

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT SCHOOL DISTRICT NO. 659
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INTRODUCTORY SECTION

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
BOARD OF EDUCATION AND ADMINISTRATION
YEAR ENDED JUNE 30, 2018**

BOARD OF EDUCATION

Julie Pritchard	Chair
Ellen Iverson	Vice Chair
Noel Stratmoen	Clerk
Rob Hardy	Treasurer
Margaret Colangelo	Director
Amy Goerwitz	Director
Jeff Quinnell	Director

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ADMINISTRATION

Dr. Matthew Hillmann	Superintendent
Val Mertesdorf	Director of Finance

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 659
Northfield, 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 Independent School District No. 659 (the District), as of and for the year ended June 30, 2018, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparisons for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

Report on Summarized Comparative Information

We have previously audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2017, and we expressed unmodified opinions on those audited financial statements in our report dated November 21, 2017. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund, the Schedule of Changes in Fund Equities, and the Uniform Financial Accounting and Reporting Standards Compliance Table, as required by Minnesota Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund, the Schedule of Changes in Fund Equities, the Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Rochester, Minnesota
November 21, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

This section of Independent School District No. 659's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017-2018 include the following:

- The net position of governmental activities decreased by \$19,669,154 to a deficit of \$17,646,378. The decrease is primarily related to the net pension liability required by GASB Statement No. 68 and the other postemployment benefits liability required by GASB Statement No. 75. GASB Statement No. 75 requires the District to record its other postemployment benefits (OPEB) liability on the government-wide financial statements similar to the way GASB Statement No. 68 required us to record our pro-rata TRA and PERA liability.
- The District's governmental funds reported a combined fund balance of \$19,297,624, a net decrease of \$1,649,522 in comparison with the prior year. Approximately 55.3% of this total is unassigned.
- Total General Fund revenues and other financing sources were \$50,989,392 and total General Fund expenditures and other financing uses were \$52,335,627 for the fiscal year ended June 30, 2017. Total governmental fund revenues and other financing sources were \$61,338,725 total governmental fund expenditures and other financing uses were \$62,988,250.
- The General Fund Unassigned fund balance decreased by \$1,942,884 to \$10,673,600 or 20.5% of general fund expenditures. The District had planned to spend down the unassigned fund balance. The District successfully passed an increase to our local operating referendum in November of 2017 that increased District revenues. We are grateful to our supportive community. The District's long-range financial plan calls for a continued buildup of the fund balance over the next several years with the increased operating referendum. This will enable to the District to maintain programming for as long as possible even in times when the State of Minnesota doesn't adequately fund public education. The District is in a great financial position to be able to serve the Northfield Community.
- There is approximately \$4.7 million in charges for services and special education expenditures in the prior year related to the flow-thru of the Cannon Valley Special Education Cooperative. The District was the fiscal host for this program during its first year of operation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of the following:

- Independent Auditors' Report;
- Management's Discussion and Analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to the financial statements;
- Required supplementary information; and
- Supplementary information

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The basic financial statements include two kinds of statements that present different views of the District:

- **Government-Wide Financial Statements** – The government-wide financial statements, including the Statement of Net Position and Statement of Activities, are designed to provide short-term and long-term information about the District's overall financial status, using accounting methods similar to those used by private sector companies.
- **Fund Financial Statements** – The fund financial statements focus on individual parts of the District, reporting the District's operation in more detail than the government-wide financial statements. The District maintains three groups of fund financial statements:

Governmental Funds Statements – Governmental funds statements review how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Proprietary Funds Statements – Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like a business.

Fiduciary Funds Statements – Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

GOVERNMENT-WIDE STATEMENTS

The Government-wide statements 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 statements report the District's net position and how they have changed. Net Position, the difference between the District's assets and 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The fund financial statements provide more detailed information about the District's funds - focusing on its most significant or "major" funds - not the District as a whole. 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.

The District maintains three kinds of funds:

- **Governmental Funds** – Most of 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 funds statements provide a detailed short-term view that helps to determine whether there are more or fewer 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 district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
 - The District uses proprietary funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one proprietary fund; an internal service fund for health and dental insurance benefits.
- **Fiduciary Funds** – *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position from Governmental activities was \$-17,646,378 on June 30, 2018. (See Table A-1) This represents a decrease in net position of \$19,579,976.

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2018	2017	
Current and Other Assets	\$ 46,164,767	\$ 44,167,221	4.52 %
Capital Assets	57,537,978	59,437,637	(3.20)
Total Assets	<u>103,702,745</u>	<u>103,604,858</u>	0.09
Deferred Outflows of Resources	57,884,176	65,716,267	(11.92)
Current Liabilities	7,504,102	7,345,302	2.16
Long-Term Liabilities	137,070,731	143,583,112	(4.54)
Total Liabilities	<u>144,574,833</u>	<u>150,928,414</u>	(4.21)
Deferred Inflows of Resources	<u>34,658,466</u>	<u>16,459,113</u>	110.57
Net Position:			
Net Investment in Capital Assets	27,394,637	24,792,279	10.50
Restricted	3,629,113	3,484,936	4.14
Unrestricted	(48,670,128)	(26,343,617)	84.75
Total Net Position	<u>\$ (17,646,378)</u>	<u>\$ 1,933,598</u>	(1012.62)

The largest portion of the District's net position reflect its investment in capital assets (e.g. land, buildings and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The restricted category of the District's net position represents those resources that are restricted as to how they may be used, such as state mandated reserves, capital assets acquisition and debt service payments.

You will note that our unrestricted net position became further negative from \$26,343,617 in 2016-17 to \$48,670,128 in 2017-18. The negative nature of the unrestricted net position is partially due to the adoption of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* beginning with the 2017-18 school year. The District had to record its Other Postemployment Benefit liability in the government-wide financial statements. This standard does not change how we budget or fund the payments for these benefits.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Total expenses surpassed revenues, decreasing net position \$14,108,246 over the prior year. The beginning net position was also restated by \$5,471,730 due to the implementation of GASB No. 75

**Table A-2
Change in Net Position**

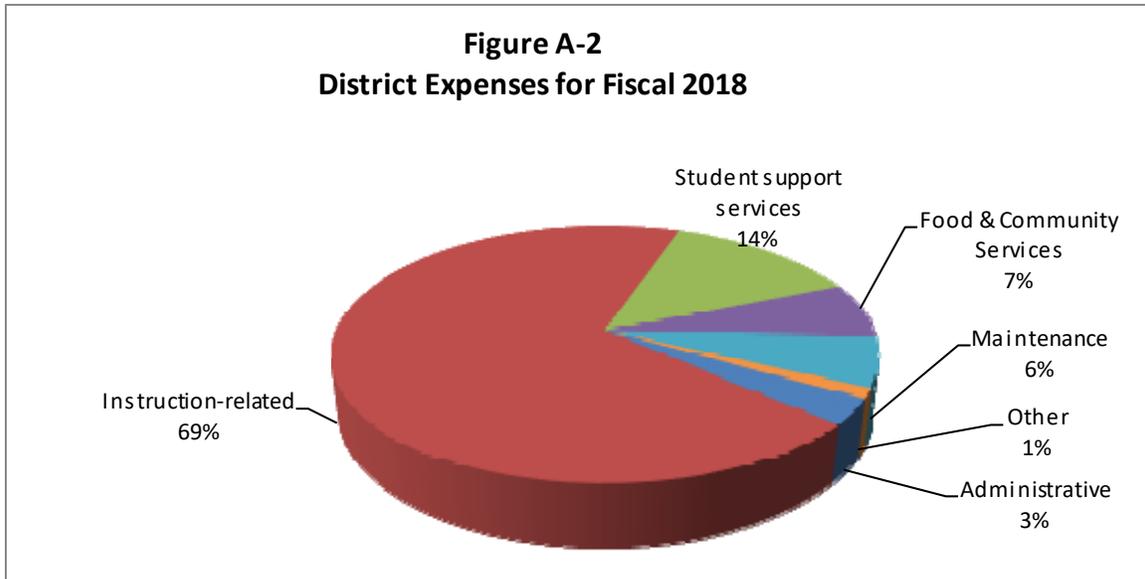
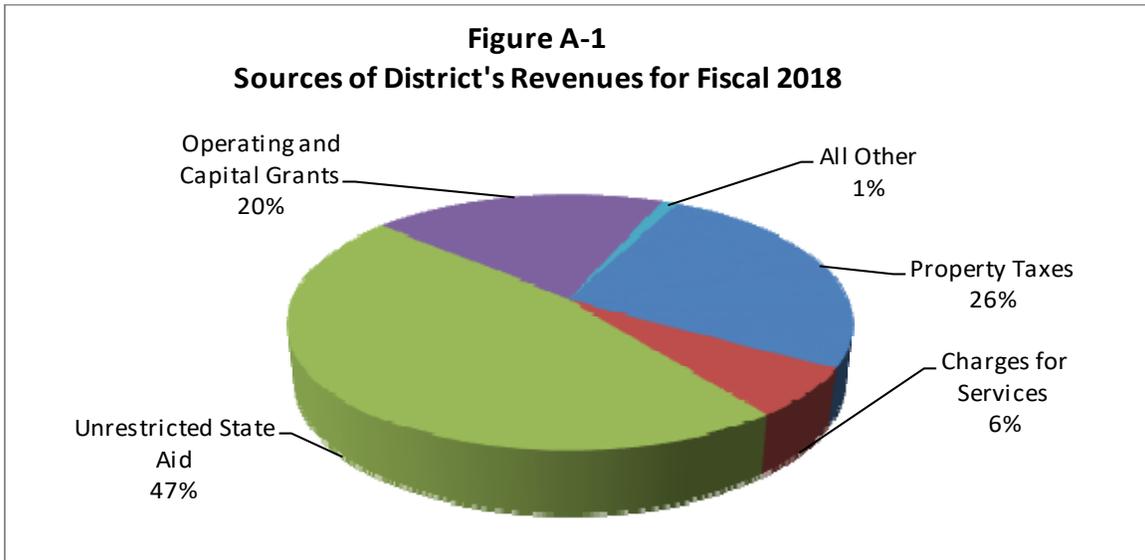
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2018	2017	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 3,824,278	\$ 8,879,394	(56.93)%
Operating Grants and Contributions	11,418,699	12,946,180	(11.80)
Capital Grants and Contributions	708,784	600,099	18.11
<u>General Revenues</u>			
Property Taxes	15,620,209	15,549,757	0.45
Unrestricted State Aid	28,380,011	27,052,927	4.91
Investment Earnings	233,872	138,555	68.79
Other	437,986	437,921	0.01
Total Revenues	<u>60,623,839</u>	<u>65,604,833</u>	(7.59)
Expenses			
Administration	2,380,013	2,164,164	9.97
District Support Services	1,411,109	1,026,668	37.45
Regular Instruction	37,046,867	35,047,429	5.70
Vocational Education Instruction	426,804	348,560	22.45
Special Education Instruction	14,087,630	17,806,090	(20.88)
Instructional Support Services	4,374,346	3,901,828	12.11
Pupil Support Services	4,363,845	3,989,028	9.40
Sites and Buildings	4,543,639	4,422,362	2.74
Fiscal and Other Fixed Cost Programs	142,173	142,235	(0.04)
Food Service	2,150,298	2,098,282	2.48
Community Service	3,025,039	2,848,045	6.21
Interest and Fiscal Charges on Long-Term Liabilities	780,322	837,102	(6.78)
Total Expenses	<u>74,732,085</u>	<u>74,631,793</u>	0.13
Change in Net Position	(14,108,246)	(9,026,960)	
Beginning Net Position	1,933,598	10,960,558	
Restatement	(5,471,730)	-	
Beginning Net Position, as Restated	<u>(3,538,132)</u>	<u>10,960,558</u>	
Ending Net Position	<u>\$ (17,646,378)</u>	<u>\$ 1,933,598</u>	

Changes in net position. The District's total revenues were \$60,623,839 for the year ended June 30, 2018. Property taxes and state formula aid accounted for 72.6% of total revenue for the year. (See Figure A-1). Another 26.3% came from program revenues. Investment earnings and other general revenues amounted to 1%.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The total cost of all programs and services was \$74,732,085. The District's total expenses are predominantly related to educating and supporting students (80.6%). (See Figure A-2.) The administrative activities of the District accounted for 3.2% of total expenses.



