

NORTHEAST METROPOLITAN INTERMEDIATE
SCHOOL DISTRICT NO. 916

and

VALLEY CROSSING COMMUNITY SCHOOL

Financial Statements and
Supplemental Information

Year Ended
June 30, 2015

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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, 2015

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. Marcia Lindblad	14	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

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. Lela Olson	Principal of Valley Crossing Community School

FINANCIAL SECTION

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PRINCIPALS

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

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 accompanying 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, 2015, 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, 2015, 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

(continued)

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.

Prior Year Comparative Information

We have previously audited the District's 2014 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 24, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 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, 2015 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, 2015

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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, 2015

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, 2015. 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 assets and deferred outflows of resources were lower than liabilities and deferred inflows of resources at June 30, 2015 by \$525,628 (net position). The District's total net position increased by \$4,153,104 during the fiscal year ended June 30, 2015, exclusive of the change in accounting principle reported in the current year as discussed below.
- The District recorded a change in accounting principle in the current year for reporting the District's participation in the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans. This change reduced beginning net position in the government-wide financial statements by \$30,023,704.
- The District's General Fund unassigned fund balance decreased from \$3,768,328 to \$3,719,596 during fiscal year 2015, which represents approximately 7.6 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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional 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:

Table 1		
Summary Statement of Net Position		
Governmental Activities		
as of June 30, 2015 and 2014		
	2015	2014
Assets		
Current and other assets	\$ 18,613,488	\$ 17,520,533
Restricted assets	794,287	3,232,003
Capital assets, net of depreciation	42,148,851	41,202,935
Total assets	\$ 61,556,626	\$ 61,955,471
Deferred outflows of resources	\$ 4,824,095	\$ –
Liabilities		
Other liabilities	\$ 8,203,690	\$ 9,361,264
Long-term liabilities	50,792,856	27,249,235
Total liabilities	\$ 58,996,546	\$ 36,610,499
Deferred inflows of resources	\$ 7,909,803	\$ –
Net position		
Net investment in capital assets	\$ 20,351,351	\$ 17,993,796
Restricted	1,327,631	1,358,899
Unrestricted	(22,204,610)	5,992,277
Total net position	\$ (525,628)	\$ 25,344,972

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.

Total net position decreased by \$25,870,600. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year, which changed employer reporting of participation in pension plans such as the PERA and TRA. This change in accounting principle reduced beginning unrestricted net position by \$30,023,704. This change in accounting principle for pensions significantly increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources, as presented in the table on the previous page.

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

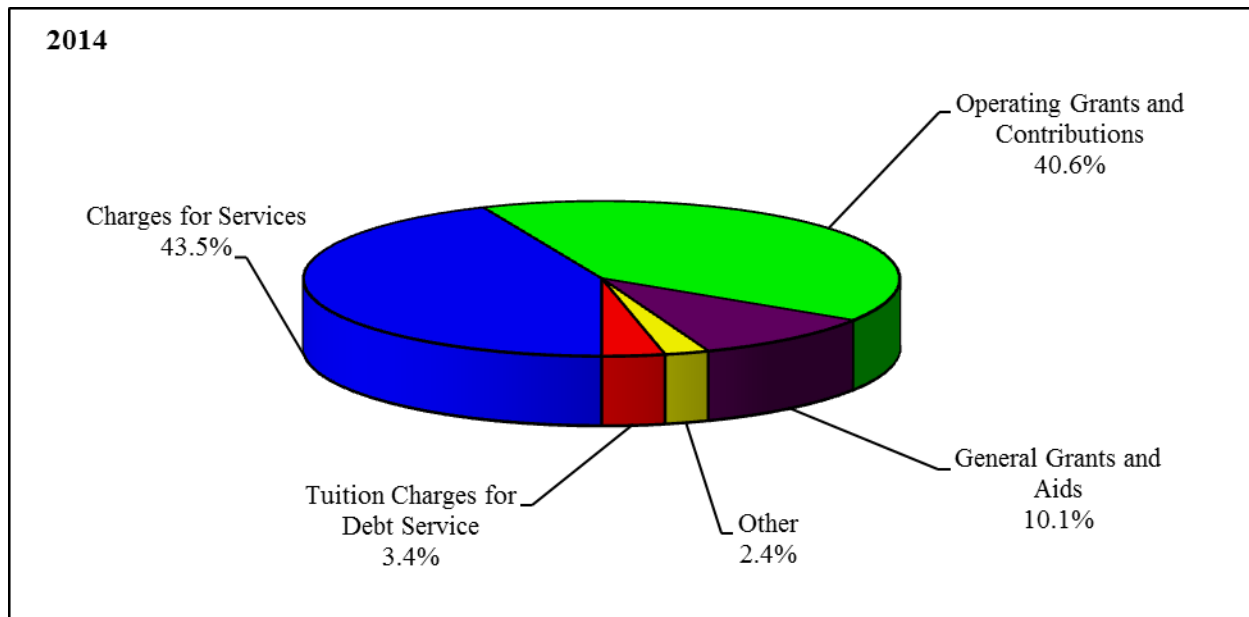
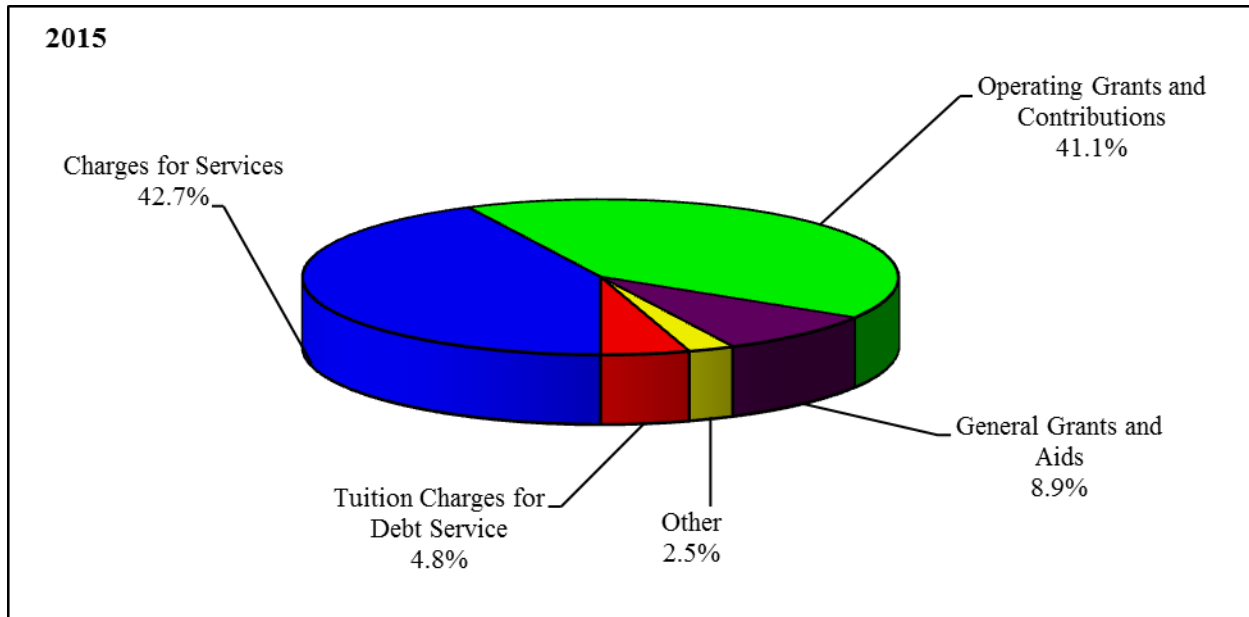
Table 2		
Summary Statement of Activities		
for the Years Ended June 30, 2015 and 2014		
	2015	2014
Revenues		
Program revenues		
Charges for services	\$ 25,110,859	\$ 22,839,576
Operating grants and contributions	24,142,087	21,344,848
General revenues		
General grants and aids	5,202,640	5,297,408
Other	1,481,145	1,283,838
Tuition charges for debt service	2,792,208	1,789,166
Investment earnings	23,425	16,402
Total revenues	58,752,364	52,571,238
Expenses		
Governmental activities		
Administration and support services	5,619,918	5,407,273
Career and technical programs	2,545,579	2,337,493
Special education services	31,877,390	29,513,935
Educational services	-	37,441
Alternative Learning Center	3,683,198	3,473,463
Student clubs	36,147	38,030
Sites and buildings	2,331,164	2,222,417
Valley Crossing Community School	6,679,766	6,503,805
Community service	550	311
Depreciation not included in other functions	1,073,486	809,331
Interest and fiscal charges	752,062	745,599
Total expenses	54,599,260	51,089,098
Change in net position	4,153,104	1,482,140
Net position – beginning, as previously reported	25,344,972	23,862,832
Change in accounting principle	(30,023,704)	-
Net position – beginning as restated	(4,678,732)	23,862,832
Net position – ending	\$ (525,628)	\$ 25,344,972

The increase in charges for services and operating grants and contributions were the result of additional students served by the District in fiscal 2015.

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.

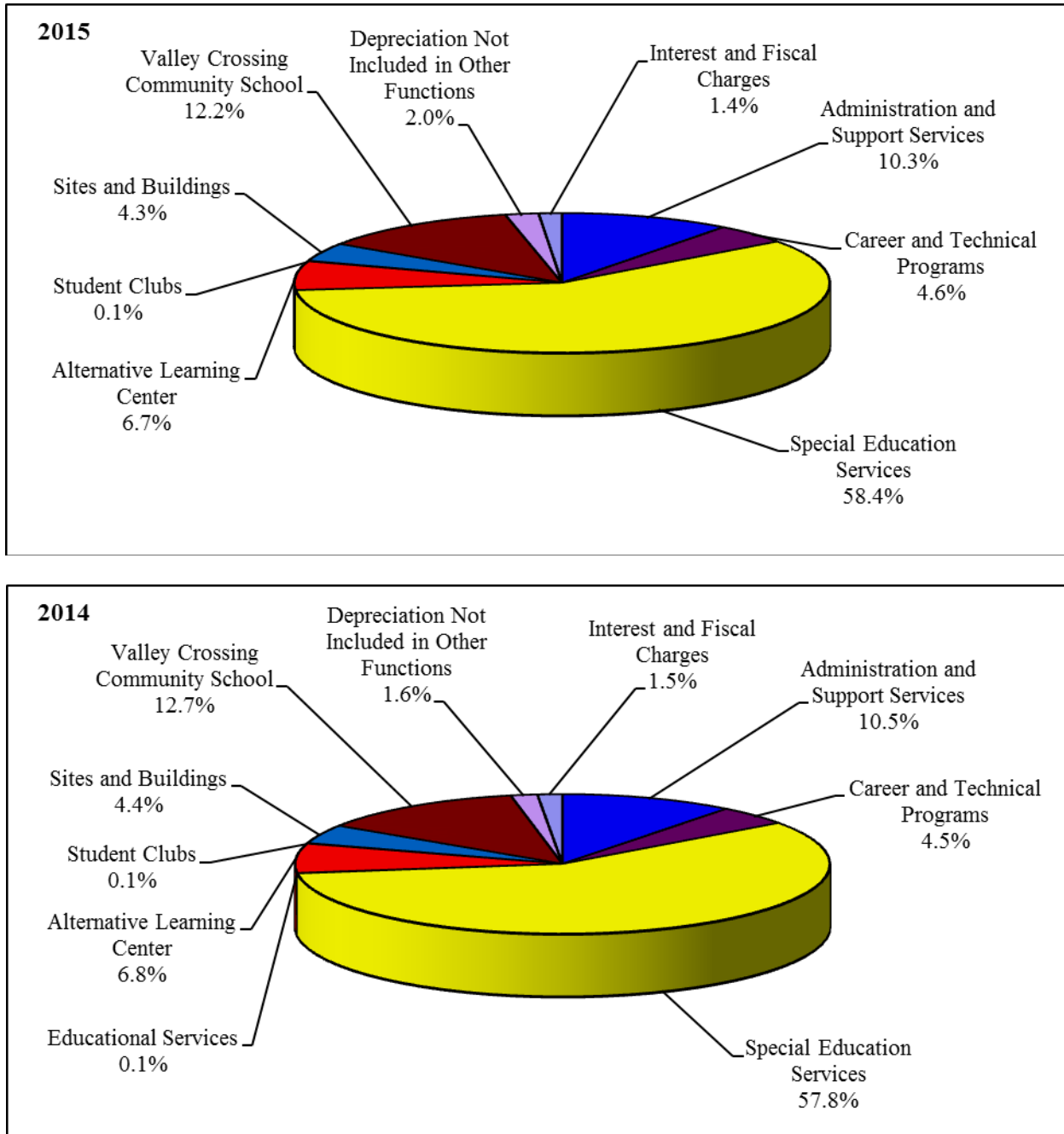
Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenues for Fiscal Years 2015 and 2014



