

NORTHEAST METROPOLITAN INTERMEDIATE  
SCHOOL DISTRICT NO. 916

and

VALLEY CROSSING COMMUNITY SCHOOL

Financial Statements and  
Supplemental Information

Year Ended  
June 30, 2014

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NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

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INTRODUCTORY SECTION

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Board of Directors and Administration  
as of June 30, 2014

**BOARD OF DIRECTORS**

<u>Board Member</u>	<u>Member District No.</u>	<u>Position on Board</u>
Ms. Tracy Brunnette	833	Chair
Ms. Marilyn Forsberg	16	Vice Chair
Ms. Karen Lodico	12	Clerk
Ms. Janet Newberg	624	Treasurer
Ms. Theresa Augé	622	Director
Ms. Lisa Edstrom	623	Director
Ms. Laura Palmer	13	Director
Mr. Mike Ptacek	834	Director
Ms. Marre Jo Sager	621	Director
Ms. Judy Schwartz	832	Director
Ms. Gail Theisen	831	Director
To Be Named	14	Director

**ADMINISTRATION**

Ms. Connie Hayes	Superintendent
Ms. Kristine Carr	Director of Administrative Services
Dr. Jean Jordan	Director of Educational Services
Mr. Dan Naidicz	Director of Special Education
Ms. Julie Hartmann	Principal of Valley Crossing Community School



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of  
Northeast Metropolitan Intermediate  
School District No. 916 and  
Valley Crossing Community School  
White Bear Lake, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeast Metropolitan Intermediate School District No. 916 (the Intermediate) and Valley Crossing Community School (the School) (collectively the District) as of and for the year ended June 30, 2014, 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.

(continued)

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

## **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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Valley Crossing Special Revenue 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, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Tables are presented for purposes of additional analysis as required by the Minnesota Department of Education, and are also not required parts of the basic financial statements of the District.

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Tables 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 section and other district information 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 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 26, 2013. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
November 24, 2014

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NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2014

This section of Northeast Metropolitan Intermediate School District No. 916's (the Intermediate) and Valley Crossing Community School's (the School) (collectively the District) annual financial statements present management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District's total net position of governmental activities increased by \$1,482,140, resulting in total net position of \$25,344,972 as of June 30, 2014, while the District's governmental funds reported a combined ending fund balance of \$10,950,659, a decrease of \$13,735,188 from the prior year. This decrease in governmental funds was due to the construction of a new school building in fiscal year 2014 while the certificates of participation to fund the construction were issued in the prior fiscal year.
- The District's General Fund unassigned fund balance increased from \$3,137,000 to \$3,768,328 during fiscal year 2014, which represents approximately 8.2 percent of current year expenditures.

### **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 basic financial statements include two types of statements that present different views of the District:

#### **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 and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

In the government-wide financial statements, the District's activities are shown in one category titled "governmental activities."

**Governmental Activities** – These include the special education and vocational programs offered to member district students along with the itinerant staffing services provided to member districts. Tuition and staffing fees finance the activities in these funds. The District's basic services are also reported here, including government-wide administration, grant programs run by the District, and building maintenance services. Membership and access fees and grants and a portion of program tuition finance most of these activities.

## FUND FINANCIAL STATEMENTS

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

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 establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains three types 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 determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.



**Proprietary Funds** – Proprietary fund statements offer *short-term* and *long-term* financial information about the activities the District operates like businesses. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one type of proprietary fund, the Internal Service Fund, which is used to accumulate and allocate costs internally among the District’s various functions. The District’s Internal Service Fund accounts for its other post-employment benefit (OPEB) liabilities. These activities have been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds** – The District is the agent, or fiduciary, for assets that belong to others, such as the Health Occupation Services Activities. The District is responsible for ensuring that the assets reported in these programs 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. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

<b>Table 1</b>		
<b>Statement of Net Position</b>		
<b>Governmental Activities</b>		
<b>as of June 30, 2014 and 2013</b>		
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current and other assets	\$ 17,520,533	\$ 17,783,832
Restricted assets	3,232,003	16,370,113
Capital assets, net of depreciation	<u>41,202,935</u>	<u>25,878,490</u>
<b>Total assets</b>	<b><u>\$ 61,955,471</u></b>	<b><u>\$ 60,032,435</u></b>
<b>Liabilities</b>		
Other liabilities	\$ 9,361,264	\$ 9,036,401
Long-term liabilities	<u>27,249,235</u>	<u>27,133,202</u>
<b>Total liabilities</b>	<b><u>\$ 36,610,499</u></b>	<b><u>\$ 36,169,603</u></b>
<b>Net position</b>		
Net investment in capital assets	\$ 17,993,796	\$ 17,113,246
Restricted	1,358,899	1,532,851
Unrestricted	<u>5,992,277</u>	<u>5,216,735</u>
<b>Total net position</b>	<b><u>\$ 25,344,972</u></b>	<b><u>\$ 23,862,832</u></b>

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The significant increase in capital assets and decrease in restricted assets is related to an increase in building construction in the current year.

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

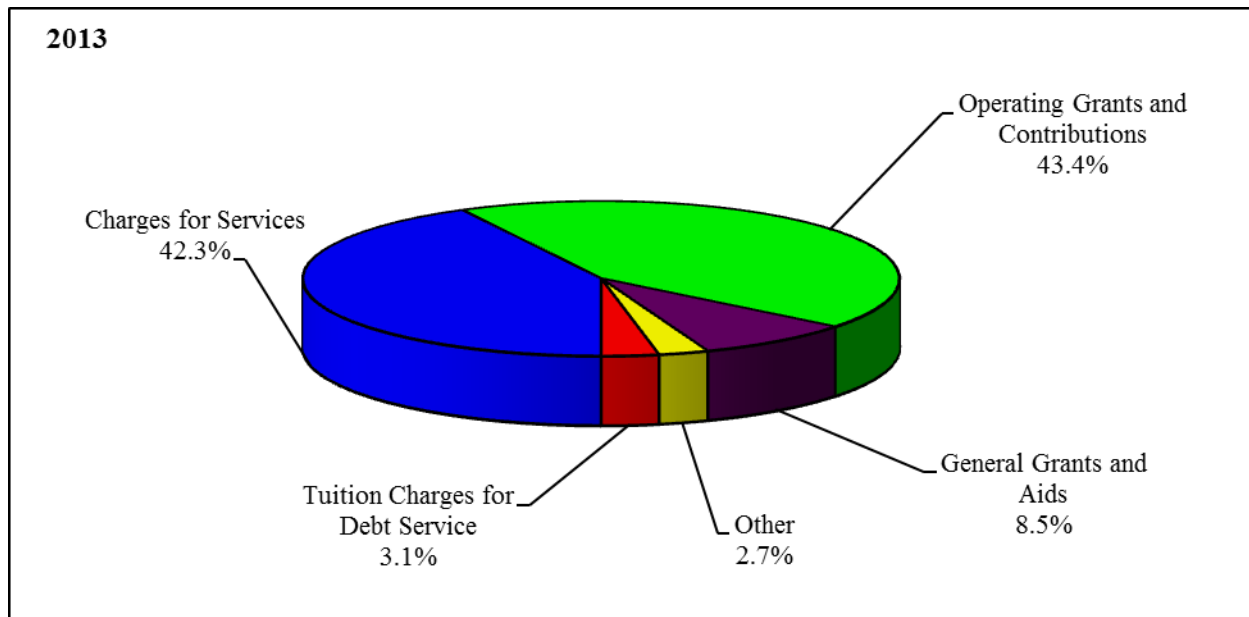
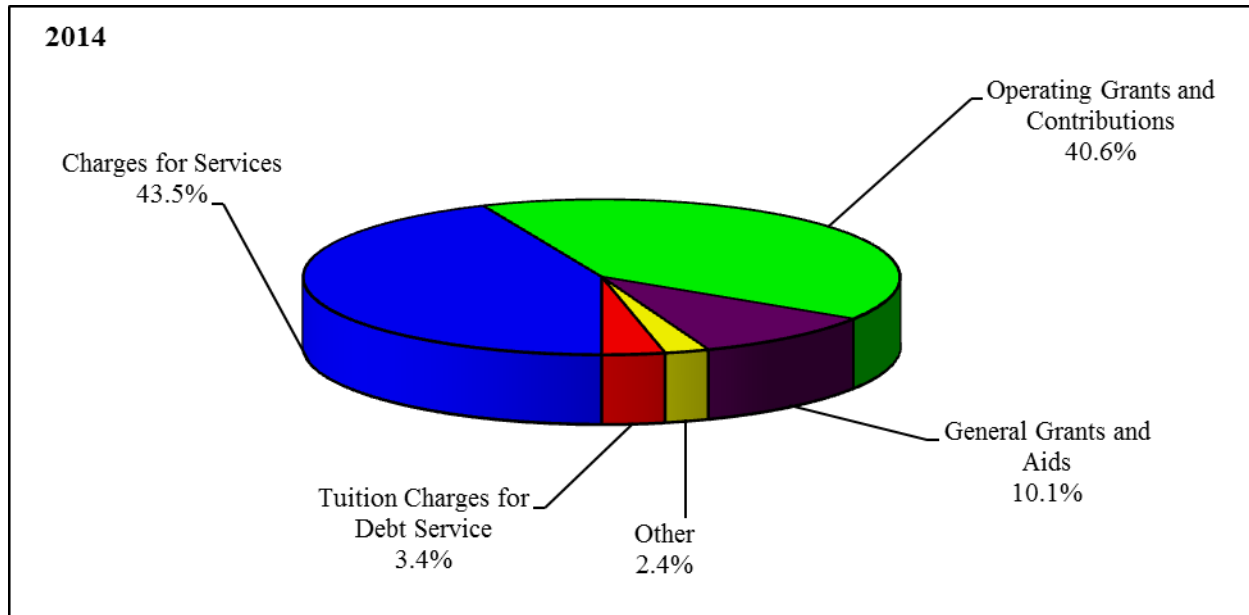
<b>Table 2</b>		
<b>Summary Statement of Activities</b>		
<b>for the Years Ended June 30, 2014 and 2013</b>		
	2014	2013
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 22,839,576	\$ 19,930,263
Operating grants and contributions	21,344,848	20,424,122
General revenues		
General grants and aids	5,297,408	4,005,764
Other	1,283,838	1,277,060
Tuition charges for debt service	1,789,166	1,438,667
Investment earnings	16,402	16,811
<b>Total revenues</b>	<b>52,571,238</b>	<b>47,092,687</b>
<b>Expenses</b>		
Governmental activities		
Administration and support services	5,407,273	5,249,023
Career and technical programs	2,337,493	2,189,849
Special education services	29,513,935	25,859,166
Educational services	37,441	77,544
Alternative Learning Center	3,473,463	3,693,856
Student clubs	38,030	45,607
Sites and buildings	2,222,417	2,033,790
Valley Crossing Community School	6,503,805	6,553,995
Community service	311	3,018
Depreciation not included in other functions	809,331	713,214
Interest and fiscal charges	745,599	445,079
<b>Total expenses</b>	<b>51,089,098</b>	<b>46,864,141</b>
<b>Change in net position</b>	1,482,140	228,546
<b>Net position – beginning</b>	<b>23,862,832</b>	<b>23,634,286</b>
<b>Net position – ending</b>	<b>\$ 25,344,972</b>	<b>\$ 23,862,832</b>

The increase in charges for services, operating grants and contributions, and general grants and aids were the result of additional students served by the District in fiscal 2014.

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.

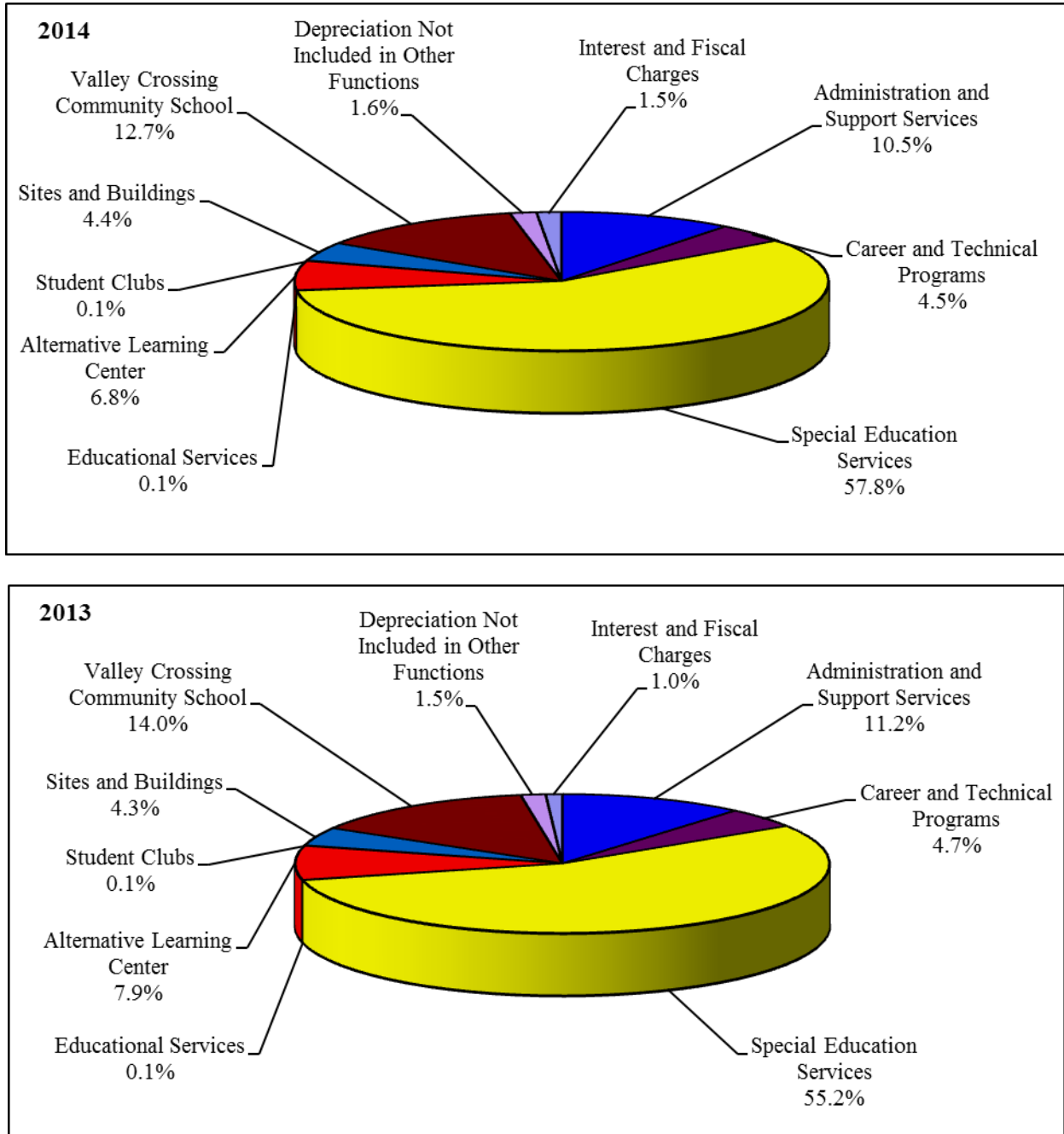
Figures A and B show further analysis of these revenue sources and expense functions:

**Figure A – Sources of Revenues for Fiscal Years 2014 and 2013**



- About 43.5 percent, or \$22,839,576, of the costs were paid by the participants of the District's programs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$26,642,256, or 50.7 percent, of the total costs for fiscal year 2013–2014.
- Of the total revenues, \$3,089,406 was from investment earnings, tuition charges for debt service, and other general revenues.

