

**NORTHFIELD PUBLIC SCHOOLS**  
**Office of the Superintendent**  
**Memorandum**

**TO:** Board of Education  
**FROM:** L. Chris Richardson, Ph.D., Superintendent  
**RE:** Table File Items for December 14, 2015, Regular School Board Meeting

VI. Items for Discussion and /or Reports.

2. Greenvale Park Elementary School's School Improvement Plan Presentation.

A power point presentation to accompany Greenvale Park's presentation is enclosed.

3. Additional Information for the 2014-2015 Audit Presentation.

CliftonLarsonAllen, LLP was unable to have the printed copies of the financial statements available tonight. We have included the following additional documents in support of Mr. Fahse's presentation:

1. Updated copy of the Executive Audit Summary. There were some heading errors in the copy included in the Board Packet.
2. Independent Auditor's Report and the Management Discussion & Analysis (MD&A) sections of the audited financial statements. The MD&A is the summary of the financial highlights that Val Mertesdorf compiles.

If you would like a hard copy, printed copies of the financial statements will be available next week. Val Mertesdorf will be emailing the electronic version of the financial statements this evening.

5. Every Student Succeeds Act (ESSA).

Superintendent Richardson will provide an update on the passage of the new federal education bill that replaces No Child Left Behind.

VII. Superintendent's Report

B. Items for Consent Grouping

3. Personnel Items.

a. Appointments.\*

6. Samuel Gainey, Targeted Services PLUS Student Site Assistant at GVP beginning 12/16/2015 – 05/19/2016; \$8.77/hour.
7. Event Workers -- Beginning 12/09/2015: Amrita Bhagia, Rachel Beran, Pamela Hanson and Russ Boyington.

b. Increase/Decrease/Change in Assignment.

22. Kim Medin, Special Education Educational Assistant (SpecEd EA-PCA) at the Middle School for 30.5 hours/week, change to SpecEd EA-PCA for 28 hours/week, GenEd EA for 2 hours/week (30 hours/week) beginning 12/14/2015 – 06/08/2016; SpecEd EA-PCA Step 2, \$14.51/hour; GenEd EA Step 2, \$13.84/hour.

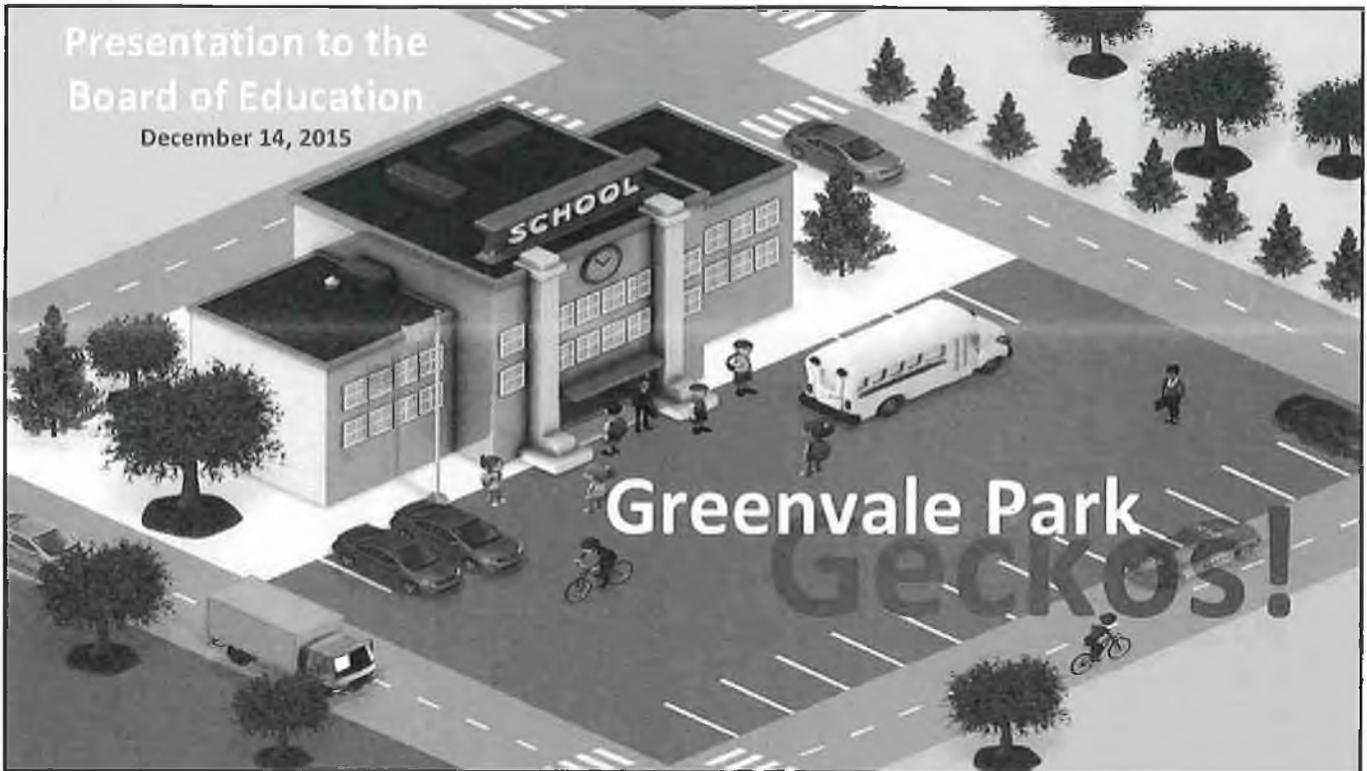
\* Conditional offers of employment are subject to successful completion of a criminal background check.

4. Gift Agreement.

The Board is asked to approve a \$17,392 gift from the Northfield Wrestling Association. This donation provides for the purchase and installation of a middle school wrestling mat hoist to be installed in the small gym at Northfield Middle School.