- About 43 percent, or \$25,110,859, 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 \$29,344,727, or 50 percent, of the total costs for fiscal year 2014–2015.
- Of the total revenues, \$4,296,778 was from investment earnings, tuition charges for debt service, and other general revenues.

Figure B – Expenses for Fiscal Years 2015 and 2014



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

	<u>Total Cost of Services</u>		<u>Net (Expense) Revenue</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Governmental activities				
Administration and support services	\$ 5,619,918	\$ 5,407,273	\$ (1,520,056)	\$ (1,466,614)
Career and technical programs	2,545,579	2,337,493	126,262	220,625
Special education services	31,877,390	29,513,935	(630,579)	(1,940,856)
Educational services	-	37,441	-	38,007
Alternative Learning Center	3,683,198	3,473,463	313,054	(146,167)
Student clubs	36,147	38,030	(28,023)	(20,346)
Sites and buildings	2,331,164	2,222,417	(1,348,484)	(1,597,026)
Valley Crossing Community School	6,679,766	6,503,805	(433,205)	(437,501)
Community service	550	311	265	134
Depreciation not included in other functions	1,073,486	809,331	(1,073,486)	(809,331)
Interest and fiscal charges	752,062	745,599	(752,062)	(745,599)
Total	\$ 54,599,260	\$ 51,089,098	\$ (5,346,314)	\$ (6,904,674)

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 2014–2015 fiscal year, the District's governmental funds reported a *combined* fund balance of \$10,655,105, which is less than the June 30, 2014 combined fund balance of \$10,950,659.

Revenues for the District's governmental funds were \$58,693,520, while total expenditures were \$58,992,162. As a result, the District completed the year with expenditures exceeding revenue and other financing sources by \$295,554. This was due to timing differences in receipt versus use of funds from third party billing and compensatory revenues.

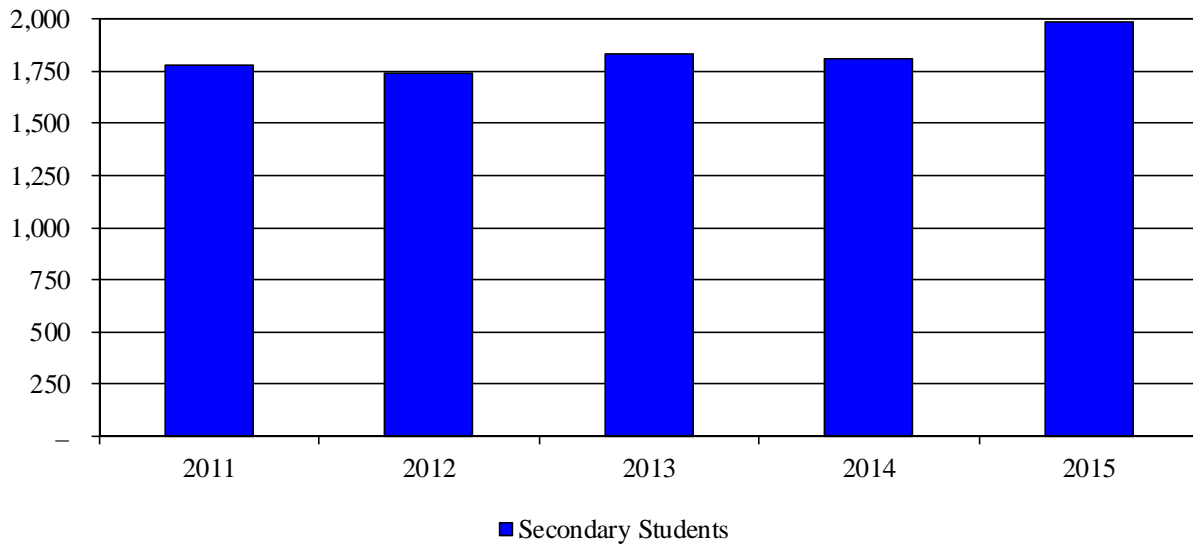
GENERAL FUND

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 in fiscal year 2015. Growth was seen in the areas of special education, area learning centers, and the Career and Technical Center, while the School continues to experience slight decreases in enrollment. The largest reason for the increase was the result of opening the Karner Blue Education Center in the August 2014.

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)
	2015	2014	
Local sources			
Tuition from other districts	\$ 17,797,608	\$ 16,385,505	\$ 1,412,103
Other	3,317,477	2,755,365	562,112
State sources	27,735,130	24,711,256	3,023,874
Federal sources	719,076	754,407	(35,331)
Total General Fund revenues	\$ 49,569,291	\$ 44,606,533	\$ 4,962,758

Total General Fund revenues increased \$4,962,758, or 11.1 percent, in fiscal 2015 as compared to the previous year. Overall, the increase in revenues can be attributed to enrollment in special education programs.

The following table presents a summary of General Fund expenditures:

	Year Ended June 30,		Amount of Increase (Decrease)
	2015	2014	
Salaries	\$ 25,623,135	\$ 23,888,106	\$ 1,735,029
Employee benefits	11,085,510	10,096,344	989,166
Purchased services	6,204,384	4,525,003	1,679,381
Supplies and materials	1,025,256	671,458	353,798
Capital expenditures	1,013,148	3,514,261	(2,501,113)
Other expenditures	64,972	249,947	(184,975)
Sites and buildings	3,071,862	2,453,893	617,969
Debt service	549,606	544,150	5,456
Total General Fund expenditures	\$ 48,637,873	\$ 45,943,162	\$ 2,694,711

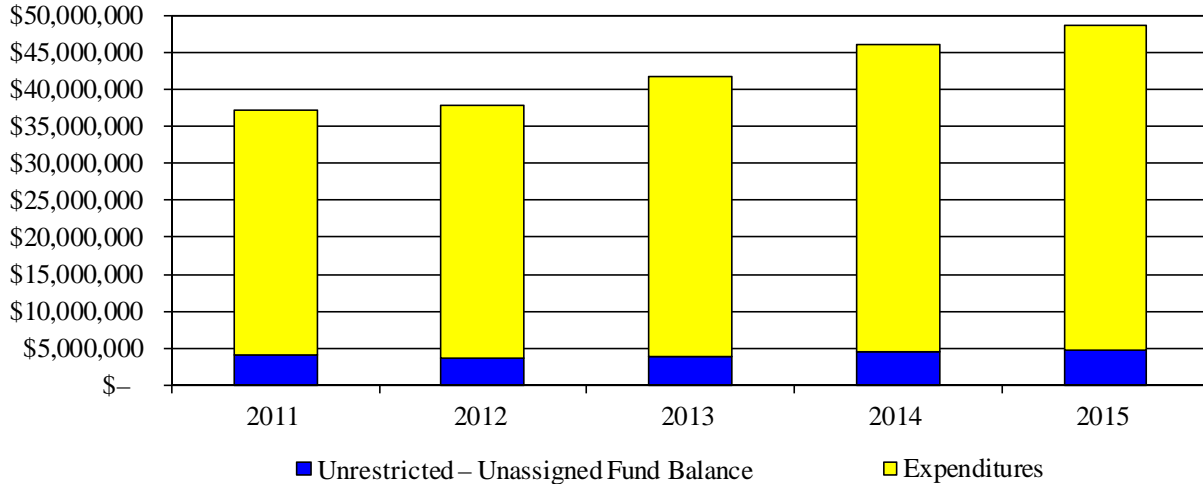
Total General Fund expenditures increased \$2,694,711, or 5.9 percent, from the previous year.

In fiscal year 2014–2015, salaries and employee benefits increased by 8.0 percent. The increase in salaries and benefits is primarily due to the addition of new staff as a result of the opening of the new Karner Blue Education Center in the current year. Purchased services increased by 37.1 percent. This increase is due to the use of an outside service provider for substitute teachers for the first time in the current year. Finally, capital expenditures decreased by 71.2 percent. The decrease in capital expenditures is due to completion of the Karner Blue Education Center in the current year and the purchase of land for future development in the prior year.

In summary, 2014–2015 General Fund revenues and other financing sources exceeded General Fund expenditures by \$934,956. As a result, total fund balance increased to \$8,848,894 at June 30, 2015. After deducting nonspendable, restricted, and assigned funds, the unassigned fund balance (including restricted account deficits) decreased from \$3,768,328 at June 30, 2014 to \$3,719,596 at June 30, 2015.

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 \$3.7 million at June 30, 2015 represents 7.6 percent of annual expenditures. This is a budgeted decrease from the fiscal year 2014 unrestricted – unassigned fund balance as a percentage of annual expenditures. 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

	2011	2012	2013	2014	2015
Unrestricted – unassigned fund balance	\$ 3,551,190	\$ 3,053,124	\$ 3,137,000	\$ 3,768,328	\$ 3,719,596
Percent increase (decrease)	(20.2%)	(14.0%)	2.7%	20.1%	(1.3%)
Expenditures (excludes capital lease proceeds)	\$ 37,226,110	\$ 37,888,891	\$ 41,761,045	\$ 45,943,162	\$ 48,637,873
Percent increase (decrease)	6.4%	1.8%	10.2%	10.0%	5.9%
Percent of fund balance to expenditures	9.5%	8.1%	7.5%	8.2%	7.6%

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 \$3,268,584 and the expenditure budget by \$3,056,249. 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 2016.
- 2) Increase in appropriations for significant unbudgeted costs.

The District's final budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures by \$51,017; the actual result for the year shows an increase of \$934,956.

