

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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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, 2021**

BOARD OF EDUCATION

Julie Pritchard	Chair
Amy Goerwitz	Vice Chair
Noel Stratmoen	Clerk
Jeff Quinnell	Treasurer
Ellen Iverson	Director
Corey Butler	Director
Tom Baraniak	Director

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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, 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.

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 supplementary 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 30, 2021 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 results 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 30, 2021

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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, 2021**

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, 2021. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020-21 include the following:

- The net position of governmental activities increased by \$772,525 to a deficit of \$2,383,331. The change in net position is primarily from the current year operations of the district. The increase in current year operations is mostly related to changes in net pension related deferred inflows, deferred outflows and long-term liabilities in the state pension plans the district participates in.
- The District's governmental funds reported a combined fund balance of \$20,329,287, a net decrease of \$9,317,821 in comparison with the prior year. This decrease is primarily due to the completion of construction projects authorized by the 2019A School Building Bonds totaling \$39,255,000. Approximately 53% of the total fund balance is unassigned.
- Total General Fund revenues and other financing sources were \$58,606,471 and total General Fund expenditures and other financing uses were \$59,010,193 for the fiscal year ended June 30, 2021. Total governmental fund revenues and other financing sources were \$79,968,567 total governmental fund expenditures and other financing uses were \$89,286,388.
- The General Fund Unassigned fund balance decreased by \$1,831,590 to \$10,854,621 or 18% of general fund expenditures. The District had planned to spend down a portion of the unassigned fund balance. 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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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, 2021**

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 custodial 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, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position from Governmental activities was a negative \$2,383,331 on June 30, 2021. (See Table A-1) This represents an increase in net position of \$772,525.

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

	Governmental Activities as of June 30,		Percentage Change
	2021	2020	
Current and Other Assets	\$ 50,849,367	\$ 66,738,023	(23.81)%
Capital Assets	95,394,371	87,927,087	8.49
Total Assets	<u>146,243,738</u>	<u>154,665,110</u>	(5.44)
Deferred Outflows of Resources	16,984,265	30,196,481	(43.75)
Current Liabilities	11,912,717	18,960,902	(37.17)
Long-Term Liabilities	101,824,640	106,224,216	(4.14)
Total Liabilities	<u>113,737,357</u>	<u>125,185,118</u>	(9.14)
Deferred Inflows of Resources	<u>51,873,977</u>	<u>62,832,329</u>	(17.44)
Net Position:			
Net Investment in Capital Assets	40,825,809	33,183,262	23.03
Restricted	3,738,032	4,670,255	(19.96)
Unrestricted	(46,947,172)	(41,009,373)	14.48
Total Net Position	<u>\$ (2,383,331)</u>	<u>\$ (3,155,856)</u>	(24.48)

The District's net position reflects its net investment in capital assets (e.g. land, buildings and furniture and equipment) increased to \$40,825,809. The increase in net investments in capital assets relates to the increase in capital assets attributed to the building construction from the 2019A building bonds. 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 increased to a negative \$46,947,172 in 2020-21. The increase in the unrestricted net position is primarily due to the changes in actuarial assumptions of the Minnesota Teacher Retirement Association (TRA) pension liability.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Total revenues surpassed expenses, increasing net position \$772,525 over the prior year.