# Presentation to the Board of Education

December 14, 2015

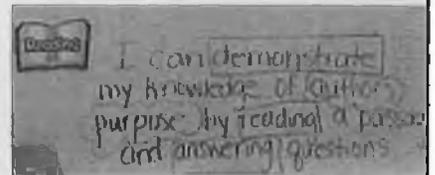


## Greenvale Park

### Reading at GVP

#### Strengthening Core Instruction:

- **Instructional strategies help students to . . .**
  - comprehend text
  - read fluently
  - use early literacy skills (phonemic awareness and phonics)
- **Teachers are empowered to . . .**
  - post and communicate learning targets
  - increase the feedback cycle
- **PLC teams work together to . . .**
  - create common essential learnings, pacing and assessments
  - collaborate with colleagues and share expertise



## Greenvale Park

### Reading at GVP

#### We Love to Read!

February is *I Love to Read Month* so we celebrated all month long with

The ABCs of I Love to Read!

- Literacy Events for each day of the month
- Guest Author on Visitor Day: Northfield's own Packy Mader spent a day with us talking about his books.
- "It's All About Those Books" Video

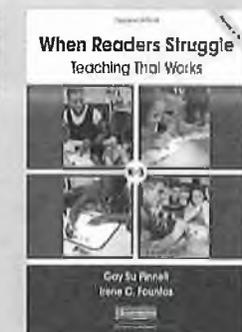
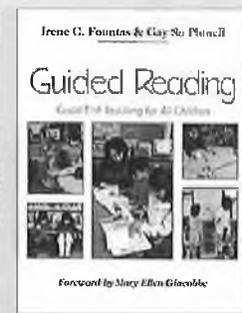
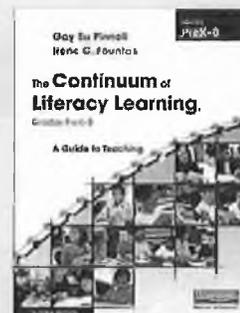


## Greenvale Park

### Reading at GVP

#### Professional Development for 2015-2016

- All teachers of reading will attend sessions on *Guided Reading and Helping the Struggling Reader*.
  - Joyce Gordon, trainer/consultant with Fountas and Pinnell
  - December 15 - 18, 2015
- 9 Staff Meetings Devoted to Reading Instruction
  - Each staff meeting is 40 minutes long.
  - Topics: reader's workshop, guided reading, individual reading conferences, read alouds, miscue analysis, and word work
- Professional Books (from Fountas and Pinnell)
  - The Continuum of Literacy Learning
  - Guided Reading
  - Guiding Readers and Writers
  - When Readers Struggle



## Greenvale Park

### Math at GVP

#### Strengthening Core Instruction:

- Instructional strategies help students to...
  - build math fact and computational fluency
  - deepen problem solving skills and strategies
- Teachers are empowered to...
  - post and communicate learning targets
  - increase the feedback cycle
- PLC teams work together to...
  - create common essential learnings, pacing and assessments
  - collaborate with colleagues and share expertise



## Greenvale Park

### Math Workshop - *a structure for providing differentiated instruction*

#### Typical Format (75-90 minutes)

- Whole-group mini-lesson on grade level concepts
- 3-4 rotations in small groups:
  - Guided math lesson at instructional level with teacher
  - Independent stations/worktime (iPad math apps, math fact fluency, math journals, math games, extension projects, etc.)
- Whole-group reflection/closure

#### Purpose

- Use flexible small groups to teach students at their instructional level.
- Reteach, reinforce, extend and compact concepts as needed.
- Provide a rapid feedback cycle.
- Engage and motivate students.
- Foster both independence and collaboration.
- Help students develop confidence and a growth mindset in math.

## Greenvale Park

### Math Madness Week

#### Goals of Math Madness:

- Generate excitement for math.
- Develop confidence as mathematicians.
- Learn new math skills and concepts.
- Engage in fun and meaningful math activities.

[2015 Math Madness Video](#)



## Greenvale Park Climate at GVP

### Strengthening Core Instruction

Greenvale Park will develop a formal framework for establishing the student, parent, and staff social culture needed to achieve academic/behavioral/social/emotional success for all students.

Responsive Classroom

Positive Behavior Intervention Supports

Character Education

Building-wide Expectations



# Greenvale Park Climate

## Greenvale Park's Expectations

- Set a Goal!
- Persevere!!
- Succeed!!!

**A GECKO IS A HARD  
WORKER!**



Jojo Simonson and Eduardo Gomez Rojas had the best after school Plus attendance for Cabin G in September and October.  
Way to go!



Allison Mathews read all of the Junie B. Jones books in her classroom.  
Nice job, Allison!



Mrs. Gearing's class worked on self control this month and had a goal of less than 10 blurts each day for one week! We did it and even had days with under 5 blurts total for the day.  
Way to go class!

# Greenvale Park Climate

## Greenvale Park's Expectations

- Belong!
- Respect!!
- Work!!!



**EMPATHY:**  
to understand other people's feelings and intentions and showing concern



Daniel Gonzales has been working hard this month on always paying attention and listening even when other around him may be distracting. He has done a great job with self-control, as it isn't easy to stay focused and on-task when there are so many different things going on around him. He talked with me at the beginning of the month and said this was a big goal of his and he has done an excellent job! Great Work Daniel!



What does it mean to be a Gecko?  
"It means self-control and being SO nice to your friends." ~Kindergartener



Danika shows self-control both when there is an adult around and when she is not directly supervised. In the classroom, Danika has been a leader showing her other classmates how to control their bodies both in large and small group settings. Thank you for being such a positive leader!

Questions?





CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAconnect.com

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

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the school board. We encourage you to review the sections of this report, the audited financial statements and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP

Craig Popenhagen, CPA  
Principal

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

**EXECUTIVE AUDIT SUMMARY (EAS)**

**JUNE 30, 2015**

**NORTHFIELD SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
TABLE OF CONTENTS  
JUNE 30, 2015**

<b>EXECUTIVE AUDIT SUMMARY</b>	<b>1</b>
<b>FORMAL REQUIRED COMMUNICATIONS</b>	<b>2</b>
<b>INTERNAL CONTROL COMMUNICATION</b>	<b>6</b>
<b>INTERNAL CONTROL COMMUNICATION – STUDENT ACTIVITY FUNDS</b>	<b>7</b>
<b>APPENDIX A</b>	
<b>FINANCIAL TRENDS OF YOUR DISTRICT</b>	<b>10</b>

**EXECUTIVE AUDIT SUMMARY (EAS) FOR  
INDEPENDENT SCHOOL DISTRICT NO. 659  
YEAR ENDED JUNE 30, 2015**

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the District's financial records for the year ended June 30, 2015.

**Audit Opinion**

The financial statements are fairly stated. We issued what is known as a "clean" audit report.

**Internal Control Over Financial Reporting**

No findings in internal controls were noted.

**Yellow Book Compliance Findings**

No compliance issues were noted in our review of laws, regulations, contracts and grants that could have significant financial implications to the District.

**Single Audit**

No findings were noted relating to compliance and internal control over compliance, based on our audit of compliance of Special Education Cluster programs and Child Nutrition Cluster programs.

**Minnesota Legal Compliance**

No findings related to Minnesota Legal Compliance were noted.

**Student Activity Funds**

The student activity financial statements are prepared on the regulatory basis prescribed or permitted by the Minnesota Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements are fairly stated, except for such adjustments, if any, as might have been determined necessary had the cash collections been susceptible to satisfactory audit tests. This is what is known as a modified opinion and is expected for audits of student activity funds

There were two compliance findings noted for student activity funds. The compliance findings relate to Proper student representative approval and entering into a contract for services.



## FORMAL REQUIRED COMMUNICATIONS

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

We have audited 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, 2015, and have issued our report thereon dated November 30, 2015. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

##### Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements.

Independent School District No. 659 changed accounting policies related to pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and Amendment of GASB Statement No. 68*, at June 30, 2015. As a result, the District restated the July 1, 2014 district-wide net position by \$28,595,119 to record the net pension liability and related deferred outflows and deferred inflows.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education

Board of Education  
Independent School District No. 659

- Due from Federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Estimated severance benefits payable
- Other postemployment benefits payable
- Net Pension Liability

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2014-15. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a statewide database – MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2014-15 is not finalized until well into the next fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of due from Federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2014-15. Many federal entitlements require that supporting financial reporting information be provided both in the UFARS accounting system and also the SERVS reporting system. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of useful lives for depreciable assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of severance payable is based on assumptions made by the District as required by GASB 16 and the results of an actuarial study. A liability has been recorded in long-term debt for accumulated sick leave convertible to early retirement pay for which it is probable the employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), and the potential use of accumulated sick leave prior to termination.

Management's estimate of other postemployment benefits payable is based on an actuarially determined calculation, less actual payments incurred on behalf of retirees and an actuarially determined estimate of implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the District's active employees.

Management's estimate of the net pension liability is based on an actuarially determined calculation of the District's proportionate share of the net pension liability of cost-sharing multiple-employer pension plans sponsored by the Teachers Retirement Association and the Public Employees Retirement Association of Minnesota, in which the District participates.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Board of Education  
Independent School District No. 659

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

**Corrected Misstatements**

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 30, 2015.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Significant Issues Discussed with Management Prior to Engagement**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Other Information in Documents Containing Audited Financial Statements**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Board of Education  
Independent School District No. 659

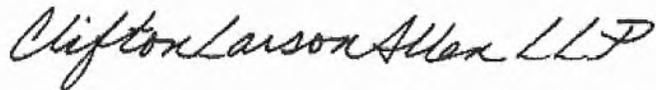
With respect to the Schedule of Expenditures of Federal Awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 30, 2015.

With respect to the Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget to Actual – Debt Service Fund, the Schedule of Changes in Fund Equities, and the Uniform Financial Reporting and Accounting Standards Compliance Table (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 30, 2015.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\*\*\*\*\*

This communication is intended solely for the information and use of the Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 30, 2015



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAconnect.com

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Independent School District No. 659's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

This communication is intended solely for the information and use of management, Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 30, 2015



CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAconnect.com

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

In planning and performing our audit of the financial statement of the student activity funds of Independent School District No.659 as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the student activity funds' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the student activity funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the student activity funds' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 student activity funds' financial statements will not be prevented, or detected and corrected, on a timely basis.

#### **Material Weaknesses**

The material weakness related to student activity receipts that is included in the attached Schedule of Findings and Responses was identified and communicated in a prior period; remedial action has not yet been taken.

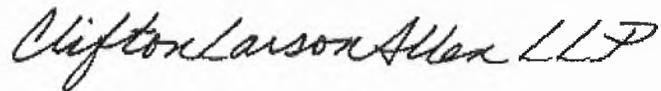
#### **Management's Response**

Independent School District No.659's written response to the material weakness identified in our audit was not subjected to the audit procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Board of Education  
Independent School District No.659

\*\*\*\*\*

This communication is intended solely for the information and use of management, the Board of Education, others within the student activity funds, and the Minnesota Department of Education, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 30, 2015

**Schedule of Findings and Responses:**

**Condition:** The District has not established accounting procedures to provide assurance that all cash collections are recorded in the accounting records. The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure student activity revenues and receipts have been properly recorded. The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the District's internal controls. The accounting system and internal controls could be improved by (a) use of pre-numbered receipts with reconciliation of the numerical sequence, (b) reconciliation of merchandise purchased to items sold and items remaining at the end of the fundraiser, and (c) calculation of expected sales compared to cash receipts or various other procedures determined by management.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement With Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

The District is conscious of the lack of accounting procedures involved with student activity receipts. In consideration of the guiding principles under which the student activity fund was established, the District provides opportunities for substantial student involvement in the selection, direction, and management of fundraisers. This student involvement, although of immeasurable value to those students, is an inherent internal control weakness. Implementation of further internal controls may provide limited improvement in internal controls, but may also reduce the relative value of the student experience. At this time, the District does not intend to implement further internal controls in this area.