- Actual revenues were \$320,271 less than expected in the budget, mainly in state sources.
- Actual expenditures were less than budget by \$1,200,672. This was mainly due to open positions that were included in the budget going unfilled during the current year.

VALLEY CROSSING SPECIAL REVENUE FUND

This fund's original budget anticipated revenues exceeding expenditures by \$155,973, while the final budget showed a deficit of (\$91,033).

Actual expenditures exceeded revenues and other financing sources by \$89,330. This was due to tuition revenue coming in short of budget by \$87,288 as a result of the member districts' decision in the spring to change the tuition methodology at the School.

The June 30, 2015 fund balance of \$1,140,902 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 expenditures exceeded revenues by \$2,263 in fiscal year 2015. The June 30, 2015 fund balance of \$355,849 is available for meeting future debt service obligations.

VALLEY CROSSING DEBT SERVICE FUND

This fund's expenditures exceeded revenues by \$50. The June 30, 2015 fund balance of \$117,661 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 \$42,148,851, 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.

	<u>2015</u>	<u>2014</u>	<u>Total Change 2014–2015</u>
Land	\$ 5,559,640	\$ 5,559,640	\$ –
Buildings	52,742,625	36,398,449	16,344,176
Furniture and equipment	6,089,818	5,324,466	765,352
Leasehold improvements	228,172	228,172	–
Construction in progress	–	14,466,442	(14,466,442)
Less accumulated depreciation	<u>(22,471,404)</u>	<u>(20,774,234)</u>	<u>(1,697,170)</u>
Total	<u>\$ 42,148,851</u>	<u>\$ 41,202,935</u>	<u>\$ 945,916</u>
Depreciation expense	<u>\$ 1,814,174</u>	<u>\$ 1,489,027</u>	<u>\$ 325,147</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 \$22.0 million in certificates of participation, premiums on certificates of participation, contracts for deed, and capital leases outstanding. The District also had \$28.8 million in post-employment severance benefits payable, compensated absences payable, net OPEB obligations, and pension obligations at June 30, 2015.

	<u>2015</u>	<u>2014</u>	<u>Total Change</u>
Certificates of participation payable	\$ 16,195,000	\$ 18,350,000	\$ (2,155,000)
Premium on certificates of participation payable	670,759	742,570	(71,811)
Contract for deed	1,900,000	1,900,000	–
Capital leases payable	3,222,641	3,546,581	(323,940)
Severance benefits payable	1,262,069	1,525,599	(263,530)
Compensated absences payable	769,922	733,638	36,284
Net OPEB obligation	397,670	450,847	(53,177)
Net pension liability – PERA*	8,648,096	–	8,648,096
Net pension liability – TRA*	<u>17,726,699</u>	<u>–</u>	<u>17,726,699</u>
	<u>\$ 50,792,856</u>	<u>\$ 27,249,235</u>	<u>\$ 23,543,621</u>

*Reflects current year change in accounting principle; prior year balances were not restated.

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.

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.

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 2015. Planning for this second building was done throughout the fiscal year 2015 school year and will come on line in the fall of 2017. In addition, the School Board did vote in September 2015 to replace the secondary site with large deferred maintenance needs. Planning continues on this project and the facility is planned to open in the fall of 2018.

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.

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	\$ 11,746,219	\$ 9,312,992
Receivables		
Delinquent taxes	95	120
Accounts and interest	629,091	617,136
Due from other governmental units	5,975,326	7,054,909
Inventory	6,070	6,125
Prepaid items	256,687	529,251
Restricted assets – temporarily restricted		
Cash and investments for capital projects	639,657	3,057,989
Cash and investments for debt service	107,934	112,430
Cash and investments for employee benefits	46,696	61,584
Total restricted assets	794,287	3,232,003
Capital assets		
Not depreciated	5,559,640	20,026,082
Depreciated, net of accumulated depreciation	36,589,211	21,176,853
Total capital assets, net of accumulated depreciation	42,148,851	41,202,935
Total assets	61,556,626	61,955,471
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	4,824,095	–
Total assets and deferred outflows of resources	\$ 66,380,721	\$ 61,955,471
Liabilities		
Accounts payable	\$ 813,516	\$ 2,171,867
Due to other governmental units	3,465,139	3,175,642
Salaries and compensated absences payable	3,581,581	3,594,872
Unearned revenue	36,841	70,953
Accrued interest payable	306,613	347,930
Long-term liabilities		
Due within one year	5,507,761	3,494,060
Due in more than one year	45,285,095	23,755,175
Total long-term liabilities	50,792,856	27,249,235
Total liabilities	58,996,546	36,610,499
Deferred inflows of resources		
Pension plan deferments – PERA and TRA	7,909,803	–
Net position		
Net investment in capital assets	20,351,351	17,993,796
Restricted for		
Valley Crossing Community School	1,140,902	1,230,232
Debt service	166,992	128,013
Other	19,737	654
Unrestricted	(22,204,610)	5,992,277
Total net position	(525,628)	25,344,972
Total liabilities, deferred inflows of resources, and net position	\$ 66,380,721	\$ 61,955,471

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, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

Functions/Programs	2015			2014	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration and support services	\$ 5,619,918	\$ 3,331,862	\$ 768,000	\$ (1,520,056)	\$ (1,466,614)
Career and technical programs	2,545,579	2,671,841	-	126,262	220,625
Special education services	31,877,390	8,938,598	22,308,213	(630,579)	(1,940,856)
Educational services	-	-		-	38,007
Alternative Learning Center	3,683,198	3,909,527	86,725	313,054	(146,167)
Student clubs	36,147	8,124	-	(28,023)	(20,346)
Sites and buildings	2,331,164	982,680	-	(1,348,484)	(1,597,026)
Valley Crossing Community School	6,679,766	5,267,412	979,149	(433,205)	(437,501)
Community service	550	815	-	265	134
Depreciation not included in other functions	1,073,486	-	-	(1,073,486)	(809,331)
Interest and fiscal charges	752,062	-	-	(752,062)	(745,599)
Total governmental activities	<u>\$54,599,260</u>	<u>\$25,110,859</u>	<u>\$24,142,087</u>	(5,346,314)	(6,904,674)
General revenues					
General grants and aids				5,202,640	5,297,408
Other general revenues				1,481,145	1,283,838
Tuition charges for debt service				2,792,208	1,789,166
Investment earnings				23,425	16,402
Total general revenues				<u>9,499,418</u>	<u>8,386,814</u>
Change in net position				4,153,104	1,482,140
Net position – beginning, as previously reported				25,344,972	23,862,832
Change in accounting principle				<u>(30,023,704)</u>	<u>-</u>
Net position – beginning as restated				<u>(4,678,732)</u>	<u>23,862,832</u>
Net position – ending				<u>\$ (525,628)</u>	<u>\$ 25,344,972</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, 2015
(With Partial Comparative Information as of June 30, 2014)

				Major Funds
	General Fund	Valley Crossing Special Revenue Fund	Capital Projects – Building Construction Fund	
Assets				
Cash and temporary investments	\$ 8,711,509	\$ 1,803,562	\$ 21,104	
Cash and investments held by trustee	46,696	–	639,657	
Receivables				
Delinquent taxes	–	–	–	
Accounts and interest	615,397	13,694	–	
Due from other governmental units	5,605,008	324,286	–	
Inventory	6,070	–	–	
Prepaid items	254,770	–	–	
	<u>\$ 15,239,450</u>	<u>\$ 2,141,542</u>	<u>\$ 660,761</u>	
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 332,962	\$ 10,693	\$ 469,861	
Due to other governmental units	2,879,021	586,118	–	
Salaries and compensated absences payable	3,187,883	393,578	–	
Unearned revenue	(9,310)	10,251	–	
Total liabilities	<u>6,390,556</u>	<u>1,000,640</u>	<u>469,861</u>	
Fund balances				
Nonspendable	260,254	–	–	
Restricted	936,169	37,717	190,900	
Assigned	3,932,875	1,016,300	–	
Unassigned	3,719,596	86,885	–	
Total fund balances	<u>8,848,894</u>	<u>1,140,902</u>	<u>190,900</u>	
	<u>\$ 15,239,450</u>	<u>\$ 2,141,542</u>	<u>\$ 660,761</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	2015	2014
\$ 311,847	\$ 41,680	\$ 1,019	\$ 10,890,721	\$ 8,524,569
2	107,932	-	794,287	3,232,003
95	-	-	95	120
-	-	-	629,091	617,136
42,083	3,949	-	5,975,326	7,054,909
-	-	-	6,070	6,125
1,917	-	-	256,687	529,251
<u>\$ 355,944</u>	<u>\$ 153,561</u>	<u>\$ 1,019</u>	<u>\$ 18,552,277</u>	<u>\$ 19,964,113</u>
\$ -	\$ -	\$ -	\$ 813,516	\$ 2,171,867
-	-	-	3,465,139	3,175,642
-	-	120	3,581,581	3,594,872
95	35,900	-	36,936	71,073
<u>95</u>	<u>35,900</u>	<u>120</u>	<u>7,897,172</u>	<u>9,013,454</u>
-	-	-	260,254	531,728
355,849	117,661	899	1,639,195	2,536,021
-	-	-	4,949,175	3,544,807
-	-	-	3,806,481	4,338,103
<u>355,849</u>	<u>117,661</u>	<u>899</u>	<u>10,655,105</u>	<u>10,950,659</u>
<u>\$ 355,944</u>	<u>\$ 153,561</u>	<u>\$ 1,019</u>	<u>\$ 18,552,277</u>	<u>\$ 19,964,113</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, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Total fund balances – governmental funds	\$ 10,655,105	\$ 10,950,659
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	64,620,255	61,977,169
Less accumulated depreciation	(22,471,404)	(20,774,234)
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	(16,195,000)	(18,350,000)
Premium on certificates of participation	(670,759)	(742,570)
Contract for deed	(1,900,000)	(1,900,000)
Capital lease payable	(3,222,641)	(3,546,581)
Severance payable	(1,262,069)	(1,525,599)
Compensated absences payable	(769,922)	(733,638)
Net pension liability – PERA	(8,648,096)	–
Net pension liability – TRA	(17,726,699)	–
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.	492,543	517,161
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	4,824,095	–
Deferred inflows – PERA and TRA pension plans	(7,909,803)	–
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.	(34,715)	(179,585)
Delinquent property taxes receivable are not available soon enough to pay for the current period’s expenditures and, therefore, are deferred in the funds.	95	120
Governmental funds do not report a liability for accrued interest until due and payable.	(306,613)	(347,930)
Total net position – governmental activities	\$ (525,628)	\$ 25,344,972