**Figure B – Expenses for Fiscal Years 2014 and 2013**



The District's expenses are predominately related to categories that relate directly to providing instruction, which includes special education, career and technical education, and educational services for general K-12 student populations.

**Table 3**  
**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net (Expense) Revenue</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Governmental activities				
Administration and support services	\$ 5,407,273	\$ 5,249,023	\$ (1,466,614)	\$ (1,576,512)
Career and technical programs	2,337,493	2,189,849	220,625	(62,581)
Special education services	29,513,935	25,859,166	(1,940,856)	(1,095,595)
Educational services	37,441	77,544	38,007	16,411
Alternative Learning Center	3,473,463	3,693,856	(146,167)	(722,696)
Student clubs	38,030	45,607	(20,346)	(33,263)
Sites and buildings	2,222,417	2,033,790	(1,597,026)	(1,408,556)
Valley Crossing Community School	6,503,805	6,553,995	(437,501)	(468,043)
Community service	311	3,018	134	(628)
Depreciation not included in other functions	809,331	713,214	(809,331)	(713,214)
Interest and fiscal charges	745,599	445,079	(745,599)	(445,079)
<b>Total</b>	<b>\$ 51,089,098</b>	<b>\$ 46,864,141</b>	<b>\$ (6,904,674)</b>	<b>\$ (6,509,756)</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. At the end of the 2013–2014 fiscal year, the District's governmental funds reported a *combined* fund balance of \$10,950,659, which is less than the June 30, 2013 combined fund balance of \$24,685,847. This decrease is due to the construction of a new school facility in fiscal year 2014.

Revenues for the District's governmental funds were \$52,541,746, while total expenditures were \$68,205,854. As a result, the District completed the year with expenditures exceeding revenue by \$15,664,108. Approximately \$13 million of this deficit were planned expenditures for the construction of a new K–8 special education facility. The District also issued \$15,655,000 in certificates of participation to fund the construction of a new facility in fiscal 2012–2013. There were also timing differences in receipt versus use of funds from third party billing and compensatory revenues.

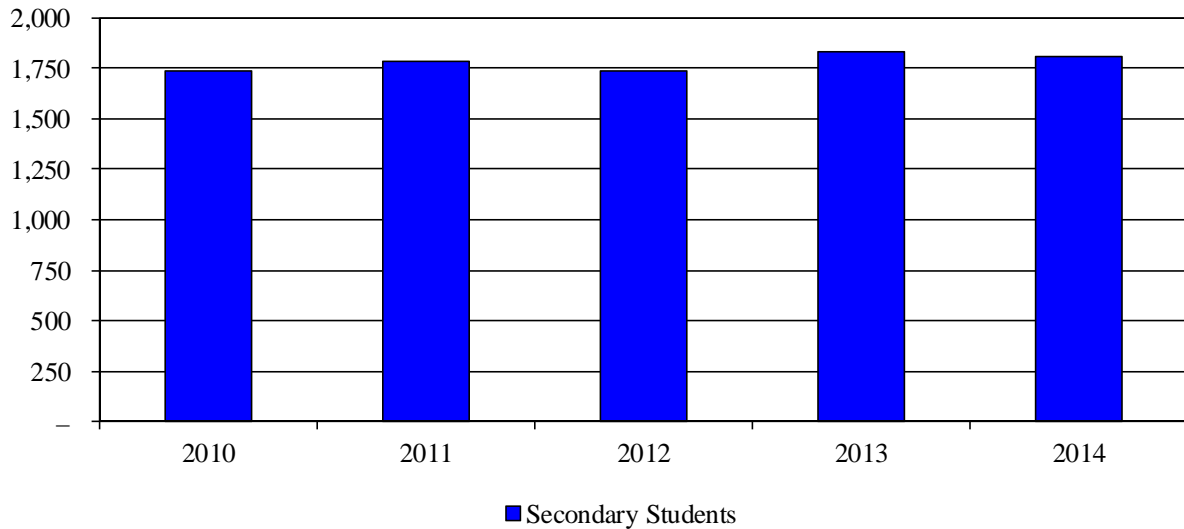
### GENERAL FUND

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

Funding for Minnesota school districts is largely driven by enrollment. In the current economic environment, member districts are striving to keep their students at their sites whenever possible. Overall, district enrollment increased slightly in fiscal year 2014. The areas of growth were seen in the area of special education, area learning centers, and the Career and Technical Center, while the Valley Crossing Community School continues to experience slight decreases in enrollment. There are two enrollment issues that are significant to note. First, that in special education, access to programs was closed for the first time in several programs because of lack of adequate space for the students that were being referred. This trend is continuing into fiscal year 2015. Second, with the slight increase in the funding formula at the state level and the payback of dollars by the state from the state funding shifts, the Career and Technical Center saw its first growth in enrollment in over five years.

The graph below shows changes in the District’s student enrollment over the past five years:

**Figure C  
Students (Average Daily Membership)  
Last Five Fiscal Years**



The following table presents a summary of General Fund revenues:

	Year Ended June 30,		Amount of Increase (Decrease)
	2014	2013	
Local sources			
Tuition from other districts	\$ 16,385,505	\$ 13,582,497	\$ 2,803,008
Other	2,755,365	2,603,555	151,810
State sources	24,711,256	22,385,350	2,325,906
Federal sources	754,407	863,640	(109,233)
<b>Total General Fund revenues</b>	<b>\$ 44,606,533</b>	<b>\$ 39,435,042</b>	<b>\$ 5,171,491</b>

Total General Fund revenues increased \$5,171,491, or 13.1 percent, in fiscal 2014 as compared to the previous year. Overall, the increase in revenues can be attributed to enrollment in special education programs and participation by member districts in a joint study by a national firm on management of special education costs.

The following table presents a summary of General Fund expenditures:

	Year Ended June 30,		Amount of Increase (Decrease)
	2014	2013	
Salaries	\$ 23,888,106	\$ 21,912,619	\$ 1,975,487
Employee benefits	10,096,344	9,170,748	925,596
Purchased services	4,525,003	4,523,606	1,397
Supplies and materials	671,458	658,194	13,264
Capital expenditures	3,514,261	495,393	3,018,868
Other expenditures	249,947	182,081	67,866
Sites and buildings	2,453,893	4,282,671	(1,828,778)
Debt service	544,150	535,733	8,417
<b>Total General Fund expenditures</b>	<b>\$ 45,943,162</b>	<b>\$ 41,761,045</b>	<b>\$ 4,182,117</b>

Total General Fund expenditures increased \$4,182,117, or 10.0 percent, from the previous year.

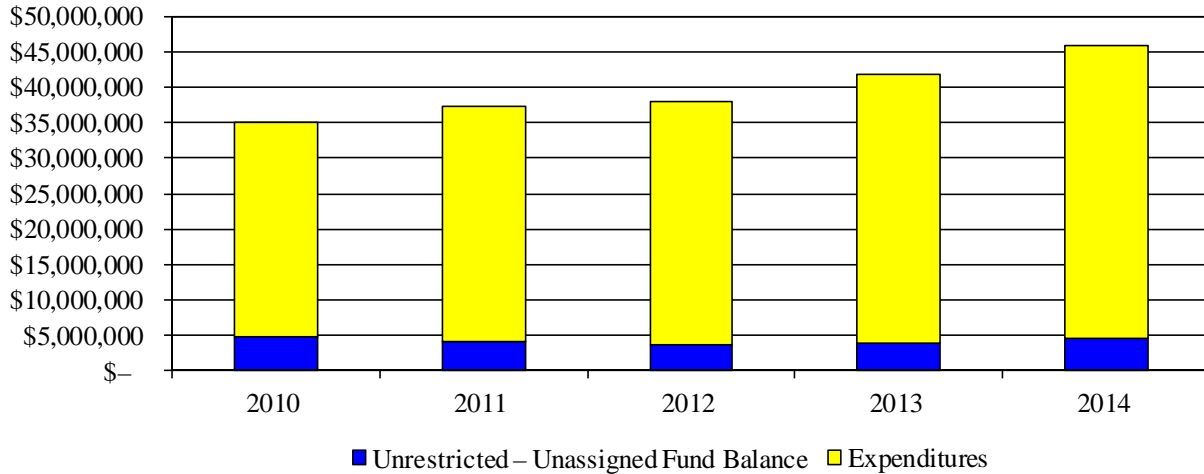
In fiscal year 2013–2014, salaries and employee benefits increased by 9.3 percent. The increase in salary and benefits is primarily due to bringing some contracted positions on as employees and increases in costs of salary schedules and the related benefits. Sites and building expenditures decreased in the current year due to the prior year purchase of property for the new Karner Blue Education Center.

In summary, 2013–2014 General Fund revenues and other financing sources exceeded General Fund expenditures by \$570,371. As a result, total fund balance increased to \$7,913,938 at June 30, 2014. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance (including restricted account deficits) increased from \$3,137,000 at June 30, 2013 to \$3,768,328 at June 30, 2014.

Capital expenditures increased in fiscal 2014 related to the purchase of land for future development.

The following graph shows the General Fund unrestricted – unassigned fund balance compared to expenditures:

**Figure D**  
**General Fund**  
**Fund Balances Compared to Expenditures**  
**Last Five Fiscal Years**



The graph above is the single best measure of overall financial health. The unrestricted – unassigned fund balance of \$3.8 million at June 30, 2014 represents 8.2 percent of annual expenditures. This is a budgeted increase from the fiscal year 2013 unrestricted – unassigned fund balance as a percentage of annual expenditures. This increase is due to an increase in tuition revenue in all areas. Management of expenditures was also maintained at minimum levels in all areas to help maintain a healthy fund balance at a time when it is needed to maintain cash flow. The continued maintenance of a fund balance is essential for the Intermediate to minimize the impact that cash flow borrowing would have to member districts who would have to back any cash flow debt incurred by the Intermediate.

The fund balance of the District is key to its financial success. The District continues to monitor its fund balances closely to ensure that fund balance targets are met. The District’s fund balance target is to maintain a 10 percent unassigned fund balance in major funds (Career and Technical Center; Special Education; Area Learning Centers; and District-Wide). In fiscal year 2014, the Board of Directors passed a slight tuition increase for the Career and Technical Center and membership fees in order to get closer to a 10 percent unassigned fund balance as a percentage of expenditures.

**Table 6**  
**General Fund**  
**Unrestricted – Unassigned Fund Balance**  
**as a Percentage of Expenditures**  
**Last Five Fiscal Years**

	2010	2011	2012	2013	2014
Unrestricted – unassigned fund balance	\$ 4,451,928	\$ 3,551,190	\$ 3,053,124	\$ 3,137,000	\$ 3,768,328
Percent increase (decrease)	(10.6%)	(20.2%)	(14.0%)	2.7%	20.1%
Expenditures (excludes capital lease proceeds)	\$ 34,993,433	\$ 37,226,110	\$ 37,888,891	\$ 41,761,045	\$ 45,943,162
Percent increase (decrease)	5.9%	6.4%	1.8%	10.2%	10.0%
Percent of fund balance to expenditures	12.7%	9.5%	8.1%	7.5%	8.2%



## **General Fund Budgetary Highlights**

Over the course of the year, the District revised its annual operating budget. These amendments increased the revenue and other financing sources budget by \$2,422,806 and the expenditure budget by \$2,614,311. These budget amendments fall into two categories:

- 1) Implementing budgets for specially funded projects, which include both federal and state grants, adjusting staffing and various instructional allocations to the schools based on actual fall enrollment, and unspent funds carried over into fiscal year 2013–2014.
- 2) Increase in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that revenues and other financing sources would fall short of expenditures by \$296,564, the actual result for the year shows an increase of \$570,371.

- Actual revenues were \$97,680 more than expected in the budget, mainly in tuition and other revenues.
- Actual expenditures were more than budget by \$1,130,745. This was mainly due to capital expenditures being over budgeted amounts for the purchase of land. This purchase was financed with the issuance of debt of \$1,900,000.

## **VALLEY CROSSING SPECIAL REVENUE FUND**

This fund's original budget anticipated revenues exceeding expenditures by \$73,272, while the final budget showed a deficit of (\$180,452).

Actual expenditures exceeded revenues and other financing sources by \$81,728. This was due to tuition revenue exceeding budget by \$43,886 along with actual expenditures being less than budgeted by \$39,062.

The June 30, 2014 fund balance of \$1,230,232 is available for meeting the needs of the School.

## **CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND**

The Capital Projects – Building Construction Fund is a fund used to account for \$2,020,000 of bonds issued and used to renovate the Bellaire School. These funds were authorized by the 2001 Legislature to enable the District to move its district offices off the East Campus of Century College. The District also uses this fund to account for \$15,655,000 of certificates of participation issued during fiscal 2012–2013 to finance construction costs of the Karner Blue Education Center.

## **INTERMEDIATE DEBT SERVICE FUND**

The Intermediate Debt Service Fund revenues exceeded expenditures by \$440 in fiscal year 2014. The June 30, 2014 fund balance of \$358,112 is available for meeting future debt service obligations.

## **VALLEY CROSSING DEBT SERVICE FUND**

This fund's revenues equaled expenditures. The June 30, 2014 fund balance of \$117,711 is available for meeting future debt service obligations.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### CAPITAL ASSETS

At year-end, the District had net capital assets of \$41,202,935, representing a broad range of capital assets, including school buildings, leasehold improvements, computers and audio-visual equipment, and other equipment for various instructional programs (see Table 7). More detailed information about capital assets can be found in the notes to basic financial statements.

	2014	2013	Total Change 2013–2014
Land	\$ 5,559,640	\$ 3,159,640	\$ 2,400,000
Buildings	36,398,449	36,233,825	164,624
Furniture and equipment	5,324,466	5,116,437	208,029
Leasehold improvements	228,172	228,172	–
Construction in progress	14,466,442	569,115	13,897,327
Less accumulated depreciation	(20,774,234)	(19,428,699)	(1,345,535)
Total	<u>\$ 41,202,935</u>	<u>\$ 25,878,490</u>	<u>\$ 15,324,445</u>
Depreciation expense	<u>\$ 1,489,027</u>	<u>\$ 1,449,346</u>	<u>\$ 39,681</u>

Capital asset additions in the current year include construction of the Karner Blue Education Center.