**Official Responsible for Ensuring CAP**

Val Mertesdorf, Director of Finance, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP**

December 31, 2015

**Plan to Monitor Completion of CAP**

Superintendent and the board of education will be monitoring this corrective action plan.

# APPENDIX A

## FINANCIAL TRENDS OF YOUR DISTRICT

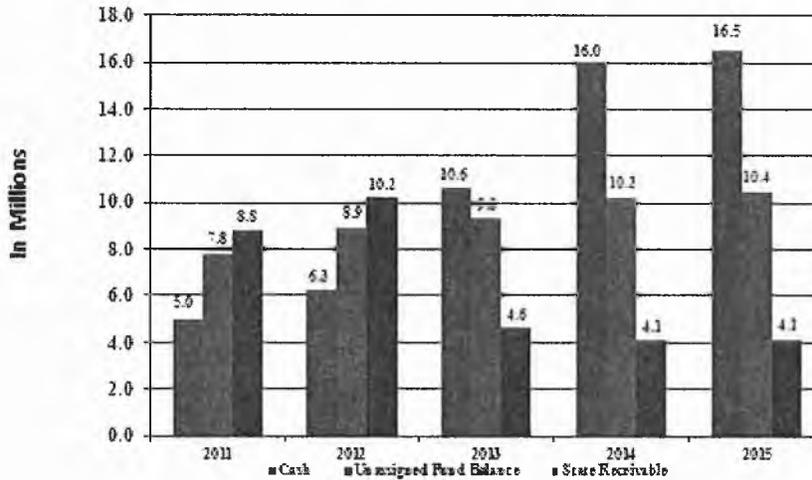
The following graphs reflect financial trends of Independent School District No. 659. Information related to fund balances were obtained from current and prior year audit reports.

INDEPENDENT SCHOOL DISTRICT #659  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

	Nonspendable Assigned & Unassigned	Non-Capital Restrictions	Capital Related Restriction			Total	General Fund Total
			Operating Capital	Health & Safety	Deferred Maintenance		
Revenues	\$ 41,303,320	\$ 3,282,454	\$ 979,699	\$ 164,514	\$ 242,796	\$ 1,387,009	\$ 45,972,783
Expenditures and							
Operating Transfers	40,503,718	3,191,238	835,391	323,397	201,448	1,360,236	45,055,192
Excess (Deficit) Revenues Over Expenditures	799,602	91,216	144,308	(158,883)	41,348	26,773	917,591
Fund Balance June 30, 2014	14,314,376	-	485,653	(41,995)	193,541	637,199	14,951,575
Fund Balance June 30, 2015	\$ 15,113,978	\$ 91,216	\$ 629,961	\$ (200,878)	\$ 234,889	\$ 563,972	\$ 15,869,166


**CliftonLarsonAllen**  
 CLAcconnect.com

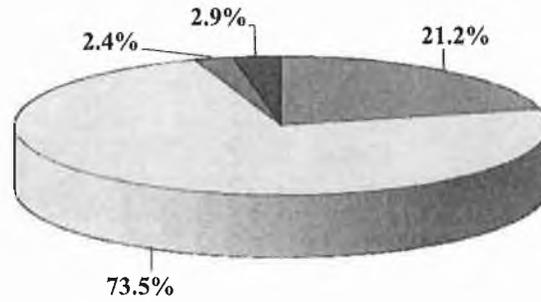
ISD NO. 659 NORTHFIELD  
 General Fund  
 Comparison of Cash Balance, Unassigned Fund Balance and State Receivable




**CliftonLarsonAllen**  
 CLAcconnect.com

ISD NO. 659 NORTHFIELD  
General Fund Revenue  
Year Ended June 30, 2015

\$45,972,783

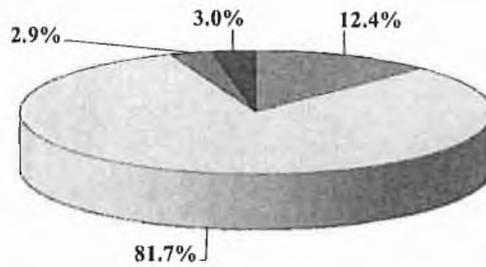


■ Local Property Taxes   □ State Sources   ■ Federal Sources   ■ Other

CliftonLarsonAllen  
CLAnet.com

ISD NO. 659 NORTHFIELD  
General Fund Revenue  
Year Ended June 30, 2014

\$45,529,879

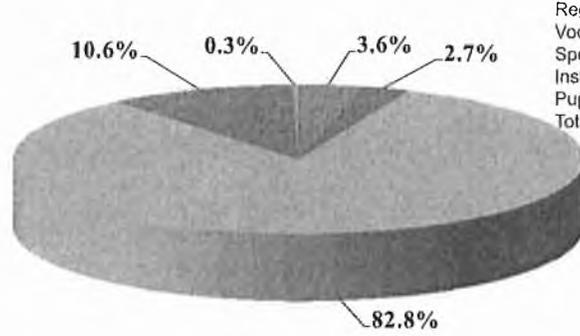


■ Local Property Taxes   □ State Sources   ■ Federal Sources   ■ Other

CliftonLarsonAllen  
CLAnet.com

ISD NO. 659 NORTHFIELD  
 General Fund Expenditures  
 Year Ended June 30, 2015

\$45,055,192



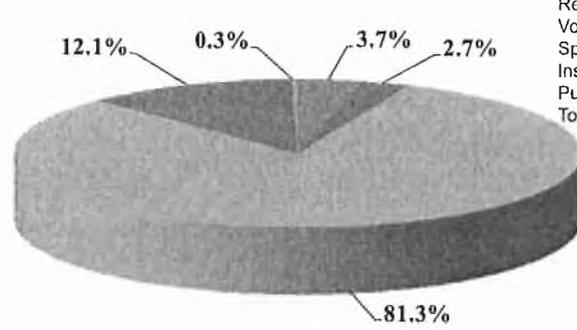
Regular	51.8%
Vocational	0.6%
Special Ed	19.6%
Instruc. Support	3.1%
Pupil Support	<u>7.7%</u>
Total	82.8%