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

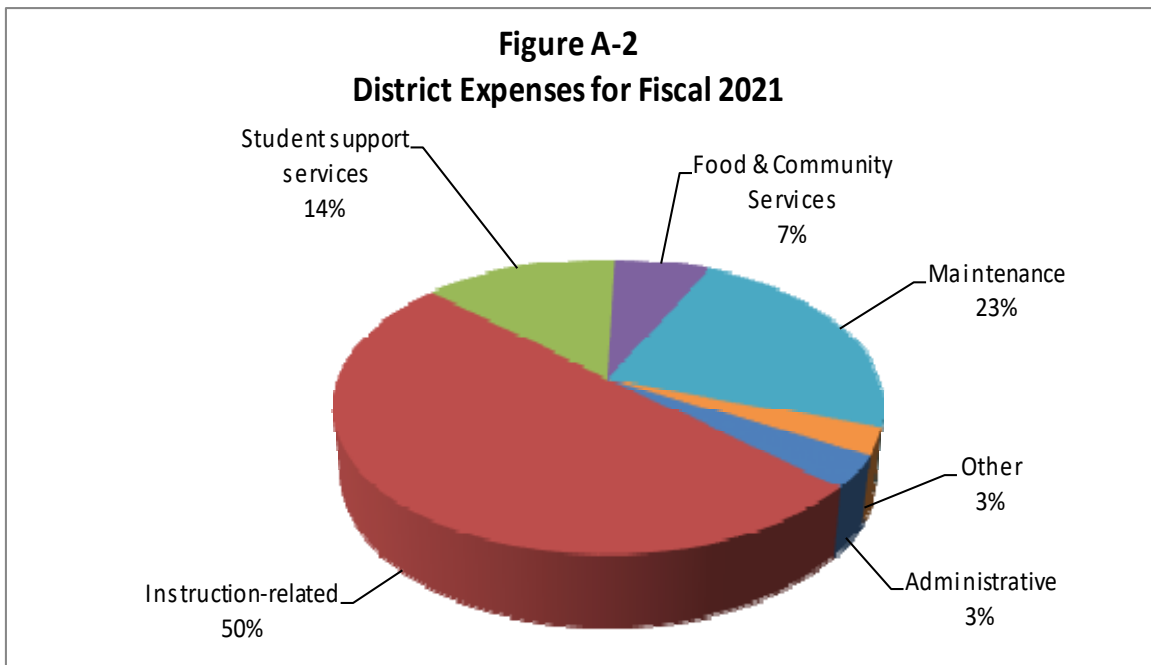
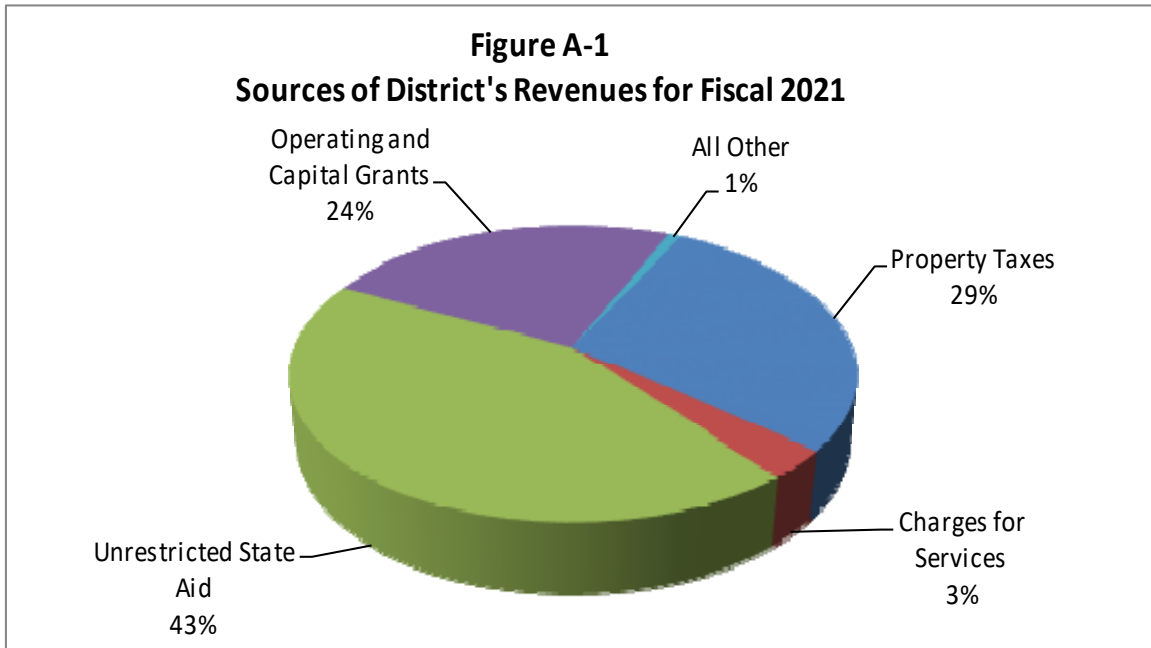
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2021	2020	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 2,160,898	\$ 3,541,838	(38.99)%
Operating Grants and Contributions	15,957,042	13,844,464	15.26
Capital Grants and Contributions	663,857	709,874	(6.48)
<u>General Revenues</u>			
Property Taxes	19,553,884	19,664,006	(0.56)
Unrestricted State Aid	29,766,075	29,520,102	0.83
Investment Earnings	121,945	1,210,365	(89.92)
Other	478,050	359,405	33.01
Total Revenues	<u>68,701,751</u>	<u>68,850,054</u>	(0.22)
Expenses			
Administration	2,322,629	2,087,793	11.25
District Support Services	1,425,316	1,628,893	(12.50)
Regular Instruction	22,078,685	31,501,907	(29.91)
Vocational Education Instruction	270,391	333,218	(18.85)
Special Education Instruction	11,934,604	12,340,687	(3.29)
Instructional Support Services	3,541,781	3,447,974	2.72
Pupil Support Services	4,245,053	4,488,326	(5.42)
Sites and Buildings	15,599,492	5,092,870	206.30
Fiscal and Other Fixed Cost Programs	315,265	213,267	47.83
Food Service	1,755,151	2,251,259	(22.04)
Community Service	2,798,655	3,220,943	(13.11)
Interest and Fiscal Charges on Long-Term Liabilities	1,642,204	1,817,748	(9.66)
Total Expenses	<u>67,929,226</u>	<u>68,424,885</u>	(0.72)
Change in Net Position	772,525	425,169	
Beginning Net Position	(3,155,856)	(3,581,025)	
Ending Net Position	<u>\$ (2,383,331)</u>	<u>\$ (3,155,856)</u>	

Changes in net position. The District's total revenues were \$68,701,751 for the year ended June 30, 2021. Property taxes and state formula aid accounted for 71.8% of total revenue for the year. (See Figure A-1). Another 27.3% came from program revenues. Investment earnings and other general revenues amounted to 0.9%.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The total cost of all programs and services was \$67,929,226. The District's total expenses are predominantly related to educating and supporting students (70.2%). (See Figure A-2.) The administrative activities of the District accounted for 3% of total expenses.