**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

- The cost of all governmental activities this year was \$74,732,085, which is \$100,292 or 0.13% more than the prior year. There was \$4.7 million in expenditures in 2016-17 related to the flow-thru operational costs of the Cannon Valley Special Education Cooperative's first year of operation. The District was the fiscal host for the 2016-17 fiscal year.
- Some of the expense was paid by the patrons of the District's programs (\$3,824,278).
- The federal and state governments subsidized certain programs with grants and contributions (\$12,127,483).
- Local property taxes financed \$15,620,209, state aid based on the statewide education aid formula funded \$28,380,011, and investment earnings and other general revenues provided \$671,858 in revenue.

**Table A-3
Program Expenses and Net Cost of Services**

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
Administration	\$ 2,380,013	\$ 2,164,164	9.97%	\$ 2,367,678	\$ 2,113,492	12.03%
District Support Services	1,411,109	1,026,668	37.45%	1,410,238	999,467	41.10%
Regular Instruction	37,046,867	35,047,429	5.70%	33,637,544	30,353,563	10.82%
Vocational Education Instruction	426,804	348,560	22.45%	411,075	328,183	25.26%
Special Education Instruction	14,087,630	17,806,090	-20.88%	7,936,044	6,465,106	22.75%
Instructional Support Services	4,374,346	3,901,828	12.11%	3,807,464	3,127,985	21.72%
Pupil Support Services	4,363,845	3,989,028	9.40%	4,030,799	3,712,435	8.58%
Sites and Buildings	4,543,639	4,422,362	2.74%	3,532,011	3,755,525	-5.95%
Fiscal and Other Fixed Cost Programs	142,173	142,235	-0.04%	142,173	142,235	-0.04%
Food Service	2,150,298	2,098,282	2.48%	(27,075)	(107,857)	-74.90%
Community Service	3,025,039	2,848,045	6.21%	752,051	478,884	57.04%
Interest and Fiscal Charges on Long-Term Liabilities	780,322	837,102	-6.78%	780,322	837,102	-6.78%
	<u>\$ 74,732,085</u>	<u>\$ 74,631,793</u>	0.13%	<u>\$ 58,780,324</u>	<u>\$ 52,206,120</u>	12.59%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds, reported a combined fund balance of \$19,297,624, which is a decrease of \$1,649,525 from the prior year ending fund balance of \$20,947,149.

Revenues and other financing sources for the District's governmental funds were \$61,338,725 while total expenditures were \$62,988,250, resulting in expenditures exceeding revenues by \$1,649,525.

GENERAL FUND

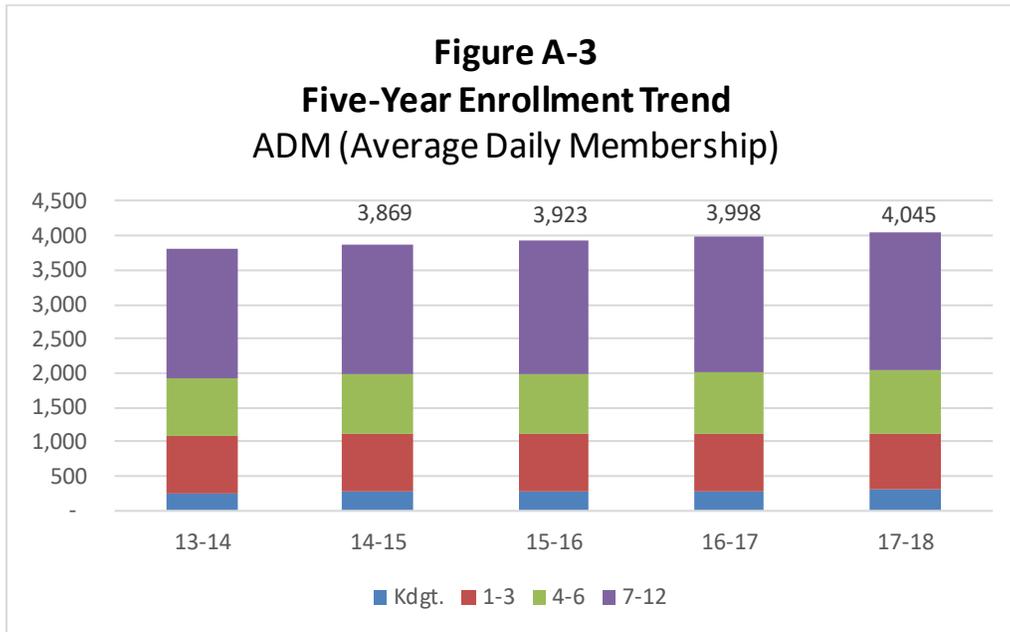
The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

Funding for Minnesota school districts is largely driven by enrollment. Over the last five years, the District's enrollment has remained fairly stable in the number of students. Beginning with the 2015-16 school year, the District has seen increased enrollment. Based on past historical trends and using a traditional cohort survival technique, the District anticipates that the total number of students will continue to increase slightly over the next few years.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND (CONTINUED)

The following graph shows that the number of students has been increasing slightly over the last few years.



The following schedule presents a summary of General Fund Revenues.

**Table A-4
General Fund Revenues**

	<u>Year Ended</u>		<u>Change</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Local Sources:				
Property Taxes	\$ 10,333,878	\$ 10,445,511	\$ (111,633)	(1.1)%
Earnings on Investments	190,524	102,682	87,842	85.5
Other	1,332,530	6,409,795	(5,077,265)	(79.2)
State Sources	37,193,504	36,052,015	1,141,489	3.2
Federal Sources	1,384,171	1,338,398	45,773	3.4
Total General Fund Revenue	<u>\$ 50,434,607</u>	<u>\$ 54,348,401</u>	<u>\$ (3,913,794)</u>	<u>(7.2)</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND (CONTINUED)

Total General Fund Revenues decreased by \$3,913,794 or 7.2% from the previous year. This decrease was primarily from the flow-thru revenue generated by the Cannon Valley Special Education Cooperative in 2016-17. The District was the fiscal host during their first year of operation. We did see an increase in our state sources primarily due to the increase in the basic funding formula and increased enrollment. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-5
General Fund Expenditures**

	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Salaries	\$ 30,527,714	\$ 31,003,171	\$ (475,457)	-1.5%
Employee Benefits	11,052,729	11,367,865	(315,136)	-2.8%
Purchased Services	6,389,623	7,629,977	(1,240,354)	-16.3%
Supplies and Materials	1,955,914	1,793,666	162,248	9.0%
Capital Expenditures	1,702,430	1,664,997	37,433	2.2%
Other Expenditures	553,209	399,111	154,098	38.6%
Total Expenditures	<u>\$ 52,181,619</u>	<u>\$ 53,858,787</u>	<u>\$ (1,677,168)</u>	-3.1%

Total General Fund expenditures, capital expenditures included decreased \$1,677,168 or 3.1%. In 2016-17 there were about \$4.7 million in expenditures due to the fiscal host relationship with the Cannon Valley Special Education Cooperative. The District saw expenditure increases due to normal cost inflationary measures; specific Board approved programs and District contract negotiation. The District has been diligent in controlling expenditures in anticipation of little or no funding increases from the State. The District continues to look for cost reductions and other containment measures in all contracted services arrangements currently in place.

The District transferred \$154,008 from our Long Term Facilities Maintenance fund balance to our Debt Service fund to pay for the first interest payment on our 2017A Long Term Facility Maintenance bonds. This was a one-time transfer since the bonds were issued after our levy certification was completed.

In 2017-18, General Fund revenues and other financing sources were less than expenditures by \$1,346,235 or 2.6% of total expenditures. After deducting statutory restrictions, the unassigned fund balance decreased from \$12,696,685 at June 30, 2017 to \$10,673,600 at June 30, 2018, a decrease of \$2,023,085. The unassigned fund balance represents 20.5% of general fund expenditures which is higher than the Board designated goal of 16%.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1), referred to as the preliminary budget. Over the course of the year, the District chose to revise the preliminary budget to account for changes in estimates that were used in planning the preliminary budget.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights (Continued)

The District's final budget for the General Fund anticipated that revenues and other financing sources would be less than expenditures and other financing uses by \$1,029,959. The actual results show revenues being less than expenditures by \$1,346,235.

- Actual revenues and other financing sources were \$601,299 more than expected. This was primarily due to a new lease being classified as a capital lease and the state pro-rated special education one percent more than anticipated.
- Actual expenditures and other financing uses were \$917,575 more than expected. This was primarily due to the accounting for the capital lease as well as some additional capital expenses.

**Table A-6
General Fund Budget to Actual**

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>	<u>Percent Over (Under)</u>
Revenue and Other Financing Sources	\$ 50,388,093	\$ 50,989,392	\$ 601,299	1.2%
Expenditures and Other Financing Uses	51,418,052	52,335,627	917,575	1.8%
	<u>\$ (1,029,959)</u>	<u>\$ (1,346,235)</u>	<u>\$ (316,276)</u>	

FOOD SERVICE FUND

The Food Service Fund accounts for the activities related to providing nutrition services to the K-12 academic program. The fund operates on the principle of revenues exceeding expenditures on day-to-day operations so that the excess can be used to systematically replace and upgrade kitchen equipment around the district. By operating in this manner, the Student Nutrition Services program is self-contained and does not pull resources away from direct K-12 instruction. The District served 437,202 lunches and 97,482 breakfasts to students, in addition to a la carte sales during the 2017-18 school year.

The fund balance increased by \$36,138 to \$802,553 during 2017-18. This was primarily due to an increase in participation and cost containment measures on expenditures.

Food Service Fund Revenues for 2017-18 totaled \$2,186,436. This was a decrease of \$25,480 or approximately 1.2% from 2016-17.

Food Service Fund Expenditures for 2017-18 totaled \$2,150,298. This was an increase of \$52,016 or 2.5 % from 2016-2017.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

COMMUNITY SERVICE FUND

The Community Service Fund accounts for the activities related to providing lifelong learning, recreation, and community involvement. They provide programming for all ages. The fund is self-sustaining and helps support many District programs and initiatives.

Community Service Fund Revenues and other financing sources for 2017-2018 totaled \$2,679,258. This was a decrease of \$82,053 or 3.0% from 2016-2017.

Community Service Fund Expenditures for 2017-2018 totaled \$2,730,032. This was an increase of \$70,028 or 2.6% over 2016-2017.

The fund balance has decreased from \$632,231 on June 30, 2017 to \$581,457 on June 30, 2018. The majority of the fund balance is reserved for specific purposes based on state requirements.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for revenues and expenditures related to the school district's long-term capital and facility projects that are funded by the sale of bonds or capital loans. The Capital Project Fund includes activity related to our 2017A Long Term Facility Maintenance Bond to replace the roof at Bridgewater Elementary.

The Capital Project Fund included expenditures of \$89,136 which completed the project. There is no remaining fund balance.