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, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	General Fund	Valley Crossing Special Revenue Fund	Major Funds Capital Projects – Building Construction Fund
Revenue			
Local sources			
Property taxes	\$ –	\$ –	\$ –
Tuition from other districts	17,797,608	5,217,757	–
Other	3,317,477	114,375	6,394
State sources	27,735,130	972,104	–
Federal sources	719,076	20,573	–
Total revenue	<u>49,569,291</u>	<u>6,324,809</u>	<u>6,394</u>
Expenditures			
Current			
Administration and support services	5,677,609	–	–
Career and technical programs	2,590,076	–	–
Special education services	33,015,462	–	–
Educational services	–	–	–
Alternative Learning Center	3,697,111	–	–
Student clubs	36,147	–	–
Valley Crossing Community School	–	6,414,139	–
Sites and buildings	3,071,862	–	–
Community service	–	–	–
Capital outlay	–	–	1,145,506
Debt service			
Principal	323,940	–	–
Interest and fiscal charges	225,666	–	–
Total expenditures	<u>48,637,873</u>	<u>6,414,139</u>	<u>1,145,506</u>
Excess (deficiency) of revenue over expenditures	931,418	(89,330)	(1,139,112)
Other financing sources			
Debt issued	–	–	–
Sale of capital assets	3,538	–	–
Total other financing sources	<u>3,538</u>	<u>–</u>	<u>–</u>
Net change in fund balances	934,956	(89,330)	(1,139,112)
Fund balances			
Beginning of year	<u>7,913,938</u>	<u>1,230,232</u>	<u>1,330,012</u>
End of year	<u>\$ 8,848,894</u>	<u>\$ 1,140,902</u>	<u>\$ 190,900</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	2015	2014
\$ 34	\$ -	\$ -	\$ 34	\$ 332
1,353,350	1,438,824	-	25,807,539	23,020,612
3	-	815	3,439,064	2,878,550
-	-	-	28,707,234	25,864,607
-	-	-	739,649	777,645
<u>1,353,387</u>	<u>1,438,824</u>	<u>815</u>	<u>58,693,520</u>	<u>52,541,746</u>
-	-	-	5,677,609	7,321,028
-	-	-	2,590,076	2,358,234
-	-	-	33,015,462	29,668,315
-	-	-	-	104,033
-	-	-	3,697,111	3,455,479
-	-	-	36,147	38,030
-	-	-	6,414,139	6,229,405
-	-	-	3,071,862	2,453,893
-	-	570	570	311
-	-	-	1,145,506	14,243,759
845,000	1,310,000	-	2,478,940	1,608,700
510,650	128,874	-	865,190	724,667
<u>1,355,650</u>	<u>1,438,874</u>	<u>570</u>	<u>58,992,612</u>	<u>68,205,854</u>
(2,263)	(50)	245	(299,092)	(15,664,108)
-	-	-	-	1,900,000
-	-	-	3,538	28,920
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,538</u>	<u>1,928,920</u>
(2,263)	(50)	245	(295,554)	(13,735,188)
<u>358,112</u>	<u>117,711</u>	<u>654</u>	<u>10,950,659</u>	<u>24,685,847</u>
<u>\$ 355,849</u>	<u>\$ 117,661</u>	<u>\$ 899</u>	<u>\$ 10,655,105</u>	<u>\$ 10,950,659</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, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Total net change in fund balances – governmental funds	\$ (295,554)	\$(13,735,188)
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	2,844,937	16,829,523
Depreciation expense	(1,814,174)	(1,489,027)
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.		
	(84,847)	(16,051)
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)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	1,374,444	–
Net pension liability – TRA	4,204,415	–
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.		
	227,246	58,353
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.		
	(24,618)	85,024
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.		
	2,478,940	1,608,700
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.		
	144,870	61,794
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.		
	41,317	(92,743)
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	71,811
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	2,894,145	–
Deferred inflows – PERA and TRA pension plans	(7,909,803)	–
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.		
	(25)	(56)
Change in net position – governmental activities	\$ 4,153,104	\$ 1,482,140

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, 2015

	General Fund			
	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Tuition from other districts	\$ 15,319,469	\$ 17,335,552	\$ 17,797,608	\$ 462,056
Other	3,109,932	3,043,689	3,317,477	273,788
State sources	27,234,717	28,542,164	27,735,130	(807,034)
Federal sources	956,860	968,157	719,076	(249,081)
Total revenue	<u>46,620,978</u>	<u>49,889,562</u>	<u>49,569,291</u>	<u>(320,271)</u>
Expenditures				
Current				
Administration and support services	6,492,133	6,597,367	5,677,609	(919,758)
Career and technical programs	2,598,173	2,682,410	2,590,076	(92,334)
Special education services	30,650,642	33,121,539	33,015,462	(106,077)
Alternative Learning Center	3,593,780	3,638,213	3,697,111	58,898
Student clubs	63,103	47,805	36,147	(11,658)
Sites and buildings	2,895,171	3,185,917	3,071,862	(114,055)
Valley Crossing Community School	-	-	-	-
Debt service				
Principal	323,940	323,940	323,940	-
Interest	165,354	241,354	225,666	(15,688)
Total expenditures	<u>46,782,296</u>	<u>49,838,545</u>	<u>48,637,873</u>	<u>(1,200,672)</u>
Excess (deficiency) of revenue over expenditures	(161,318)	51,017	931,418	880,401
Other financing sources				
Debt issued	-	-	-	-
Sale of capital assets	-	-	3,538	3,538
Total other financing sources	<u>-</u>	<u>-</u>	<u>3,538</u>	<u>3,538</u>
Net change in fund balances	<u>\$ (161,318)</u>	<u>\$ 51,017</u>	<u>934,956</u>	<u>\$ 883,939</u>
Fund balances				
Beginning of year			<u>7,913,938</u>	
End of year			<u>\$ 8,848,894</u>	

See notes to basic financial statements

Valley Crossing Special Revenue Fund

Budgeted Amounts		Actual	Over (Under) Final Budget
Original	Final		
\$ 5,425,308	\$ 5,305,045	\$ 5,217,757	\$ (87,288)
83,223	105,011	114,375	9,364
909,264	1,005,781	972,104	(33,677)
25,417	24,095	20,573	(3,522)
6,443,212	6,439,932	6,324,809	(115,123)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
6,287,239	6,530,965	6,414,139	(116,826)
-	-	-	-
-	-	-	-
6,287,239	6,530,965	6,414,139	(116,826)
155,973	(91,033)	(89,330)	1,703
-	-	-	-
-	-	-	-
-	-	-	-
\$ 155,973	\$ (91,033)	(89,330)	\$ 1,703
		1,230,232	
		\$ 1,140,902	

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, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 855,498	\$ 788,423
Liabilities		
Long-term liabilities		
Net OPEB obligation	362,955	271,262
Net position		
Unrestricted	\$ 492,543	\$ 517,161

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, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Operating revenue		
Contributions from governmental funds	\$ 173,341	\$ 160,941
Operating expenses		
Other post-employment benefit expense (accrual)	198,885	76,545
Operating income (loss)	(25,544)	84,396
Nonoperating revenues		
Investment earnings	926	628
Change in net position	(24,618)	85,024
Net position		
Beginning of year	517,161	432,137
End of year	\$ 492,543	\$ 517,161

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, 2015

(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Contributions from governmental funds	\$ 173,341	\$ 160,941
Post-employment benefit payments	(107,192)	(59,454)
Net cash flows from operating activities	66,149	101,487
Cash flows from investing activities		
Investment income received	926	628
Net increase in cash and cash equivalents	67,075	102,115
Cash and cash equivalents		
Beginning of year	788,423	686,308
End of year	\$ 855,498	\$ 788,423
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (25,544)	\$ 84,396
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Prepaid items	–	400
Net OPEB obligation	91,693	16,691
Net cash flows from operating activities	\$ 66,149	\$ 101,487

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, 2015

	<u>Agency Fund</u>
Assets	
Cash and temporary investments	\$ 13,342
Liabilities	
Due to other governmental units	\$ 13,342

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, 2015

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, 2015 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Pensions

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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 2015.

R. Deferred Outflows/Inflows of Resources

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

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

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

S. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.

T. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred 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.”

U. Restricted Assets

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

V. 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.

W. 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.

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2014, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Change in Accounting Principles

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30, 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by \$30,023,704. This change reflects the District’s proportionate share of the net pension liabilities (\$31,953,654 decrease in net position) and related deferred outflows of resources (\$1,929,950 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$	6,027,804
Cash on hand		4,390
Investments		<u>6,521,654</u>
Total deposits and investments	\$	<u><u>12,553,848</u></u>

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

Statement of Net Position		
Cash and temporary investments	\$	11,746,219
Restricted assets – temporarily restricted		
Cash and investments for capital projects		639,657
Cash and investments for debt service		107,934
Cash and investments for employee benefits		46,696
Statement of Fiduciary Net Position		
Cash and temporary investments		<u>13,342</u>
Total cash and investments	\$	<u><u>12,553,848</u></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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 \$6,027,804 while the deposit balance with the bank was \$6,027,188. At June 30, 2015, 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 \$4,390 at year-end.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

The following table presents the District’s investment balances at June 30, 2015, 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	\$ 497,615	\$ 497,615
Investment pools/mutual funds				
Minnesota School District Liquid Asset Fund				
Liquid portfolio	AAA	S&P	N/A	1,169,639
Max portfolio	AAA	S&P	N/A	4,106,810
First American Treasury Obligations Funds	AAA	S&P	N/A	107,931
First American Government Obligations Funds	AAA	S&P	N/A	639,659
Total investments				<u>\$ 6,521,654</u>

N/A – Not Applicable

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The District’s investment in the MSDLAF is measured at the net asset value 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, 2015 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 5,559,640	\$ –	\$ –	\$ –	\$ 5,559,640
Construction in progress	14,466,442	1,822,725	–	(16,289,167)	–
Total capital assets, not depreciated	20,026,082	1,822,725	–	(16,289,167)	5,559,640
Capital assets, depreciated					
Buildings	36,398,449	149,132	(94,123)	16,289,167	52,742,625
Furniture and equipment	5,324,466	873,080	(107,728)	–	6,089,818
Leasehold improvements	228,172	–	–	–	228,172
Total capital assets, depreciated	41,951,087	1,022,212	(201,851)	16,289,167	59,060,615
Less accumulated depreciation for					
Buildings	(17,030,539)	(1,356,850)	11,527	–	(18,375,862)
Furniture and equipment	(3,652,426)	(411,690)	105,477	–	(3,958,639)
Leasehold improvements	(91,269)	(45,634)	–	–	(136,903)
Total accumulated depreciation	(20,774,234)	(1,814,174)	117,004	–	(22,471,404)
Net capital assets, depreciated	21,176,853	(791,962)	(84,847)	16,289,167	36,589,211
Total capital assets, net	\$ 41,202,935	\$ 1,030,763	\$ (84,847)	\$ –	\$ 42,148,851

Depreciation expense for the year ended June 30, 2015 was charged to the following governmental functions:

Governmental activities	
Administration and support services	\$ 181,950
Career and technical programs	18,466
Special education services	104,499
Alternative Learning Center	31,534
Depreciation not included in other functions	1,073,486
Valley Crossing Community School	404,239
Total depreciation expense – governmental activities	<u>\$ 1,814,174</u>

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	\$ 1,385,000
2013 Certificates of Participation	05/21/2013	2.00–4.00%	\$ 15,655,000	02/01/2029	14,810,000
Total certificates of participation payable					16,195,000
Premium on certificates of participation					
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	3,222,641
Severance payable					1,262,069
Compensated absences payable					769,922
Net OPEB obligation (Note 7)					397,670
Net pension liability – PERA					8,648,096
Net pension liability – TRA					17,726,699
Total long-term liabilities					<u>\$ 50,792,856</u>

B. Minimum Debt Payments

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

Year Ending June 30,	Certificates of Participation		Contract for Deed		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
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	950,000	402,300	–	–	410,042	79,253
2024–2025	5,290,000	1,462,800	–	–	1,352,746	115,138
2026–2029	5,010,000	393,650	–	–	–	–
	<u>\$ 16,195,000</u>	<u>\$ 4,171,600</u>	<u>\$ 1,900,000</u>	<u>\$ 63,334</u>	<u>\$ 3,222,641</u>	<u>\$ 691,715</u>

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.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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.