**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

- The cost of all governmental activities this year was \$67,929,226 which is \$495,659 or 0.7% less than the prior year.
- Some of the expenses were paid by the patrons of the District's programs \$2,160,898.
- The federal and state governments subsidized certain programs with grants and contributions \$16,620,899.
- Local property taxes financed \$19,553,884, state aid based on the statewide education aid formula funded \$29,766,075, and investment earnings and other general revenues provided \$599,995 in revenue.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2021	2020		2021	2020	
Administration	\$ 2,322,629	\$ 2,087,793	11.25 %	\$ 2,312,955	\$ 2,077,467	11.34 %
District Support Services	1,425,316	1,628,893	(12.50)	1,422,863	1,506,201	(5.53)
Regular Instruction	22,078,685	31,501,907	(29.91)	18,022,577	27,585,219	(34.67)
Vocational Education Instruction	270,391	333,218	(18.85)	262,612	322,185	(18.49)
Special Education Instruction	11,934,604	12,340,687	(3.29)	3,206,876	4,892,009	(34.45)
Instructional Support Services	3,541,781	3,447,974	2.72	2,893,574	2,511,535	15.21
Pupil Support Services	4,245,053	4,488,326	(5.42)	3,840,200	4,175,720	(8.04)
Sites and Buildings	15,599,492	5,092,870	206.30	14,698,092	4,040,648	263.76
Fiscal and Other Fixed Cost Programs	315,265	213,267	47.83	315,265	213,267	47.83
Food Service	1,755,151	2,251,259	(22.04)	(64,413)	241,910	(126.63)
Community Service	2,798,655	3,220,943	(13.11)	594,624	944,800	(37.06)
Interest and Fiscal Charges on Long-Term Liabilities	1,642,204	1,817,748	(9.66)	1,642,204	1,817,748	(9.66)
Total	\$ 67,929,226	\$ 68,424,885	(0.72)	\$ 49,147,429	\$ 50,328,709	(2.35)

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 \$20,329,287, which is a decrease of \$9,317,821 from the prior year ending fund balance of \$29,647,108.

Revenues and other financing sources for the District's governmental funds were \$79,968,567 while total expenditures and other financing uses were \$89,286,388, resulting in expenditures exceeding revenues by \$9,317,821. This is primarily due to the construction projects authorized by the 2019A School Building Bonds in the amount of \$39,255,000.

GENERAL FUND

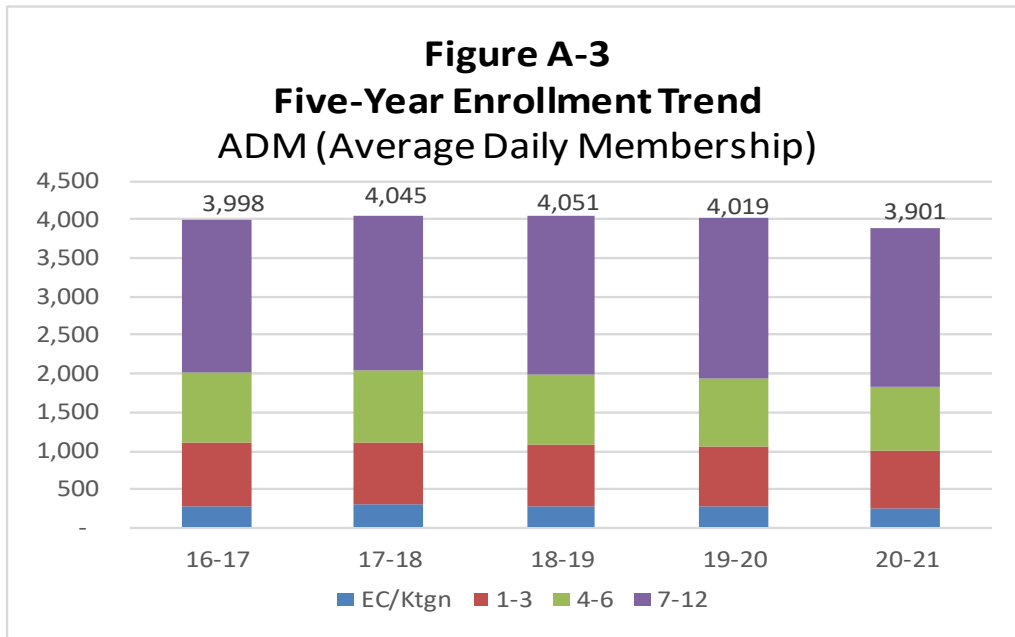
The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

Funding for Minnesota school districts is largely driven by enrollment. Over the last five years, the District's enrollment has declined slightly 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 continue to decline slightly.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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**

	Year Ended		Change	
	June 30, 2021	June 30, 2020	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 14,217,639	\$ 13,865,817	\$ 351,822	2.5 %
Earnings on Investments	21,085	349,996	(328,911)	(94.0)
Other	1,030,683	1,686,811	(656,128)	(38.9)
State Sources	40,135,486	39,595,229	540,257	1.4
Federal Sources	2,593,072	1,428,207	1,164,865	81.6
Total General Fund Revenue	<u>\$ 57,997,965</u>	<u>\$ 56,926,060</u>	<u>\$ 1,071,905</u>	1.9

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND (CONTINUED)

Total General Fund Revenues increased by \$1,071,905 or 1.9% from the previous year. This increase is primarily related to additional federal revenue received due to the pandemic. 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**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2021	June 30, 2020		
Salaries	\$ 33,309,153	\$ 32,668,337	\$ 640,816	2.0 %
Employee Benefits	12,177,650	11,850,628	327,022	2.8
Purchased Services	6,068,611	6,380,489	(311,878)	(4.9)
Supplies and Materials	2,491,657	1,854,599	637,058	34.4
Capital Expenditures	3,705,274	2,276,209	1,429,065	62.8
Other Expenditures	1,257,848	1,451,040	(193,192)	(13.3)
Total Expenditures	<u>\$ 59,010,193</u>	<u>\$ 56,481,302</u>	<u>\$ 2,528,891</u>	4.5