- Administration
- District Support
- Instruction & Support
- Sites & Buildings
- Fiscal & Other Fixed Costs

CliftonLarsonAllen  
 CLAconnect.com

ISD NO. 659 NORTHFIELD  
 General Fund Expenditures  
 Year Ended June 30, 2014

\$42,101,226



Regular	50.6%
Vocational	0.5%
Special Ed	19.2%
Instruc. Support	3.2%
Pupil Support	<u>7.8%</u>
Total	81.3%

- Administration
- District Support
- Instruction & Support
- Sites & Buildings
- Fiscal & Other Fixed Costs

CliftonLarsonAllen  
 CLAconnect.com



CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAconnect.com

## 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 Independent School District No. 659 as of June 30, 2015, 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-Matter Regarding a Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*, as of and for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### **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 Independent School District No. 659 as of and for the year ended June 30, 2014, and we expressed unmodified opinions on those audited financial statements in our report dated October 29, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other 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 Funding Progress for Postemployment Benefit Plan, 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.

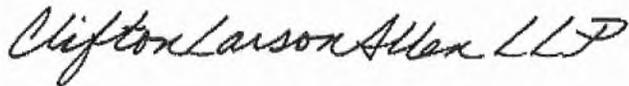
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 659's basic financial statements. The statement of revenues, expenditures, and changes in fund balance – budget to 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 to 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 on our consideration of Independent School District No. 659'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 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 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 Independent School District No. 659's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
November 30, 2015

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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, 2015. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2014-2015 include the following:

- The net position of governmental activities decreased by \$24,023,558 or 77.8% to \$6,846,895. The significant decline is directly related to the required implementation of GASB 68.
- GASB 68 required a proportionate share of the unfunded net pension liabilities of our state pension plans (Public Employees Retirement Association and the Teachers Retirement Association) be recorded as a long term liability. More detailed information is presented in Notes 5 and 7 to the financial statements.
- The District's governmental funds reported a combined fund balance of \$18,465,699, a net increase of \$560,351 in comparison with the prior year. Approximately 56.5% of this total is unassigned.
- Total General Fund revenues were \$45,972,783 and total General Fund expenditures were \$45,055,192 for the fiscal year ended June 30, 2015. Total revenues and expenditures for all governmental funds combined were \$55,917,595 and \$55,357,244 respectively.
- The General Fund Unassigned fund balance increased by \$218,631 to \$10,446,549 or 23.2% of general fund expenditures. The District's long range financial plan calls for a continued build up of the fund balance over the next several years with the increased operating referendum that passed in 2011. This will enable the District to weather the uncertainties of school district funding in future years. The District is in a great financial position to be able to serve the Northfield Community.

**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

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.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

- **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, 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 non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**GOVERNMENT-WIDE STATEMENTS (Continued)**

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, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position from Governmental activities was \$6,915,239 on June 30, 2015. (See Table A-1) This represents a decrease in net position of 77.6%.

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

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Current and Other Assets	\$ 39,476,859	\$ 38,623,607	2.21%
Capital and Non-Current Assets	62,518,438	63,584,007	-1.68%
<b>Total Assets</b>	<u>101,995,297</u>	<u>102,207,614</u>	-0.21%
Deferred Inflows of Resources	4,366,714	-	
Current Liabilities	7,189,136	7,970,049	-9.80%
Long Term Liabilities	69,607,069	48,487,245	43.56%
<b>Total Liabilities</b>	<u>76,796,205</u>	<u>56,457,294</u>	36.03%
Deferred Inflows of Resources	22,718,911	14,879,867	52.68%
Net Position			
Net Investment in Capital Assets	19,861,351	16,556,002	19.96%
Restricted	3,297,327	3,363,151	-1.96%
Unrestricted	(16,311,783)	10,951,300	-248.95%
<b>Total Net Position</b>	<u>\$ 6,846,895</u>	<u>\$ 30,870,453</u>	-77.82%

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 decreased from \$10,951,300 in 2013-14 to -\$16,311,783 in 2014-15. This significant decline is due to the adoption of GASB 68 – Accounting and Financial Reporting for Pensions. The District had to record a proportionate share of the state pension plan's unfunded net pension liability in the amount of \$24,791,497. This new standard does not change how we budget or fund the state pension plans. It is transferring the unfunded net pension liability from TRA and PERA's financial statements to all members of the pension plan.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Total revenues surpassed expenses, increasing net position \$4,571,561 over the prior year.

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

	<b>Governmental Activities for the fiscal year ended June 30,</b>		<b>Total % Change</b>
	<b>2015</b>	<b>2014</b>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 3,463,088	\$ 3,513,301	-1.43%
Operating Grants and Contributions	9,488,763	9,662,879	-1.80%
Capital Grants and Contributions	611,653	454,794	34.49%
<u>General Revenues</u>			
Property Taxes	15,717,834	11,092,616	41.70%
Unrestricted State Aid	26,428,743	27,441,667	-3.69%
Investment Earnings	23,598	29,517	-20.05%
Other	215,128	363,760	-40.86%
Total Revenues	<u>55,948,807</u>	<u>52,558,534</u>	
<b>Expenses</b>			
Administration	1,630,194	1,541,736	5.74%
District Support Services	1,221,162	1,125,102	8.54%
Regular Instruction	25,326,730	23,534,111	7.62%
Vocational Education Instruction	273,941	205,766	33.13%
Special Education Instruction	8,830,364	8,048,147	9.72%
Instructional Support Services	1,373,565	1,322,370	3.87%
Pupil Support Services	3,423,547	3,253,316	5.23%
Sites and Buildings	3,895,453	4,488,898	-13.22%
Fiscal and Other Fixed Cost Programs	141,031	139,733	0.93%
Food Service	2,064,091	1,876,461	10.00%
Community Service	2,125,252	2,314,488	-8.18%
Interest and Fiscal Charges on Long-Term Liabilities	1,071,916	1,639,702	-34.63%
Total Expenses	<u>51,377,246</u>	<u>49,489,830</u>	3.81%
<b>Change in Net Position</b>			
	4,571,561	3,068,704	
Net Position - As Previously Stated	30,870,453	27,801,749	
Restatement	<u>(28,595,119)</u>	<u>-</u>	
Net Position - As Restated	<u>2,275,334</u>	<u>27,801,749</u>	
Net Position - Ending	<u>\$ 6,846,895</u>	<u>\$ 30,870,453</u>	