DEBT SERVICE FUND

The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the district to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

The Debt Service Fund Balance decreased by \$199,518 in 2017-2018.

The Minnesota Department of Education monitors fund balances in the Debt Service Fund and limits the amount of funds that can be carried forward. If the fund balance gets too high, future levy authority will be reduced in order to reduce the debt service fund balance to a reasonable level. The June 30, 2018, fund balance of \$1,200,624 plus future levies that include an additional 5% levy to cover late or delinquent property tax payments will provide adequate cash flow for timely payment of principal and interest.

The District's current general obligation bond rating from Standard and Poor's is AA+. There are only three school districts in the state of Minnesota with a higher rating.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At the end of fiscal year 2018, the District had invested \$101,326,273 in a broad range of capital assets, including school buildings; land, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7). Total accumulated depreciation as of June 30, 2018 was \$43,788,295. The current year depreciation expense for Governmental Activities totaled \$2,753,573. More detailed information about capital assets can be found in Note 4 to the financial statements.

**Table A-7
Capital Assets**

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Land	\$ 968,609	\$ 968,609	-
Construction in Progress	-	1,280,894	N/A
Land Improvements	4,112,319	3,994,256	3.0
Buildings and Improvements	91,055,832	89,435,276	1.8
Equipment	5,189,513	4,828,467	7.5
Less: Accumulated Depreciation	(43,788,295)	(41,069,865)	6.6
Total District Capital Assets	<u>\$ 57,537,978</u>	<u>\$ 59,437,637</u>	(3.2)

Long-Term Liabilities:

For the fiscal year ended June 30, 2018, the District had \$30,510,335 in long-term liabilities outstanding. This is a decrease of 13.2% from the prior year (see Table A-8). More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

**Table A-8
The District's Long-Term Liabilities**

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 28,255,000	\$ 33,000,000	(14.4)%
Net Bond Premium and Discount	690,808	847,975	(18.5)
Certificates of Participation Payable	784,233	884,107	(11.3)
Capital Leases Payable	413,300	-	
Severance Payable	187,624	249,754	(24.9)
Compensated Absences Payable	179,370	156,981	14.3
Total Long-Term Liabilities	<u>\$ 30,510,335</u>	<u>\$ 35,138,817</u>	(13.2)
Long-Term Liabilities:			
Due Within One Year	\$ 5,335,648	\$ 5,001,854	
Due in More Than One Year	25,174,687	30,136,963	
Total	<u>\$ 30,510,335</u>	<u>\$ 35,138,817</u>	

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OTHER SELECTED INFORMATION

The government-wide financial statements now recognize liabilities for severance pay, compensated absences, pensions and other postemployment benefits. This liability does include an amount for future health benefit costs to employees who have not retired as of June 30, 2018. The District continues to assign funds as available to meet future obligations. A total of \$4,000,000 has been classified as from the Unassigned Fund Balance over the last several years to begin to address this long-term liability.

Under the pay-as-you-go method, the recent annual cost of severance, compensated absences, and retiree health benefits for retired employees remains consistently at approximately 2.0% of the General Fund expenditures. The costs are budgeted and funded out of current revenues of the General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information please visit our website at www.northfieldschools.org or contact the Finance Department, Independent School District No. 659, 1400 Division Street South, Northfield, Minnesota 55057.

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BASIC FINANCIAL STATEMENTS

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Governmental Activities	
	2018	2017
ASSETS		
Cash and Investments	\$ 29,537,124	\$ 25,018,581
Receivables:		
Property Taxes	9,194,471	7,702,221
Other Governments	6,789,833	11,077,157
Other	129,794	121,376
Prepaid Items	465,310	197,863
Inventories	48,235	50,023
Capital Assets:		
Land and Construction in Progress	968,609	2,249,503
Other Capital Assets, Net of Depreciation	56,569,369	57,188,134
Total Assets	<u>103,702,745</u>	<u>103,604,858</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	57,117,215	65,716,267
Other Postemployment Benefits Related	766,961	-
Total Deferred Outflows	<u>57,884,176</u>	<u>65,716,267</u>
LIABILITIES		
Salaries Payable	929,927	965,025
Accounts Payable	650,820	601,294
Accrued Interest	339,039	382,593
Due to Other Governmental Units	93,292	182,627
Unearned Revenue	155,376	211,909
Long-Term Liabilities:		
Portion Due Within One Year	5,335,648	5,001,854
Portion Due in More Than One Year	25,174,687	30,136,963
Net Pension Liability	97,007,796	105,251,416
Other Postemployment Benefits Liability	14,888,248	8,194,733
Total Liabilities	<u>144,574,833</u>	<u>150,928,414</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	18,857,172	15,189,462
Pension Related	15,801,294	1,269,651
Total Deferred Inflows of Resources	<u>34,658,466</u>	<u>16,459,113</u>
NET POSITION		
Net Investment in Capital Assets	27,394,637	24,792,279
Restricted for:		
Operating Capital Purposes	556,454	467,688
State-Mandated Reserves	766,201	528,920
Food Service	802,553	766,415
Community Service	587,498	642,736
Capital Projects - Building Construction	-	2,412
Debt Service	916,407	1,076,765
Unrestricted	(48,670,128)	(26,343,617)
Total Net Position	<u>\$ (17,646,378)</u>	<u>\$ 1,933,598</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	2018		
Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Administration	\$ 2,380,013	\$ 6,356	\$ 5,979
District Support Services	1,411,109	-	871
Regular Instruction	37,046,867	492,304	2,747,979
Vocational Education Instruction	426,804	-	15,729
Special Education Instruction	14,087,630	296,038	5,855,548
Instructional Support Services	4,374,346	1,797	557,119
Pupil Support Services	4,363,845	2,481	233,908
Sites and Buildings	4,543,639	66,998	509,509
Fiscal and Other Fixed Cost Programs	142,173	-	-
Food Service	2,150,298	1,201,868	975,505
Community Service	3,025,039	1,756,436	516,552
Interest and Fiscal Charges on Long-Term Liabilities	780,322	-	-
Total School District	\$ 74,732,085	\$ 3,824,278	\$ 11,418,699

General Revenues

Property Taxes Levied for:
 General Purposes
 Community Service
 Debt Service
State Aid Not Restricted to Specific Purposes
Earnings on Investments
Miscellaneous
 Total General Revenues

Change in Net Position

Net Position - Beginning
Restatement
Net Position - Beginning, as Restated
Net Position - Ending

See accompanying Notes to Financial Statements.

<u>2018</u>		<u>2017</u>	
<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position Total Governmental Activities</u>	<u>Net (Expense) Revenue and Change in Net Position Total Governmental Activities</u>	<u>Net (Expense) Revenue and Change in Net Position Total Governmental Activities</u>
\$ -	\$ (2,367,678)	\$ (2,113,492)	
-	(1,410,238)	(999,467)	
169,040	(33,637,544)	(30,353,563)	
-	(411,075)	(328,183)	
-	(7,936,044)	(6,465,106)	
7,966	(3,807,464)	(3,127,985)	
96,657	(4,030,799)	(3,712,435)	
435,121	(3,532,011)	(3,755,525)	
-	(142,173)	(142,235)	
-	27,075	107,857	
-	(752,051)	(478,884)	
-	(780,322)	(837,102)	
<u>\$ 708,784</u>	<u>(58,780,324)</u>	<u>(52,206,120)</u>	
	10,323,169	10,444,483	
	396,858	402,101	
	4,900,182	4,703,173	
	28,380,011	27,052,927	
	233,872	138,555	
	437,986	437,921	
	<u>44,672,078</u>	<u>43,179,160</u>	
	(14,108,246)	(9,026,960)	
	1,933,598	10,960,558	
	(5,471,730)	-	
	<u>(3,538,132)</u>	<u>10,960,558</u>	
	<u>\$ (17,646,378)</u>	<u>\$ 1,933,598</u>	

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Major		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 17,472,028	\$ 838,073	\$ 848,191
Receivables:			
Current Property Taxes	6,277,763	-	197,248
Delinquent Property Taxes	105,331	-	4,273
Accounts Receivable	120,263	641	8,890
Due from Other Minnesota School Districts	1,297,040	-	1,990
Due from Minnesota Department of Education	4,096,973	-	39,236
Due from Federal through Minnesota Department of Education	1,282,148	8,088	-
Due from Federal Government Received Directly	-	-	-
Due from Other Governmental Units	25,681	-	662
Inventory	34,219	14,016	-
Prepays	463,440	1,370	500
Total Assets	<u>\$ 31,174,886</u>	<u>\$ 862,188</u>	<u>\$ 1,100,990</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ 875,688	\$ 2,035	\$ 52,204
Accounts and Contracts Payable	219,833	8,048	32,204
Due to Other Governmental Units	88,030	-	5,262
Unearned Revenue	92,311	49,552	13,513
Total Liabilities	<u>1,275,862</u>	<u>59,635</u>	<u>103,183</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes Levied for Subsequent Year	13,107,256	-	412,077
Unavailable Revenue - Delinquent Property Taxes	78,778	-	4,273
Total Deferred Inflows of Resources	<u>13,186,034</u>	<u>-</u>	<u>416,350</u>
Fund Balance:			
Nonspendable:			
Inventory	34,219	14,016	-
Prepays	463,440	1,370	500
Restricted for:			
Operating Capital	556,454	-	-
Community Education	-	-	251,029
Early Childhood and Family Education	-	-	118,541
Teacher Development and Evaluation	73,821	-	-
School Readiness	-	-	213,155
Long-Term Facilities Maintenance	692,380	-	-
Restricted for Other Purposes	-	787,167	-
Assigned for:			
Tobacco Settlement	19,076	-	-
Special Education	200,000	-	-
Severance - Insurance Premiums	4,000,000	-	-
Unassigned	10,673,600	-	(1,768)
Total Fund Balance	<u>16,712,990</u>	<u>802,553</u>	<u>581,457</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 31,174,886</u>	<u>\$ 862,188</u>	<u>\$ 1,100,990</u>

See accompanying Notes to Financial Statements.

Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2018	2017
\$ -	\$ 3,945,414	\$ 23,103,706	\$ 18,830,722
-	2,555,034	9,030,045	7,528,085
-	54,822	164,426	174,136
-	-	129,794	121,119
-	-	1,299,030	5,047,411
-	38,015	4,174,224	4,789,384
-	-	1,290,236	1,194,270
-	-	-	20,475
-	-	26,343	25,617
-	-	48,235	50,023
-	-	465,310	197,863
<u>\$ -</u>	<u>\$ 6,593,285</u>	<u>\$ 39,731,349</u>	<u>\$ 37,979,105</u>
\$ -	\$ -	\$ 929,927	\$ 965,025
-	-	260,085	329,624
-	-	93,292	182,627
-	-	155,376	211,909
-	-	1,438,680	1,689,185
-	5,337,839	18,857,172	15,189,462
-	54,822	137,873	153,309
-	5,392,661	18,995,045	15,342,771
-	-	48,235	50,023
-	-	465,310	197,863
-	-	556,454	467,688
-	-	251,029	360,192
-	-	118,541	106,074
-	-	73,821	85,989
-	-	213,155	170,506
-	-	692,380	442,931
-	1,200,624	1,987,791	2,236,222
-	-	19,076	19,076
-	-	200,000	200,000
-	-	4,000,000	4,000,000
-	-	10,671,832	12,610,585
-	1,200,624	19,297,624	20,947,149
<u>\$ -</u>	<u>\$ 6,593,285</u>	<u>\$ 39,731,349</u>	<u>\$ 37,979,105</u>

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
Total Fund Balance for Governmental Funds	\$ 19,297,624	\$ 20,947,149
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	968,609	968,609
Construction in Progress	-	1,280,894
Land Improvements, Net of Accumulated Depreciation	1,674,131	1,689,531
Buildings and Improvements, Net of Accumulated Depreciation	53,175,805	53,877,767
Equipment, Net of Accumulated Depreciation	1,719,433	1,620,836
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds.		
	137,873	153,309
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.		
	(339,039)	(382,593)
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(97,007,796)	(105,251,416)
Deferred Outflows of Resources - Pensions	57,117,215	65,716,267
Deferred Inflows of Resources - Pensions	(15,801,294)	(1,269,651)
The District's Other Postemployment Benefits Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:		
Other Postemployment Benefits Liability	(14,888,248)	(8,194,733)
Deferred Outflows of Resources - Other Postemployment Benefits	766,961	-
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(28,255,000)	(33,000,000)
Unamortized Premiums	(740,598)	(906,818)
Unamortized Discounts	49,790	58,843
Certificates of Participation Payable	(784,233)	(884,107)
Capital Lease Payable	(413,300)	-
Severance and Health Benefits Payable	(187,624)	(249,754)
Compensated Absences Payable	(179,370)	(156,981)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end are:		
	6,042,683	5,916,446
Total Net Position of Governmental Activities	\$ (17,646,378)	\$ 1,933,598

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	<u>General</u>	<u>Food Service</u>	<u>Major Community Service</u>
REVENUES			
Local Sources:			
Property Taxes	\$ 10,333,878	\$ -	\$ 397,191
Earnings and Investments	190,524	7,286	6,320
Other	1,332,530	1,203,945	1,957,499
State Sources	37,193,504	122,320	318,248
Federal Sources	1,384,171	852,885	-
Total Revenues	<u>50,434,607</u>	<u>2,186,436</u>	<u>2,679,258</u>
EXPENDITURES			
Current:			
Administration	1,845,398	-	-
District Support Services	1,258,852	-	-
Elementary and Secondary Regular Instruction	24,977,628	-	-
Vocational Education Instruction	332,269	-	-
Special Education Instruction	10,559,280	-	-
Instructional Support Services	3,034,260	-	-
Pupil Support Services	3,837,310	-	-
Sites and Buildings	4,207,774	-	-
Fiscal and Other Fixed Cost Programs	142,173	-	-
Food Service	-	2,111,821	-
Community Service	-	-	2,722,144
Capital Outlay	1,702,430	38,477	7,888
Debt Service:			
Principal	241,359	-	-
Interest and Fiscal Charges	42,886	-	-
Total Expenditures	<u>52,181,619</u>	<u>2,150,298</u>	<u>2,730,032</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,747,012)	36,138	(50,774)
OTHER FINANCING SOURCES (USES)			
Sale of Bonds	-	-	-
Bond Premium	-	-	-
Capital Lease Proceeds	554,785	-	-
Transfers In	-	-	-
Transfers Out	(154,008)	-	-
Total Other Financing Sources (Uses)	<u>400,777</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,346,235)	36,138	(50,774)
FUND BALANCES			
Beginning of Year	18,059,225	766,415	632,231
End of Year	<u>\$ 16,712,990</u>	<u>\$ 802,553</u>	<u>\$ 581,457</u>

See accompanying Notes to Financial Statements.

Capital Projects	Funds	Total Governmental Funds	
	Debt Service	2018	2017
\$ -	\$ 4,904,576	\$ 15,635,645	\$ 15,552,517
-	29,743	233,873	138,553
-	-	4,493,974	9,668,392
-	395,312	38,029,384	36,808,150
-	-	2,237,056	2,203,914
-	<u>5,329,631</u>	<u>60,629,932</u>	<u>64,371,526</u>
-	-	1,845,398	1,719,657
-	-	1,258,852	1,043,317
-	-	24,977,628	24,250,228
-	-	332,269	268,810
-	-	10,559,280	13,982,207
-	-	3,034,260	2,909,737
-	-	3,837,310	3,626,196
-	-	4,207,774	4,108,643
-	-	142,173	142,235
-	-	2,111,821	2,087,815
-	-	2,722,144	2,653,074
89,136	-	1,837,931	3,000,375
-	4,745,000	4,986,359	4,360,070
-	938,157	981,043	1,057,034
<u>89,136</u>	<u>5,683,157</u>	<u>62,834,242</u>	<u>65,209,398</u>
(89,136)	(353,526)	(2,204,310)	(837,872)
-	-	-	1,325,000
-	-	-	79,705
-	-	554,785	-
-	154,008	154,008	-
-	-	(154,008)	-
-	<u>154,008</u>	<u>554,785</u>	<u>1,404,705</u>
(89,136)	(199,518)	(1,649,525)	566,833
89,136	1,400,142	20,947,149	20,380,316
<u>\$ -</u>	<u>\$ 1,200,624</u>	<u>\$ 19,297,624</u>	<u>\$ 20,947,149</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	2018	2017
Net Change in Fund Balance - Total Governmental Funds	\$ (1,649,525)	\$ 566,833
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:		
Capital Outlays	853,914	2,085,208
Gain (Loss) on Disposal of Capital Assets	-	-
Proceeds from the Sales of Capital Assets	-	-
Depreciation Expense	(2,753,573)	(2,725,278)
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 unearned in the governmental funds.	(15,436)	(2,760)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Other Financing Sources - Capital Lease	(554,785)	-
Principal Payments - Capital Leases	141,485	-
Pension expenses in the governmental funds are measured by current year employer contributions. Pension expenditures on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(14,887,075)	(12,798,027)
Other postemployment benefits expenses in the governmental funds are measured by current year employer contributions. Other postemployment benefits expenditures on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(454,824)	-
In the statement of activities, certain operating expenses - severance benefits, and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	39,741	(773,186)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	-	(1,325,000)
Bond Premium or Discount	-	(79,705)
Repayment of Bond Principal	4,745,000	4,265,000
Change in Accrued Interest - General Obligation Bonds	43,554	35,665
Repayment of Certificates of Participation Payable	99,874	95,070
Amortization of Bond Premium	166,220	193,320
Amortization of Bond Discount	(9,053)	(9,053)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
	126,237	1,444,953
Total	\$ (14,108,246)	\$ (9,026,960)

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 10,314,685	\$ 10,314,685	\$ 10,333,878	\$ 19,193
Earnings and Investments	105,000	105,000	190,524	85,524
Other	1,318,817	1,320,628	1,332,530	11,902
State Sources	36,201,549	37,302,580	37,193,504	(109,076)
Federal Sources	1,165,987	1,345,200	1,384,171	38,971
Total Revenues	<u>49,106,038</u>	<u>50,388,093</u>	<u>50,434,607</u>	<u>46,514</u>
EXPENDITURES				
Current:				
Administration	1,776,355	1,819,082	1,845,398	26,316
District Support Services	1,168,209	1,241,016	1,258,852	17,836
Elementary and Secondary Regular Instruction	24,729,487	24,819,655	24,977,628	157,973
Vocational Education Instruction	298,191	298,191	332,269	34,078
Special Education Instruction	9,610,617	10,586,024	10,559,280	(26,744)
Instructional Support Services	3,180,653	3,280,966	3,034,260	(246,706)
Pupil Support Services	3,707,150	3,787,523	3,837,310	49,787
Sites and Buildings	3,860,350	4,083,255	4,207,774	124,519
Fiscal and Other Fixed Cost Programs	145,000	145,000	142,173	(2,827)
Capital Outlay	894,090	1,214,582	1,702,430	487,848
Debt Service:				
Principal	99,874	99,874	241,359	141,485
Interest and Fiscal Charges	42,884	42,884	42,886	2
Total Expenditures	<u>49,512,860</u>	<u>51,418,052</u>	<u>52,181,619</u>	<u>763,567</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(406,822)	(1,029,959)	(1,747,012)	(717,053)
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	-	554,785	554,785
Transfers Out	-	-	(154,008)	(154,008)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>400,777</u>	<u>400,777</u>
Net Change in Fund Balance	<u>\$ (406,822)</u>	<u>\$ (1,029,959)</u>	<u>(1,346,235)</u>	<u>\$ (316,276)</u>
FUND BALANCE				
Beginning of Year			18,059,225	
End of Year			<u>\$ 16,712,990</u>	

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 3,000	\$ 6,000	\$ 7,286	\$ 1,286
Other - Primarily Meal Sales	1,215,400	1,241,400	1,203,945	(37,455)
State Sources	112,000	119,000	122,320	3,320
Federal Sources	843,000	863,000	852,885	(10,115)
Total Revenues	<u>2,173,400</u>	<u>2,229,400</u>	<u>2,186,436</u>	<u>(42,964)</u>
EXPENDITURES				
Current:				
Food Service	2,202,449	2,127,358	2,111,821	(15,537)
Capital Outlay	30,500	52,500	38,477	(14,023)
Total Expenditures	<u>2,232,949</u>	<u>2,179,858</u>	<u>2,150,298</u>	<u>(29,560)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (59,549)</u>	<u>\$ 49,542</u>	36,138	<u>\$ (13,404)</u>
FUND BALANCE				
Beginning of Year			<u>766,415</u>	
End of Year			<u>\$ 802,553</u>	

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 405,309	\$ 405,309	\$ 397,191	\$ (8,118)
Earnings and Investments	5,000	5,000	6,320	1,320
Other - Primarily Tuition and Fees	1,796,694	1,966,191	1,957,499	(8,692)
State Sources	<u>288,547</u>	<u>292,712</u>	<u>318,248</u>	<u>25,536</u>
Total Revenues	<u>2,495,550</u>	<u>2,669,212</u>	<u>2,679,258</u>	<u>10,046</u>
EXPENDITURES				
Current:				
Community Service	2,482,569	2,612,908	2,722,144	109,236
Capital Outlay	<u>10,850</u>	<u>10,850</u>	<u>7,888</u>	<u>(2,962)</u>
Total Expenditures	<u>2,493,419</u>	<u>2,623,758</u>	<u>2,730,032</u>	<u>106,274</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,131</u>	<u>\$ 45,454</u>	(50,774)	<u>\$ (96,228)</u>
FUND BALANCE				
Beginning of Year			<u>632,231</u>	
End of Year			<u>\$ 581,457</u>	

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Governmental Activities - Internal Service Funds	
	2018	2017
ASSETS		
Cash and Investments	\$ 6,433,418	\$ 6,187,859
Accounts Receivable	-	257
Total Assets	6,433,418	6,188,116
LIABILITIES		
Accounts Payable	390,735	271,670
Total Liabilities	390,735	271,670
NET POSITION		
Unrestricted	\$ 6,042,683	\$ 5,916,446

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	Governmental Activities - Internal Service Funds	
	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for Services:		
Health Insurance Premiums	\$ 6,864,812	\$ 6,969,825
Dental Insurance Premiums	598,100	591,107
Total Operating Revenues	<u>7,462,912</u>	<u>7,560,932</u>
OPERATING EXPENSES		
Health Insurance Claims	6,030,279	4,725,278
Dental Insurance Claims	517,285	502,065
General Administration Fees	837,838	929,119
Total Operating Expenses	<u>7,385,402</u>	<u>6,156,462</u>
Operating Income	77,510	1,404,470
NONOPERATING INCOME		
Earnings on Investments	<u>48,727</u>	<u>40,483</u>
Change in Net Position	126,237	1,444,953
Net Position - Beginning	5,916,446	4,471,493
Net Position - Ending	<u><u>\$ 6,042,683</u></u>	<u><u>\$ 5,916,446</u></u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

	Governmental Activities - Internal Service Funds	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 7,463,169	\$ 7,561,097
Payments for Health and Dental Insurance Claims	(6,428,499)	(5,221,060)
Payments for Administrative Fees	(837,838)	(929,119)
Net Cash Provided by Operating Activities	<u>196,832</u>	<u>1,410,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	48,727	40,483
Net Cash Provided by Investing Activities	<u>48,727</u>	<u>40,483</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	245,559	1,451,401
Cash and Cash Equivalents - Beginning of Year	<u>6,187,859</u>	<u>4,736,458</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,433,418</u>	<u>\$ 6,187,859</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 77,510	\$ 1,404,470
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Decrease in Accounts Receivable	257	165
Increase (Decrease) in Accounts Payable	119,065	6,283
Total Adjustments	<u>119,322</u>	<u>6,448</u>
Net Cash Provided by Operating Activities	<u>\$ 196,832</u>	<u>\$ 1,410,918</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Private-Purpose Trust
ASSETS	
Cash and Investments	\$ 184,249
Total Assets	184,249
NET POSITION	
Held In Trust	\$ 184,249

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

	Private-Purpose Trust
ADDITIONS	
Gifts and Donations	\$ 94,590
Earnings on Investments	1,254
Total Additions	95,844
DEDUCTIONS	
Scholarships Awarded	75,850
Total Deductions	75,850
Change in Net Position	19,994
Net Position - Beginning of Year	164,255
Net Position - End of Year	\$ 184,249

See accompanying Notes to Financial Statements.