Total General Fund expenditures increased \$2,528,891 or 4.5%. The District saw increased expenditures in capital to finalize the elementary projects from the 2019A Building Bonds. The District saw increased expenditures in supplies and materials as a result of the response to the pandemic and changing nature of our learning models. 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 2020-21, General Fund revenues and other financing sources were less than expenditures by \$403,722 or 0.7% of total expenditures. After deducting statutory restrictions, the unassigned fund balance decreased from \$12,686,211 at June 30, 2020 to \$10,854,621 at June 30, 2021, a decrease of \$1,831,590. The unassigned fund balance represents 18.4% of general fund expenditures which is higher than the Board designated goal of 16%. The District intentionally spent down the fund balance in anticipation of a priority based budget process to balance the budget over the next five years.

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, 2021**

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 \$1,889,588. The actual results show expenditures being more than revenues by \$403,722.

- Actual revenues and other financing sources were \$422,101 more than expected. This was primarily related to capital lease proceeds.
- Actual expenditures and other financing uses were \$1,063,765 less than expected. This was primarily related to the staffing budget. The pandemic resulted in less staff and activities throughout the year.

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

	Final Budget	Actual	Over (Under) Final Budget	Percent Over (Under)
Revenue and Other Financing Sources	\$ 58,184,370	\$ 58,606,471	\$ 422,101	0.7 %
Expenditures and Other Financing Uses	60,073,958	59,010,193	(1,063,765)	(1.8)
Total	<u>\$ (1,889,588)</u>	<u>\$ (403,722)</u>	<u>\$ 1,485,866</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 Child Nutrition Services program is self-contained and does not pull resources away from direct K-12 instruction. The District served 285,866 lunches and 157,010 breakfasts to students, in addition to a la carte sales during the 2020-21 school year.

The fund balance increased by \$68,911 to \$565,938 during 2020-21. This was due to the excellent stewardship of the Child Nutrition department throughout the pandemic.

Food Service Fund Revenues for 2020-21 totaled \$1,824,062. This was a decrease of \$206,496 or approximately 10.2% from 2019-20. The Child Nutrition department had very limited a la carte sales because of the pandemic protocols.

Food Service Fund Expenditures for 2020-21 totaled \$1,755,151. This was a decrease of \$496,108 or 22.0% from 2019-20. The Child Nutrition department had very limited a la carte sales because of the pandemic protocol, this resulted in less expenditures.

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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

COMMUNITY SERVICE FUND (CONTINUED)

Community Service Fund Revenues for 2020-21 totaled \$2,620,337. This was a decrease of \$339,715 or 11.5% from 2019-20. The Community Education department ran significantly less programming due to the pandemic.

Community Service Fund Expenditures for 2019-20 totaled \$2,707,391. This was a decrease of \$383,866 or 12.4% from 2019-20. The Community Education department ran significantly less programming due to the pandemic.

The fund balance has decreased from \$308,736 on June 30, 2020 to \$221,682 on June 30, 2021. 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 2019A School Building Bonds that encompass five building projects throughout the district. Construction started in July 2019 and was completed in January 2021.

Capital Projects Fund Revenues and other financing sources for 2020-21 totaled \$183,181. This was a decrease of \$563,406 or 75.5% from 2019-20.

Capital Projects Fund Expenditures and other financing uses for 2020-21 totaled \$7,686,752. This was a decrease of \$23,215,623 or 75.1% from 2019-20.

The fund balance has decreased from \$7,503,571 on June 30, 2020 to \$0 on June 30, 2021. The projects were completed and the fund was closed.

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 \$1,392,385 in 2020-21. This decrease is related to the \$2,609,000 of capitalized interest from the capital projects fund to pay for a portion of the first two interest payments of the 2019A School Building Bonds. The second payment was paid in 2020-21 which resulted in the decrease.

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, 2021, fund balance of \$1,387,628 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, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the District had invested \$147,514,283 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, 2021 was \$52,119,912. The current year depreciation expense for Governmental Activities totaled \$3,334,621. More detailed information about capital assets can be found in Note 3 to the financial statements.

**Table A-7
Capital Assets**

	2021	2020	Percentage Change
Land	\$ 1,147,910	\$ 1,147,910	-
Construction in Progress	5,500	32,920,721	(100.0)
Land Improvements	4,681,836	4,466,691	4.8
Buildings and Improvements	135,106,767	92,409,645	46.2
Equipment	6,572,270	5,767,411	14.0
Less: Accumulated Depreciation	(52,119,912)	(48,785,291)	6.8
Total District Capital Assets	<u>\$ 95,394,371</u>	<u>\$ 87,927,087</u>	8.5

Long-Term Liabilities

For the fiscal year ended June 30, 2021, the District had \$56,499,312 in long-term liabilities outstanding. This is a decrease of 9.0% from the prior year (see Table A-8). More detailed information about the District's long-term liabilities is presented in Note 4 of the financial statements.