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.

Other Long-Term Liabilities – The District offers a number of benefits to its employees, including: pensions and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund and the Valley Crossing Special Revenue Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

D. Changes in Long-Term Liabilities

	July 1, 2014	Change in Accounting Principle*	Additions	Retirements	June 30, 2015	Due Within One Year
Certificates of participation payable	\$ 18,350,000	\$ –	\$ –	\$ 2,155,000	\$ 16,195,000	\$ 2,245,000
Plus premium	742,570	–	–	71,811	670,759	–
Total certificates of participation payable	19,092,570	–	–	2,226,811	16,865,759	2,245,000
Contract for deed	1,900,000	–	–	–	1,900,000	1,900,000
Capital leases payable	3,546,581	–	–	323,940	3,222,641	339,576
Severance payable	1,525,599	–	6,083	269,613	1,262,069	253,263
Compensated absences payable	733,638	–	756,387	720,103	769,922	769,922
Net OPEB obligation	450,847	–	173,341	226,518	397,670	–
Net pension liability – PERA	–	10,022,540	639,090	2,013,534	8,648,096	–
Net pension liability – TRA	–	21,931,114	971,344	5,175,759	17,726,699	–
	<u>\$ 27,249,235</u>	<u>\$ 31,953,654</u>	<u>\$ 2,546,245</u>	<u>\$ 10,956,278</u>	<u>\$ 50,792,856</u>	<u>\$ 5,507,761</u>

*Adjustment is part of the change in accounting principle described earlier in these notes.

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.

NOTE 5 – FUND BALANCES (CONTINUED)

Classifications

At June 30, 2015, 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
Nonspendable							
Inventory	\$ 6,070	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 6,070
Prepaid items	254,184	–	–	–	–	–	254,184
Total nonspendable	260,254	–	–	–	–	–	260,254
Restricted							
Basic skills programs	170,756	37,717	–	–	–	–	208,473
Alternative learning center	765,413	–	–	–	–	–	765,413
Building construction	–	–	190,900	–	–	–	190,900
Debt escrow	–	–	–	–	107,932	–	107,932
Debt service	–	–	–	355,849	9,729	–	365,578
Community education programs	–	–	–	–	–	899	899
Total restricted	936,169	37,717	190,900	355,849	117,661	899	1,639,195
Assigned							
Operating capital	–	646,048	–	–	–	–	646,048
Special projects	3,900,000	–	–	–	–	–	3,900,000
Subsequent year projected budget deficit	32,875	370,252	–	–	–	–	403,127
Total assigned	3,932,875	1,016,300	–	–	–	–	4,949,175
Unassigned							
Health and safety restricted account deficit	(41,248)	–	–	–	–	–	(41,248)
Safe schools restricted account deficit	(876,083)	–	–	–	–	–	(876,083)
Unassigned	4,636,927	86,885	–	–	–	–	4,723,812
Total unassigned	3,719,596	86,885	–	–	–	–	3,806,481
Total	\$ 8,848,894	\$ 1,140,902	\$ 190,900	\$ 355,849	\$ 117,661	\$ 899	\$ 10,655,105

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

1. GERF Benefits

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$783,829. The District's contributions were equal to the required contributions for each year as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2014		2015	
	Employee	Employer	Employee	Employer
Basic Plan	10.5%	11.0%	11.0%	11.5%
Coordinated Plan	7.0%	7.0%	7.5%	7.5%

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2015, were \$1,389,806. The District's contributions were equal to the required contributions for each year as set by state statutes.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of \$8,648,096 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2014, the District's proportion was 0.1841 percent.

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

For the year ended June 30, 2015, the District recognized pension expense of \$639,090 for its proportionate share of the GERF’s pension expense.

At June 30, 2015, the District reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 132,721	\$ –
Changes in actuarial assumptions	891,272	–
Differences between projected and actual investment earnings	–	2,336,708
District’s contributions to the GERF subsequent to the measurement date	<u>783,829</u>	<u>–</u>
Total	<u>\$ 1,807,822</u>	<u>\$ 2,336,708</u>

A total of \$783,829 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2016	\$ (242,846)
2017	\$ (242,846)
2018	\$ (242,846)
2019	\$ (584,177)

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of \$17,726,699 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.3847 percent at the end of the measurement period and 0.3823 percent for the beginning of the period.

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

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

District’s proportionate share of net pension liability	\$ 17,726,699
State’s proportionate share of the net pension liability associated with the District	\$ 1,247,161

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2015, the District recognized pension expense of \$971,344. It also recognized \$54,405 as pension expense for the support provided by direct aid.

At June 30, 2015, the District reported its proportionate share of the TRA’s deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,512,567	\$ –
Difference between projected and actual investment earnings	–	5,573,095
Changes in proportion and differences between contributions made and the District’s proportionate share of contributions	113,900	–
District’s contributions to the TRA subsequent to the measurement date	<u>1,389,806</u>	<u>–</u>
Total	<u>\$ 3,016,273</u>	<u>\$ 5,573,095</u>

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

A total of \$1,389,806 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	\$ (1,053,719)
2017	\$ (1,053,719)
2018	\$ (1,053,719)
2019	\$ (1,053,719)
2020	\$ 268,248

E. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active member payroll growth	3.50% per year	3.75% based on years of service
Investment rate of return	7.90%	8.25%

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

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

The following changes in actuarial assumptions for the GERP occurred in 2014: as of July 1, 2013, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERP and 8.25 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERF and 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 13,941,079	\$ 8,648,096	\$ 4,293,216
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	\$ 29,296,163	\$ 17,726,699	\$ 8,081,766

H. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment 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.

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.

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

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	187,837
Interest on net OPEB obligation		18,034
Adjustment to ARC		(32,530)
Annual OPEB cost		<u>173,341</u>
Contributions made		<u>226,518</u>
Decrease in net OPEB obligation		(53,177)
Net OPEB obligation – beginning of year		<u>450,847</u>
Net OPEB obligation – end of year	\$	<u><u>397,670</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, 2013	\$ 490,700	\$ 235,555	\$ 230,305	97.8%	\$ 495,950
June 30, 2014	\$ 495,950	\$ 240,955	\$ 286,058	118.7%	\$ 450,847
June 30, 2015	\$ 450,847	\$ 173,341	\$ 226,518	130.7%	\$ 397,670

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,846,156 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,846,156. The covered payroll (annual payroll of active employees covered by the plan) was \$25,648,835, and the ratio of the UAAL to the covered payroll was 7.2 percent.

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

NOTE 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, 2014 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 9.0 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, 2014 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, 2014:

Retirees and beneficiaries receiving benefits	11
Active plan members	<u>470</u>
Total members	<u><u>481</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.

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.

NOTE 10 – OPERATING LEASES

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$644,000 for operating leases during the year ended June 30, 2015. 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>
2016	\$ 662,291
2017	671,325
2018	571,065
2019	449,938
2020	378,894
2021–2025	1,396,160
2026–2030	1,396,160
2031–2035	1,396,160
2036–2040	1,396,160
2041–2044	<u>1,116,928</u>
	<u>\$ 9,435,081</u>

NOTE 11 – SUBSEQUENT EVENT – CERTIFICATES OF PARTICIPATION

In October 2015 and November 2015, respectively, the District authorized the issuance of lease purchase agreements for the purpose of financing real and personal property. The District also approved the issuance of certificates of participation for the purpose of financing these agreements. These Certificates of Participation, Series 2015A totaling \$21,415,000 and Certificates of Participation, Series 2015B totaling \$45,385,000 will have interest costs on the debt issues not to exceed 5.5 percent.

REQUIRED SUPPLEMENTARY INFORMATION

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

Defined Benefit Pensions Plans
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2014
District's proportion of the net pension liability (asset)	0.1841%
District's proportionate share of the net pension liability (asset)	\$ 8,648,096
District's covered-employee payroll	\$ 9,675,280
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.38%
Plan fiduciary net position as a percentage of the total pension liability	78.70%

Teachers Retirement Association

District's proportion of the net pension liability (asset)	0.3847%
District's proportionate share of the net pension liability (asset) (a)	\$ 17,726,699
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	1,247,161
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	\$ 18,973,860
District's covered-employee payroll	\$ 17,559,012
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.95%
Plan fiduciary net position as a percentage of the total pension liability	81.50%

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

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

Defined Benefit Pensions Plans
Schedule of District Contributions
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2015
Statutorily required contribution	\$ 783,829
Contributions in relation to the statutorily required contributions	783,829
Contribution deficiency (excess)	\$ —
District's covered-employee payroll	\$ 10,594,864
Contributions as a percentage of covered-employee payroll	7.40%

Teachers Retirement Association

Statutorily required contribution	\$ 1,389,806
Contributions in relation to the statutorily required contributions	1,389,806
Contribution deficiency (excess)	\$ —
District's covered-employee payroll	\$ 18,530,570
Contributions as a percentage of covered-employee payroll	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015. This information is not available for previous fiscal years.