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 659 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as Accounting Principles Generally Accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 659 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. Based on these criteria, there are no organizations considered to be component units of the District.

Student Activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

C. Basic Financial Statement Presentation

The Government-wide financial statements (i.e. the Statement of Net Position and the 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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the Government-wide financial statements.

Separate Fund financial statements are provided for governmental, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type (trust and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the Government-wide statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to customers for service. 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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. 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 generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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 as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees, and reimbursements from the Federal and State governments.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and State credits.

Capital Projects Fund – Accounts for financial resources from the bonds issued for the addition/renovation of District buildings

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

Proprietary Funds

Internal Service Funds – The Internal Service Fund accounts for the financing of a self-insured health and dental plan provided for the District's employees on a cost reimbursement basis.

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to report resources that are to be used for scholarships to support students that continue their education.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

F. Cash and Investments

Cash of the individual funds is combined for investment purposes. Investments consist primarily of certificates of deposit, and money market funds. Investments with an original maturity of less than one year are recorded at amortized cost, which approximates fair value. Investments with an original maturity of more than one year are recorded at fair value based on quoted market prices. Interest earned as a result of these investments and the combined deposit account is distributed to the appropriate funds based on average cash and investment balances of each fund.

G. Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers all demand accounts, savings accounts, certificates of deposits, and money market funds, to be cash and cash equivalents while all deposits in the Minnesota Municipal Money Market Fund Trust (MN Trust) and Minnesota School District Liquid Asset Fund (MSDLAF) are considered investments.

H. Receivables

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventories

Inventories are recorded using the consumption method of accounting and consist of fuel, food and other supplies on hand at June 30, 2018, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

J. Prepaid Items

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

K. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

The majority of District revenue in the General (and to a lesser extent the Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy which is frozen at \$374,466. Starting in fiscal year 2011, the shift was expanded to include all other general and community service fund levies. State aids are then reduced by this expanded shift amount, making this portion of the tax shift revenue neutral to school districts. Certain other portions of the District's 2017 pay 2018 levy, normally revenue for the 2018-19 fiscal year, are also advance recognized at June 30, 2018, as required by state statute to match revenue with the same fiscal year as the related expenditures.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Taxes (Continued)

Taxes that 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 because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2018, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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 acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the Government-wide financial statement, 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 purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment and furnishings.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

M. Deferred Outflows of Resources

In addition to assets, the financial statements 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 a future period(s) and so will not be recognized as an outflow or resources (expense) until that time. The District has two types of items that qualify as this reporting element, pension related and other postemployment benefit related.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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

O. Accrued Employee Benefits

Compensated Absences

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave, vacation leave, and termination benefits. The District accounts for the employee benefits as follows:

Vacation leave vests and may be carried forward but must be used by the end of the following contract year. A liability of \$179,370 is included in long-term debt for earned but unpaid vacation.

Sick Pay

Sick leave does not vest and is accounted for as an expenditure when paid, except as discussed below.

Severance

Severance pay is available for certain eligible employees. The maximum benefit is generally based on accumulated unused sick leave. The total amounts cannot exceed certain contract limits.

Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts the District provides Health and Dental Care coverage until age 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 75, at June 30, 2018.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and 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.

Q. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has three types of deferred inflows. Two types occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred inflow is pension related.

R. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for Food and Community Service accounts, grants, and 2018-2019 school year deposits.

S. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently doesn't report any committed fund balances. The Board of Education passed a resolution authorizing the Director of Finance the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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; injuries to employees; natural disasters and workers' compensation. The District purchases commercial insurance coverage for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The District self-insures for health and dental insurance offered to its employees. The District is covered by a specific stop-loss policies for health claims in excess of \$125,000 and dental claims in excess of \$1,500.

U. Self-Insurance Claims

This liability represents an estimate of health and dental claims incurred but not reported as of June 30, 2018. These claims are included in accounts payable in the Statement of Net Position.

V. Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investments in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

W. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 51,418,052	\$ 52,181,619	\$ 763,567
Special Revenue Funds:			
Community Service Fund	2,623,758	2,730,032	106,274

These excess expenditures were funded with higher than anticipated revenues and existing fund balances.

Interfund Transfers

The District had the following transfers at June 30, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (154,008)
Debt Service Fund	154,008	-
	<u>\$ 154,008</u>	<u>\$ (154,008)</u>

The purpose of the transfer from the General Fund to the Debt Service Fund was to cover the initial debt service fund payment on the 2017A bond.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits will not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the combined balance sheet as “Cash and Investments.” In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the District’s Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District’s deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes, as follows:

- 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 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen 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, 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 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2018, the District’s investment balances were as follows:

Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 8,787,877
MN Trust Investment Shares Portfolio	2,117,694
MN Trust Term Series	10,000,000
MN Trust Limited Term Duration Series	6,000,000
Total District Investments	\$ 26,905,571

The Minnesota Municipal Money Market Fund Trust (MN Trust) is a common law trust organized in accordance with the Minnesota Joint Powers Act, which invests only in investment instruments allowable under Minnesota statutes as described above.

The Investment Shares Portfolio and Term Series are external investment pools. Investments in these external investment pools are valued at amortized cost. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of investments. Redemption prior to the maturity date of the Term Series may result in a penalty.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The Limited Term Duration Series investments are valued at net asset value, the fair value established by the series. The MN Trust Limited Term Duration Series maintains a quarterly redemption frequency requirement with a 30-day redemption notice

The MSDLAF+ is an external investment pool that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The MSDLAF+ elects to measure its investments at amortized cost.

The District's investment in the MSDLAF+ is included in two share classes, as follows:

Class	
MSDLAF Liquid Class	\$ 8,204,679
MSDLAF Max Class	583,198
Total MSDLAF+	\$ 8,787,877

The Liquid Class has no redemption requirements. The Max Class may not be redeemed for at least 14 days, and a 24 hour hold is placed on redemption requests. Redemptions prior to 14 days may be subject to penalty.

Interest Rate Risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policies do not limit the maturities of investments. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations.

Custodial Credit Risk.

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires insurance of all balances held with each investment account. As of June 30, 2018 , the investment balances were fully covered by insurance for each brokerage firm.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policies do not limit the amount that the District may invest in any one issuer. The following chart summarizes year-end ratings for the District's investments:

<u>Investment</u>	<u>Rated by</u>	<u>Credit Rating</u>
MSDLAF+	S&P	AAAm
MN Trust Investment Shares Portfolio	S&P	AAAm
MN Trust Term Series		Not rated
MN Trust Limited Term Duration Series		Not rated

Concentration of Credit Risk.

The District's investment policies place no limit on the amount the District may invest in any one issuer. The District had no investments at June 30, 2018 which individually comprised more than 5% of total investments

C. Balance Sheet Presentation

The deposits and investments are presented in the basic financial statements as follows:

Deposits	\$ 2,814,852
Cash on Hand	950
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	8,787,877
MN Trust	18,117,694
Total Cash and Investments	<u>\$ 29,721,373</u>
Cash and Investments - Statement of Net Position	\$ 29,537,124
Cash and Investments - Statement of Fiduciary Net Position	184,249
Total Cash and Investments	<u>\$ 29,721,373</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 968,609	\$ -	\$ -	\$ 968,609
Construction in Progress	1,280,894	88,900	(1,369,794)	-
Total Capital Assets, Not Being Depreciated	<u>2,249,503</u>	<u>88,900</u>	<u>(1,369,794)</u>	<u>968,609</u>
Capital Assets, Being Depreciated				
Land Improvements	3,994,256	118,063	-	4,112,319
Buildings and Improvements	89,435,276	1,620,556	-	91,055,832
Equipment	4,828,467	396,189	(35,143)	5,189,513
Total Capital Assets, Being Depreciated	<u>98,257,999</u>	<u>2,134,808</u>	<u>(35,143)</u>	<u>100,357,664</u>
Accumulated Depreciation for:				
Land Improvements	(2,304,725)	(133,463)	-	(2,438,188)
Buildings and Improvements	(35,557,509)	(2,322,518)	-	(37,880,027)
Equipment	(3,207,631)	(297,592)	35,143	(3,470,080)
Total Accumulated Depreciation	<u>(41,069,865)</u>	<u>(2,753,573)</u>	<u>35,143</u>	<u>(43,788,295)</u>
Total Capital Assets, Being Depreciated, Net	<u>57,188,134</u>	<u>(618,765)</u>	<u>-</u>	<u>56,569,369</u>
Governmental Activities Capital Assets, Net	<u>\$ 59,437,637</u>	<u>\$ (529,865)</u>	<u>\$ (1,369,794)</u>	<u>\$ 57,537,978</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Administration	\$ 4,477
District Support Services	35,148
Regular Instruction	2,562,705
Special Education Instruction	1,255
Instructional Support Services	11,689
Pupil Support Services	16,350
Sites and Buildings	100,272
Food Service	17,925
Community Service	3,752
Total Depreciation Expense, Governmental Activities	<u>\$ 2,753,573</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding	
					Due Within One Year	Total
2/16/2010	2.0 - 4.0%	2010A	\$ 22,615,000	2/1/2022	\$ 3,265,000	\$ 10,935,000
12/7/2011	2.0 - 2.375%	2011A	9,750,000	2/1/2024	560,000	7,975,000
12/19/2012	1.5 - 2.0%	2012A	9,825,000	2/1/2025	820,000	7,050,000
5/13/2014	2.0 - 3.0%	2014A	1,525,000	2/1/2025	150,000	1,090,000
3/23/2017	3.0%	2017A	1,325,000	2/1/2027	120,000	1,205,000
Total General Obligation Bonds					4,915,000	28,255,000
Bond Premiums					-	740,598
Bond Discounts					-	(49,790)
Certificates of Participation Payable					104,919	784,233
Capital Lease Payable					136,359	413,300
Severance and Health Benefits Payable					-	187,624
Compensated Absences Payable					179,370	179,370
					<u>\$ 5,335,648</u>	<u>\$ 30,510,335</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments necessary to retire long-term debt, not including certificate of participation, compensated absences payable and severance and health benefits payable are as follows:

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2019	\$ 4,915,000	\$ 813,694
2020	5,105,000	652,994
2021	5,320,000	481,294
2022	3,405,000	302,144
2023	3,755,000	217,425
2024-2027	5,755,000	190,013
Total	<u>\$ 28,255,000</u>	<u>\$ 2,657,564</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities

General Obligation Bonds

On February 16, 2010, the District issued \$22,615,000 of General Obligation School Building Refunding Bonds, Series 2010A. The proceeds of the issue were used to refund the outstanding principal and interest of the District's General Obligation School Building Bonds of 2001A on August 1, 2011.