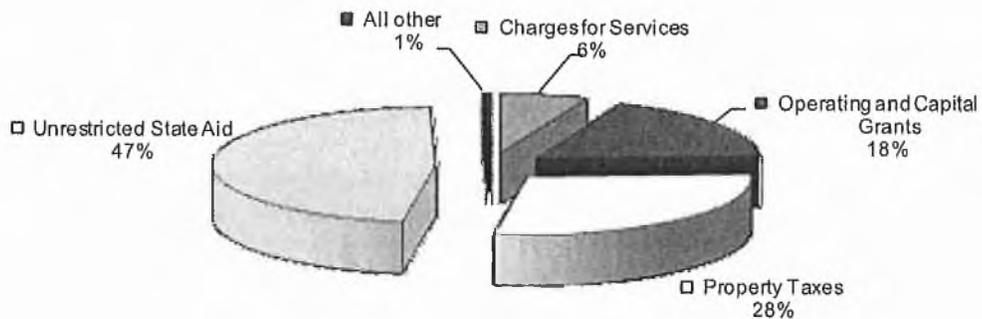
**Changes in net position.** The District's total revenues were \$55,948,807 for the year ended June 30, 2015. Property taxes and state formula aid accounted for 75% of total revenue for the year. (See Figure A-1). Another 24% came from program revenues. Investment earnings and other general revenues amounted to less than 1%.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

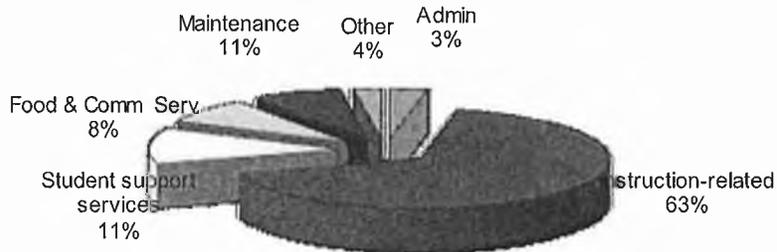
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

The total cost of all programs and services was \$51,377,246. The District's total expenses are predominantly related to educating and caring for students (74%). (See Figure A-2.) The administrative activities of the District accounted for 3% of total expenses.

**Figure A-1 Sources of District's Revenues for Fiscal Year 2015**



**Figure A-2 District Expenses for Fiscal Year 2015**



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

- The cost of all governmental activities this year was \$51,377,246, which is \$1,887,416 or 3.81% more than the prior year.
- Some of the expense was paid by the patrons of the District's programs (\$3,463,088).
- The federal and state governments subsidized certain programs with grants and contributions (\$10,100,416).
- Local property taxes financed \$15,717,834, state aid based on the statewide education aid formula funded \$26,428,743, and investment earnings and other general revenues provided \$238,726 in revenue.

Table A-3  
Change in Net Position

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2014		2015	2014	
Administration	\$ 1,630,194	\$ 1,541,736	5.74%	\$ 1,625,119	\$ 1,541,736	5.41%
District Support Services	1,221,162	1,125,102	8.54%	1,214,842	1,104,466	9.99%
Regular Instruction	25,326,730	23,534,111	7.62%	21,826,200	19,472,534	12.09%
Vocational Education Instruction	273,941	205,766	33.13%	266,260	197,827	34.59%
Special Education Instruction	8,830,364	8,048,147	9.72%	3,426,479	3,014,121	13.68%
Instructional Support Services	1,373,565	1,322,370	3.87%	1,365,593	1,317,652	3.64%
Pupil Support Services	3,423,547	3,253,316	5.23%	3,202,898	3,112,120	2.92%
Sites and Buildings	3,895,453	4,488,898	-13.22%	3,447,058	4,078,528	-15.48%
Fiscal and Other Fixed Cost Programs	141,031	139,733	0.93%	141,031	139,733	0.93%
Food Service	2,064,091	1,876,461	10.00%	5,820	(38,238)	-115.22%
Community Service	2,125,252	2,314,488	-8.18%	220,526	278,675	-20.87%
Interest and Fiscal Charges on Long-Term Liabilities	1,071,916	1,639,702	-34.63%	1,071,916	1,639,702	-34.63%
<b>Total</b>	<b>\$ 51,377,246</b>	<b>\$ 49,489,830</b>	<b>3.81%</b>	<b>\$ 37,813,742</b>	<b>\$ 35,858,856</b>	<b>5.45%</b>

**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 \$18,465,699, which is an increase of \$560,351 from the prior year ending fund balance of \$17,905,348.

Revenues for the District's governmental funds were \$55,917,595 while total expenditures were \$55,357,244, resulting in revenues exceeding expenditures by \$560,351.