### LONG-TERM LIABILITIES

At year-end, the District had \$24.5 million in certificates of participation, premiums on certificates of participation, contracts for deed, and capital leases outstanding. The District also had \$2.7 million in post-employment severance benefits payable, compensated absences payable, and net OPEB obligations at June 30, 2014.

	2014	2013	Total Change
Certificates of participation payable	\$ 18,350,000	\$ 19,605,000	\$ (1,255,000)
Premium on certificates of participation payable	742,570	814,381	(71,811)
Contract for deed	1,900,000	–	1,900,000
Energy loan payable	–	44,675	(44,675)
Capital leases payable	3,546,581	3,855,606	(309,025)
Severance benefits payable	1,525,599	1,554,221	(28,622)
Compensated absences payable	733,638	763,369	(29,731)
Net OPEB obligation	450,847	495,950	(45,103)
	<u>\$ 27,249,235</u>	<u>\$ 27,133,202</u>	<u>\$ 116,033</u>

For more detailed information on the District's long-term liabilities, refer to the notes to basic financial statements.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

With the exception of approved lease levies for debt payments, the District is dependent on selling services to school districts throughout the state of Minnesota for its revenue. The majority of this revenue is generated through services provided to the 12 member districts of the District. Recent experience demonstrates that flat legislated revenue to these districts for providing educational services have not been sufficient to meet instructional program needs and increased costs due to inflation. The District will be under continued pressure from the independent school districts to control costs in programs that are very specialized and expensive to run.

Two new independent school districts joined the District and became member school districts in fiscal year 2014. This action continues to demonstrate the need for the services that the District provides. The strain on appropriate building space forced the District to close enrollment in several specialized programs to all nonmembers districts. This became a significant enough factor to cause these two districts to commit to membership in the District.

As general education dollars become more scarce in the District's member districts, the District is having a more difficult time getting accurate student counts for its programs in the spring. This makes budgeting and staffing for the following school year extremely challenging and less predictable. Most intermediate programs are impacted in varying ways. The Career and Technical Center is experiencing capped student enrollment by most of the districts sending students to those programs. This impacts the Career and Technical Center's ability to maintain varied programs as most are staffed by a single licensed staff member. The level four special education programs are seeing large growth in student population mid-year and are struggling to balance appropriate staffing patterns that will limit large tuition rate increases yet achieve appropriate staffing levels for safety and appropriate services to students.

Staff retention and recruitment is key to the continued success of the District, as many of its experienced staff, especially in the diverse areas of special education, start to retire. The District will be challenged to find qualified staff that will meet the ever increasing requirements resulting from state and federal program mandates. This is an especially important area in serving the District's member districts that look to the District to service their highly challenging populations in its programs, but also to provide their districts with itinerant staff in specialized areas within their own school buildings. There are also several specialty license areas, such as teachers of the blind and visually impaired, that have very small numbers of licensure programs available throughout the nation. Without action by the state and the collegiate programs, the ability of the District to find appropriate staff in these areas will continue to be challenging and positions will remain unfilled.

The facilities utilized by the Intermediate's district programs are at a critical point of decision making. There are large deferred maintenance costs for one of the main program sites scheduled to be incurred in the next five years. There are also continued programmatic pressures for more varied and flexible educational spaces for students in all of the level four special education programs. The Board of Directors did approve in concept a three-step plan to address facility concerns within the District. The first step of the plan, to build a level 4, regional K-8 special education facility in the northwest section of the District, has been completed. Step two of the plan, to build a level 4, regional K-8 special education facility in the southeast section of the District has begun with the purchase of land in the City of Lake Elmo in fiscal year 2014. This second building will come on line in the fall of 2017.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Office, Northeast Metropolitan Intermediate School District No. 916, 2540 East County Road F, White Bear Lake, Minnesota 55110.

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BASIC FINANCIAL STATEMENTS

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 91€  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Net Position  
as of June 30, 2014  
(With Partial Comparative Information as of June 30, 2013)

	Governmental Activities	
	2014	2013
Assets		
Cash and temporary investments	\$ 9,312,992	\$ 9,469,781
Receivables		
Delinquent taxes	120	176
Accounts and interest	617,136	524,203
Due from other governmental units	7,054,909	7,371,891
Inventory	6,125	5,783
Prepaid items	529,251	411,998
Restricted assets – temporarily restricted		
Cash and investments for capital projects	3,057,989	15,853,904
Cash and investments for debt service	112,430	464,960
Cash and investments for employee benefits	61,584	51,249
Total restricted assets	3,232,003	16,370,113
Capital assets		
Not depreciated	20,026,082	3,728,755
Depreciated, net of accumulated depreciation	21,176,853	22,149,735
Total capital assets, net of accumulated depreciation	41,202,935	25,878,490
Total assets	\$ 61,955,471	\$ 60,032,435
Liabilities		
Accounts payable	\$ 2,171,867	\$ 771,736
Due to other governmental units	3,175,642	4,583,388
Salaries and compensated absences payable	3,594,872	3,317,113
Unearned revenue	70,953	108,977
Accrued interest payable	347,930	255,187
Long-term liabilities		
Due within one year	3,494,060	2,537,898
Due in more than one year	23,755,175	24,595,304
Total long-term liabilities	27,249,235	27,133,202
Total liabilities	36,610,499	36,169,603
Net position		
Net investment in capital assets	17,993,796	17,113,246
Restricted for		
Valley Crossing Community School	1,230,232	1,311,960
Debt service	128,013	220,372
Other	654	519
Unrestricted	5,992,277	5,216,735
Total net position	25,344,972	23,862,832
Total liabilities and net position	\$ 61,955,471	\$ 60,032,435

See notes to basic financial statements

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Activities  
for the Year Ended June 30, 2014  
(With Partial Comparative Information for the Year Ended June 30, 2013)

Functions/Programs	2014			2013	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in in Net Position	Revenue and Changes in in Net Position
			Governmental Activities	Governmental Activities	
Governmental activities					
Administration and support services	\$ 5,407,273	\$ 3,133,472	\$ 807,187	\$ (1,466,614)	\$ (1,576,512)
Career and technical programs	2,337,493	2,558,118	–	220,625	(62,581)
Special education services	29,513,935	8,304,150	19,268,929	(1,940,856)	(1,095,595)
Educational services	37,441	75,448	–	38,007	16,411
Alternative Learning Center	3,473,463	3,217,169	110,127	(146,167)	(722,696)
Student clubs	38,030	17,684	–	(20,346)	(33,263)
Sites and buildings	2,222,417	625,391	–	(1,597,026)	(1,408,556)
Valley Crossing Community School	6,503,805	4,907,699	1,158,605	(437,501)	(468,043)
Community service	311	445	–	134	(628)
Depreciation not included in other functions	809,331	–	–	(809,331)	(713,214)
Interest and fiscal charges	745,599	–	–	(745,599)	(445,079)
<b>Total governmental activities</b>	<b>\$ 51,089,098</b>	<b>\$ 22,839,576</b>	<b>\$ 21,344,848</b>	<b>(6,904,674)</b>	<b>(6,509,756)</b>
General revenues					
				5,297,408	4,005,764
				1,283,838	1,277,060
				1,789,166	1,438,667
				16,402	16,811
				<u>8,386,814</u>	<u>6,738,302</u>
				1,482,140	228,546
				<u>23,862,832</u>	<u>23,634,286</u>
				<u>\$ 25,344,972</u>	<u>\$ 23,862,832</u>

See notes to basic financial statements

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Balance Sheet  
Governmental Funds  
as of June 30, 2014

(With Partial Comparative Information as of June 30, 2013)

	<u>General Fund</u>	<u>Valley Crossing Special Revenue Fund</u>	<u>Major Funds Capital Projects – Building Construction Fund</u>
Assets			
Cash and temporary investments	\$ 6,096,493	\$ 2,002,617	\$ 2,027
Cash and investments held by trustee	61,584	–	3,057,989
Receivables			
Delinquent taxes	–	–	–
Accounts and interest	560,092	41,467	15,577
Due from other governmental units	6,835,114	217,246	–
Inventory	6,125	–	–
Prepaid items	505,329	22,005	–
	<u>\$ 14,064,737</u>	<u>\$ 2,283,335</u>	<u>\$ 3,075,593</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 329,669	\$ 96,617	\$ 1,745,581
Due to other governmental units	2,697,089	478,553	–
Salaries and compensated absences payable	3,149,475	445,259	–
Unearned revenue	(25,434)	32,674	–
Total liabilities	<u>6,150,799</u>	<u>1,053,103</u>	<u>1,745,581</u>
Fund balances			
Nonspendable	510,473	21,255	–
Restricted	704,667	24,865	1,330,012
Assigned	2,930,470	614,337	–
Unassigned	3,768,328	569,775	–
Total fund balances	<u>7,913,938</u>	<u>1,230,232</u>	<u>1,330,012</u>
	<u>\$ 14,064,737</u>	<u>\$ 2,283,335</u>	<u>\$ 3,075,593</u>

See notes to basic financial statements



Intermediate Debt Service Fund	Valley Crossing Debt Service Fund	Nonmajor Fund Community Service Special Revenue Fund	Total Governmental Funds	
			2014	2013
\$ 351,697	\$ 70,943	\$ 792	\$ 8,524,569	\$ 8,783,473
4,498	107,932	-	3,232,003	16,370,113
120	-	-	120	176
-	-	-	617,136	524,203
-	2,549	-	7,054,909	7,371,891
-	-	-	6,125	5,783
1,917	-	-	529,251	411,598
<u>\$ 358,232</u>	<u>\$ 181,424</u>	<u>\$ 792</u>	<u>\$ 19,964,113</u>	<u>\$ 33,467,237</u>
\$ -	\$ -	\$ -	\$ 2,171,867	\$ 771,736
-	-	-	3,175,642	4,583,388
-	-	138	3,594,872	3,317,113
120	63,713	-	71,073	109,153
<u>120</u>	<u>63,713</u>	<u>138</u>	<u>9,013,454</u>	<u>8,781,390</u>
-	-	-	531,728	416,815
358,112	117,711	654	2,536,021	16,639,274
-	-	-	3,544,807	3,850,321
-	-	-	4,338,103	3,779,437
<u>358,112</u>	<u>117,711</u>	<u>654</u>	<u>10,950,659</u>	<u>24,685,847</u>
<u>\$ 358,232</u>	<u>\$ 181,424</u>	<u>\$ 792</u>	<u>\$ 19,964,113</u>	<u>\$ 33,467,237</u>

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NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2014  
(With Partial Comparative Information as of June 30, 2013)

	2014	2013
Total fund balances – governmental funds	\$ 10,950,659	\$ 24,685,847
Amounts reported for government activities in the Statement of Net Position are different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	61,977,169	45,307,189
Less accumulated depreciation	(20,774,234)	(19,428,699)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
Certificates of participation payable	(18,350,000)	(19,605,000)
Premium on certificates of participation	(742,570)	(814,381)
Contract for deed	(1,900,000)	–
Energy loan payable	–	(44,675)
Capital lease payable	(3,546,581)	(3,855,606)
Severance payable	(1,525,599)	(1,554,221)
Compensated absences payable	(733,638)	(763,369)
Internal service funds are established 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.		
	517,161	432,137
Net other post-employment benefit obligations not reported in the internal service funds do not require the use of current financial resources and are not reported as assets in governmental funds until actually due.		
	(179,585)	(241,379)
Delinquent property taxes receivable are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
	120	176
Governmental funds do not report a liability for accrued interest until due and payable.		
	(347,930)	(255,187)
Total net position – governmental activities	\$ 25,344,972	\$ 23,862,832

See notes to basic financial statements

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014  
(With Partial Comparative Information for the Year Ended June 30, 2013)

	General Fund	Valley Crossing Special Revenue Fund	Major Funds Capital Projects – Building Construction Fund
<b>Revenue</b>			
Local sources			
Property taxes	\$ –	\$ –	\$ –
Tuition from other districts	16,385,505	4,846,273	–
Other	2,755,365	102,895	19,353
State sources	24,711,256	1,153,351	–
Federal sources	754,407	23,238	–
Total revenue	<u>44,606,533</u>	<u>6,125,757</u>	<u>19,353</u>
<b>Expenditures</b>			
Current			
Administration and support services	7,321,028	–	–
Career and technical programs	2,358,234	–	–
Special education services	29,668,315	–	–
Educational services	104,033	–	–
Alternative Learning Center	3,455,479	–	–
Student clubs	38,030	–	–
Valley Crossing Community School	–	6,229,405	–
Sites and buildings	2,453,893	–	–
Community service	–	–	–
Capital outlay	–	–	14,243,759
Debt service			
Principal	353,700	–	–
Interest and fiscal charges	190,450	–	–
Total expenditures	<u>45,943,162</u>	<u>6,229,405</u>	<u>14,243,759</u>
Excess (deficiency) of revenue over expenditures	(1,336,629)	(103,648)	(14,224,406)
<b>Other financing sources</b>			
Debt issued	1,900,000	–	–
Premium on debt issued	–	–	–
Sale of capital assets	7,000	21,920	–
Total other financing sources	<u>1,907,000</u>	<u>21,920</u>	<u>–</u>
Net change in fund balances	570,371	(81,728)	(14,224,406)
<b>Fund balances</b>			
Beginning of year	<u>7,343,567</u>	<u>1,311,960</u>	<u>15,554,418</u>
End of year	<u>\$ 7,913,938</u>	<u>\$ 1,230,232</u>	<u>\$ 1,330,012</u>

See notes to basic financial statements

Intermediate Debt Service Fund	Valley Crossing Debt Service Fund	Nonmajor Fund	Total Governmental Funds	
		Community Service Special Revenue Fund	2014	2013
\$ 332	\$ -	\$ -	\$ 332	\$ 54
353,021	1,435,813	-	23,020,612	19,896,384
491	-	446	2,878,550	2,759,669
-	-	-	25,864,607	23,540,590
-	-	-	777,645	889,296
<u>353,844</u>	<u>1,435,813</u>	<u>446</u>	<u>52,541,746</u>	<u>47,085,993</u>
-	-	-	7,321,028	5,238,319
-	-	-	2,358,234	2,176,380
-	-	-	29,668,315	25,882,677
-	-	-	104,033	137,288
-	-	-	3,455,479	3,663,853
-	-	-	38,030	45,607
-	-	-	6,229,405	6,118,195
-	-	-	2,453,893	4,282,671
-	-	311	311	2,722
-	-	-	14,243,759	554,725
-	1,255,000	-	1,608,700	1,532,218
353,404	180,813	-	724,667	439,028
<u>353,404</u>	<u>1,435,813</u>	<u>311</u>	<u>68,205,854</u>	<u>50,073,683</u>
440	-	135	(15,664,108)	(2,987,690)
-	-	-	1,900,000	15,655,000
-	-	-	-	793,567
-	-	-	28,920	6,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,928,920</u>	<u>16,455,067</u>
440	-	135	(13,735,188)	13,467,377
<u>357,672</u>	<u>117,711</u>	<u>519</u>	<u>24,685,847</u>	<u>11,218,470</u>
<u>\$ 358,112</u>	<u>\$ 117,711</u>	<u>\$ 654</u>	<u>\$ 10,950,659</u>	<u>\$ 24,685,847</u>