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

Required Supplementary Information
Other Post-Employment Benefits Plan
June 30, 2015

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, 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 %
July 1, 2014	\$ 1,846,156	\$ -	\$ 1,846,156	- %	\$25,648,835	7.2 %

SUPPLEMENTAL INFORMATION

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

General Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	\$ 8,711,509	\$ 6,096,493
Cash and investments held by trustee	46,696	61,584
Receivables		
Accounts and interest	615,397	560,092
Due from other governmental units	5,605,008	6,835,114
Inventory	6,070	6,125
Prepaid items	254,770	505,329
	\$ 15,239,450	\$ 14,064,737
Liabilities		
Accounts payable	\$ 332,962	\$ 329,669
Due to other governmental units	2,879,021	2,697,089
Salaries and compensated absences payable	3,187,883	3,149,475
Unearned revenue	(9,310)	(25,434)
Total liabilities	6,390,556	6,150,799
Fund balances (deficit)		
Nonspendable for inventory	6,070	6,125
Nonspendable for prepaid items	254,184	504,348
Restricted for basic skills programs	170,756	299,440
Restricted for Alternative Learning Center	765,413	405,227
Assigned for special projects	3,900,000	2,860,992
Assigned for subsequent year projected budget deficit	32,875	69,478
Unassigned – health and safety restricted account deficit	(41,248)	(74,317)
Unassigned – safe schools restricted account deficit	(876,083)	(715,901)
Unassigned	4,636,927	4,558,546
Total fund balances	8,848,894	7,913,938
	\$ 15,239,450	\$ 14,064,737

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Actual	Actual
Revenue					
Local sources					
Tuition from other districts	\$ 17,335,552	\$ 17,797,608	\$ 462,056	\$ 16,385,505	
Other	3,043,689	3,317,477	273,788	2,755,365	
State sources	28,542,164	27,735,130	(807,034)	24,711,256	
Federal sources	968,157	719,076	(249,081)	754,407	
Total revenue	49,889,562	49,569,291	(320,271)	44,606,533	
Expenditures					
Current					
Administration and support services	6,597,367	5,677,609	(919,758)	7,321,028	
Career and technical programs	2,682,410	2,590,076	(92,334)	2,358,234	
Special education services	33,121,539	33,015,462	(106,077)	29,668,315	
Educational services	-	-	-	104,033	
Alternative Learning Center	3,638,213	3,697,111	58,898	3,455,479	
Student clubs	47,805	36,147	(11,658)	38,030	
Sites and buildings	3,185,917	3,071,862	(114,055)	2,453,893	
Debt service					
Principal	323,940	323,940	-	353,700	
Interest	241,354	225,666	(15,688)	190,450	
Total expenditures	49,838,545	48,637,873	(1,200,672)	45,943,162	
Excess (deficiency) of revenue over expenditures	51,017	931,418	880,401	(1,336,629)	
Other financing sources					
Debt issued	-	-	-	1,900,000	
Sale of capital assets	-	3,538	3,538	7,000	
Total other financing sources	-	3,538	3,538	1,907,000	
Net change in fund balances	\$ 51,017	934,956	\$ 883,939	570,371	
Fund balances					
Beginning of year		7,913,938		7,343,567	
End of year		\$ 8,848,894		\$ 7,913,938	

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

General Fund
Combining Balance Sheet by Account
as of June 30, 2015

	Secondary Education	Special Education	Alternative Learning Center	District-Wide
Assets				
Cash and temporary investments	\$ 1,380,797	\$ 336,143	\$ 2,284,445	\$ 4,520,098
Cash and investments held by trustee	-	-	-	46,696
Receivables				
Accounts and interest	-	26,617	-	90,310
Due from other governmental units	226,774	4,016,124	420,669	331,053
Inventory	6,070	-	-	-
Prepaid items	736	1,348	91,286	160,814
	\$ 1,614,377	\$ 4,380,232	\$ 2,796,400	\$ 5,148,971
Liabilities				
Accounts payable	\$ 3,997	\$ 68,930	\$ 72,253	\$ 166,254
Due to other governmental units	69,839	596,190	1,662,212	141,693
Salaries and compensated absences payable	289,063	2,151,765	205,236	69,688
Unearned revenue	-	-	-	(25,367)
Total liabilities	362,899	2,816,885	1,939,701	352,268
Fund balances				
Nonspendable for inventory	6,070	-	-	-
Nonspendable for prepaid items	736	1,348	91,286	160,814
Restricted for basic skills programs	-	170,756	-	-
Restricted for Alternative Learning Center	-	-	765,413	-
Assigned for special projects	-	-	-	3,900,000
Assigned for subsequent year projected budget deficit	-	32,875	-	-
Unassigned – health and safety restricted account deficit	-	-	-	(41,248)
Unassigned – safe schools levy restricted account deficit	-	-	-	(876,083)
Unassigned	1,244,672	1,358,368	-	1,653,220
Total fund balances	1,251,478	1,563,347	856,699	4,796,703
	\$ 1,614,377	\$ 4,380,232	\$ 2,796,400	\$ 5,148,971
Total liabilities and fund balances	\$ 1,614,377	\$ 4,380,232	\$ 2,796,400	\$ 5,148,971

<u>Secondary Projects – Federal</u>	<u>Itinerant Services</u>	<u>Fees for Services</u>	<u>Student Clubs</u>	<u>Totals</u>
\$ (270,193)	\$ 443,964	\$ –	\$ 16,255	\$ 8,711,509
–	–	–	–	46,696
473,017	25,453	–	–	615,397
–	610,388	–	–	5,605,008
–	–	–	–	6,070
586	–	–	–	254,770
<u>\$ 203,410</u>	<u>\$ 1,079,805</u>	<u>\$ –</u>	<u>\$ 16,255</u>	<u>\$ 15,239,450</u>
\$ 12,477	\$ 9,051	\$ –	\$ –	\$ 332,962
174,169	234,701	–	217	2,879,021
16,745	455,386	–	–	3,187,883
19	–	–	16,038	(9,310)
<u>203,410</u>	<u>699,138</u>	<u>–</u>	<u>16,255</u>	<u>6,390,556</u>
–	–	–	–	6,070
–	–	–	–	254,184
–	–	–	–	170,756
–	–	–	–	765,413
–	–	–	–	3,900,000
–	–	–	–	32,875
–	–	–	–	(41,248)
–	–	–	–	(876,083)
–	380,667	–	–	4,636,927
–	380,667	–	–	8,848,894
<u>\$ 203,410</u>	<u>\$ 1,079,805</u>	<u>\$ –</u>	<u>\$ 16,255</u>	<u>\$ 15,239,450</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, 2015

	<u>Secondary Education</u>	<u>Special Education</u>	<u>Alternative Learning Center</u>	<u>District-Wide</u>
Revenue				
Local sources				
Tuition from other districts	\$ 2,671,785	\$ 2,806,038	\$ 3,525,615	\$ 3,309,492
Other	19,923	45,202	6,374	2,571,382
State sources	-	22,699,398	472,057	4,508,038
Federal sources	-	6,713	-	-
Total revenue	<u>2,691,708</u>	<u>25,557,351</u>	<u>4,004,046</u>	<u>10,388,912</u>
Expenditures				
Current				
Administration and support services	-	-	-	4,909,609
Career and technical programs	2,590,076	-	-	-
Special education services	-	25,880,544	-	870,747
Educational services	-	-	-	-
Alternative Learning Center	-	-	3,697,111	-
Student clubs	-	-	-	-
Sites and buildings	-	-	-	3,071,862
Debt service				
Principal	-	-	-	323,940
Interest	-	-	-	225,666
Total expenditures	<u>2,590,076</u>	<u>25,880,544</u>	<u>3,697,111</u>	<u>9,401,824</u>
Excess (deficiency) of revenue over expenditures	101,632	(323,193)	306,935	987,088
Other financing sources (uses)				
Sale of capital assets	-	-	-	3,538
Transfer in	-	-	-	8,119
Transfer (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,657</u>
Net change in fund balances	101,632	(323,193)	306,935	998,745
Fund balances				
Beginning of year	<u>1,149,846</u>	<u>1,886,540</u>	<u>549,764</u>	<u>3,797,958</u>
End of year	<u>\$ 1,251,478</u>	<u>\$ 1,563,347</u>	<u>\$ 856,699</u>	<u>\$ 4,796,703</u>

Secondary Projects – Federal	Itinerant Services	Fees for Services	Student Clubs	Totals
\$ –	\$ 5,484,678	\$ –	\$ –	\$ 17,797,608
–	638,449	–	36,147	3,317,477
55,637	–	–	–	27,735,130
712,363	–	–	–	719,076
<u>768,000</u>	<u>6,123,127</u>	<u>–</u>	<u>36,147</u>	<u>49,569,291</u>
768,000	–	–	–	5,677,609
–	–	–	–	2,590,076
–	6,264,171	–	–	33,015,462
–	–	–	–	–
–	–	–	–	3,697,111
–	–	–	36,147	36,147
–	–	–	–	3,071,862
–	–	–	–	323,940
–	–	–	–	225,666
<u>768,000</u>	<u>6,264,171</u>	<u>–</u>	<u>36,147</u>	<u>48,637,873</u>
–	(141,044)	–	–	931,418
–	–	–	–	3,538
–	–	–	–	8,119
–	–	(8,119)	–	(8,119)
–	–	(8,119)	–	3,538
–	(141,044)	(8,119)	–	934,956
–	521,711	8,119	–	7,913,938
<u>\$ –</u>	<u>\$ 380,667</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 8,848,894</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Tuition from other districts	\$ 2,654,651	\$ 2,671,785	\$ 17,134	\$ 2,558,118	
Other	16,846	19,923	3,077	6,138	
Total revenue	<u>2,671,497</u>	<u>2,691,708</u>	<u>20,211</u>	<u>2,564,256</u>	
Expenditures					
Current					
Career and technical programs					
Salaries	1,586,729	1,542,794	(43,935)	1,483,035	
Employee benefits	608,357	598,613	(9,744)	619,124	
Purchased services	335,514	360,139	24,625	133,850	
Supplies and materials	96,341	57,802	(38,539)	77,128	
Capital expenditures	30,499	10,177	(20,322)	25,865	
Other expenditures	24,970	20,551	(4,419)	19,232	
Total expenditures	<u>2,682,410</u>	<u>2,590,076</u>	<u>(92,334)</u>	<u>2,358,234</u>	
Net change in fund balances	<u>\$ (10,913)</u>	101,632	<u>\$ 112,545</u>	206,022	
Fund balances					
Beginning of year		<u>1,149,846</u>		<u>943,824</u>	
End of year		<u>\$ 1,251,478</u>		<u>\$ 1,149,846</u>	

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Actual	Actual
Revenue					
Local sources					
Tuition from other districts	\$ 2,791,168	\$ 2,806,038	\$ 14,870	\$ 2,478,360	
Other	28,776	45,202	16,426	31,127	
State sources	23,418,797	22,699,398	(719,399)	19,703,628	
Federal sources	8,000	6,713	(1,287)	–	
Total revenue	26,246,741	25,557,351	(689,390)	22,213,115	
Expenditures					
Current					
Special education services					
Salaries	16,558,856	16,282,008	(276,848)	15,034,645	
Employee benefits	7,123,935	6,783,746	(340,189)	5,942,206	
Purchased services	2,050,127	1,910,344	(139,783)	886,506	
Supplies and materials	603,185	585,333	(17,852)	366,782	
Capital expenditures	155,657	122,703	(32,954)	44,905	
Other expenditures	195,771	196,410	639	180,750	
Total expenditures	26,687,531	25,880,544	(806,987)	22,455,794	
Net change in fund balances	\$ (440,790)	(323,193)	\$ 117,597	(242,679)	
Fund balances					
Beginning of year		1,886,540		2,129,219	
End of year		\$ 1,563,347		\$ 1,886,540	

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under)	2014
	Budget	Actual	Budget	Actual
Revenue				
Local sources				
Tuition from other districts	\$ 3,176,431	\$ 3,525,615	\$ 349,184	\$ 3,216,615
Other	2,132	6,374	4,242	3,183
State sources	486,150	472,057	(14,093)	494,197
Total revenue	3,664,713	4,004,046	339,333	3,713,995
Expenditures				
Current				
Alternative Learning Center				
Salaries	1,538,110	1,520,547	(17,563)	1,478,026
Employee benefits	733,596	706,555	(27,041)	701,012
Purchased services	1,222,880	1,326,480	103,600	1,343,178
Supplies and materials	55,136	63,287	8,151	68,586
Capital expenditures	70,656	60,676	(9,980)	(150,674)
Other expenditures	17,835	19,566	1,731	15,351
Total expenditures	3,638,213	3,697,111	58,898	3,455,479
Net change in fund balances	\$ 26,500	306,935	\$ 280,435	258,516
Fund balances				
Beginning of year		549,764		291,248
End of year		\$ 856,699		\$ 549,764