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

	2021	2020	Percentage Change
General Obligation Bonds	\$ 51,015,000	\$ 57,340,000	(11.0)%
Net Bond Premium and Discount	3,002,818	2,289,203	31.2
Certificates of Participation Payable	947,405	1,117,383	(15.2)
Capital Leases Payable	763,275	1,318,165	(42.1)
Severance Payable	532,904	398,913	33.6
Compensated Absences Payable	237,910	234,480	1.5
Total Long-Term Liabilities	<u>\$ 56,499,312</u>	<u>\$ 62,698,144</u>	(9.9)
Long-Term Liabilities:			
Due Within One Year	\$ 3,827,400	\$ 6,068,836	
Due in More Than One Year	52,671,912	56,629,308	
Total	<u>\$ 56,499,312</u>	<u>\$ 62,698,144</u>	

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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, 2021. The District continues to assign funds as available to meet future obligations. A total of \$4,000,000 has been classified as Assigned Fund Balance 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, 201 Orchard 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, 2021**

	Governmental Activities
	2021
ASSETS	
Cash and Investments	\$ 34,413,237
Receivables:	
Property Taxes	9,828,938
Other Governments	5,993,071
Other	544,961
Prepaid Items	34,200
Inventories	34,960
Capital Assets:	
Land and Construction in Progress	1,153,410
Other Capital Assets, Net of Depreciation	94,240,961
Total Assets	146,243,738
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	15,802,228
Other Postemployment Benefits Related	1,182,037
Total Deferred Outflows	16,984,265
LIABILITIES	
Salaries Payable	5,190,947
Accounts Payable	1,551,069
Accrued Interest	839,614
Due to Other Governmental Units	72,326
Unearned Revenue	431,361
Long-Term Liabilities - Due Within One Year	3,827,400
Long-Term Liabilities - Due in More Than One Year	52,671,912
Net Pension Liability	35,110,741
Other Postemployment Benefits Liability - Due Within One Year	951,780
Other Postemployment Benefits Liability - Due in More Than One Year	13,090,207
Total Liabilities	113,737,357
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	19,872,459
Gains on Debt Refunding	122,975
Pension Related	30,214,542
Other Postemployment Benefits Related	1,664,001
Total Deferred Inflows of Resources	51,873,977
NET POSITION	
Net Investment in Capital Assets	40,825,809
Restricted for:	
Operating Capital Purposes	554,717
State-Mandated Reserves	1,653,213
Food Service	565,938
Community Service	374,135
Debt Service	590,029
Unrestricted	(46,947,172)
Total Net Position	\$ (2,383,331)

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Administration	\$ 2,322,629	\$ 1,020	\$ 8,654
District Support Services	1,425,316	-	2,453
Regular Instruction	22,078,685	259,469	3,704,148
Vocational Education Instruction	270,391	-	7,779
Special Education Instruction	11,934,604	330,805	8,396,923
Instructional Support Services	3,541,781	-	574,397
Pupil Support Services	4,245,053	-	196,402
Sites and Buildings	15,599,492	13,095	599,200
Fiscal and Other Fixed Cost Programs	315,265	-	-
Food Service	1,755,151	48,766	1,770,798
Community Service	2,798,655	1,507,743	696,288
Interest and Fiscal Charges on Long-Term Liabilities	1,642,204	-	-
Total School District	<u>\$ 67,929,226</u>	<u>\$ 2,160,898</u>	<u>\$ 15,957,042</u>

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
NET POSITION - ENDING

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2021**

		Net (Expense) Revenue and Change in Net Position
Capital Grants and Contributions	Total Governmental Activities	
\$ -	\$ (2,312,955)	
-	(1,422,863)	
92,491	(18,022,577)	
-	(262,612)	
-	(3,206,876)	
73,810	(2,893,574)	
208,451	(3,840,200)	
289,105	(14,698,092)	
-	(315,265)	
-	64,413	
-	(594,624)	
-	(1,642,204)	
\$ 663,857	(49,147,429)	

14,204,565
412,779
4,936,540
29,766,075
121,945
478,050
49,919,954
772,525
(3,155,856)
\$ (2,383,331)

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 24,603,031	\$ 587,667	\$ 628,398
Receivables:			
Current Property Taxes	6,776,728	-	197,173
Delinquent Property Taxes	104,249	-	3,284
Accounts Receivable	515,611	353	11,831
Due from Other Minnesota School Districts	307,786	-	10,055
Due from Minnesota Department of Education	4,023,614	-	33,529
Due from Federal through Minnesota Department of Education	1,385,152	117,174	-
Due from Other Governmental Units	23,450	-	-
Due from Other Funds	16,437	-	-
Inventory	19,695	15,265	-
Prepays	553,336	-	500
Total Assets	<u>\$ 38,329,089</u>	<u>\$ 720,459</u>	<u>\$ 884,770</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ 5,072,390	\$ 8,143	\$ 110,414
Accounts and Contracts Payable	630,306	31,363	33,536
Due to Other Governmental Units	71,685	-	641
Due to Other Funds	-	-	-
Unearned Revenue	220,620	115,015	95,726
Total Liabilities	<u>5,995,001</u>	<u>154,521</u>	<u>240,317</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes Levied for Subsequent Year	14,087,995	-	419,487
Unavailable Revenue - Delinquent Property Taxes	92,054	-	3,284
Total Deferred Inflows of Resources	<u>14,180,049</u>	<u>-</u>	<u>422,771</u>
Fund Balance:			
Nonspendable:			
Inventory	19,695	15,265	-
Prepays	553,336	-	500
Restricted for:			
Student Activity	222,156	-	-
Scholarships	169,341	-	-
Operating Capital	554,717	-	-
Early Childhood and Family Education	-	-	233,407
Teacher Development and Evaluation	39,308	-	-
School Readiness	-	-	136,944
Safe Schools Levy	41,778	-	-
Long-Term Facilities Maintenance	1,180,630	-	-
Restricted for Other Purposes	-	550,673	-
Assigned for:			
Tobacco Settlement	18,457	-	-
Security System Camera Upgrades	500,000	-	-
Severance - Insurance Premiums	4,000,000	-	-
Unassigned	10,854,621	-	(149,169)
Total Fund Balance	<u>18,154,039</u>	<u>565,938</u>	<u>221,682</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 38,329,089</u>	<u>\$ 720,459</u>	<u>\$ 884,770</u>