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NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2014  
(With Partial Comparative Information for the Year Ended June 30, 2013)

	2014	2013
Total net change in fund balances – governmental funds	\$(13,735,188)	\$ 13,467,377
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	16,829,523	3,246,667
Depreciation expense	(1,489,027)	(1,449,346)
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.		
	(16,051)	(133,319)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	(1,900,000)	(15,655,000)
Increases (decreases) in severance payable and compensated absences payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
	58,353	(53,489)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The activity of the internal service funds is included in the governmental activities in the Statement of Activities.		
	85,024	198,791
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.		
	1,608,700	1,532,218
Net other post-employment benefit obligations not reported in the internal service funds do not require the use of current financial resources and are not reported as liabilities in governmental funds until actually due.		
	61,794	(125,443)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
	(92,743)	(51,410)
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 the issuance as other financing sources and uses.		
	71,811	(748,208)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds		
	(56)	(292)
Change in net position – governmental activities	\$ 1,482,140	\$ 228,546

See notes to basic financial statements

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund and Major Special Revenue Fund  
Year Ended June 30, 2014

	General Fund			
	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Tuition from other districts	\$ 14,349,963	\$ 15,717,970	\$ 16,385,505	\$ 667,535
Other	2,606,478	2,558,779	2,755,365	196,586
State sources	24,470,581	25,275,244	24,711,256	(563,988)
Federal sources	666,025	956,860	754,407	(202,453)
Total revenue	<u>42,093,047</u>	<u>44,508,853</u>	<u>44,606,533</u>	<u>97,680</u>
<b>Expenditures</b>				
Current				
Administration and support services	4,571,344	5,551,318	7,321,028	1,769,710
Career and technical programs	2,360,213	2,411,207	2,358,234	(52,973)
Special education services	28,513,515	29,945,271	29,668,315	(276,956)
Educational services	160,982	133,599	104,033	(29,566)
Alternative Learning Center	3,411,469	3,697,483	3,455,479	(242,004)
Student clubs	65,780	63,103	38,030	(25,073)
Sites and buildings	2,579,069	2,474,702	2,453,893	(20,809)
Valley Crossing Community School	-	-	-	-
Debt service				
Principal	353,700	353,700	353,700	-
Interest	182,034	182,034	190,450	8,416
Total expenditures	<u>42,198,106</u>	<u>44,812,417</u>	<u>45,943,162</u>	<u>1,130,745</u>
Excess (deficiency) of revenue over expenditures	(105,059)	(303,564)	(1,336,629)	(1,033,065)
<b>Other financing sources</b>				
Debt issued	-	-	1,900,000	1,900,000
Sale of capital assets	-	7,000	7,000	-
Total other financing sources	<u>-</u>	<u>7,000</u>	<u>1,907,000</u>	<u>1,900,000</u>
Net change in fund balances	<u>\$ (105,059)</u>	<u>\$ (296,564)</u>	570,371	<u>\$ 866,935</u>
<b>Fund balances</b>				
Beginning of year			<u>7,343,567</u>	
End of year			<u>\$ 7,913,938</u>	

See notes to basic financial statements



Valley Crossing Special Revenue Fund

Budgeted Amounts		Actual	Over (Under) Final Budget
Original	Final		
\$ 4,900,256	\$ 4,802,387	\$ 4,846,273	\$ 43,886
85,275	104,306	102,895	(1,411)
1,110,307	1,155,905	1,153,351	(2,554)
28,394	25,417	23,238	(2,179)
<u>6,124,232</u>	<u>6,088,015</u>	<u>6,125,757</u>	<u>37,742</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
6,050,960	6,268,467	6,229,405	(39,062)
-	-	-	-
-	-	-	-
<u>6,050,960</u>	<u>6,268,467</u>	<u>6,229,405</u>	<u>(39,062)</u>
73,272	(180,452)	(103,648)	76,804
-	-	-	-
-	-	21,920	21,920
-	-	<u>21,920</u>	<u>21,920</u>
<u>\$ 73,272</u>	<u>\$ (180,452)</u>	<u>(81,728)</u>	<u>\$ 98,724</u>
		<u>1,311,960</u>	
		<u>\$ 1,230,232</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Net Position  
Governmental Activities – Proprietary Funds  
Internal Service Fund  
as of June 30, 2014

(With Partial Comparative Information as of June 30, 2013)

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 788,423	\$ 686,308
Prepaid items	–	400
	788,423	686,708
Total assets	788,423	686,708
Liabilities		
Long-term liabilities		
Net OPEB obligation	271,262	254,571
	271,262	254,571
Net position		
Unrestricted	\$ 517,161	\$ 432,137

See notes to basic financial statements

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Revenue, Expenses, and Changes in Net Position  
Governmental Activities – Proprietary Funds  
Internal Service Fund  
Year Ended June 30, 2014  
(With Partial Comparative Information for the Year Ended June 30, 2013)

	2014	2013
Operating revenue		
Contributions from governmental funds	\$ 160,941	\$ 149,614
Operating expenses		
Other post-employment benefit expense (accrual)	76,545	(48,691)
Operating income (loss)	84,396	198,305
Nonoperating revenues		
Investment earnings	628	486
Change in net position	85,024	198,791
Net position		
Beginning of year	432,137	233,346
End of year	\$ 517,161	\$ 432,137

See notes to basic financial statements

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NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Cash Flows  
Governmental Activities – Proprietary Funds  
Internal Service Fund  
Year Ended June 30, 2014

(With Partial Comparative Information for the Year Ended June 30, 2013)

	2014	2013
Cash flows from operating activities		
Contributions from governmental funds	\$ 160,941	\$ 149,614
Post-employment benefit payments	(59,454)	(71,302)
Net cash flows from operating activities	101,487	78,312
Cash flows from investing activities		
Investment income received	628	486
Net increase in cash and cash equivalents	102,115	78,798
Cash and cash equivalents		
Beginning of year	686,308	607,510
End of year	\$ 788,423	\$ 686,308
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 84,396	\$ 198,305
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Prepaid items	400	200
Net OPEB obligation	16,691	(120,193)
Net cash flows from operating activities	\$ 101,487	\$ 78,312

See notes to basic financial statements

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Statement of Fiduciary Net Position  
as of June 30, 2014

Assets	
Cash and temporary investments	<u>\$          13,371</u>
Liabilities	
Due to other governmental agencies	<u>\$          13,371</u>

See notes to basic financial statements

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Notes to Basic Financial Statements  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Northeast Metropolitan Intermediate School District No. 916 (the Intermediate) and Valley Crossing Community School (the School) (collectively 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.

**B. Nature of Operations and Reporting Entity**

The Intermediate is authorized by the Minnesota State Legislature to provide participating school districts with vocational, technical, and special education services. The Intermediate is located primarily in Washington County, but also includes portions of Anoka, Chisago, Isanti, and Ramsey counties. The Intermediate is governed by a joint Board of Directors composed of appointed members from each participating school district. Each member is an elected school board member of their respective district. Member districts at June 30, 2014 are as follows: Centennial, Columbia Heights, Fridley, Forest Lake, Mahtomedi, Mounds View, North St. Paul, Roseville, South Washington, Spring Lake Park, Stillwater, and White Bear Lake.

The District's policy is to include in the financial statements 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 Intermediate (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.

The financial statements of the Intermediate include the activities of the School, a joint elementary school in Woodbury, Minnesota. Under a joint powers agreement, the Board of Directors and administration of the Intermediate have been given the ultimate responsibility for the planning, financing, development, design, construction, staffing, scheduling, operation, management, control, administration, and promotion of the School. Therefore, the School has been accounted for as a blended component unit of the Intermediate.

Blended component units, although legally separate entities, are, in substance, part of the Intermediate's operations. Therefore, data from the School is combined with data of the Intermediate. This activity is recorded in the Valley Crossing Special Revenue Fund, the Kindergarten Plus – Valley Crossing Special Revenue Fund, and the Valley Crossing Debt Service Fund.

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 or be otherwise financially accountable with respect to the underlying extracurricular activities. The District's Board of Directors has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the District's General Fund.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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 in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. 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. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “depreciation not included in other functions.” 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. Information for the remaining nonmajor governmental fund is reported in a single column in the fund financial statements. 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.

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

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 customers (other district funds) for services. Operating expenses for the Internal Service Fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered to be available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes which include state aid funding formulas for specific fiscal years. 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. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-debt and long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

### E. Description of Funds

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

#### Major Governmental Funds

**General Fund** – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Valley Crossing Special Revenue Fund** – The Valley Crossing Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This fund accounts for the General Fund activities of the School.

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

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

**Valley Crossing Debt Service Fund** – The Valley Crossing Debt Service Fund is used to account for the accumulation of resources for the payment of long-term debt, principal, interest, and related costs of the School.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Nonmajor Governmental Funds

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

### Proprietary Funds

**Other Post-Employment Benefits (OPEB) Internal Service Fund** – The OPEB Internal Service Fund is used to account for the funding of the explicit OPEB liabilities of the District.

### Fiduciary Funds

**Agency Fund** – An Agency Fund is established to account for cash and other assets held by the District as the agent for others. The District has an Agency Fund to account for activities of the Health Occupation Services.

### F. Budgeting

The budget for each fund is prepared on the modified accrual basis of accounting. The Board of Directors adopts an annual budget for all governmental fund types. Legal budgetary control is at the fund level. The Board of Directors approved several supplemental budgetary appropriations throughout the year. Budgeted appropriations lapse at year-end. Expenditures exceeded budgeted amounts in the General Fund by \$1,130,745 and the Intermediate Debt Service Fund by \$383.

### G. Cash and Investments

Cash and 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 Capital Projects – Building Construction Fund, escrow accounts are established for cash and investments held for building construction. In the Intermediate and Valley Crossing Debt Service Funds, escrow accounts are established for cash and investments held for debt service related to the issuance of certificates of participation. In the General Fund, trust accounts are established for flexible benefits payable to employees. These assets are reported as restricted assets in the government-wide financial statements. Earnings from the investments in these accounts are allocated directly to these funds.

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

### H. Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be fully collected within one year are property taxes receivable.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **I. Inventories**

Inventories, which are expended as they are consumed, are stated at the lower of cost (first-in, first-out) or market.

### **J. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expenditure/expense at the time of consumption.

Prepaid items include payments made to improve a building the District is leasing. These payments were made in lieu of lease payments and thus will be amortized over the term of the lease.

### **K. Property Taxes**

Due to legislation enacted by the state, the District had levy authority in only the Intermediate Debt Service Fund. The debt service property tax levy is levied by the member districts and is now being collected as part of the District's standard billing process. Previously, tax revenue was recognized in the fiscal year ending June 30, following the calendar year in which the tax levy was collectible by the District, while the current calendar year tax levy was recorded as deferred inflow of resources (property taxes levied for the subsequent year).

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. Because revenue from delinquent taxes is deferred until it is received, no allowance for uncollectible taxes is considered necessary.

### **L. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 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 leasehold improvements, and 3 to 15 years for furniture and equipment.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Land and construction in progress are the only capital assets not being depreciated.

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

### **M. 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. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental fund types recognize 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.

### **N. Compensated Absences**

- 1. Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.
- 2. Sick Pay** – Some district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of some employees' severance pay upon termination.

### **O. Severance**

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is determined within each employee group plan, which contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive retirement payments exceeding one year's salary. Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

The amount of severance pay based on convertible sick leave 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 pay is accrued in the governmental fund financial statements only when it becomes due and payable. Certain employee groups' severance benefits are paid into tax-sheltered annuity and/or healthcare savings plans.

### **P. Risk Management**

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 it 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 year 2014.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Q. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the 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 resolution, the District’s Director of Administrative Services 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, the District will first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, the District will use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

### R. Net Position

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **S. Restricted Assets**

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

### **T. Use of Estimates**

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

### **U. 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 the 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.

### **V. Prior Period Comparative Financial Information/Reclassification**

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### **W. Future Change in Accounting Standards**

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for fiscal years beginning after June 15, 2014. The District has not yet determined the financial statement impact of adopting this new standard.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$ 6,051,383
Cash on hand	5,465
Investments	<u>6,501,518</u>
Total deposits and investments	<u>\$ 12,558,366</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 9,312,992
Restricted assets – temporarily restricted	
Cash and investments for capital projects	3,057,989
Cash and investments for debt service	112,430
Cash and investments for employee benefits	61,584
Statement of Fiduciary Net Position	
Cash and temporary investments	<u>13,371</u>
Total cash and investments	<u>\$ 12,558,366</u>

### B. Deposits

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

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

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

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

The District’s investment policy does not further limit depository choices.