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		2014	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Tuition from other districts	\$ 3,121,971	\$ 3,309,492	\$ 187,521	\$ 3,024,290
Other	2,298,100	2,571,382	273,282	1,856,984
State sources	4,580,998	4,508,038	(72,960)	4,460,655
Total revenue	<u>10,001,069</u>	<u>10,388,912</u>	<u>387,843</u>	<u>9,341,929</u>
Expenditures				
Current				
Administrative and support services				
Salaries	2,514,143	1,957,063	(557,080)	1,850,540
Employee benefits	1,299,835	1,169,746	(130,089)	1,056,214
Purchased services	1,594,021	1,632,896	38,875	1,084,406
Supplies and materials	69,267	187,595	118,328	44,558
Capital expenditures	172,680	175,603	2,923	2,513,312
Other expenditures	(68,955)	(213,294)	(144,339)	(35,189)
Special education services				
Salaries	–	520,451	520,451	549,416
Employee benefits	–	124,698	124,698	219,624
Purchased services	–	225,598	225,598	175,301
Sites and buildings	3,185,917	3,071,862	(114,055)	2,453,893
Debt service				
Principal	323,940	323,940	–	353,700
Interest	241,354	225,666	(15,688)	190,450
Total expenditures	<u>9,332,202</u>	<u>9,401,824</u>	<u>69,622</u>	<u>10,456,225</u>
Excess (deficiency) of revenue over expenditures	668,867	987,088	318,221	(1,114,296)
Other financing sources				
Debt issued	–	–	–	1,900,000
Sale of capital assets	–	3,538	3,538	7,000
Transfer in	–	8,119	8,119	–
Total other financing sources	<u>–</u>	<u>11,657</u>	<u>11,657</u>	<u>1,907,000</u>
Net change in fund balances	<u>\$ 668,867</u>	998,745	<u>\$ 329,878</u>	792,704
Fund balances				
Beginning of year		<u>3,797,958</u>		<u>3,005,254</u>
End of year		<u>\$ 4,796,703</u>		<u>\$ 3,797,958</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Tuition from other districts	\$ -	\$ -	\$ -	\$ 4	
State sources	56,219	55,637	(582)	52,776	
Federal sources	960,157	712,363	(247,794)	754,407	
Total revenue	<u>1,016,376</u>	<u>768,000</u>	<u>(248,376)</u>	<u>807,187</u>	
Expenditures					
Current					
Administrative and support services					
Salaries	194,628	194,138	(490)	214,230	
Employee benefits	79,991	78,978	(1,013)	88,419	
Purchased services	668,529	395,149	(273,380)	394,314	
Supplies and materials	53,189	60,682	7,493	39,388	
Capital expenditures	5,000	27,697	22,697	32,726	
Other expenditures	15,039	11,356	(3,683)	38,110	
Total expenditures	<u>1,016,376</u>	<u>768,000</u>	<u>(248,376)</u>	<u>807,187</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

General Fund – Itinerant Services Account
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition from other districts	\$ 5,591,331	\$ 5,484,678	\$ (106,653)	\$ 5,044,600
Other	650,030	638,449	(11,581)	774,950
Total revenue	<u>6,241,361</u>	<u>6,123,127</u>	<u>(118,234)</u>	<u>5,819,550</u>
Expenditures				
Current				
Special education services				
Salaries	3,632,966	3,604,260	(28,706)	3,276,075
Employee benefits	1,655,414	1,623,137	(32,277)	1,469,695
Purchased services	419,750	331,542	(88,208)	386,918
Supplies and materials	84,900	63,695	(21,205)	61,054
Capital expenditures	611,999	616,292	4,293	1,048,127
Other expenditures	28,979	25,245	(3,734)	26,311
Total expenditures	<u>6,434,008</u>	<u>6,264,171</u>	<u>(169,837)</u>	<u>6,268,180</u>
Net change in fund balances	<u>\$ (192,647)</u>	(141,044)	<u>\$ 51,603</u>	(448,630)
Fund balances				
Beginning of year		<u>521,711</u>		<u>970,341</u>
End of year		<u>\$ 380,667</u>		<u>\$ 521,711</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Tuition from other districts	\$ -	\$ -	\$ -	\$ 63,518
Other	-	-	-	44,953
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,471</u>
Expenditures				
Current				
Educational services				
Salaries	-	-	-	322
Employee benefits	-	-	-	25
Purchased services	-	-	-	101,978
Supplies and materials	-	-	-	1,130
Other expenditures	-	-	-	578
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,033</u>
Excess (deficiency) of revenue over expenditures	-	-	-	4,438
Other financing sources (uses)				
Transfers (out)	-	(8,119)	(8,119)	-
Net change in fund balances	<u>\$ -</u>	<u>(8,119)</u>	<u>\$ (8,119)</u>	<u>4,438</u>
Fund balances				
Beginning of year		<u>8,119</u>		<u>3,681</u>
End of year		<u>\$ -</u>		<u>\$ 8,119</u>

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Other	\$ 47,805	\$ 36,147	\$ (11,658)	\$ 38,030	
Expenditures					
Current					
Student clubs					
Salaries	3,133	1,874	(1,259)	1,660	
Employee benefits	64	37	(27)	25	
Purchased services	28,457	22,236	(6,221)	18,709	
Supplies and materials	9,851	6,862	(2,989)	12,832	
Other expenditures	6,300	5,138	(1,162)	4,804	
Total expenditures	47,805	36,147	(11,658)	38,030	
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, 2015
(With Comparative Totals as of June 30, 2014)

	Operating Account	Student Clubs Account	Totals	
			2015	2014
Assets				
Cash and temporary investments	\$ 1,796,719	\$ 6,843	\$ 1,803,562	\$ 2,002,617
Receivables				
Accounts and interest	13,694	-	13,694	41,467
Due from other governmental units	324,286	-	324,286	217,246
Prepaid items	-	-	-	22,005
	<u>2,134,699</u>	<u>6,843</u>	<u>2,141,542</u>	<u>2,283,335</u>
Total assets				
	<u>\$ 2,134,699</u>	<u>\$ 6,843</u>	<u>\$ 2,141,542</u>	<u>\$ 2,283,335</u>
Liabilities				
Accounts payable	\$ 10,693	\$ -	\$ 10,693	\$ 96,617
Due to other governmental units	586,118	-	586,118	478,553
Salaries and compensated absences payable	393,578	-	393,578	445,259
Unearned revenue	3,408	6,843	10,251	32,674
	<u>993,797</u>	<u>6,843</u>	<u>1,000,640</u>	<u>1,053,103</u>
Total liabilities				
	<u>993,797</u>	<u>6,843</u>	<u>1,000,640</u>	<u>1,053,103</u>
Fund balances				
Nonspendable for prepaid items	-	-	-	21,255
Restricted for basic skills programs	37,717	-	37,717	24,865
Assigned for operating capital	646,048	-	646,048	614,337
Assigned for subsequent year projected budget deficit	370,252	-	370,252	-
Unassigned	86,885	-	86,885	569,775
	<u>1,140,902</u>	<u>-</u>	<u>1,140,902</u>	<u>1,230,232</u>
Total fund balances				
	<u>1,140,902</u>	<u>-</u>	<u>1,140,902</u>	<u>1,230,232</u>
Total liabilities and fund balances				
	<u>\$ 2,134,699</u>	<u>\$ 6,843</u>	<u>\$ 2,141,542</u>	<u>\$ 2,283,335</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	Operating Account	Student Clubs Account	Totals	
			2015	2014
Revenue				
Local sources				
Tuition from other districts	\$ 5,217,757	\$ -	\$ 5,217,757	\$ 4,846,273
Other	64,680	49,695	114,375	102,894
State sources	972,104	-	972,104	1,153,351
Federal sources	20,573	-	20,573	23,239
Total revenue	<u>6,275,114</u>	<u>49,695</u>	<u>6,324,809</u>	<u>6,125,757</u>
Expenditures				
Current				
Valley Crossing Community School	<u>6,364,444</u>	<u>49,695</u>	<u>6,414,139</u>	<u>6,229,405</u>
Excess (deficiency) of revenue over expenditures	(89,330)	-	(89,330)	(103,648)
Other financing sources				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,920</u>
Net change in fund balances	(89,330)	-	(89,330)	(81,728)
Fund balances				
Beginning of year	<u>1,230,232</u>	<u>-</u>	<u>1,230,232</u>	<u>1,311,960</u>
End of year	<u>\$ 1,140,902</u>	<u>\$ -</u>	<u>\$ 1,140,902</u>	<u>\$ 1,230,232</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under)	2014
	Budget	Actual	Budget	Actual
Revenue				
Local sources				
Tuition from other districts	\$ 5,305,045	\$ 5,217,757	\$ (87,288)	\$ 4,846,273
Other	52,880	64,680	11,800	63,297
State sources	1,005,781	972,104	(33,677)	1,153,351
Federal sources	24,095	20,573	(3,522)	23,239
Total revenue	6,387,801	6,275,114	(112,687)	6,086,160
Expenditures				
Current				
Valley Crossing Community School				
Salaries	3,809,079	3,751,448	(57,631)	3,760,379
Employee benefits	1,599,925	1,608,779	8,854	1,458,358
Purchased services	663,960	628,368	(35,592)	567,198
Supplies and materials	228,620	204,812	(23,808)	212,842
Capital expenditures	112,055	107,927	(4,128)	131,607
Other expenditures	65,195	63,110	(2,085)	59,424
Total expenditures	6,478,834	6,364,444	(114,390)	6,189,808
Excess (deficiency) of revenue over expenditures	(91,033)	(89,330)	1,703	(103,648)
Other financing sources				
Sale of capital assets	–	–	–	21,920
Net change in fund balances	\$ (91,033)	(89,330)	\$ 1,703	(81,728)
Fund balances				
Beginning of year		1,230,232		1,311,960
End of year		\$ 1,140,902		\$ 1,230,232

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, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Other	\$ 52,131	\$ 49,695	\$ (2,436)	\$ 39,597	
Expenditures					
Current					
Valley Crossing Community School					
Salaries	3,200	3,200	–	2,800	
Benefits	549	549	–	457	
Purchased services	46,989	45,868	(1,121)	36,275	
Supplies and materials	623	78	(545)	65	
Other expenditures	770	–	(770)	–	
Total expenditures	52,131	49,695	(2,436)	39,597	
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

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	\$ 21,104	\$ 2,027
Cash and temporary investments held by trustee	639,657	3,057,989
Receivables		
Accounts and interest	–	15,577
Total assets	\$ 660,761	\$ 3,075,593
Liabilities		
Accounts and contracts payable	\$ 469,861	\$ 1,745,581
Fund balances		
Restricted for building construction	190,900	1,330,012
Total liabilities and fund balances	\$ 660,761	\$ 3,075,593