On December 7, 2011, the District issued \$9,750,000 of General Obligation Refunding Bonds, Series 2011A to refund the portion of General Obligation School Building Refunding Bonds, Series 2003A totaling \$9,350,000, which were scheduled to mature in 2016 through 2024.

On December 19, 2012, the District issued \$9,825,000 of General Obligation Alternative Facility Refunding Bonds, Series 2012A to refund the portion of General Obligation Alternative Facilities Refunding Bonds, Series 2004A and 2005A totaling \$9,950,000, which were scheduled to mature in 2015 through 2025. The Series 2012A bonds were issued at a premium of \$386,172.

On May 13, 2014, the District issued \$1,525,000 of General Obligation Capital Facilities Bonds, Series 2014A. The proceeds of this issue were used to finance certain capital improvements to school facilities.

On March 23, 2017, the District issued \$1,325,000 of General Obligation Facilities Maintenance Bonds, Series 2017A. The proceeds of this issue were used to finance the roof replacement project at Bridgewater Elementary School.

Compensated Absences Payable

The amount of the estimated obligation at June 30, 2018 is \$179,370. The District's General Fund finances compensated absences on a pay-as-you-go basis.

Severance Payable

Severance pay is available for certain eligible employees. The maximum benefit is generally based on accumulated unused sick leave, and years of service. The amount of the estimated obligation at June 30, 2018 is \$187,624. The District's General Fund finances severance benefits on a pay-as-you-go basis.

Certificate of Participation

On December 1, 2009, the District raised funds through the issuance of a loan payable. The maximum amount that could be drawn on the loan was \$1,495,000 and was used to finance capital improvements made to an elementary school. The loan was structured as a lease purchase agreement. Repayment of the principal is made through rental payments.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

The following is a schedule of the future minimum lease payments under the lease purchase agreement together with the present value of the net minimum lease payments as of June 30, 2018. The total cost of assets associated with the lease purchase agreement is \$2,686,518. The related accumulated depreciation of the assets at June 30, 2018 is \$805,955.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 142,760
2020	142,760
2021	142,760
2022	142,760
2023	142,760
2024-2025	214,141
Total Minimum Lease Payments	<u>927,941</u>
Less Amounts Representing Interest	<u>143,707</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 784,234</u></u>

Capital Lease Payable

The District entered into a capital lease for the purchase of laptop computers. The assets relating to the lease were under the districts capitalization threshold.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2018:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 141,537
2020	141,537
2021	141,537
Total Minimum Lease Payments	<u>424,611</u>
Less Amounts Representing Interest	<u>11,311</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 413,300</u></u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Liabilities

	June 30, 2017	Additions	Retirements	June 30, 2018
General Obligation Bonds	\$ 33,000,000	\$ -	\$ 4,745,000	\$ 28,255,000
Bond Premiums	906,818	-	166,220	740,598
Bond Discount	(58,843)	-	(9,053)	(49,790)
Certificates of Participation Payable	884,107	-	99,874	784,233
Capital Lease Payable	-	554,785	141,485	413,300
Severance Payable	249,754	42,128	104,258	187,624
Compensated Absences Payable	156,981	179,370	156,981	179,370
Total	<u>\$ 35,138,817</u>	<u>\$ 776,283</u>	<u>\$ 5,404,765</u>	<u>\$ 30,510,335</u>

NOTE 6 RESTRICTED FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds:

A. Operating Capital

The fund balance restriction represents available resources in the General Fund to be used to purchase equipment and facilities.

B. Teacher Development and Evaluation

The fund balance restriction represents available resources to be expended for teacher development and evaluation programs.

C. Long Term Facilities Maintenance (LTFM)

The fund balance restriction represents accumulated resources available to be used for LTFM projects in accordance with the District's ten-year plan.

D. Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

E. Early Childhood and Family Education Programs

The fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

F. School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

G. Restricted for Other Purposes

The fund balance restriction represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*. PERA and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

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

2. Teachers Retirement Fund (TRA)

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. 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 city of 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 College 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.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute 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% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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

1. GERS Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for 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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% 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.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

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) 3.0% 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).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. 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.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits (Continued)

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

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

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

C. Contributions

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. In fiscal year ending June 30, 2018, the District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members The District's contributions to the GERF for the plan's fiscal year ended June 30, 2018, were \$605,674. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	2018		2017	
	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%
Coordinate	7.5%	7.5%	7.5%	7.5%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2018, were \$1,773,235. The District's contributions were equal to the required contributions for each year as set by state statute.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2018, the District reported a liability of \$8,337,418 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in fiscal year 2017. The State of Minnesota is considered a nonemployer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District was \$104,856. The net pension liability was measured as of June 30, 2017, 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 PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.1306% which was an increase of 0.0135% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,268,997 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$3,028 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Plan.

At June 30, 2018, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 274,776	\$ 536,367
Changes in Actuarial Assumptions	1,384,191	835,826
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	360,565
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	624,124	47,042
District Contributions Subsequent to the		
Measurement Date	605,674	-
Total	<u>\$ 2,888,765</u>	<u>\$ 1,779,800</u>

**NORTHFIELD PUBLIC SCHOOLS
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JUNE 30, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to GERF subsequent to the measurement date, \$605,674 is reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2019	\$ 143,951
2020	665,348
2021	47,900
2022	(353,908)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of \$88,670,378 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2017, 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 TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.4442% at the end of the measurement period and 0.4014% for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to 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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 88,670,378
State's Proportionate Share of the Net Pension Liability Associated with the District	8,570,788

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$15,993,926. It also recognized \$164,394 as pension expense for the support provided by direct aid.

At June 30, 2018, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 667,716	\$ 622,659
Changes in Actuarial Assumptions	48,220,998	12,421,320
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	694,822
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	3,565,911	282,693
District Contributions Subsequent to the		
Measurement Date	1,773,825	-
Total	<u>\$ 54,228,450</u>	<u>\$ 14,021,494</u>

Of the resources related to pensions resulting from the District contributions to TRA subsequent to the measure date, \$1,773,825 is reported as deferred outflows and will be recognized as a reduction in the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2019	\$ 9,875,871
2020	11,405,188
2021	10,444,408
2022	8,674,985
2023	(1,967,321)

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Aggregate Pension Costs

At June 30, 2018, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	TRA	PERA	Total
Net Pension Liability	\$ 88,670,378	\$ 8,337,418	\$ 97,007,796
Deferred Outflows of Resources	54,228,450	2,888,765	57,117,215
Deferred Inflows of Resources	14,021,494	1,779,800	15,801,294
Pension Expense	16,158,320	1,272,025	17,430,345

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	3.25% per Year	2.85%, Based on Years of Service
Investment Rate of Return	7.50%	5.12%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0% per year for GERF through 2044 and 2.5% per year thereafter. Cost of living benefit increases for retirees are assumed to be 2.0% per year for TRA through June 30, 2044 increasing to 2.50% per year on July 1, 2045.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions for GERF occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60.0% for vested and nonvested deferred members. The revised CSA loads are now 0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for TRA occurred in 2017:

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

The long-term expected rate of return on pension plan investments is 7.5% for GERP and 5.12% for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10%
International Equity	19	5.30%
Bonds	20	0.75%
Alternative Assets	20	5.90%
Cash	2	0.00%
Totals	<u>100 %</u>	

**NORTHFIELD PUBLIC SCHOOLS
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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

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

The discount rate used to measure the total TRA pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2053, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

G. Pension Liability Sensitivity

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the GERP Net Pension Liability	\$ 12,931,955	\$ 8,337,418	\$ 4,575,955
<u>TRA Discount Rate</u>	4.12%	5.12%	6.12%
District's Proportionate Share of the TRA Net Pension Liability	\$ 117,027,813	\$ 88,670,378	\$ 64,761,610

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Plan Fiduciary Net Position

Detailed information about GERP's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

NOTE 8 DEFINED CONTRIBUTION BENEFIT PLAN

The District has a retirement plan qualifying under the Internal Revenue Code 403(b) for the benefit of employees hired on or after July 1, 2002. For qualifying employees the District's annual maximum contribution is based contractual requirements for the employee class. Maximum career contribution limits range \$25,000 to no limit depending on the employee class.

The District contribution for the years ended June 30, 2018, 2017, and 2016 were approximately \$406,948, \$295,600, and \$268,918, respectively. The related employee contributions were \$1,122,191, \$993,328, and \$916,098, for the years ended June 30, 2018, 2017, and 2016, respectively.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's self-insured health and dental insurance plan. There are 555 active participants and 99 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Contributions

Contribution requirements are also negotiated between the District and union representatives. The District contributes up to 80% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2018, the District contributed \$845,157 to the plan.

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NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Total OPEB Liability

The District's total OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 %
Salary Increases	3.00 %
Healthcare Cost Trend Rates	6.50% Decreasing to 5.00% Over 6 Years
Dental Trend Rate	4.00 %

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.40%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

D. Changes in the Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balances at July 1, 2016	<u>\$ 14,511,620</u>
Changes for the Year:	
Service Cost	718,218
Interest	503,567
Benefit Payments	<u>(845,157)</u>
Net Changes	<u>376,628</u>
Balances at July 1, 2017	<u><u>\$ 14,888,248</u></u>

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Total OPEB Liability Sensitivity

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

	1% Decrease 2.40 %	Discount Rate 3.40 %	1% Increase 4.40 %
Total OPEB Liability (Asset)	\$ 15,833,831	\$ 14,888,248	\$ 13,979,583

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

	1% Decrease	Selected Trend Rates	1% Increase
		Healthcare Cost Trend Rate	
	5.50%	6.50%	7.50%
	Decreasing to 4.00%	Decreasing to 5.00%	Decreasing to 6.00%
		Dental Trend Rate	
	3%	4%	5%
Total OPEB Liability (Asset)	\$ 13,810,402	\$ 14,888,248	\$ 16,120,199

F. OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of \$376,628. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District Contributions Subsequent to the Measurement Date	\$ 766,961	\$ -
Total	\$ 766,961	\$ -

District contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a “cafeteria plan” under Section 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 health care and dependent care benefits.

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of 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 for the health care portion of the plan, whether or not such contributions have been made.

Payments of health 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, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All plan property 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 health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 SELF-INSURED HEALTH AND DENTAL PLAN

The District has elected to self-insure their employee dental insurance program and their health insurance program. The District established an internal service fund to account for contributions from other funds for health and dental insurance. Contributions during the year were based on claims history. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year-end. The District recorded total expenses of \$7,385,402 for the year ended June 30, 2018.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

	<u>2018</u>	<u>2017</u>
Beginning Liability - July 1	\$ 271,670	\$ 265,387
Incurred Claims	6,547,564	5,227,343
Claims Payments	<u>6,428,499</u>	<u>5,221,060</u>
Ending Liability - June 30	<u>\$ 390,735</u>	<u>\$ 271,670</u>

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 12 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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 fund. 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.