At year-end, the carrying amount of the District’s deposits was \$6,051,383 while the deposit balance with the bank was \$6,050,784. At June 30, 2014, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

### C. Cash on Hand

Cash in the possession of the District, consisting of petty cash and change funds, totaled \$5,465 at year-end.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### D. 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. The District’s investment policy does not address custodial credit risk, but the District 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 policy does 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 policy does not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

**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 policy does not address concentration risk.

At June 30, 2014, the District’s investment portfolio includes the following percentages of specific issuers:

Repurchase agreement	
Bayerische Landesbank Investment	47 %



**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The following table presents the District’s investment balances at June 30, 2014, and information relating to potential investment risks:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years		Total
	Rating	Agency	Less Than 1		
Negotiable certificates of deposit	N/A	N/A	\$	496,913	\$ 496,913
Investment pools/mutual funds					
Minnesota School District					
Liquid Asset Fund					
Liquid portfolio	AAA	S&P		N/A	863,002
Max portfolio	AAA	S&P		N/A	1,471,185
First American Treasury					
Obligations Funds	AAA	S&P		N/A	107,931
First American Government					
Obligations Funds	AAA	S&P		N/A	4,498
MNTrust Investment Series	AAA	S&P	\$	500,000	500,000
Repurchase agreements (U.S. treasuries underlying security)	N/R	N/A	\$	3,057,989	<u>3,057,989</u>
Total investments					<u><u>\$ 6,501,518</u></u>

N/A – Not Applicable

N/R – Not Rated

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

### NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 3,159,640	\$ 2,400,000	\$ –	\$ –	\$ 5,559,640
Construction in progress	569,115	13,897,327	–	–	14,466,442
 Total capital assets, not depreciated	 3,728,755	 16,297,327	 –	 –	 20,026,082
Capital assets, depreciated					
Buildings	36,233,825	164,624	–	–	36,398,449
Furniture and equipment	5,116,437	367,572	(159,543)	–	5,324,466
Leasehold improvements	228,172	–	–	–	228,172
Total capital assets, depreciated	41,578,434	532,196	(159,543)	–	41,951,087
Less accumulated depreciation for					
Buildings	(15,968,694)	(1,061,845)	–	–	(17,030,539)
Furniture and equipment	(3,460,005)	(335,913)	143,492	–	(3,652,426)
Leasehold improvements	–	(91,269)	–	–	(91,269)
Total accumulated depreciation	(19,428,699)	(1,489,027)	143,492	–	(20,774,234)
 Net capital assets, depreciated	 22,149,735	 (956,831)	 (16,051)	 –	 21,176,853
 Total capital assets, net	 \$ 25,878,490	 \$ 15,340,496	 \$ (16,051)	 \$ –	 \$ 41,202,935

Depreciation expense for the year ended June 30, 2014 was charged to the following governmental functions:

Governmental activities	
Administration and support services	\$ 154,675
Educational services	2,558
Career and technical programs	15,140
Special education services	61,165
Alternative Learning Center	28,772
Depreciation not included in other functions	809,331
Valley Crossing Community School	417,386
 Total depreciation expense – governmental activities	 \$ 1,489,027

## NOTE 4 – LONG-TERM LIABILITIES

### A. Components of Long-Term Liabilities

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Outstanding
Certificates of participation payable					
2004 Refunding Certificates of Participation	12/15/2004	3.00–5.00%	\$ 12,170,000	01/01/2016	\$ 2,695,000
2013 Certificates of Participation	05/21/2013	2.00–4.00%	\$ 15,655,000	02/01/2029	15,655,000
Total certificates of participation payable					18,350,000
Premium on certificates of participation					742,570
Contract for deed	05/15/2014	4.00%	\$ 1,900,000	04/15/2016	1,900,000
Capital lease payable – south campus	04/06/2007	4.77%	\$ 5,000,000	02/15/2023	3,546,581
Severance payable					1,525,599
Compensated absences payable					733,638
Net OPEB obligation (Note 7)					450,847
Total long-term liabilities					<u>\$ 27,249,235</u>

### B. Minimum Debt Payments

Minimum annual principal and interest payments, excluding post-employment severance payable, compensated absences payable, and net OPEB obligation are as follows:

Year Ending June 30,	Certificates of Participation		Contract for Deed		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,155,000	\$ 633,275	\$ –	\$ 76,000	\$ 323,940	\$ 165,354
2016	2,245,000	560,700	1,900,000	63,334	339,576	149,718
2017	875,000	474,250	–	–	355,967	133,327
2018	905,000	448,000	–	–	373,149	116,145
2019	920,000	429,900	–	–	391,161	98,134
2020–2024	5,095,000	1,657,100	–	–	1,762,788	194,391
2025–2029	6,155,000	601,650	–	–	–	–
	<u>\$ 18,350,000</u>	<u>\$ 4,804,875</u>	<u>\$ 1,900,000</u>	<u>\$ 139,334</u>	<u>\$ 3,546,581</u>	<u>\$ 857,069</u>

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### C. Description of Long-Term Liabilities

**Certificates of Participation Payable** – Certificates of Participation were sold by the Washington County Housing and Redevelopment Authority (HRA). Under a lease-purchase agreement with the HRA and a joint powers agreement with three member districts, the District is managing the property acquisition, construction, equipping, and operation of the School. Each participating district levies for its share of the lease payments and remits those funds to the District. This debt activity is accounted for in the Valley Crossing Debt Service Fund.

On May 21, 2013, the District issued certificates of participation to finance the construction of a building for the District. Each participating district levies for its share of the lease payments and remits those funds to the District. This debt activity is accounted for in the Intermediate Debt Service Fund.

**Contract for Deed** – In May 2014, the District entered into a contract for deed whereby a portion of the cost of this contract would be financed over two years. Funds from this financing were used to purchase land for future site development. The annual principal and interest on this loan will be paid by the District’s General Fund.

**Energy Loan Payable** – In December 1998, the District entered into an energy savings agreement whereby a portion of the cost of this contract would be financed over 15 years. Funds from this financing were used to implement energy conservation measures at various sites within the District. The annual principal and interest on this loan will be paid by the District’s General Fund. This loan was paid off in the current year.

**Capital Leases Payable** – The District is obligated under a capital lease for remodeling and construction of the south campus location. Repayments of the lease will be made from the General Fund over a 15-year period at an interest rate of 4.77 percent. Assets held under capital lease included within buildings on the government-wide financial statements totaled \$4,658,990.

**Severance Payable** – Severance payable consists of early retirement incentive benefits. These severance benefits are not funded until the year of payment. Severance benefit liabilities are paid by the General Fund and special revenue funds.

**Compensated Absences Payable** – Compensated absences payable include unused and accrued vacation. Compensated absences are paid by the General Fund and special revenue funds.

### D. Changes in Long-Term Liabilities

	July 1, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
Certificates of participation payable	\$ 19,605,000	\$ –	\$ 1,255,000	\$ 18,350,000	\$ 2,155,000
Plus premium	814,381	–	71,811	742,570	–
Total certificates of participation payable	20,419,381	–	1,326,811	19,092,570	2,155,000
Contract for deed	–	1,900,000	–	1,900,000	–
Energy loan payable	44,675	–	44,675	–	–
Capital leases payable	3,855,606	–	309,025	3,546,581	323,940
Severance payable	1,554,221	150,002	178,624	1,525,599	281,482
Compensated absences payable	763,369	690,760	720,491	733,638	733,638
Net OPEB obligation (Note 7)	495,950	240,955	286,058	450,847	–
	<u>\$ 27,133,202</u>	<u>\$ 2,981,717</u>	<u>\$ 2,865,684</u>	<u>\$ 27,249,235</u>	<u>\$ 3,494,060</u>

## NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. Any such restrictions which have an accumulated deficit rather than positive balance at June 30 are included in unassigned fund balance in the District’s financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

### Classifications

At June 30, 2014, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Valley Crossing Special Revenue Fund	Capital Projects – Building Construction Fund	Intermediate Debt Service Fund	Valley Crossing Debt Service Fund	Nonmajor Community Service Special Revenue Fund	Total
<b>Nonspendable</b>							
Inventory	\$ 6,125	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 6,125
Prepaid items	504,348	21,255	–	–	–	–	525,603
Total nonspendable	510,473	21,255	–	–	–	–	531,728
<b>Restricted</b>							
Basic skills programs	299,440	24,865	–	–	–	–	324,305
Alternative learning center	405,227	–	–	–	–	–	405,227
Building construction	–	–	1,330,012	–	–	–	1,330,012
Debt escrow	–	–	–	–	107,932	–	107,932
Debt service	–	–	–	358,112	9,779	–	367,891
Community education programs	–	–	–	–	–	654	654
Total restricted	704,667	24,865	1,330,012	358,112	117,711	654	2,536,021
<b>Assigned</b>							
Operating capital	–	614,337	–	–	–	–	614,337
Special projects	2,860,992	–	–	–	–	–	2,860,992
Subsequent year projected budget deficit	69,478	–	–	–	–	–	69,478
Total assigned	2,930,470	614,337	–	–	–	–	3,544,807
<b>Unassigned</b>							
Health and safety restricted account deficit	(74,317)	–	–	–	–	–	(74,317)
Safe schools restricted account deficit	(715,901)	–	–	–	–	–	(715,901)
Unassigned	4,558,546	569,775	–	–	–	–	5,128,321
Total unassigned	3,768,328	569,775	–	–	–	–	4,338,103
<b>Total</b>	<b>\$ 7,913,938</b>	<b>\$ 1,230,232</b>	<b>\$ 1,330,012</b>	<b>\$ 358,112</b>	<b>\$ 117,711</b>	<b>\$ 654</b>	<b>\$ 10,950,659</b>

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

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

**Teachers’ Retirement Association (TRA)**

**A. Plan Description**

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

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 Statute and vest after three years of service credit. The defined retirement benefits are based on a member’s highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for 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**

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

With these provisions:

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

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

### **Tier II**

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0 to 5.4 percent per year.

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

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

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

The TRA publicly issues a comprehensive annual financial report presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at [www.minnesotatra.org](http://www.minnesotatra.org). Alternatively, a copy of the report may be obtained by writing the TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296-2409 or (800) 657-3669.

### **B. Funding Policy**

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 7.0 percent and 10.5 percent, respectively, of their annual covered salary during fiscal year 2014 as employee contributions. The TRA employer contribution rates are 7.0 percent for Coordinated Plan members and 11.0 percent for Basic Plan members during fiscal year 2014. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2013, 2012, and 2011, were approximately \$3.92 billion, \$3.87 billion, and \$3.84 billion, respectively.

The District's contributions for the years ended June 30, 2014, 2013, and 2012 were \$1,229,132, \$1,109,901, and \$988,684, respectively, equal to the contractually required contributions for each year as set by state statutes.

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

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

### **Public Employees' Retirement Association (PERA)**

#### **A. Plan Description**

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

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

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

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 all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the GERF. That report may be obtained on the PERA website at [www.mnpera.org](http://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.



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

### **B. Funding Policy**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. The GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in fiscal 2014. In fiscal 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERP for the years ended June 30, 2014, 2013, and 2012 were \$700,819, \$599,400, and \$565,777, respectively, equal to the contractually required contributions for each year as set by state statutes.

Beginning January 1, 2015, Coordinated Plan contribution rates will increase for employees and employers to 6.50 percent and 7.50 percent, respectively.

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

### **A. Plan Description**

The District provides post-employment insurance benefits to certain eligible employees through the District's OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. 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.

The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and the District's contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement.

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

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

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

**B. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. There are no plan assets accumulated for payment of future benefits. Payments for explicit benefits are paid by the Internal Service Fund. Implicit benefits are paid by the General Fund and Valley Crossing Special Revenue Fund.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

ARC	\$ 254,609
Interest on net OPEB obligation	16,264
Adjustment to ARC	(29,918)
Annual OPEB cost (expense)	<u>240,955</u>
Contributions made	<u>286,058</u>
Decrease in net OPEB obligation	(45,103)
Net OPEB obligation – beginning of year	<u>495,950</u>
Net OPEB obligation – end of year	<u><u>\$ 450,847</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	Net OPEB Obligation – Beginning of Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 452,108	\$ 276,935	\$ 238,343	86.1%	\$ 490,700
June 30, 2013	\$ 490,700	\$ 235,555	\$ 230,305	97.8%	\$ 495,950
June 30, 2014	\$ 495,950	\$ 240,955	\$ 286,058	118.7%	\$ 450,847

**D. Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,307,952 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,307,952. The covered payroll (annual payroll of active employees covered by the plan) was \$26,283,989, and the ratio of the UAAL to the covered payroll was 8.8 percent.

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

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

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the District’s own investments; a general inflation rate of 3.0 percent; an annual healthcare cost trend rate of 9.00 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2012 for the various amortization layers ranged from 20 to 30 years.

**F. Membership**

Membership in the plan consisted of the following as of July 1, 2012:

Retirees and beneficiaries receiving benefits	15
Active plan members	<u>424</u>
Total members	<u><u>439</u></u>

**NOTE 8 – FLEXIBLE BENEFIT PLAN**

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

Before the beginning of the Plan year, 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 spending portion of the Plan, whether or not such contributions have been made.

Payments of insurance premiums 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 and special revenue funds.

## **NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)**

Amounts withheld for medical reimbursement and dependant care are paid by the District to a trust account 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 dependant care activity is included in the financial statements in the General Fund and special revenue funds.

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

## **NOTE 9 – COMMITMENTS AND CONTINGENCIES**

### **A. Federal and State Receivables**

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. Agreement With the State of Minnesota**

Under terms of an agreement with the state of Minnesota, which extends to August 6, 2022, the District has access to certain Century College facilities and equipment at no cost. The District, however, pays Century College its share of building maintenance and costs of other services based on space and personnel percentages.

### **C. Legal Contingencies**

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

### **D. Construction Contracts**

The District is committed to various contracts awarded for construction and maintenance projects. At year-end, the District's commitment for uncompleted work on these contracts was approximately \$587,000.

## NOTE 10 – OPERATING LEASES

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$615,000 for operating leases during the year ended June 30, 2014. These leases are scheduled to expire on various dates through 2044. The following is a summary of minimum lease payment commitments for all operating leases:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 644,784
2016	581,361
2017	572,431
2018	468,642
2019	347,515
2020–2024	1,396,160
2025–2029	1,396,160
2030–2034	1,396,160
2035–2039	1,396,160
2040–2044	<u>1,396,160</u>
	<u>\$ 9,595,532</u>

## NOTE 11 – SUBSEQUENT EVENT

During August 2014, the District entered into a capital lease for computer equipment at the Valley Crossing School. This lease has four annual payments of \$51,075 and matures in August 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Required Supplementary Information  
Other Post-Employment Benefits Plan  
June 30, 2014

The following schedule presents trend information about the funding progress of the Other Post-Employment Benefits Plan administered by Northeast Metropolitan Intermediate School District No. 916 and Valley Crossing Community School:

**Schedule of Funding Progress**

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, 2008	\$ 3,665,707	\$ -	\$ 3,665,707	- %	\$22,831,111	16.1 %
July 1, 2010	\$ 2,749,164	\$ -	\$ 2,749,164	- %	\$24,282,532	11.3 %
July 1, 2012	\$ 2,307,952	\$ -	\$ 2,307,952	- %	\$26,283,989	8.8 %



SUPPLEMENTAL INFORMATION

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund  
Comparative Balance Sheet  
as of June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and temporary investments	\$ 6,096,493	\$ 6,312,413
Cash and investments held by trustee	61,584	51,249
Receivables		
Accounts and interest	560,092	507,521
Due from other governmental units	6,835,114	6,984,289
Inventory	6,125	5,783
Prepaid items	505,329	406,707
	<u>\$ 14,064,737</u>	<u>\$ 14,267,962</u>
<b>Liabilities</b>		
Accounts payable	\$ 329,669	\$ 402,795
Due to other governmental units	2,697,089	3,689,156
Salaries and compensated absences payable	3,149,475	2,863,341
Unearned revenue	(25,434)	(30,897)
Total liabilities	<u>6,150,799</u>	<u>6,924,395</u>
<b>Fund balances (deficit)</b>		
Nonspendable for inventory	6,125	5,783
Nonspendable for prepaid items	504,348	406,141
Restricted for basic skills programs	299,440	360,340
Restricted for Alternative Learning Center	405,227	238,500
Assigned for special projects	2,860,992	2,557,733
Assigned for subsequent year projected budget deficit	69,478	638,070
Unassigned – health and safety restricted account deficit	(74,317)	(77,659)
Unassigned – safe schools restricted account deficit	(715,901)	(669,711)
Unassigned	4,558,546	3,884,370
Total fund balances	<u>7,913,938</u>	<u>7,343,567</u>
	<u>\$ 14,064,737</u>	<u>\$ 14,267,962</u>
Total liabilities and fund balances	<u>\$ 14,064,737</u>	<u>\$ 14,267,962</u>