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Capital Projects	Debt Service	Total Governmental Funds 2021
\$ -	\$ 3,954,805	\$ 29,773,901
-	2,705,489	9,679,390
-	42,015	149,548
17,087	-	544,882
-	-	317,841
-	92,311	4,149,454
-	-	1,502,326
-	-	23,450
-	-	16,437
-	-	34,960
-	-	553,836
<u>\$ 17,087</u>	<u>\$ 6,794,620</u>	<u>\$ 46,746,025</u>
\$ -	\$ -	\$ 5,190,947
650	-	695,855
-	-	72,326
16,437	-	16,437
-	-	431,361
<u>17,087</u>	<u>-</u>	<u>6,406,926</u>
-	5,364,977	19,872,459
-	42,015	137,353
<u>-</u>	<u>5,406,992</u>	<u>20,009,812</u>
-	-	34,960
-	-	553,836
-	-	222,156
-	-	169,341
-	-	554,717
-	-	233,407
-	-	39,308
-	-	136,944
-	-	41,778
-	-	1,180,630
-	1,387,628	1,938,301
-	-	18,457
-	-	500,000
-	-	4,000,000
-	-	10,705,452
<u>-</u>	<u>1,387,628</u>	<u>20,329,287</u>
<u>\$ 17,087</u>	<u>\$ 6,794,620</u>	<u>\$ 46,746,025</u>

See accompanying Notes to Basic Financial Statements.

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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, 2021**

Total Fund Balance for Governmental Funds	\$	20,329,287
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		1,147,910
Construction in Progress		5,500
Land Improvements, Net of Accumulated Depreciation		1,858,348
Buildings and Improvements, Net of Accumulated Depreciation		89,734,645
Equipment, Net of Accumulated Depreciation		2,647,968
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.		
		137,353
Principal paid on capital lease liability which is paid prior to it becoming due is recorded as a prepaid item in the governmental funds, but for the government-wide purposes is a reduction of the capital lease liability.		
		(519,636)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(839,614)
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		(35,110,741)
Deferred Outflows of Resources - Pensions		15,802,228
Deferred Inflows of Resources - Pensions		(30,214,542)
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		(14,041,987)
Deferred Outflows of Resources - Other Postemployment Benefits		1,182,037
Deferred Inflows of Resources - Other Postemployment Benefits		(1,664,001)
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		(51,015,000)
Unamortized Premiums		(3,002,818)
Certificates of Participation Payable		(947,405)
Capital Lease Payable		(763,275)
Unamortized Gain on Bond Refunding		(122,975)
Severance and Health Benefits Payable		(532,904)
Compensated Absences Payable		(237,910)
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:		
		3,784,201
Total Net Position of Governmental Activities	\$	(2,383,331)

See accompanying Notes to Basic 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, 2021**

	General	Food Service	Major Funds Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 14,217,639	\$ -	\$ 413,302
Earnings and Investments	21,085	165	105
Other	1,030,683	54,799	1,697,199
State Sources	40,135,486	1,611	333,831
Federal Sources	2,593,072	1,767,487	175,900
Total Revenues	<u>57,997,965</u>	<u>1,824,062</u>	<u>2,620,337</u>
EXPENDITURES			
Current:			
Administration	2,175,422	-	-
District Support Services	1,397,128	-	-
Elementary and Secondary Regular Instruction	27,488,963	-	-
Vocational Education Instruction	253,268	-	-
Special Education Instruction	11,221,239	-	-
Instructional Support Services	2,828,800	-	-
Pupil Support Services	4,106,477	-	-
Sites and Buildings	4,761,988	-	-
Fiscal and Other Fixed Cost Programs	315,265	-	-
Food Service	-	1,755,151	-
Community Service	-	-	2,702,808
Capital Outlay	3,705,274	-	4,583
Debt Service:			
Principal	697,601	-	-
Interest and Fiscal Charges	58,768	-	-
Total Expenditures	<u>59,010,193</u>	<u>1,755,151</u>	<u>2,707,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,012,228)	68,911	(87,054)
OTHER FINANCING SOURCES (USES)			
Insurance Recovery	116,137	-	-
Issuance of Refunding Bonds	-	-	-
Bond Premium	-	-	-
Capital Lease Proceeds	492,369	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>608,506</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(403,722)	68,911	(87,054)
FUND BALANCES			
Beginning of Year	18,557,761	497,027	308,736
End of Year	<u>\$ 18,154,039</u>	<u>\$ 565,938</u>	<u>\$ 221,682</u>