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014
	Budget	Actual		Actual
Revenue				
Local sources				
Other	\$ –	\$ 6,394	\$ 6,394	\$ 19,353
Expenditures				
Capital outlay				
Capital expenditures	1,314,818	1,145,475	(169,343)	14,232,960
Purchased services	–	31	31	10,799
Total expenditures	<u>1,314,818</u>	<u>1,145,506</u>	<u>(169,312)</u>	<u>14,243,759</u>
Net change in fund balances	<u>\$ (1,314,818)</u>	(1,139,112)	<u>\$ 175,706</u>	(14,224,406)
Fund balances				
Beginning of year		<u>1,330,012</u>		<u>15,554,418</u>
End of year		<u>\$ 190,900</u>		<u>\$ 1,330,012</u>

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

Intermediate Debt Service Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	\$ 311,847	\$ 351,697
Cash and temporary investments held by trustee	2	4,498
Receivables		
Due from other governmental units	42,083	-
Delinquent taxes	95	120
Prepaid items	1,917	1,917
Total assets	\$ 355,944	\$ 358,232
Liabilities		
Unearned revenue	\$ 95	\$ 120
Fund balances		
Restricted for debt service	355,849	358,112
Total liabilities and fund balances	\$ 355,944	\$ 358,232

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Budget	Actual
Revenue					
Local sources					
Property taxes	\$ -	\$ 34	\$ 34	\$ 332	
Tuition from other districts	1,353,350	1,353,350	-	353,021	
Other	-	3	3	491	
Total revenue	<u>1,353,350</u>	<u>1,353,387</u>	<u>37</u>	<u>353,844</u>	
Expenditures					
Debt service					
Principal	845,000	845,000	-	-	
Interest	508,350	508,350	-	353,021	
Other	2,300	2,300	-	383	
Total expenditures	<u>1,355,650</u>	<u>1,355,650</u>	<u>-</u>	<u>353,404</u>	
Net change in fund balances	<u>\$ (2,300)</u>	<u>(2,263)</u>	<u>\$ 37</u>	<u>440</u>	
Fund balances					
Beginning of year		<u>358,112</u>		<u>357,672</u>	
End of year		<u>\$ 355,849</u>		<u>\$ 358,112</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, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	\$ 41,680	\$ 70,943
Cash and investments held by trustee	107,932	107,932
Receivables		
Due from other governmental units	3,949	2,549
Total assets	\$ 153,561	\$ 181,424
Liabilities		
Unearned revenue	\$ 35,900	\$ 63,713
Fund balances		
Restricted for debt escrow	107,932	107,931
Restricted for debt service	9,729	9,780
Total fund balances	117,661	117,711
Total liabilities and fund balances	\$ 153,561	\$ 181,424

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Actual	Actual
Revenue					
Local sources					
Tuition charges for debt service	\$ 1,437,425	\$ 1,438,824	\$ 1,399		\$ 1,435,813
Expenditures					
Debt service					
Principal retirement	1,310,000	1,310,000	-		1,255,000
Interest	124,925	124,925	-		178,263
Other	3,950	3,949	(1)		2,550
Total expenditures	<u>1,438,875</u>	<u>1,438,874</u>	<u>(1)</u>		<u>1,435,813</u>
Net change in fund balances	<u>\$ (1,450)</u>	(50)	<u>\$ 1,400</u>		-
Fund balances					
Beginning of year		<u>117,711</u>			<u>117,711</u>
End of year		<u>\$ 117,661</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, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	\$ 1,019	\$ 792
Liabilities		
Salaries and compensated absences payable	\$ 120	\$ 138
Fund balances		
Restricted for community education programs	899	654
Total liabilities and fund balances	\$ 1,019	\$ 792

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Over (Under) Budget	2014	
	Budget	Actual		Actual	Actual
Revenue					
Local sources					
Other	\$ 875	\$ 815	\$ (60)	\$ 446	
Expenditures					
Current					
Community service					
Salaries	750	495	(255)	270	
Employee benefits	125	75	(50)	41	
Total expenditures	875	570	(305)	311	
Net change in fund balances	\$ —	245	\$ 245	135	
Fund balances					
Beginning of year		654		519	
End of year		\$ 899		\$ 654	

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, 2015

	<u>Balance – June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance – June 30, 2015</u>
Assets				
Cash and temporary investments	<u>\$ 13,371</u>	<u>\$ 8,299</u>	<u>\$ 8,328</u>	<u>\$ 13,342</u>
Liabilities				
Due to other governmental units	<u>\$ 13,371</u>	<u>\$ 8,299</u>	<u>\$ 8,328</u>	<u>\$ 13,342</u>

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
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 –	2,820,149 7%	49,248 –
2011	3,817,581 8%	2,600,015 6%	23,750,448 55%	145,515 –	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 –
2015	5,619,918 11%	2,545,579 5%	31,877,390 58%	– –	3,683,198 7%	36,147 –

Sites and Buildings	Valley Crossing Community School	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
\$ 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 99%
2,303,869 5%	5,891,825 14%	42,973 -	726,354 2%	517,905 1%	43,222,941 99%
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%
2,331,164 4%	6,679,766 12%	550 -	1,073,486 2%	752,062 1%	54,599,260 100%

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
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%
2015	25,110,859 43%	24,142,087 41%	– –	5,202,640 9%	2,792,208 4%

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
\$ 1,681,964 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%
1,504,570 3%	58,752,364 100%

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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, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
U.S. Department of Education		
Passed through Minnesota Department of Education		
Title I – Grants to Local Educational Agencies	84.010	\$ 12,278
Improving Teacher Quality State Grants	84.367	9,819
Passed through Minnesota Department of Education		
Career and Technical Education – Basic Grants to States	84.048	492,185
Passed through Century College		
Career and Technical Education – Basic Grants to States	84.048	81,427
Total CFDA No. 84.048		<u>573,612</u>
National Science Foundation		
Passed through University of Minnesota		
Education and Human Resources	47.076	137,227
US Department of Health and Human Services		
Cooperative Agreements to Promote Adolescent Health through		
School-Based HIV/STD Prevention and School-Based Surveillance	93.079	<u>6,713</u>
Total federal awards		<u>\$ 739,649</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
Career and Technical Education – Basic Grants to States	84.048	\$ 229,869
Education and Human Resources	47.076	\$ 137,227



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

To the Board of Directors and Management of
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, 2015, 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, 2015.

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, 2015



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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, 2015. 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, 2015.

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 2015-001, 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, 2015

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, 2015, 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, 2015.

MINNESOTA LEGAL COMPLIANCE

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.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 24, 2015

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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, 2015

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.
U.S. Department of Education – 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, 2015

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)**

**2015-001 Internal Control Over Compliance With Activities Allowed or Unallowed and
Allowable Costs/Cost Principles**

Criteria – Management is responsible for establishing and maintaining effective internal controls, including monitoring the career and technical education activities for activities allowed or unallowed and allowable costs/cost principles.

Condition – During our audit, we noted 13 of 31 expenditure transactions tested that were not properly approved based on Northeast Metropolitan Intermediate District No. 916's (the Intermediate) and Valley Crossing Community School's (the School) (collectively the District) internal control policies in place. The policies and procedures are in place to ensure compliance with activities allowed or unallowed and allowable costs/cost principles requirements within the career and technical education federal program.

Questioned Costs – Not applicable. 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 – District employees were considering signature stamps as appropriate authorized signatures for the approval of invoices in the program.

Effect – The District could be expending federal dollars for costs that are not allowed.

Recommendation – The District's internal control procedures were effective in finding this condition in the spring of 2015. The District took immediate corrective action by launching an internal investigation with the involved employees. The use of signature stamps as an authorized approval signature was eliminated and, in addition, purchase orders are now required for all items ordered for programs unless there are special circumstances that are approved by the Director of Administrative Services.

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

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2015

**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)**

**2015-001 Internal Control Over Compliance With Activities Allowed or Unallowed and
Allowable Costs/Cost Principles (continued)**

Corrective Action Plan

Actions Planned – The District has improved policies, procedures, and internal controls over the approval of career and technical education grant expenditures.

Official Responsible – The Director of Administrative Services.

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 Administrative Services will monitor improved policies, procedures, and internal controls in this program.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

None.

**E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 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 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.

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

Current Status – The recommendation has been implemented, and this was not a finding in the current year.

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 916

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2015

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 49,569,291	\$ 49,569,291	\$ –
Total expenditures		\$ 48,637,873	\$ 48,637,872	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ 260,254	\$ 260,255	\$ (1)
Restricted/reserve				
403	Staff development	\$ –	\$ –	\$ –
405	Deferred maintenance	\$ –	\$ –	\$ –
406	Health and safety	\$ (41,248)	\$ (41,248)	\$ –
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	\$ 765,413	\$ 765,413	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
441	Basic skills programs	\$ 170,756	\$ 170,756	\$ –
445	Career and technical programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ (876,083)	\$ (876,083)	\$ –
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	\$ 3,932,875	\$ 3,932,875	\$ –
Unassigned				
422	Unassigned fund balance	\$ 4,636,927	\$ 4,636,927	\$ –
Food Service				
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	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ –	\$ –	\$ –
432	ECFE	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
Restricted				
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

NORTHEAST METROPOLITAN INTERMEDIATE SCHOOL DISTRICT NO. 91€

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2015

	Audit	UFARS	Audit – UFARS
Building Construction			
Total revenue	\$ 6,394	\$ 6,394	\$ –
Total expenditures	\$ 1,145,506	\$ 1,145,506	\$ –
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	\$ 190,900	\$ 190,900	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service			
Total revenue	\$ 1,353,387	\$ 1,353,387	\$ –
Total expenditures	\$ 1,355,650	\$ 1,355,650	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
425 Bond refundings	\$ –	\$ –	\$ –
451 QZAB payments	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 355,849	\$ 355,849	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
Trust			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
Internal Service			
Total revenue	\$ 174,267	\$ 174,267	\$ –
Total expenditures	\$ 198,885	\$ 198,885	\$ –
422 Net position	\$ 492,543	\$ 492,543	\$ –
OPEB Revocable Trust Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Debt Service Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
425 Bond refundings	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ –	\$ –	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –

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

VALLEY CROSSING COMMUNITY SCHOOL

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2015

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 6,324,809	\$ 6,324,808	\$ 1
Total expenditures		\$ 6,414,139	\$ 6,414,139	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
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	\$ 37,717	\$ 37,717	\$ –
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	\$ 1,016,300	\$ 1,016,300	\$ –
Unassigned				
422	Unassigned fund balance	\$ 86,885	\$ 86,885	\$ –
Food Service				
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	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ 815	\$ 815	\$ –
Total expenditures		\$ 570	\$ 570	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 899	\$ 899	\$ –
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, 2015

	<u>Audit</u>	<u>UFARS</u>	<u>Audit – UFARS</u>
Building Construction			
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	\$ –	\$ –	\$ –
Debt Service			
Total revenue	\$ 1,438,824	\$ 1,438,824	\$ –
Total expenditures	\$ 1,438,874	\$ 1,438,874	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted/reserve			
425 Bond refundings	\$ 107,932	\$ 107,931	\$ 1
451 QZAB payments	\$ –	\$ –	\$ –
Restricted			
464 Restricted fund balance	\$ 9,729	\$ 9,730	\$ (1)
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
Trust			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
Internal Service			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Revocable Trust Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Debt Service Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
425 Bond refundings	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ –	\$ –	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –

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

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