Operating Leases

The District has commitments under operating leases for facilities and equipment. Some of these operating leases are covered by the levy.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 603,948
2020	310,674
2021	174,499
Total Minimum Lease Payments	<u>\$ 1,089,121</u>

NOTE 13 JOINTLY GOVERNED ORGANIZATIONS

The Cannon Valley Special Education Cooperative (CVSEC) was established by a joint powers agreement pursuant to Minnesota Statutes section 471.59. The purpose of the agreement was to optimize resources and increase efficiencies by creating a special education cooperative to serve children with low incidence disabilities. CVSEC is comprised of four member districts. Each member district shares in the costs of providing all off-site special education programs.

NOTE 14 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Implementation of this standard required the restatement of the July 1, 2017 net position of the governmental activities as follows:

	<u>Governmental Activities</u>
Net Position, July 1, 2017, as Previously Stated	\$ 1,933,598
Cumulative Affect of Application of GASB 75	(5,471,730)
Net Position, July 1, 2017 as Restated	<u>\$ (3,538,132)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

Measurement Date	<u>July 1, 2017</u>
Total OPEB Liability	
Service Cost	\$ 718,218
Interest	503,567
Benefit Payments	<u>(845,157)</u>
Net Change in Total OPEB Liability	376,628
Total OPEB Liability - Beginning	<u>14,511,620</u>
Total OPEB Liability - Ending	<u><u>\$ 14,888,248</u></u>
Covered Employee Payroll	\$ 28,953,340
District's Net OPEB Liability as a Percentage of the Covered Employee Payroll	51.42%

Note 1: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note 2: No assets are accumulated in a trust.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
PERA				
District's Proportion of the Net Pension Liability	0.1306%	0.1171%	0.1188%	0.1183%
District's Proportionate Share of the Net Pension Liability	\$ 8,337,418	\$ 9,507,939	\$ 6,156,833	\$ 5,567,224
State's Proportionate Share of the Net Pension Liability Associated with District	104,856	124,147	-	-
Total	<u>\$ 8,442,274</u>	<u>\$ 9,632,086</u>	<u>\$ 6,156,833</u>	<u>\$ 5,567,224</u>
District's Covered Payroll	\$ 8,479,931	\$ 7,264,732	\$ 6,969,875	\$ 6,211,247
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	99.56%	132.59%	88.33%	89.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%	78.70%
TRA				
District's Proportion of the Net Pension Liability	0.4442%	0.4014%	0.3928%	0.4172%
District's Proportionate Share of the Net Pension Liability	\$ 88,670,378	\$ 95,743,477	\$ 24,298,565	\$ 19,224,276
State's Proportionate Share of the Net Pension Liability Associated with District	8,570,788	9,610,363	2,980,581	1,333,077
Total	<u>\$ 97,241,166</u>	<u>\$ 105,353,840</u>	<u>\$ 27,279,146</u>	<u>\$ 20,557,353</u>
District's Covered Payroll	\$ 23,885,558	\$ 20,803,603	\$ 19,836,024	\$ 18,972,883
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	371.23%	460.23%	122.50%	101.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.57%	44.88%	76.80%	81.50%

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA					
Statutorily Required Contribution	\$ 605,674	\$ 635,996	\$ 544,855	\$ 514,948	\$ 450,316
Contributions in Relation to the Statutorily Required Contribution	(605,674)	(635,996)	(544,855)	(514,948)	(450,316)
Contribution Deficiency (Excess)	<u>\$ -</u>				
District's Covered Payroll	\$ 8,076,280	\$ 8,479,931	\$ 7,264,732	\$ 6,969,875	\$ 6,211,247
Contributions as a Percentage of Covered-Employee Payroll	7.50%	7.50%	7.50%	7.39%	7.25%
TRA					
Statutorily Required Contribution	\$ 1,773,835	\$ 1,791,417	\$ 1,560,272	\$ 1,487,706	\$ 1,328,100
Contributions in Relation to the Statutorily Required Contribution	(1,773,835)	(1,791,417)	(1,560,272)	(1,487,706)	(1,328,100)
Contribution Deficiency (Excess)	<u>\$ -</u>				
District's Covered Payroll	\$ 23,651,122	\$ 23,885,558	\$ 20,803,603	\$ 19,836,024	\$ 18,972,883
Contributions as a Percentage of Covered-Employee Payroll	7.50%	7.50%	7.50%	7.50%	7.00%

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SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 4,962,475	\$ 4,962,475	\$ 4,904,576	\$ (57,899)
Earnings and Investments	18,000	18,000	29,743	11,743
State Sources	<u>521,707</u>	<u>521,707</u>	<u>395,312</u>	<u>(126,395)</u>
Total Revenues	5,502,182	5,502,182	5,329,631	(172,551)
EXPENDITURES				
Debt Service:				
Bond Principal	4,750,000	4,750,000	4,745,000	(5,000)
Bond Interest	932,854	932,854	931,827	(1,027)
Paying Agent Fees and Other	<u>6,000</u>	<u>6,000</u>	<u>6,330</u>	<u>330</u>
Total Expenditures	<u>5,688,854</u>	<u>5,688,854</u>	<u>5,683,157</u>	<u>(5,697)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (186,672)</u>	<u>\$ (186,672)</u>	(353,526)	<u>\$ (166,854)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	154,008	154,008
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>154,008</u>	<u>154,008</u>
Net Change in Fund Balance	<u>\$ (186,672)</u>	<u>\$ (186,672)</u>	(199,518)	<u>\$ (12,846)</u>
FUND BALANCE				
Beginning of Year			1,400,142	
End of Year			<u>\$ 1,200,624</u>	

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF CHANGES IN FUND EQUITIES
YEAR ENDED JUNE 30, 2018**

	Fund Equities				
	June 30, 2017	Revenues	Expenditures	Transfers	Total
GOVERNMENTAL FUNDS					
General Fund					
Nonspendable	\$ 227,057	\$ -	\$ -	\$ 270,602	\$ 497,659
Restricted for Staff Development	-	550,252	550,252	-	-
Restricted for Deferred Maintenance	-	-	-	-	-
Restricted for Health and Safety	(80,201)	(107,885)	-	-	(188,086)
Restricted for Capital Project Levy	-	750,000	750,000	-	-
Restricted for Operating Capital	467,688	1,126,272	1,037,506	-	556,454
Restricted for Learning and Development	-	864,244	864,244	-	-
Restricted for Area Learning Center	-	692,848	930,956	238,108	-
Restricted for Gifted and Talented	-	57,800	57,800	-	-
Restricted for Teacher Development and Evaluation	85,989	-	12,168	-	73,821
Restricted for Basic Skills	-	1,182,657	1,533,947	351,290	-
Restricted for Career and Tech. Programs	-	35,760	135,802	100,042	-
Restricted for Safe Schools	-	161,108	161,108	-	-
Restricted for Basic Skills Extended Time	-	17,524	17,524	-	-
Restricted for LTFM	442,931	1,298,962	1,049,513	-	692,380
Restricted for Medical Assistance	-	289,130	289,130	-	-
Assigned for Severance	4,000,000	-	-	-	4,000,000
Assigned for Special Education	200,000	-	-	-	200,000
Assigned for Tobacco Settlement	19,076	-	-	-	19,076
Assigned for Carry-Over Funds	-	175,025	169,550	(5,475)	-
Unassigned	12,696,685	43,895,695	44,776,127	(954,567)	10,861,686
Total General Fund	18,059,225	50,989,392	52,335,627	-	16,712,990
Food Service Fund					
Nonspendable	19,471	-	-	(4,085)	15,386
Restricted for Other Purposes	746,944	2,186,436	2,150,298	4,085	787,167
Total Food Service Fund	766,415	2,186,436	2,150,298	-	802,553
Community Service Fund					
Nonspendable	1,358	-	-	(858)	500
Restricted for Community Education	360,192	2,087,837	2,197,000	-	251,029
Restricted for E.C.F.E.	106,074	246,452	233,985	-	118,541
Restricted for School Readiness	170,506	303,436	260,787	-	213,155
Restricted for Other Purposes	-	41,533	38,260	(3,273)	-
Unassigned	(5,899)	-	-	4,131	(1,768)
Total Community Service Fund	632,231	2,679,258	2,730,032	-	581,457
Capital Projects Fund					
Restricted for Other Purposes	89,136	-	89,136	-	-
Total Capital Projects Fund	89,136	-	89,136	-	-
Debt Service Fund					
Restricted for Other Purposes	1,400,142	5,483,639	5,683,157	-	1,200,624
Total Debt Service Fund	1,400,142	5,483,639	5,683,157	-	1,200,624
TOTAL GOVERNMENT FUNDS	20,947,149	61,338,725	62,988,250	-	19,297,624
FIDUCIARY FUNDS					
Trust Fund					
Unassigned	164,255	95,844	75,850	-	184,249
Total Trust Fund	164,255	95,844	75,850	-	184,249
TOTAL FIDUCIARY FUNDS	164,255	95,844	75,850	-	184,249
PROPRIETARY FUNDS					
Internal Service Fund					
Unassigned	5,916,446	7,511,639	7,385,402	-	6,042,683
Total Internal Service Fund	5,916,446	7,511,639	7,385,402	-	6,042,683
TOTAL PROPRIETARY FUNDS	5,916,446	7,511,639	7,385,402	-	6,042,683
GRAND TOTAL	\$ 27,027,850	\$ 68,946,208	\$ 70,449,502	\$ -	\$ 25,524,556

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	1-0659-000	\$ 124,157
Cash Assistance:			
Commodity Cash Rebate Program	10.555	1-0659-000	14,166
National School Lunch Program	10.555	1-0659-000	577,653
After School Snack	10.555	1-0659-000	2,933
Subtotal CFDA No. 10.555			<u>718,909</u>
School Breakfast Program	10.553	1-0659-000	111,358
Summer Program	10.559	1-0659-000	22,617
Total Child Nutrition Cluster			<u>\$ 852,884</u>
U.S. Department of Education			
Pass-Through Minnesota Department of Education			
Title I, Part A - Grants to Local Educational Agencies	84.010	1-0659-000	322,746
Title II, Part A - Supporting Effective Instruction State Grant	84.367	1-0659-000	111,792
Title III, Part A - English Language Acquisition Grants	84.365	1-0659-000	33,819
Title IV, Part A - Student Support and Academic Enrichment Grants	84.424A	1-0659-000	4,311
Title IV, Part B - Twenty-First Century Community Learning Centers	84.287C	1-0659-000	72,943
Special Education - Grants for Infants and Families with Disabilities	84.181	1-0659-000	17,487
Special Education - Preschool Grants	84.173	1-0659-000	11,661
Special Education - Grants to States	84.027	1-0659-000	746,927
Multi-Tiered Systems of Support	84.027A	**	58,272
Pass-Through Region 10			
Discretionary Low Incidence	84.027A	**	1,550
Subtotal CFDA No. 84.027			<u>806,749</u>
Total Special Education Cluster			818,410
Pass-Through Independent School District #917			
Carl Perkins Vocational Education Basic Grants to States	84.048A	1-0917-000	6,741
Total Independent School District #917			<u>6,741</u>
Total Federal Awards Expended			<u>\$ 2,241,133</u>

** Not available

See Notes to Schedule of Expenditures of Federal Awards.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 659. The reporting entity is defined in Note 1 to the financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



INDEPENDENT AUDITORS' 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

Board of Education
Independent School District No. 659
Northfield, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 (the District), as of and for the year ended June 30, 2018, 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 21, 2018.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 result 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 communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Rochester, Minnesota
November 21, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Independent School District No. 659
Northfield, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 659's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings 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.