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds 2021</u>
\$ -	\$ 4,944,766	\$ 19,575,707
97,221	3,370	121,946
85,960	-	2,868,641
-	923,169	41,394,097
-	-	4,536,459
<u>183,181</u>	<u>5,871,305</u>	<u>68,496,850</u>
-	-	2,175,422
-	-	1,397,128
-	-	27,488,963
-	-	253,268
-	-	11,221,239
-	-	2,828,800
-	-	4,106,477
-	-	4,761,988
-	-	315,265
-	-	1,755,151
-	-	2,702,808
7,686,752	-	11,396,609
-	5,230,000	5,927,601
-	2,136,901	2,195,669
<u>7,686,752</u>	<u>7,366,901</u>	<u>78,526,388</u>
(7,503,571)	(1,495,596)	(10,029,538)
-	-	116,137
-	9,665,000	9,665,000
-	1,198,211	1,198,211
-	-	492,369
-	(10,760,000)	(10,760,000)
-	103,211	711,717
<u>(7,503,571)</u>	<u>(1,392,385)</u>	<u>(9,317,821)</u>
<u>7,503,571</u>	<u>2,780,013</u>	<u>29,647,108</u>
<u>\$ -</u>	<u>\$ 1,387,628</u>	<u>\$ 20,329,287</u>

See accompanying Notes to Basic Financial Statements.

**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, 2021**

Net Change in Fund Balance - Total Governmental Funds \$ (9,317,821)

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	10,801,905
Depreciation Expense	(3,334,621)

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.	(21,823)
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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	(492,369)
Principal Payments - Capital Leases	527,623

Pension expenses in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(1,545,701)
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Other postemployment benefits expenditures in the governmental funds are measured by current year employer contributions. Other postemployment benefits expenses on the statement of activities are measured by the change in the total other postemployment benefits liability and the related deferred inflows and outflows of resources.	(23,792)
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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).	(137,421)
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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	(9,665,000)
Bond Premium or Discount	(1,198,211)
Payment to Refunded Bond Escrow Agent	10,760,000
Repayment of Bond Principal	5,230,000
Change in Accrued Interest Liability	9,199
Repayment of Certificates of Participation Payable	169,978
Amortization of Bond Premium	516,280
Amortization of Bond Discount	(31,684)
Amortization of Deferred Charges on Refunding Bonds	59,670

Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(1,533,687)
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Change in Net Position of Governmental Activities	\$ 772,525
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**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, 2021**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 14,132,124	\$ 14,132,124	\$ 14,217,639	\$ 85,515
Earnings and Investments	350,000	349,983	21,085	(328,898)
Other	1,678,278	1,100,993	1,030,683	(70,310)
State Sources	40,310,185	39,993,804	40,135,486	141,682
Federal Sources	1,389,715	2,492,466	2,593,072	100,606
Total Revenues	<u>57,860,302</u>	<u>58,069,370</u>	<u>57,997,965</u>	<u>(71,405)</u>
EXPENDITURES				
Current:				
Administration	1,993,872	1,999,763	2,175,422	175,659
District Support Services	1,387,675	1,451,382	1,397,128	(54,254)
Elementary and Secondary Regular Instruction	28,957,111	29,512,121	27,488,963	(2,023,158)
Vocational Education Instruction	404,149	352,395	253,268	(99,127)
Special Education Instruction	11,985,152	11,284,123	11,221,239	(62,884)
Instructional Support Services	3,649,435	3,404,923	2,828,800	(576,123)
Pupil Support Services	4,699,975	4,536,649	4,106,477	(430,172)
Sites and Buildings	4,787,988	5,018,130	4,761,988	(256,142)
Fiscal and Other Fixed Cost Programs	222,900	222,900	315,265	92,365
Capital Outlay	2,496,284	1,824,973	3,705,274	1,880,301
Debt Service:				
Principal	420,946	420,946	697,601	276,655
Interest and Fiscal Charges	45,653	45,653	58,768	13,115
Total Expenditures	<u>61,051,140</u>	<u>60,073,958</u>	<u>59,010,193</u>	<u>(1,063,765)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,190,838)	(2,004,588)	(1,012,228)	992,360
OTHER FINANCING SOURCES				
Insurance Recovery	-	115,000	116,137	1,137
Capital Lease Proceeds	-	-	492,369	492,369
Total Other Financing Sources	<u>-</u>	<u>115,000</u>	<u>608,506</u>	<u>493,506</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,190,838)</u>	<u>\$ (1,889,588)</u>	(403,722)	<u>\$ 1,485,866</u>
FUND BALANCE				
Beginning of Year			<u>18,557,761</u>	
End of Year			<u>\$ 18,154,039</u>	

See accompanying Notes to Basic 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, 2021**

	<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	\$ 15,000	\$ 15,000	\$ 165	\$ (14,835)
Other - Primarily Meal Sales	1,264,900	1,264,900	54,799	(1,210,101)
State Sources	112,312	112,312	1,611	(110,701)
Federal Sources	828,032	828,032	1,767,487	939,455
Total Revenues	<u>2,220,244</u>	<u>2,220,244</u>	<u>1,824,062</u>	<u>(396,182)</u>
EXPENDITURES				
Current:				
Food Service	2,405,320	2,405,320	1,755,151	(650,169)
Capital Outlay	28,000	28,000	-	(28,000)
Total Expenditures	<u>2,433,320</u>	<u>2,433,320</u>	<u>1,755,151</u>	<u>(678,169)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (213,076)</u>	<u>\$ (213,076)</u>	68,911	<u>\$ 281,987</u>
FUND BALANCE				
Beginning of Year			<u>497,027</u>	
End of Year			<u>\$ 565,938</u>	

See accompanying Notes to Basic 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, 2021**

