612,063 94.9%	\$ 2,103,610 3.6%	\$ 897,863 1.5%	\$ 58,613,536 100.0%
2008	56,134,852 94.3%	2,250,947 3.8%	1,112,200 1.9%	59,497,999 100.0%
2009	36,419,310 51.4%	34,258,992 48.4%	160,493 0.2%	70,838,795 100.0%
2010	32,677,313 46.6%	37,212,152 53.1%	205,766 0.3%	70,095,231 100.0%
2011	31,551,418 39.2%	47,437,971 58.8%	1,655,682 2.0%	80,645,071 100.0%
2012	25,187,923 30.8%	50,953,848 62.3%	5,631,369 6.9%	81,773,140 100.0%
2013	24,693,241 31.0%	49,209,282 61.8%	5,662,277 7.1%	79,564,800 100.0%
2014	23,543,538 28.5%	53,222,921 64.5%	5,808,833 7.0%	82,575,292 100.0%
2015	23,560,298 27.7%	55,382,586 65.1%	6,128,183 7.2%	85,071,067 100.0%
2016	23,370,376 27.1%	56,860,030 66.0%	5,896,624 6.9%	86,127,030 100.0%

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

INTERMEDIATE DISTRICT NO. 287

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Career and Technical Education	Academic Education	Special Education	Student Clubs	Administrative Support Services and Operations and Maintenance
2007	\$ 3,660,269 6.2%	\$ 7,392,457 12.6%	\$ 41,075,618 69.9%	\$ 37,721 0.1%	\$ 4,318,523 7.3%
2008	3,174,598 5.3%	7,709,078 12.9%	43,046,317 71.8%	34,590 0.1%	3,485,015 5.8%
2009	2,031,279 3.0%	7,369,185 12.8%	41,461,900 60.4%	30,182 -	14,507,409 21.1%
2010	1,799,980 2.6%	7,414,031 10.8%	42,834,001 62.4%	33,230 0.1%	14,177,454 20.7%
2011	1,701,554 2.4%	8,685,176 12.2%	43,571,799 61.1%	37,220 -	14,456,449 20.2%
2012	2,089,610 2.5%	9,765,874 11.5%	47,330,201 56.0%	28,059 -	19,944,160 23.6%
2013	1,545,389 2.0%	9,836,410 12.6%	46,711,262 59.9%	29,161 -	15,030,687 19.3%
2014	1,764,840 2.1%	11,274,730 13.5%	49,225,704 58.9%	34,837 -	16,507,110 19.8%
2015	1,204,770 1.5%	10,771,569 13.1%	49,436,189 60.2%	29,074 -	15,884,064 19.4%
2016	1,142,660 1.4%	10,121,670 12.3%	51,068,483 62.0%	29,516 -	15,386,789 18.7%

Note: In fiscal 2009, the state of Minnesota converted special education tuition billing to a state-wide system. This resulted in a movement of expenses to administrative support services and operations and maintenance from career and technical education, academic education, and special education.

Food Service	Community Service	Interest and Fiscal Charges	Total
\$ -	\$ 285,398	\$ 1,991,349	\$ 58,761,335
-	0.5%	3.4%	100.0%
204,638	228,778	2,087,803	59,970,817
0.3%	0.4%	3.5%	100.0%
302,050	289,497	2,603,436	68,594,938
0.4%	0.4%	3.8%	100.0%
271,290	302,778	1,862,426	68,695,190
0.4%	0.4%	2.7%	100.0%
313,772	245,600	2,449,587	71,461,157
0.4%	0.3%	3.4%	100.0%
364,196	214,916	4,890,548	84,627,564
0.4%	0.3%	5.8%	100.0%
590,030	221,269	4,044,542	78,008,750
0.8%	0.3%	5.2%	100.0%
671,461	181,463	3,901,822	83,561,967
0.8%	0.2%	4.7%	100.0%
771,783	152,350	3,835,131	82,084,930
0.9%	0.2%	4.7%	100.0%
718,400	162,080	3,739,564	82,369,162
0.9%	0.2%	4.5%	100.0%

INTERMEDIATE DISTRICT NO. 287

General Fund Revenue by Source
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Pass-Through Levies</u>	<u>Tuition</u>	<u>Federal Revenue</u>	<u>State Revenue</u>	<u>Other Revenue</u>	<u>Total</u>
2007	\$ -	\$ 53,841,584	\$ 1,316,431	\$ 187,727	\$ 2,997,819	\$ 58,343,561
2008	-	54,145,979	1,209,303	523,268	3,286,217	59,164,767
2009	6,134,620	28,370,605	314,578	33,178,712	2,441,764	70,440,279
2010	6,823,078	23,511,263	1,003,070	35,631,298	2,748,921	69,717,630
2011	4,923,538	24,119,591	1,698,976	44,274,425	3,550,539	78,567,069
2012	2,825,406	19,647,575	1,672,281	47,049,421	6,099,715	77,294,398
2013	2,974,288	18,994,895	667,828	46,793,472	4,431,219	73,861,702
2014	2,800,789	19,448,574	654,280	49,297,310	4,693,338	76,894,291
2015	3,151,287	20,430,978	928,060	51,522,895	3,079,307	79,112,527
2016	3,850,274	19,398,980	275,271	53,880,747	2,794,534	80,199,806

Note 1: During fiscal year 2009, the District began to report pass-through levies separately. In the past, these amounts were included in tuition.

Note 2: In fiscal 2009, the state of Minnesota converted special education tuition billing to a state-wide system. This caused the tuition to be converted to state revenue.

OTHER REQUIRED REPORTS

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

To the Board of Directors and Management of
Intermediate District No. 287
Plymouth, 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 District No. 287 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota

December 19, 2016

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors and Management of
Intermediate District No. 287
Plymouth, 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 District No. 287 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2016.

MINNESOTA LEGAL COMPLIANCE

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 19, 2016

INTERMEDIATE DISTRICT NO. 287

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 80,199,806	\$ 80,199,808	\$ (2)
Total expenditures		\$ 79,377,306	\$ 79,377,311	\$ (5)
Nonspendable				
460	Nonspendable fund balance	\$ 80,200	\$ 80,200	\$ –
Restricted				
403	Staff development	\$ –	\$ –	\$ –
405	Deferred maintenance	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 191,375	\$ 191,375	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
446	First grade preparedness	\$ –	\$ –	\$ –
449	Safe schools levy	\$ 460,316	\$ 460,316	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 8,470,777	\$ 8,470,778	\$ (1)
Unassigned				
422	Unassigned fund balance	\$ 6,528,445	\$ 6,528,444	\$ 1
Food Service				
Total revenue		\$ 455,809	\$ 455,809	\$ –
Total expenditures		\$ 718,471	\$ 718,471	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ 65,013	\$ 65,013	\$ –
Total expenditures		\$ 165,420	\$ 165,419	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INTERMEDIATE DISTRICT NO. 287

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
409	Alternative facility program	\$ –	\$ –	\$ –
413	Project funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 5,398,246	\$ 5,398,245	\$ 1
Total expenditures		\$ 3,978,846	\$ 3,978,846	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 6,540,934	\$ 6,540,934	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ 495,145	\$ 495,145	\$ –
Total expenditures		\$ 500,658	\$ 500,657	\$ 1
422	Net position	\$ 105,485	\$ 105,485	\$ –
Internal Service				
Total revenue		\$ 10,984,415	\$ 10,984,415	\$ –
Total expenditures		\$ 9,925,572	\$ 9,925,572	\$ –
422	Net position	\$ 1,546,641	\$ 1,546,641	\$ –
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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