**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.

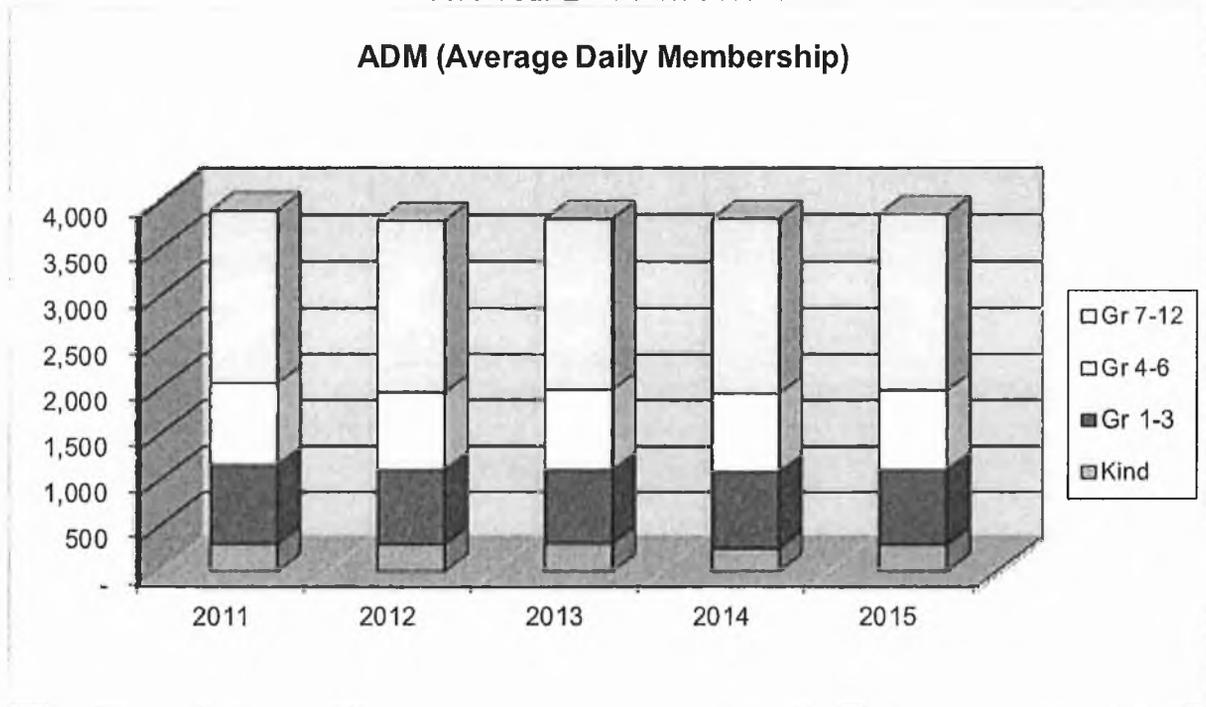
Funding for Minnesota school districts is largely driven by enrollment. Over the last five years, the District's enrollment has remained fairly stable in the number of students. Based on past historical trends and using a traditional cohort survival technique, the District anticipates that the total number of students will remain stable over the next several years.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**GENERAL FUND (CONTINUED)**

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

**Table A-4  
Five-Year Enrollment Trend**



The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2015	June 30, 2014	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 9,763,250	\$ 5,290,057	\$ 4,473,193	84.6%
Earnings on Investments	4,210	10,915	(6,705)	-61.4%
Other	1,321,930	1,258,204	63,726	5.1%
State Sources	33,762,653	34,755,108	(992,455)	-2.9%
Federal Sources	1,120,740	1,215,595	(94,855)	-7.8%
Total General Fund Revenue	<u>\$ 45,972,783</u>	<u>\$ 42,529,879</u>	<u>\$ 3,442,904</u>	8.1%

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**GENERAL FUND (CONTINUED)**

Total General Fund Revenue increased by \$3,442,904 or 8.1% from the previous year. This increase was primarily from the increase in state sources. 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. In fiscal year 2013-14, the State of Minnesota paid back the tax shift of \$4,127,273 which is why it appears we had a significant increase in property tax revenues.

The following schedule presents a summary of General Fund expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2015	June 30, 2014	Increase (Decrease)	Percent
Salaries	\$ 26,087,057	\$ 24,004,882	\$ 2,082,175	8.7%
Employee Benefits	9,507,844	8,804,974	702,870	8.0%
Purchased Services	6,437,273	6,245,294	191,979	3.1%
Supplies and Materials	1,601,629	1,518,934	82,695	5.4%
Capital Expenditures	1,165,556	1,280,721	(115,165)	-9.0%
Other Expenditures	255,833	246,421	9,412	3.8%
Total Expenditures	<u>\$ 45,055,192</u>	<u>\$ 42,101,226</u>	<u>\$ 2,953,966</u>	7.0%

Total General Fund expenditures, capital expenditures included increased \$2,953,966 or 7.0% 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.

In 2014-2015, General Fund revenues were more than expenditures by \$917,591 or 2.0% of total expenditures. After deducting statutory restrictions, the unassigned fund balance increased from \$10,227,918 at June 30, 2014 to \$10,446,549 at June 30, 2015, an increase of \$218,631. The unassigned fund balance represents 23.2% of general fund expenditures which is higher than the Board designated goal of 16%, but in line with our goal to increase fund balance during the first several years of our increased referendum.

**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.

The District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$200,143. The actual results show revenues being larger than expenditures by \$917,591.

- Actual revenues and other financing sources were \$1,437,561 more than expected. This was primarily due to a conservative special education revenue estimate.
- Actual expenditures and other financing uses were \$319,827 more than expected. This was primarily due to a larger than expected number of retirees and severance payments.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**GENERAL FUND (CONTINUED)**

**Table A-7  
General Fund Budget to Actual**

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>	<u>Percent Change</u>
Revenue and Other Financing Sources	\$ 44,535,222	\$ 45,972,783	\$ 1,437,561	3.1%
Expenditures and Other Financing Uses	<u>44,735,365</u>	<u>45,055,192</u>	<u>319,827</u>	0.7%
Net Change	<u>\$ (200,143)</u>	<u>\$ 917,591</u>	<u>\$ 1,117,734</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 390,281 lunches and 108,264 breakfasts to students, in addition to a la carte sales during the 2014-2015 school year.

The fund balance decreased by \$131,254 to \$451,138 during 2014-2015. This was primarily due to finishing a planned capital improvement and a significant increase in food costs over what was anticipated.