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
<b>Revenue</b>					
Local sources					
Tuition from other districts	\$ 15,717,970	\$ 16,385,505	\$ 667,535	\$ 13,582,497	
Other	2,558,779	2,755,365	196,586	2,603,555	
State sources	25,275,244	24,711,256	(563,988)	22,385,350	
Federal sources	956,860	754,407	(202,453)	863,640	
Total revenue	<u>44,508,853</u>	<u>44,606,533</u>	<u>97,680</u>	<u>39,435,042</u>	
<b>Expenditures</b>					
Current					
Administration and support services	5,551,318	7,321,028	1,769,710	5,238,319	
Career and technical programs	2,411,207	2,358,234	(52,973)	2,176,380	
Special education services	29,945,271	29,668,315	(276,956)	25,681,194	
Educational services	133,599	104,033	(29,566)	137,288	
Alternative Learning Center	3,697,483	3,455,479	(242,004)	3,663,853	
Student clubs	63,103	38,030	(25,073)	45,607	
Sites and buildings	2,474,702	2,453,893	(20,809)	4,282,671	
Debt service					
Principal	353,700	353,700	-	337,218	
Interest	182,034	190,450	8,416	198,515	
Total expenditures	<u>44,812,417</u>	<u>45,943,162</u>	<u>1,130,745</u>	<u>41,761,045</u>	
Excess (deficiency) of revenue over expenditures	(303,564)	(1,336,629)	(1,033,065)	(2,326,003)	
<b>Other financing sources</b>					
Debt issued	-	1,900,000	1,900,000	-	
Sale of capital assets	7,000	7,000	-	6,500	
Total other financing sources	<u>7,000</u>	<u>1,907,000</u>	<u>1,900,000</u>	<u>6,500</u>	
Net change in fund balances	<u>\$ (296,564)</u>	<u>570,371</u>	<u>\$ 866,935</u>	<u>(2,319,503)</u>	
<b>Fund balances</b>					
Beginning of year		<u>7,343,567</u>		<u>9,663,070</u>	
End of year		<u>\$ 7,913,938</u>		<u>\$ 7,343,567</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund  
Combining Balance Sheet by Account  
as of June 30, 2014

	<u>Secondary Education</u>	<u>Special Education</u>	<u>Alternative Learning Center</u>	<u>District-Wide</u>
<b>Assets</b>				
Cash and temporary investments	\$ 1,205,764	\$ (55,296)	\$ 1,536,412	\$ 3,512,863
Cash and investments held by trustee	-	-	-	61,584
Receivables				
Accounts and interest	446	6,060	18	71,138
Due from other governmental units	198,553	4,224,639	1,206,840	282,198
Inventory	6,125	-	-	-
Prepaid items	6,834	33,269	144,538	315,358
	<u>6,834</u>	<u>33,269</u>	<u>144,538</u>	<u>315,358</u>
Total assets	<u>\$ 1,417,722</u>	<u>\$ 4,208,672</u>	<u>\$ 2,887,808</u>	<u>\$ 4,243,141</u>
<b>Liabilities</b>				
Accounts payable	\$ 21,377	\$ 37,950	\$ 30,087	\$ 190,711
Due to other governmental units	26,915	225,393	2,108,932	110,823
Salaries and compensated absences payable	218,076	2,057,383	199,025	186,821
Unearned revenue	1,508	1,406	-	(43,172)
	<u>1,508</u>	<u>1,406</u>	<u>-</u>	<u>(43,172)</u>
Total liabilities	<u>267,876</u>	<u>2,322,132</u>	<u>2,338,044</u>	<u>445,183</u>
<b>Fund balances</b>				
Nonspendable for inventory	6,125	-	-	-
Nonspendable for prepaid items	6,834	33,269	144,537	315,358
Restricted for basic skills programs	-	299,440	-	-
Restricted for Alternative Learning Center	-	-	405,227	-
Assigned for special projects	-	-	-	2,860,992
Assigned for subsequent year projected budget deficit	59,913	9,565	-	-
Unassigned – health and safety restricted account deficit	-	-	-	(74,317)
Unassigned – safe schools levy restricted account deficit	-	-	-	(715,901)
Unassigned	1,076,974	1,544,266	-	1,411,826
	<u>1,076,974</u>	<u>1,544,266</u>	<u>-</u>	<u>1,411,826</u>
Total fund balances	<u>1,149,846</u>	<u>1,886,540</u>	<u>549,764</u>	<u>3,797,958</u>
	<u>\$ 1,417,722</u>	<u>\$ 4,208,672</u>	<u>\$ 2,887,808</u>	<u>\$ 4,243,141</u>
Total liabilities and fund balances	<u>\$ 1,417,722</u>	<u>\$ 4,208,672</u>	<u>\$ 2,887,808</u>	<u>\$ 4,243,141</u>

<u>Secondary Projects – Federal</u>	<u>Itinerant Services</u>	<u>Fees for Services</u>	<u>Student Clubs</u>	<u>Totals</u>
\$ (271,002)	\$ 141,595	\$ 12,125	\$ 14,032	\$ 6,096,493
–	–	–	–	61,584
477,752	406	763	3,509	560,092
–	905,448	17,436	–	6,835,114
–	–	–	–	6,125
980	4,350	–	–	505,329
<u>\$ 207,730</u>	<u>\$ 1,051,799</u>	<u>\$ 30,324</u>	<u>\$ 17,541</u>	<u>\$ 14,064,737</u>
\$ 25,493	\$ 16,034	\$ 5,281	\$ 2,736	\$ 329,669
158,096	50,006	16,924	–	2,697,089
24,122	464,048	–	–	3,149,475
19	–	–	14,805	(25,434)
<u>207,730</u>	<u>530,088</u>	<u>22,205</u>	<u>17,541</u>	<u>6,150,799</u>
–	–	–	–	6,125
–	4,350	–	–	504,348
–	–	–	–	299,440
–	–	–	–	405,227
–	–	–	–	2,860,992
–	–	–	–	69,478
–	–	–	–	(74,317)
–	–	–	–	(715,901)
–	517,361	8,119	–	4,558,546
–	521,711	8,119	–	7,913,938
<u>\$ 207,730</u>	<u>\$ 1,051,799</u>	<u>\$ 30,324</u>	<u>\$ 17,541</u>	<u>\$ 14,064,737</u>

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund  
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Year Ended June 30, 2014

	<u>Secondary Education</u>	<u>Special Education</u>	<u>Alternative Learning Center</u>	<u>District-Wide</u>
<b>Revenue</b>				
Local sources				
Tuition from other districts	\$ 2,558,118	\$ 2,478,360	\$ 3,216,615	\$ 3,024,290
Other	6,138	31,127	3,183	1,856,984
State sources	-	19,703,628	494,197	4,460,655
Federal sources	-	-	-	-
Total revenue	<u>2,564,256</u>	<u>22,213,115</u>	<u>3,713,995</u>	<u>9,341,929</u>
<b>Expenditures</b>				
Current				
Administration and support services	-	-	-	6,513,841
Career and technical programs	2,358,234	-	-	-
Special education services	-	22,455,794	-	944,341
Educational services	-	-	-	-
Alternative Learning Center	-	-	3,455,479	-
Student clubs	-	-	-	-
Sites and buildings	-	-	-	2,453,893
Debt service				
Principal	-	-	-	353,700
Interest	-	-	-	190,450
Total expenditures	<u>2,358,234</u>	<u>22,455,794</u>	<u>3,455,479</u>	<u>10,456,225</u>
Excess (deficiency) of revenue over expenditures	206,022	(242,679)	258,516	(1,114,296)
<b>Other financing sources</b>				
Debt issued	-	-	-	1,900,000
Sale of capital assets	-	-	-	7,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,907,000</u>
Net change in fund balances	206,022	(242,679)	258,516	792,704
<b>Fund balances</b>				
Beginning of year	<u>943,824</u>	<u>2,129,219</u>	<u>291,248</u>	<u>3,005,254</u>
End of year	<u>\$ 1,149,846</u>	<u>\$ 1,886,540</u>	<u>\$ 549,764</u>	<u>\$ 3,797,958</u>

Secondary Projects – Federal	Itinerant Services	Fees for Services	Student Clubs	Totals
\$ 4	\$ 5,044,600	\$ 63,518	\$ –	\$ 16,385,505
–	774,950	44,953	38,030	2,755,365
52,776	–	–	–	24,711,256
754,407	–	–	–	754,407
<u>807,187</u>	<u>5,819,550</u>	<u>108,471</u>	<u>38,030</u>	<u>44,606,533</u>
807,187	–	–	–	7,321,028
–	–	–	–	2,358,234
–	6,268,180	–	–	29,668,315
–	–	104,033	–	104,033
–	–	–	–	3,455,479
–	–	–	38,030	38,030
–	–	–	–	2,453,893
–	–	–	–	353,700
–	–	–	–	190,450
<u>807,187</u>	<u>6,268,180</u>	<u>104,033</u>	<u>38,030</u>	<u>45,943,162</u>
–	(448,630)	4,438	–	(1,336,629)
–	–	–	–	1,900,000
–	–	–	–	7,000
–	–	–	–	1,907,000
–	(448,630)	4,438	–	570,371
–	970,341	3,681	–	7,343,567
<u>\$ –</u>	<u>\$ 521,711</u>	<u>\$ 8,119</u>	<u>\$ –</u>	<u>\$ 7,913,938</u>

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – Secondary Education Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Actual	Actual
Revenue					
Local sources					
Tuition from other districts	\$ 2,555,245	\$ 2,558,118	\$ 2,873	\$ 2,127,268	
Other	3,307	6,138	2,831	7,753	
Total revenue	2,558,552	2,564,256	5,704	2,135,021	
Expenditures					
Current					
Career and technical programs					
Salaries	1,490,572	1,483,035	(7,537)	1,413,771	
Employee benefits	625,786	619,124	(6,662)	571,120	
Purchased services	131,944	133,850	1,906	99,771	
Supplies and materials	103,106	77,128	(25,978)	60,114	
Capital expenditures	35,247	25,865	(9,382)	14,017	
Other expenditures	24,552	19,232	(5,320)	17,587	
Total expenditures	2,411,207	2,358,234	(52,973)	2,176,380	
Net change in fund balances	\$ 147,345	206,022	\$ 58,677	(41,359)	
Fund balances					
Beginning of year		943,824		985,183	
End of year		\$ 1,149,846		\$ 943,824	



NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – Special Education Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Tuition from other districts	\$ 1,884,176	\$ 2,478,360	\$ 594,184	\$ 1,735,811	
Other	23,560	31,127	7,567	47,807	
State sources	20,864,202	19,703,628	(1,160,574)	18,591,574	
Total revenue	<u>22,771,938</u>	<u>22,213,115</u>	<u>(558,823)</u>	<u>20,375,192</u>	
Expenditures					
Current					
Special education services					
Salaries	15,255,854	15,034,802	(221,052)	13,688,539	
Employee benefits	6,027,244	5,942,206	(85,038)	5,434,122	
Purchased services	775,324	886,349	111,025	801,749	
Supplies and materials	596,112	366,782	(229,330)	334,889	
Capital expenditures	83,771	44,905	(38,866)	137,512	
Other expenditures	215,082	180,750	(34,332)	128,532	
Total expenditures	<u>22,953,387</u>	<u>22,455,794</u>	<u>(497,593)</u>	<u>20,525,343</u>	
Net change in fund balances	<u>\$ (181,449)</u>	<u>(242,679)</u>	<u>\$ (61,230)</u>	<u>(150,151)</u>	
Fund balances					
Beginning of year		<u>2,129,219</u>		<u>2,279,370</u>	
End of year		<u>\$ 1,886,540</u>		<u>\$ 2,129,219</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – Alternative Learning Center Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
<b>Revenue</b>					
Local sources					
Tuition from other districts	\$ 3,225,625	\$ 3,216,615	\$ (9,010)	\$ 2,895,379	
Other	2,397	3,183	786	1,611	
State sources	488,298	494,197	5,899	341,326	
Total revenue	<u>3,716,320</u>	<u>3,713,995</u>	<u>(2,325)</u>	<u>3,238,316</u>	
<b>Expenditures</b>					
Current					
Alternative Learning Center					
Salaries	1,470,414	1,478,026	7,612	1,516,603	
Employee benefits	693,354	701,012	7,658	707,726	
Purchased services	1,352,931	1,343,178	(9,753)	1,191,584	
Supplies and materials	65,155	68,586	3,431	81,330	
Capital expenditures	97,500	(150,674)	(248,174)	61,971	
Other expenditures	18,129	15,351	(2,778)	11,973	
Total expenditures	<u>3,697,483</u>	<u>3,455,479</u>	<u>(242,004)</u>	<u>3,571,187</u>	
Net change in fund balances	<u>\$ 18,837</u>	258,516	<u>\$ 239,679</u>	(332,871)	
<b>Fund balances</b>					
Beginning of year		<u>291,248</u>		<u>624,119</u>	
End of year		<u>\$ 549,764</u>		<u>\$ 291,248</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – District-Wide Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013
	Budget	Actual		Actual
<b>Revenue</b>				
Local sources				
Tuition from other districts	\$ 2,916,081	\$ 3,024,290	\$ 108,209	\$ 2,659,282
Other	1,742,428	1,856,984	114,556	1,814,905
State sources	<u>3,868,486</u>	<u>4,460,655</u>	<u>592,169</u>	<u>3,402,043</u>
Total revenue	8,526,995	9,341,929	814,934	7,876,230
<b>Expenditures</b>				
Current				
Administrative and support services				
Salaries	1,893,740	1,850,540	(43,200)	1,756,603
Employee benefits	1,021,248	1,056,214	34,966	943,721
Purchased services	1,043,297	1,084,406	41,109	1,470,226
Supplies and materials	53,917	44,558	(9,359)	49,762
Capital expenditures	605,380	2,513,312	1,907,932	133,853
Other expenditures	(77,382)	(35,189)	42,193	(29,893)
Special education services				
Salaries	551,593	549,416	(2,177)	439,276
Employee benefits	216,993	219,624	2,631	162,404
Purchased services	165,013	175,301	10,288	175,614
Alternative Learning Center				
Purchased services	–	–	–	92,666
Sites and buildings	2,474,702	2,453,893	(20,809)	4,282,671
Debt service				
Principal	353,700	353,700	–	337,218
Interest	182,034	190,450	8,416	198,515
Total expenditures	<u>8,484,235</u>	<u>10,456,225</u>	<u>1,971,990</u>	<u>10,012,636</u>
Excess (deficiency) of revenue over expenditures	42,760	(1,114,296)	(1,157,056)	(2,136,406)
<b>Other financing sources</b>				
Debt issued	–	1,900,000	1,900,000	–
Sale of capital assets	7,000	7,000	–	6,500
Total other financing sources	<u>7,000</u>	<u>1,907,000</u>	<u>1,900,000</u>	<u>6,500</u>
Net change in fund balances	<u>\$ 49,760</u>	792,704	<u>\$ 742,944</u>	(2,129,906)
<b>Fund balances</b>				
Beginning of year		<u>3,005,254</u>		<u>5,135,160</u>
End of year		<u>\$ 3,797,958</u>		<u>\$ 3,005,254</u>