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 above. 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 the Uniform Guidance, 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 have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings 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.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Rochester, Minnesota
November 21, 2018

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 659
Northfield, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 (the District), as of June 30, 2018, and the related notes to the financial statements and have issued our report thereon dated November 21, 2018.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, covers 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. Our study included all of the listed categories.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Rochester, Minnesota
November 21, 2018

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS

FINANCIAL STATEMENTS

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

FEDERAL AWARDS

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, and 10.559 84.010	Child Nutrition Title I

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? _____ yes x no

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

PART II: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS

None

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

Finding: 2018-001

Federal Agency: U.S. Department of Education

Federal Program Title: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Pass-Through Agency: Minnesota Department of Education

Pass-through Number: 1-0659-000

Award Period: July 1, 2017 to September 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Time and Effort Reporting

Criteria: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of time and effort reporting. The District should have internal controls designed to ensure compliance with those provisions.

Condition: The District's time and effort documentation was not completed and reviewed in a timely manner.

Questioned Costs: None

Context: One of the seven employees selected for testing did not have time and effort documentation completed and reviewed in a timely manner. There were no errors noted in the expenditures charged to the program related to the testing.

Effect: The potential exists that a more than inconsequential noncompliance could occur and not be prevented, or detected and corrected, in a timely manner by the District's internal controls.

Cause: The District's internal control procedures, although properly designed, were not followed.

Recommendation: We recommend the District follows the existing internal control procedures in place.

Views of responsible officials and planned corrective actions: There is no disagreement with the finding. The Director of Finance will ensure the required documentation is prepared, reviewed, and approve.

Part IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

None

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
UNIFORM FINANCIAL ACCOUNTING AND REPORTING
STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2018**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 50,434,607	\$ 50,434,592	\$ 15	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	52,181,619	52,181,605	14	Total Expenditures	89,136	89,136	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	497,659	497,658	1	460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
406 Health and Safety	(188,086)	(188,086)	-	413 Projects Funded by COP	-	-	-
407 Capital Project Levy	-	-	-	467 LTFM	-	-	-
408 Cooperative Programs	-	-	-	<i>Restricted:</i>			
413 Projects Funded by COP	-	-	-	464 Restricted Fund Balance	-	-	-
414 Operating Debt	-	-	-	<i>Unassigned:</i>			
416 Levy Reduction	-	-	-	463 Unassigned Fund Balance	-	-	-
417 Taconite Building Maintenance	-	-	-				
424 Operating Capital	556,454	556,454	-	07 DEBT SERVICE			
426 \$25 Taconite	-	-	-	Total Revenue	5,329,631	5,329,631	-
427 Disabled Accessibility	-	-	-	Total Expenditures	5,683,157	5,683,157	-
428 Learning and Development	-	-	-	<i>Nonspendable:</i>			
434 Area Learning Center	-	-	-	460 Nonspendable Fund Balance	-	-	-
435 Contracted Alternative Programs	-	-	-	<i>Restricted/Reserved:</i>			
436 State Approved Alternative Programs	-	-	-	425 Bond Refunding	-	-	-
438 Gifted and Talented	-	-	-	451 QZAB and QSCB Payments	-	-	-
440 Teacher Development and Evaluations	73,821	73,821	-	<i>Restricted:</i>			
441 Basic Skills Programs	-	-	-	464 Restricted Fund Balance	1,200,624	1,200,624	-
445 Career and Technical Programs	-	-	-	<i>Unassigned:</i>			
448 Achievement and Integration	-	-	-	463 Unassigned Fund Balance	-	-	-
449 Safe Schools Crime Levy	-	-	-				
450 Pre-Kindergarten	-	-	-	08 TRUST			
451 QZAB Payments	-	-	-	Total Revenue	95,844	95,843	1
452 OPEB Liability Not Held in Trust	-	-	-	Total Expenditures	75,850	75,850	-
453 Unfunded Severance & Retirement Levy	-	-	-	<i>Net Position:</i>			
459 Basic Skills Extended Time	-	-	-	422 Net Position	184,249	184,249	-
467 LTFM	692,380	692,380	-				
472 Medical Assistance	-	-	-	20 INTERNAL SERVICE			
<i>Restricted:</i>				Total Revenue	7,511,639	7,511,637	2
464 Restricted Fund Balance	-	-	-	Total Expenditures	7,385,402	7,385,401	1
<i>Committed:</i>				<i>Net Position:</i>			
418 Committed for Separation	-	-	-	422 Net Position	6,042,683	6,042,683	-
461 Committed Fund Balance	-	-	-				
<i>Assigned:</i>				25 OPEB REVOCABLE TRUST			
462 Assigned Fund Balance	4,219,076	4,219,076	-	Total Revenue	-	-	-
<i>Unassigned:</i>				Total Expenditures	-	-	-
422 Unassigned Fund Balance	10,861,686	10,861,684	2	<i>Net Position:</i>			
				422 Net Position	-	-	-
02 FOOD SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	2,186,436	2,186,437	(1)	Total Revenue	-	-	-
Total Expenditures	2,150,298	2,150,300	(2)	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Net Position:</i>			
460 Nonspendable Fund Balance	15,386	15,386	-	422 Net Position	-	-	-
<i>Restricted/Reserved:</i>							
452 OPEB Liability Not Held in Trust	-	-	-	47 OPEB DEBT SERVICE			
<i>Restricted:</i>				Total Revenue	-	-	-
464 Restricted Fund Balance	787,167	787,166	1	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Nonspendable:</i>			
463 Unassigned Fund Balance	-	-	-	460 Nonspendable Fund Balance	-	-	-
				<i>Restricted:</i>			
04 COMMUNITY SERVICE				425 Bond Refunding	-	-	-
Total Revenue	2,679,258	2,679,260	(2)	464 Restricted Fund Balance	-	-	-
Total Expenditures	2,730,032	2,730,034	(2)	<i>Unassigned:</i>			
<i>Nonspendable:</i>				463 Unassigned Fund Balance	-	-	-
460 Nonspendable Fund Balance	500	500	-				
<i>Restricted/Reserved:</i>							
426 \$25 Taconite	-	-	-				
431 Community Education	251,029	251,029	-				
432 E.C.F.E.	118,541	118,541	-				
440 Teacher Development and Evaluations	-	-	-				
444 School Readiness	213,155	213,155	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liability Not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	(1,768)	(1,768)	-				

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STUDENT ACTIVITY FUNDS

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 659
Northfield, Minnesota

Report on the Financial Statement

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 659 (the District) as of June 30, 2018, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulatory basis of accounting described in the notes to the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in the note to the financial statements, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statements are prepared by the District in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in the note to the financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of the District as of June 30, 2018, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing procedures.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds of the District as of June 30, 2018, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



CliftonLarsonAllen LLP

Rochester, Minnesota
November 21, 2018

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2018**

Funds	Balance 6/30/17	Receipts and Transfer In	Disbursements and Transfers Out	Balance 6/30/18
Middle School/Elementary				
MS Musical	\$ 4,824	\$ 3,041	\$ 3,496	\$ 4,369
MS Yearbook	13,874	2,132	5,266	10,740
MS Student Council	4,699	7,500	9,767	2,432
GP Student Council	681	445	497	629
Sibley Student Council	1,135	3,317	3,932	520
BW Student Council	3,292	4,170	4,263	3,199
MS Talent Show	1,863	-	-	1,863
Nfld Fastpitch Softball	545	-	-	545
Greenvale Activity	391	-	-	391
ALC Candle Shop	716	5,051	5,308	459
Total Middle School/Elementary Funds	32,020	25,656	32,529	25,147
High School				
Alpine Ski Team	4,058	505	403	4,160
Baseball	2,175	4,066	3,278	2,963
Basketball, Boys	1	1,320	476	845
Basketball, Girls	2,268	4,831	5,863	1,236
Bowling	2,815	2,951	3,456	2,310
Cheer Team	2,176	7,799	6,542	3,433
Cross Country	565	9,795	3,604	6,756
Dance Team	2,211	10,323	10,123	2,411
Football	426	3,150	749	2,827
Golf, Boys	3,032	2,880	433	5,479
Golf, Girls	1,914	3,686	3,052	2,548
Gymnastics	2,065	2,285	262	4,088
Hockey, Boys	438	1,100	-	1,538
Hockey, Girls	2,563	820	2,963	420
Lacrosse, Girls	122	8	-	130
Nordic Skiing	345	5,513	5,343	515
Soccer, Boys	39	-	-	39
Soccer, Girls	3	6,746	-	6,749
Softball	13,384	9,336	8,807	13,913
Swimming, Boys	2,289	14,821	13,857	3,253
Swimming, Girls	6,113	8,524	6,623	8,014
Tennis, Boys	803	3	60	746
Tennis, Girls	575	1,040	935	680
Track, Boys	2,148	2,213	1,694	2,667
Track, Girls	264	1,833	936	1,161
Volleyball	1,069	14,774	7,176	8,667
Weight Lifting	1,333	8,408	3,192	6,549
Wrestling	2,566	4,500	2,206	4,860

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2018**

Funds	Balance 6/30/17	Receipts and Transfer In	Disbursements and Transfers Out	Balance 6/30/18
High School (continued)				
Applied Science Class	\$ 2,894	\$ 4,720	\$ 3,302	\$ 4,312
Art Club	1,183	3,158	2,398	1,943
Band	14,123	17,158	16,594	14,687
Chess Club	202	15	-	217
Costa Rica Trip Fund	11,358	-	-	11,358
DECA	2,457	8,435	8,302	2,590
Drama Club	3,650	9,503	4,846	8,307
Drama/Rock & Roll	5,676	-	5,676	-
Environmental Club	4	-	-	4
Interest/Bank Charges	742	18	32	728
International Club	192	-	-	192
Jazz Band	1,389	1,100	1,724	765
Junior Class	12,004	18,961	18,873	12,092
Leadership Class	2,523	-	-	2,523
Math Team	707	-	33	674
National Honor Society	245	4,570	3,998	817
NHS Film Society	996	-	-	996
Norhian	2,793	-	482	2,311
Orchestra	11,779	1,845	1,104	12,520
Poinsettia Sales	20,423	13,006	8,611	24,818
R.A.L.I.E.	(53)	3,000	2,788	159
Robotics Club	2,508	6,043	7,691	860
Senior Class	25,066	15,248	18,695	21,619
Share	3,475	3,696	2,846	4,325
Ski Club	21,067	-	5,729	15,338
Speech	9,060	4,837	4,424	9,473
Student Council	13,122	3,312	6,836	9,598
Vocal Music	22,129	21,252	29,080	14,301
World History AP	699	-	288	411
Total High School Funds	<u>250,173</u>	<u>273,107</u>	<u>246,385</u>	<u>276,895</u>
Total Student Activity Funds	<u>\$ 282,193</u>	<u>\$ 298,763</u>	<u>\$ 278,914</u>	<u>\$ 302,042</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTE TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Student activity account transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by students, under the guidance of a staff member or other adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund raising events.

The accounts of the Student Activity Fund are maintained, and the accompanying financial statements have been prepared, on the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Student Activity bank deposits are covered by deposit insurance or were properly collateralized.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE
MANUAL FOR ACTIVITY FUND ACCOUNTING**

Board of Education
Independent School District No. 659
Northfield, Minnesota

Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Fund of as of Independent School District No. 659 (the District) and for the year ended June 30, 2018, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated November 21, 2018. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

The Manual for Activity Fund Accounting, issued by the Minnesota Department of Education, provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual.

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 *Manual for Activity Fund Accounting*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

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



CliftonLarsonAllen LLP

Rochester, Minnesota
November 21, 2018