Food Service Fund Revenues for 2014-2015 totaled \$2,066,889. This was an increase of \$151,378 or approximately 7.9% from 2013-14.

Food Service Fund Expenditures for 2014-2015 totaled \$2,198,143. This was an increase of \$177,194 or 8.8% from 2013-2014.

**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 for 2014-2015 totaled \$2,280,533. This was a decrease of \$128,561 or 5.3% from 2013-2014.

Community Service Fund Expenditures for 2014-2015 totaled \$2,179,719. This was a decrease of \$147,499 or 6.3% over 2013-2014.

The fund balance has increased from \$334,304 on June 30, 2014 to \$435,118 on June 30, 2015. The majority of the fund balance is reserved for specific purposes based on state requirements.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund is used to account for revenues and expenditures related to the school district's long term capital projects that are funded by the sale of bonds or capital loans. The Capital Project Fund includes activity related to our 2014A Capital Facility Bond to do some roof replacement as well as tuck pointing work that was needed.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**CAPITAL PROJECTS FUND (CONTINUED)**

Capital Project Fund Revenues and Other Financing Sources totaled \$62. This was a decrease of \$1,592,745 or 100% from 2013-2014.

Capital Project Fund Expenditures and Other Financing Uses totaled \$593,327. This was a decrease of \$406,215 or 41% from 2013-2014.

There is no remaining fund balance. All of the projects have been completed.

**DEBT SERVICE FUNDS**

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 increased by \$266,465 in 2014-2015.

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, 2015, fund balance of \$1,710,277 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+.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

At the end of fiscal year 2015, the District had invested \$98,183,335 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-8). Total accumulated depreciation as of June 30, 2015 was \$35,664,897. The current year depreciation expense for Governmental Activities totaled \$2,648,109. More detailed information about capital assets can be found in Note 4 to the financial statements.

**Table A-8  
The District's Capital Assets**

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Land	\$ 968,609	\$ 968,609	0.0%
Construction in progress	-	1,343,964	-100.0%
Land Improvements	3,721,583	3,284,520	13.3%
Buildings and Improvements	89,168,660	87,023,104	2.5%
Equipment	4,324,483	3,997,598	8.2%
Less: Accumulated Depreciation	(35,664,897)	(33,033,788)	8.0%
<b>Total</b>	<u><u>\$ 62,518,438</u></u>	<u><u>\$ 63,584,007</u></u>	<u>-1.7%</u>

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Long-Term Liabilities:**

For the fiscal year ended June 30, 2015, the District had \$74,427,334 in long-term liabilities outstanding, including \$7,055,698 for health benefits, severance and compensated absences. This is an increase of 40.45% from the prior year (see Table A-9). As previously stated, the significant increase is directly related to the implementation of GASB 68. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

**Table A-9  
The District's Long-Term Liabilities**

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 40,355,000	\$ 44,465,000	-9.24%
Net Bond Premium and Discount	1,155,464	1,321,184	-12.54%
Certificates of Participation Payable	1,069,675	1,155,821	-7.45%
Other Postemployment Benefits Payable	6,648,506	5,686,054	16.93%
Severance Benefits Payable	258,146	221,051	16.78%
Compensated Absences Payable	149,046	142,548	4.56%
Net Pension Liability	24,791,497	-	N/A
<b>Total</b>	<u>\$ 74,427,334</u>	<u>\$ 52,991,658</u>	<u>40.45%</u>
Long-Term Liabilities:			
Due Within One Year	\$ 4,820,265	\$ 4,504,413	
Due in More Than One Year	69,607,069	48,487,245	
	<u>\$ 74,427,334</u>	<u>\$ 52,991,658</u>	

**OTHER SELECTED INFORMATION**

The government-wide financial statements now recognize liabilities for severance pay, compensated absences and retiree health benefits for retired employees totaling \$6,049,653. This liability does include an amount for future health benefit costs to employees who have not retired as of June 30, 2015. The District continues to assign funds as available to meet future obligations. A total of \$3,062,204 has been segregated from the Unassigned Fund Balance over the last four 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](http://www.northfieldschools.org) or contact the Finance Department, Independent School District No. 659, 1400 Division Street South, Northfield, Minnesota 55057.

# **NORTHFIELD HIGH SCHOOL**

## **Activities Office**

**TO:** Chris Richardson

**FROM:** Tom Graupmann

**DATE:** December 10, 2015

**RE:** **Gift Agreement**

Enclosed please find a gift agreement in the total amount of **\$17,392.00** from the Northfield Wrestling Association (the James Gang Wrestling Club) for the donation of the installed middle school wrestling mat hoist.

If this meets your approval please pass it on to the School Board for their acceptance.

Thanks!

cc Joel Leer

**NORTHFIELD SCHOOL DISTRICT GIFT AGREEMENT**

This agreement made this 14<sup>th</sup> day of December, 2015  
by and between James Gang Wrestling Club,  
hereinafter the "Donor", and Independent School District No. 659, Northfield Minnesota,  
hereinafter the "District", pursuant to the District's policy for receiving gifts and donations, as  
follows:

TERMS

The donor (James Gang Wrestling Club) agrees to give the district a financial gift of \$17,392.00  
for the complete cost of materials and installation of the middle school wrestling mat hoist. The  
hoist is installed in the small gym at Northfield Middle School.

This allows middle school wrestling to be at the middle school facility, instead of being housed  
in the north balcony of the gym at the high school. Middle School wrestlers will no longer have  
competitions in our high school upper cafeteria and at the same time opens up space at the high  
school for other programs, i.e. dance team, softball, baseball, Rock 'n Roll Revival, etc. In  
addition it also frees up needed storage space at the high school.

*Shirley Murphy*

\_\_\_\_\_  
Donor (James Gang Wrestling Club)

By: \_\_\_\_\_  
Julie Pritchard (Chairperson of the Board of Education)

Approved by resolution of the School Board on the 14 day of  
December, 20 15.

INDEPENDENT SCHOOL DISTRICT No. 659

By: \_\_\_\_\_  
Clerk