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – Secondary Projects – Federal Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
<b>Revenue</b>					
Local sources					
Tuition from other districts	\$           –	\$            4	\$            4	\$           –	
State sources	54,258	52,776	(1,482)	50,407	
Federal sources	956,860	754,407	(202,453)	863,640	
Total revenue	<u>1,011,118</u>	<u>807,187</u>	<u>(203,931)</u>	<u>914,047</u>	
<b>Expenditures</b>					
Current					
Administrative and support services					
Salaries	225,839	214,230	(11,609)	281,683	
Employee benefits	91,428	88,419	(3,009)	109,608	
Purchased services	580,177	394,314	(185,863)	409,536	
Supplies and materials	39,669	39,388	(281)	64,258	
Capital expenditures	32,751	32,726	(25)	13,848	
Other expenditures	41,254	38,110	(3,144)	35,114	
Total expenditures	<u>1,011,118</u>	<u>807,187</u>	<u>(203,931)</u>	<u>914,047</u>	
Net change in fund balances	<u>\$           –</u>	–	<u>\$           –</u>	–	
<b>Fund balances</b>					
Beginning of year		–		–	
End of year		<u>\$           –</u>		<u>\$           –</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – Itinerant Services Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Tuition from other districts	\$ 5,044,836	\$ 5,044,600	\$ (236)	\$ 4,082,653	
Other	700,085	774,950	74,865	665,370	
Total revenue	<u>5,744,921</u>	<u>5,819,550</u>	<u>74,629</u>	<u>4,748,023</u>	
Expenditures					
Current					
Special education services					
Salaries	3,275,594	3,276,075	481	2,788,883	
Employee benefits	1,458,434	1,469,695	11,261	1,236,837	
Purchased services	364,700	386,918	22,218	150,417	
Supplies and materials	99,624	61,054	(38,570)	53,909	
Capital expenditures	825,675	1,048,127	222,452	134,192	
Other expenditures	34,258	26,311	(7,947)	14,319	
Total expenditures	<u>6,058,285</u>	<u>6,268,180</u>	<u>209,895</u>	<u>4,378,557</u>	
Net change in fund balances	<u>\$ (313,364)</u>	(448,630)	<u>\$ (135,266)</u>	369,466	
Fund balances					
Beginning of year		<u>970,341</u>		<u>600,875</u>	
End of year		<u>\$ 521,711</u>		<u>\$ 970,341</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – Fees for Services Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Tuition from other districts	\$ 92,007	\$ 63,518	\$ (28,489)	\$ 82,104	
Other	23,899	44,953	21,054	20,502	
Total revenue	115,906	108,471	(7,435)	102,606	
Expenditures					
Current					
Educational services					
Salaries	525	322	(203)	22,762	
Employee benefits	54	25	(29)	5,141	
Purchased services	130,220	101,978	(28,242)	106,197	
Supplies and materials	2,600	1,130	(1,470)	3,005	
Other expenditures	200	578	378	183	
Total expenditures	133,599	104,033	(29,566)	137,288	
Net change in fund balances	\$ (17,693)	4,438	\$ 22,131	(34,682)	
Fund balances					
Beginning of year		3,681		38,363	
End of year		\$ 8,119		\$ 3,681	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

General Fund – Student Clubs Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Actual	Actual
Revenue					
Local sources					
Other	\$ 63,103	\$ 38,030	\$ (25,073)	\$	45,607
Expenditures					
Current					
Student clubs					
Salaries	3,500	1,660	(1,840)	4,499	
Employee benefits	54	25	(29)	69	
Purchased services	33,725	18,709	(15,016)	25,846	
Supplies and materials	21,109	12,832	(8,277)	10,927	
Other expenditures	4,715	4,804	89	4,266	
Total expenditures	63,103	38,030	(25,073)	45,607	
Net change in fund balances	\$ –	–	\$ –	–	
Fund balances					
Beginning of year		–		–	
End of year		\$ –		\$ –	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Valley Crossing Special Revenue Fund  
Combining Balance Sheet by Account  
as of June 30, 2014  
(With Comparative Totals as of June 30, 2013)

	Operating	Student	Totals	
	Account	Clubs Account	2014	2013
<b>Assets</b>				
Cash and temporary investments	\$ 1,994,863	\$ 7,754	\$ 2,002,617	\$ 2,354,632
Receivables				
Accounts and interest	41,467	-	41,467	16,682
Due from other governmental units	217,246	-	217,246	385,102
Prepaid items	21,255	750	22,005	4,891
	<u>\$ 2,274,831</u>	<u>\$ 8,504</u>	<u>\$ 2,283,335</u>	<u>\$ 2,761,307</u>
<b>Liabilities</b>				
Accounts payable	\$ 95,511	\$ 1,106	\$ 96,617	\$ 51,851
Due to other governmental units	478,553	-	478,553	894,232
Salaries and compensated absences payable	445,259	-	445,259	453,772
Unearned revenue	25,276	7,398	32,674	49,492
Total liabilities	<u>1,044,599</u>	<u>8,504</u>	<u>1,053,103</u>	<u>1,449,347</u>
<b>Fund balances</b>				
Nonspendable for prepaid items	21,255	-	21,255	4,891
Restricted for basic skills programs	24,865	-	24,865	10,114
Assigned for operating capital	614,337	-	614,337	654,518
Unassigned	569,775	-	569,775	642,437
Total fund balances	<u>1,230,232</u>	<u>-</u>	<u>1,230,232</u>	<u>1,311,960</u>
	<u>\$ 2,274,831</u>	<u>\$ 8,504</u>	<u>\$ 2,283,335</u>	<u>\$ 2,761,307</u>
Total liabilities and fund balances	<u>\$ 2,274,831</u>	<u>\$ 8,504</u>	<u>\$ 2,283,335</u>	<u>\$ 2,761,307</u>



NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Valley Crossing Special Revenue Fund  
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Operating Account	Student Clubs Account	Totals	
			2014	2013
Revenue				
Local sources				
Tuition from other districts	\$ 4,846,273	\$ -	\$ 4,846,273	\$ 4,875,274
Other	63,298	39,597	102,895	153,723
State sources	1,153,351	-	1,153,351	1,155,240
Federal sources	23,238	-	23,238	25,657
Total revenue	<u>6,086,160</u>	<u>39,597</u>	<u>6,125,757</u>	<u>6,209,894</u>
Expenditures				
Current				
Valley Crossing Community School	<u>6,189,808</u>	<u>39,597</u>	<u>6,229,405</u>	<u>6,118,195</u>
Excess (deficiency) of revenue over expenditures	(103,648)	-	(103,648)	91,699
Other financing sources				
Sale of capital assets	<u>21,920</u>	<u>-</u>	<u>21,920</u>	<u>-</u>
Net change in fund balances	(81,728)	-	(81,728)	91,699
Fund balances				
Beginning of year	<u>1,311,960</u>	<u>-</u>	<u>1,311,960</u>	<u>1,220,261</u>
End of year	<u>\$ 1,230,232</u>	<u>\$ -</u>	<u>\$ 1,230,232</u>	<u>\$ 1,311,960</u>

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Valley Crossing Special Revenue Fund – Operating Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
<b>Revenue</b>					
Local sources					
Tuition from other districts	\$ 4,802,387	\$ 4,846,273	\$ 43,886	\$ 4,875,274	
Other	53,211	63,298	10,087	100,698	
State sources	1,155,905	1,153,351	(2,554)	1,155,240	
Federal sources	25,417	23,238	(2,179)	25,657	
Total revenue	<u>6,036,920</u>	<u>6,086,160</u>	<u>49,240</u>	<u>6,156,869</u>	
<b>Expenditures</b>					
Current					
Valley Crossing Community School					
Salaries	3,774,487	3,760,379	(14,108)	3,643,529	
Employee benefits	1,460,647	1,458,358	(2,289)	1,446,450	
Purchased services	563,579	567,198	3,619	517,591	
Supplies and materials	210,399	212,842	2,443	207,283	
Capital expenditures	144,709	131,607	(13,102)	199,009	
Other expenditures	63,551	59,424	(4,127)	51,308	
Total expenditures	<u>6,217,372</u>	<u>6,189,808</u>	<u>(27,564)</u>	<u>6,065,170</u>	
Excess (deficiency) of revenue over expenditures	(180,452)	(103,648)	76,804	91,699	
<b>Other financing sources</b>					
Sale of capital assets	–	21,920	21,920	–	
Net change in fund balances	<u>\$ (180,452)</u>	<u>(81,728)</u>	<u>\$ 98,724</u>	<u>91,699</u>	
<b>Fund balances</b>					
Beginning of year		<u>1,311,960</u>		<u>1,220,261</u>	
End of year		<u>\$ 1,230,232</u>		<u>\$ 1,311,960</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Valley Crossing Special Revenue Fund – Student Clubs Account  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 51,095	\$ 39,597	\$ (11,498)	\$ 53,025
Expenditures				
Current				
Valley Crossing Community School				
Salaries	3,200	2,800	(400)	3,200
Benefits	520	456	(64)	503
Purchased services	46,145	36,275	(9,870)	48,712
Supplies and materials	750	66	(684)	610
Other expenditures	480	–	(480)	–
Total expenditures	<u>51,095</u>	<u>39,597</u>	<u>(11,498)</u>	<u>53,025</u>
Net change in fund balances	<u>\$ –</u>	–	<u>\$ –</u>	–
Fund balances				
Beginning of year		–		–
End of year		<u>\$ –</u>		<u>\$ –</u>

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and temporary investments	\$ 2,027	\$ 17,604
Cash and temporary investments held by trustee	3,057,989	15,853,904
<b>Receivables</b>		
Accounts and interest	15,577	–
Total assets	\$ 3,075,593	\$ 15,871,508
<b>Liabilities</b>		
Accounts and contracts payable	\$ 1,745,581	\$ 317,090
<b>Fund balance</b>		
Restricted for building construction	1,330,012	15,554,418
Total liabilities and fund balances	\$ 3,075,593	\$ 15,871,508

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Capital Projects – Building Construction Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other	\$ 6,147	\$ 19,353	\$ 13,206	\$ –
Expenditures				
Current				
Special education programs				
Purchased services	–	–	–	201,483
Capital outlay				
Capital expenditures	14,817,500	14,232,960	(584,540)	485,007
Purchased services	–	10,799	10,799	–
Other expenditures	–	–	–	69,718
Total capital outlay	<u>14,817,500</u>	<u>14,243,759</u>	<u>(573,741)</u>	<u>554,725</u>
Total expenditures	<u>14,817,500</u>	<u>14,243,759</u>	<u>(573,741)</u>	<u>756,208</u>
Excess (deficiency) of revenue over expenditures	(14,811,353)	(14,224,406)	586,947	(756,208)
Other financing sources				
Debt issued	14,817,500	–	(14,817,500)	15,297,972
Premium on debt issued	–	–	–	793,567
Total other financing sources	<u>14,817,500</u>	<u>–</u>	<u>(14,817,500)</u>	<u>16,091,539</u>
Net change in fund balances	<u>\$ 6,147</u>	(14,224,406)	<u>\$ (14,230,553)</u>	15,335,331
Fund balances				
Beginning of year		<u>15,554,418</u>		<u>219,087</u>
End of year		<u>\$ 1,330,012</u>		<u>\$ 15,554,418</u>

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Intermediate Debt Service Fund  
Comparative Balance Sheet  
as of June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and temporary investments	\$ 351,697	\$ 644
Cash and temporary investments held by trustee	4,498	357,028
<b>Receivables</b>		
Delinquent taxes	120	176
Prepaid items	1,917	-
Total assets	\$ 358,232	\$ 357,848
<b>Liabilities</b>		
Unearned revenue	\$ 120	\$ 176
<b>Fund balances</b>		
Restricted for debt service	358,112	357,672
Total liabilities and fund balances	\$ 358,232	\$ 357,848

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Intermediate Debt Service Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Property taxes	\$ -	\$ 332	\$ 332	\$ 54	
Tuition from other districts	353,021	353,021	-	-	
Other	138	491	353	-	
Total revenue	<u>353,159</u>	<u>353,844</u>	<u>685</u>	<u>54</u>	
Expenditures					
Debt service					
Interest	353,021	353,021	-	-	
Other	-	383	383	-	
Total expenditures	<u>353,021</u>	<u>353,404</u>	<u>383</u>	<u>-</u>	
Excess (deficiency) of revenue over expenditures	138	440	302	54	
Other financing sources					
Debt issued	-	-	-	357,028	
Net change in fund balances	<u>\$ 138</u>	440	<u>\$ 302</u>	357,082	
Fund balances					
Beginning of year		<u>357,672</u>		<u>590</u>	
End of year		<u>\$ 358,112</u>		<u>\$ 357,672</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Valley Crossing Debt Service Fund  
Comparative Balance Sheet  
as of June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and temporary investments	\$ 70,943	\$ 97,661
Cash and investments held by trustee	107,932	107,932
Receivables		
Due from other governmental units	2,549	2,500
Total assets	\$ 181,424	\$ 208,093
<b>Liabilities</b>		
Unearned revenue	\$ 63,713	\$ 90,382
<b>Fund balances</b>		
Restricted for debt escrow	107,932	107,931
Restricted for debt service	9,779	9,780
Total fund balances	117,711	117,711
Total liabilities and fund balances	\$ 181,424	\$ 208,093



NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Valley Crossing Debt Service Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under) Budget	2013	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Tuition charges for debt service	\$ 1,426,403	\$ 1,435,813	\$ 9,410	\$ 1,438,613	
Expenditures					
Debt service					
Principal retirement	1,255,000	1,255,000	-	1,195,000	
Interest	178,263	178,263	-	238,013	
Other	2,550	2,550	-	2,500	
Total expenditures	<u>1,435,813</u>	<u>1,435,813</u>	<u>-</u>	<u>1,435,513</u>	
Net change in fund balances	<u>\$ (9,410)</u>	-	<u>\$ 9,410</u>	3,100	
Fund balances					
Beginning of year		<u>117,711</u>		<u>114,611</u>	
End of year		<u>\$ 117,711</u>		<u>\$ 117,711</u>	

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Nonmajor Community Service Special Revenue Fund – Kindergarten Plus – Valley Crossing  
Comparative Balance Sheet  
as of June 30, 2014 and 2013

	2014	2013
Assets		
Cash and temporary investments	\$ 792	\$ 519
Liabilities		
Salaries and compensated absences payable	\$ 138	\$ –
Fund balances		
Restricted for community education programs	654	519
Total liabilities and fund balances	\$ 792	\$ 519

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Nonmajor Community Service Special Revenue Fund – Kindergarten Plus – Valley Crossing  
Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		Over (Under)	2013
	Budget	Actual	Budget	Actual
Revenue				
Local sources				
Other	\$ 1,457	\$ 446	\$ (1,011)	\$ 2,390
Expenditures				
Current				
Community service				
Salaries	1,250	270	(980)	2,385
Employee benefits	207	41	(166)	337
Total expenditures	1,457	311	(1,146)	2,722
Net change in fund balances	\$ —	135	\$ 135	(332)
Fund balances				
Beginning of year		519		851
End of year		\$ 654		\$ 519

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Agency Fund  
Statement of Changes in Fiduciary Assets and Liabilities  
Year Ended June 30, 2014

	<u>Balance – July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance – June 30, 2014</u>
<b>Assets</b>				
Cash and temporary investments	\$ 13,452	\$ 1,303	\$ 1,384	\$ 13,371
<b>Liabilities</b>				
Accounts and contracts payable	\$ 173	\$ –	\$ 173	\$ –
Due to other governmental units	13,279	8,299	8,207	13,371
Total liabilities	\$ 13,452	\$ 8,299	\$ 8,380	\$ 13,371

OTHER DISTRICT INFORMATION

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Government-Wide Expenses by Function  
Last Ten Fiscal Years

Year Ended June 30,	Administration and Support Services	Career and Technical Programs	Special Education Services	Educational Services	Alternative Learning Center	Student Clubs
2005	\$ 2,745,247 8%	\$ 2,735,109 8%	\$ 17,305,228 51%	\$ 271,939 1%	\$ 2,239,122 7%	\$ - -
2006	3,323,040 9%	2,671,851 8%	18,498,936 52%	425,737 1%	2,335,101 7%	- -
2007	3,269,144 9%	2,586,811 7%	20,065,881 54%	251,267 1%	2,610,457 7%	- -
2008	3,410,093 9%	2,608,409 6%	20,840,015 53%	273,537 1%	2,768,905 7%	- -
2009	3,798,571 9%	2,430,862 6%	20,851,639 52%	211,670 1%	2,983,486 7%	- -
2010	3,781,249 9%	2,293,985 6%	22,219,621 55%	152,124 1%	2,820,149 7%	49,248 -
2011	3,817,581 8%	2,600,015 6%	23,750,448 55%	145,515 1%	3,373,850 8%	52,606 -
2012	4,365,409 10%	2,312,918 5%	24,275,891 55%	58,470 -	3,521,247 8%	52,969 -
2013	5,249,023 11%	2,189,849 5%	25,859,166 55%	77,544 -	3,693,856 8%	45,607 -
2014	5,407,273 11%	2,337,493 5%	29,513,935 58%	37,441 -	3,473,463 7%	38,030 -

Sites and Buildings	Valley Crossing Community School	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
\$ 1,810,340 5%	\$ 5,344,560 16%	\$ 55,629 -	\$ 584,550 2%	\$ 746,606 2%	\$ 33,838,330 100%
1,704,564 5%	5,294,479 15%	64,088 -	608,641 2%	506,022 1%	35,432,459 100%
1,856,204 5%	5,408,764 14%	75,895 -	633,848 2%	549,494 1%	37,307,765 100%
2,554,833 6%	5,893,793 15%	73,120 -	621,665 2%	548,093 1%	39,592,463 100%
2,206,453 6%	6,028,273 15%	59,316 -	632,167 2%	726,012 2%	39,928,449 100%
2,152,320 5%	5,824,930 14%	65,522 -	794,010 2%	567,001 1%	40,720,159 100%
2,303,869 5%	5,891,825 14%	42,973 -	726,354 2%	517,905 1%	43,222,941 100%
2,275,529 5%	6,266,371 14%	60 -	714,781 2%	451,989 1%	44,295,634 100%
2,033,790 4%	6,553,995 14%	3,018 -	713,214 2%	445,079 1%	46,864,141 100%
2,222,417 4%	6,503,805 13%	311 -	809,331 1%	745,599 1%	51,089,098 100%

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Government-Wide Revenue by Type  
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues		General Revenues		
	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Tuition Charges for Debt Service
2005	\$ 30,229,620 89%	\$ 663,313 2%	\$ 359,453 1%	\$ – –	\$ 1,532,285 4%
2006	30,422,448 88%	664,651 2%	368,230 1%	– –	1,547,635 4%
2007	33,711,175 89%	1,097,898 3%	367,423 1%	– –	1,276,753 3%
2008	19,301,681 47%	16,135,997 40%	– –	2,735,441 7%	1,788,179 4%
2009	19,391,806 47%	15,811,688 38%	– –	3,378,358 8%	1,760,973 4%
2010	19,384,940 46%	16,463,496 40%	– –	3,790,853 9%	1,352,740 3%
2011	19,200,252 44%	17,903,258 41%	– –	4,014,167 10%	1,443,396 3%
2012	19,348,110 43%	19,229,920 43%	– –	3,977,791 9%	1,423,367 3%
2013	19,930,263 42%	20,424,122 43%	– –	4,005,764 9%	1,438,667 3%
2014	22,839,576 44%	21,344,848 41%	– –	5,297,408 10%	1,789,166 3%

Note: Starting in fiscal year 2008, the District received a significant portion of its revenue in the form of state aid grants and aids. These revenues were previously billed to school districts as part of the District's tuition billing process. This process is now performed by the Minnesota Department of Education.



Investment Earnings and Other	Total
\$ 1,241,760 4%	\$ 34,026,431 100%
1,681,964 5%	34,684,928 100%
1,612,364 4%	38,065,613 100%
678,180 2%	40,639,478 100%
1,088,715 3%	41,431,540 100%
818,281 2%	41,810,310 100%
689,519 2%	43,250,592 100%
725,912 2%	44,705,100 100%
1,293,871 3%	47,092,687 100%
1,300,240 2%	52,571,238 100%

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
<b>U.S. Department of Education</b>		
Passed through Minnesota Department of Education		
Title I – Grants to Local Educational Agencies	84.010	\$ 12,637
Improving Teacher Quality State Grants	84.367	12,208
Passed through Minnesota Department of Education		
Career and Technical Education – Basic Grants to States	84.048	510,893
Passed through Century College		
Career and Technical Education – Basic Grants to States	84.048	81,687
Total CFDA No. 84.048		<u>592,580</u>
<b>National Science Foundation</b>		
Passed through University of Minnesota		
Education and Human Resources	47.076	<u>160,223</u>
Total federal awards		<u><u>\$ 777,648</u></u>

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

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

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

Program Title	Federal CFDA No.	Amount Provided
Title I – Grants to Local Educational Agencies	84.048	\$ 207,868
Education and Human Resources	47.076	\$ 112,786

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  
Northeast Metropolitan Intermediate  
School District No. 916 and  
Valley Crossing Community School  
White Bear Lake, 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 Northeast Metropolitan Intermediate School District No. 916 (the Intermediate) and Valley Crossing Community School (the School) (collectively the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2014.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

(continued)

## COMPLIANCE AND OTHER MATTERS

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

## PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota

November 24, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors and Management of  
Northeast Metropolitan Intermediate  
School District No. 916 and  
Valley Crossing Community School  
White Bear Lake, Minnesota

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Northeast Metropolitan Intermediate School District No. 916's (the Intermediate) and Valley Crossing Community School's (the School) (collectively the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

## **OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency.

## **DISTRICT'S RESPONSE TO FINDING**

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Malloy, Montague, Karnowski, Radosevich & Co., P. A.*  
Minneapolis, Minnesota  
November 24, 2014



INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors and Management of  
Northeast Metropolitan Intermediate  
School District No. 916 and  
Valley Crossing Community School  
White Bear Lake, 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 Northeast Metropolitan Intermediate School District No. 916 (the Intermediate) and Valley Crossing Community School (the School) (collectively the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of 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 Political Subdivisions*. 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.

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

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

Minneapolis, Minnesota  
November 24, 2014

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NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

**A. SUMMARY OF AUDIT RESULTS**

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

**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified?      Yes   X   None reported

Noncompliance material to the financial statements noted?      Yes   X   No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified?   X   Yes      None reported

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

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

Programs tested as major programs:

Program or Cluster	CFDA No.
Career and Technical Education – Basic Grants to States	84.048

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

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

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2014

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

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

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROLS – CAREER AND TECHNICAL EDUCATION – BASIC  
GRANTS TO STATES (CFDA No. 84.048)**

**2014-001 Internal Control Over Compliance With Federal Procurement, Suspension, and  
Debarment Requirements**

**Criteria** – Management is responsible for establishing and maintaining effective internal controls, including monitoring the career and technical education activities for procurement, suspension, and debarment.

**Condition** – During our audit, we noted that Northeast Metropolitan Intermediate District No. 916 (the Intermediate) and Valley Crossing Community School (the School) (collectively the District) does not have adequate internal controls in place to ensure compliance with procurement, suspension, and debarment compliance requirements in the career and technical education federal program.

**Questioned Costs** – Not applicable. Although there were no internal controls properly put in place by grant management, there were no vendors in which the District spent more than \$25,000 cumulatively in the current year; therefore, no compliance exceptions were noted during the year.

**Context** – This is a current year finding.

**Cause** – The District has inadequate internal controls and procedures in place for the determination of suspension or debarment of recipients of career and technical education expenditures.

**Effect** – The District could be expending federal dollars to vendors that are either suspended or debarred.

**Recommendation** – We recommend that the District improve procedures and internal controls over the grant expenditures in the career and technical education program.

**Corrective Action Plan**

**Actions Planned** – The District will improve procedures and internal controls over the approval of career and technical education grant expenditures.

**Official Responsible** – The Director of Finance and Operations.

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916  
AND VALLEY CROSSING COMMUNITY SCHOOL

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2014

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

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROLS – CAREER AND TECHNICAL EDUCATION – BASIC  
GRANTS TO STATES (CFDA NO. 84.048) (CONTINUED)**

**2014-001 Internal Control Over Compliance With Federal Procurement, Suspension, and  
Debarment Requirements (continued)**

**Corrective Action Plan (continued)**

Planned Completion Date – June 30, 2015.

Disagreement With or Explanation of Finding – The District is in agreement with this finding.

Plan to Monitor – The Director of Finance and Operations will improve procedures prior to the planned completion date.

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT**

None.

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

No audit findings were reported for the year ended June 30, 2013.

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2014

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 44,606,533	\$ 44,606,536	\$ (3)
Total expenditures		\$ 45,943,162	\$ 45,943,166	\$ (4)
Nonspendable				
460	Nonspendable fund balance	\$ 510,473	\$ 510,473	\$ –
Restricted/reserve				
403	Staff development	\$ –	\$ –	\$ –
405	Deferred maintenance	\$ –	\$ –	\$ –
406	Health and safety	\$ (74,317)	\$ (74,317)	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
409	Alternative facility program	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ 405,227	\$ 405,227	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 299,440	\$ 299,440	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ (715,901)	\$ (715,901)	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 2,930,470	\$ 2,930,471	\$ (1)
Unassigned				
422	Unassigned fund balance	\$ 4,558,546	\$ 4,558,546	\$ –
<b>Food Service</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916

Uniform Financial Accounting and Reporting Standards  
 Compliance Table (continued)  
 June 30, 2014

	Audit	UFARS	Audit – UFARS
<b>Building Construction</b>			
Total revenue	\$ 19,353	\$ 19,353	\$ –
Total expenditures	\$ 14,243,759	\$ 14,243,759	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
407 Capital projects levy	\$ –	\$ –	\$ –
409 Alternative facility program	\$ –	\$ –	\$ –
413 Project funded by COP	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 1,330,012	\$ 1,330,012	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>			
Total revenue	\$ 353,844	\$ 353,843	\$ 1
Total expenditures	\$ 353,404	\$ 353,404	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
425 Bond refundings	\$ –	\$ –	\$ –
451 QZAB payments	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 358,112	\$ 358,112	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>Internal Service</b>			
Total revenue	\$ 161,569	\$ 161,569	\$ –
Total expenditures	\$ 76,545	\$ 76,545	\$ –
422 Net position	\$ 517,161	\$ 517,161	\$ –
<b>OPEB Revocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>OPEB Irrevocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>OPEB Debt Service Fund</b>			
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.

VALLEY CROSSING COMMUNITY SCHOOL

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2014

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 6,125,757	\$ 6,125,757	\$ –
Total expenditures		\$ 6,229,405	\$ 6,229,404	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ 21,255	\$ 21,255	\$ –
Restricted/reserve				
403	Staff development	\$ –	\$ –	\$ –
405	Deferred maintenance	\$ –	\$ –	\$ –
406	Health and safety	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
409	Alternative facility program	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
423	Certain teacher programs	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 24,865	\$ 24,865	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
450	Pre-kindergarten	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 614,337	\$ 614,337	\$ –
Unassigned				
422	Unassigned fund balance	\$ 569,775	\$ 569,776	\$ (1)
<b>Food Service</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Community Service</b>				
Total revenue		\$ 446	\$ 445	\$ 1
Total expenditures		\$ 311	\$ 310	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 654	\$ 654	\$ –
432	ECFE	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –



VALLEY CROSSING COMMUNITY SCHOOL  
Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2014

	Audit	UFARS	Audit – UFARS
<b>Building Construction</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
407 Capital projects levy	\$ –	\$ –	\$ –
409 Alternative facility program	\$ –	\$ –	\$ –
413 Project funded by COP	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ –	\$ –	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>			
Total revenue	\$ 1,435,813	\$ 1,435,813	\$ –
Total expenditures	\$ 1,435,813	\$ 1,435,813	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
425 Bond refundings	\$ 107,932	\$ 107,931	\$ 1
451 QZAB payments	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 9,779	\$ 9,780	\$ (1)
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>Internal Service</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>OPEB Revocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>OPEB Irrevocable Trust Fund</b>			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
<b>OPEB Debt Service Fund</b>			
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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