	<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	\$ 417,087	\$ 417,087	\$ 413,302	\$ (3,785)
Earnings and Investments	10,000	10,000	105	(9,895)
Other - Primarily Tuition and Fees	2,466,366	1,610,386	1,697,199	86,813
State Sources	294,208	295,408	333,831	38,423
Federal Sources	-	-	175,900	175,900
Total Revenues	<u>3,187,661</u>	<u>2,332,881</u>	<u>2,620,337</u>	<u>287,456</u>
EXPENDITURES				
Current:				
Community Service	3,212,866	2,704,876	2,702,808	(2,068)
Capital Outlay	<u>11,512</u>	<u>6,612</u>	<u>4,583</u>	<u>(2,029)</u>
Total Expenditures	<u>3,224,378</u>	<u>2,711,488</u>	<u>2,707,391</u>	<u>(4,097)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (36,717)</u>	<u>\$ (378,607)</u>	(87,054)	<u>\$ 291,553</u>
FUND BALANCE				
Beginning of Year			<u>308,736</u>	
End of Year			<u>\$ 221,682</u>	

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 659
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2021**

	Governmental Activities - Internal Service Funds
ASSETS	
Cash and Investments	\$ 4,639,336
Accounts Receivable	79
Total Assets	4,639,415
 LIABILITIES	
Accounts Payable	855,214
 NET POSITION	
Unrestricted	\$ 3,784,201

See accompanying Notes to Basic 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, 2021**

	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES	
Charges for Services:	
Health Insurance Premiums	\$ 7,374,397
Dental Insurance Premiums	634,612
Total Operating Revenues	<u>8,009,009</u>
OPERATING EXPENSES	
Health Insurance Claims	7,864,958
Dental Insurance Claims	598,815
General Administration Fees	1,080,683
Total Operating Expenses	<u>9,544,456</u>
OPERATING LOSS	(1,535,447)
NONOPERATING INCOME	
Earnings on Investments	<u>1,760</u>
CHANGE IN NET POSITION	(1,533,687)
Net Position - Beginning	<u>5,317,888</u>
Net Position - Ending	<u><u>\$ 3,784,201</u></u>

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021**

	Governmental Activities - Internal Service Funds
	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 8,071,899
Payments for Health and Dental Insurance Claims	(8,063,152)
Payments for Administrative Fees	(1,080,683)
Net Cash Used by Operating Activities	(1,071,936)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	1,760
Net Cash Provided by Investing Activities	1,760
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,070,176)
 Cash and Cash Equivalents - Beginning of Year	5,709,512
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,639,336
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (1,535,447)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Decrease in Accounts Receivable	62,890
Increase in Accounts Payable	400,621
Total Adjustments	463,511
Net Cash Used by Operating Activities	\$ (1,071,936)

See accompanying Notes to Basic Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

ASSETS

Cash and Investments	\$ -
Total Assets	<u>\$ -</u>

LIABILITIES

Accounts and Contracts Payable	\$ -
Total Liabilities	<u>\$ -</u>

NET POSITION

Held In Trust	<u>\$ -</u>
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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021**

ADDITIONS

Miscellaneous Local Revenue	\$ 10,365
Total Additions	<u>10,365</u>

DEDUCTIONS

Other Expenses	<u>10,365</u>
Total Deductions	<u>10,365</u>

CHANGE IN NET POSITION

Net Position - Beginning of Year	-
Net Position - End of Year	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 659 (the District) 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

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.

The Board establishes broad policies and ensures that appropriate financial records are maintained for student activities, as well as controls and is financially accountable for these activities. Accordingly, the accounts and transactions are included in the financial statements within the General Fund.

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 and statement of Changes in Fiduciary Net Position at the Fund Financial Statement level.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 custodial). 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 District has one fiduciary fund that is considered a custodial fund.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 and fiduciary 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 eligible expenditures are 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. Expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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:

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

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

Custodial Fund – The Custodial Fund is established to account for cash and other assets held by the District as the agent for others.

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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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 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.

I. Inventories

Inventories are recorded using the consumption method of accounting and consist of fuel, food, and other supplies on hand at June 30, 2021, 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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2020 pay 2021 levy, normally revenue for the 2021-22 fiscal year, are also advance recognized at June 30, 2021, as required by state statute to match revenue with the same fiscal year as the related expenditures.

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, 2021, 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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$237,910 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, 2021.

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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 five 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 related to refunding of debt. The fourth type of deferred inflow is pension related. The fifth type of deferred inflow is other postemployment benefit 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 2021-2022 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.

The District's liabilities for compensated absences, severance, pension, and OPEB are generally liquidated by the General Fund.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 policy 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, 2021. 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.

NOTE 2 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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

The District's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

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, 2021, the District's investment balances were as follows:

	2021
External Investment Pools:	
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 11,225,167
MN Trust Investment Shares Portfolio	4,197,671
MN Trust Term Series	9,000,000
MN Trust Limited Term Duration Series	6,399,600
Negotiable Certificates of Deposit	1,747,500
Total District Investments	\$ 32,569,938

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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.

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	\$ 9,518,656
MSDLAF Max Class	1,706,511
Total MSDLAF+	\$ 11,225,167

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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk. (Continued)

The following table summarizes interest rate risk of the District's investments at June 30, 2021:

Type	Total	Maturity Duration in Years			
		Less Than 1	1 to 2	2 to 5	5 to 10
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 11,225,167	\$ 11,225,167	\$ -	\$ -	\$ -
MN Trust	19,597,271	19,597,271	-	-	-
Negotiable Certificates of Deposit	1,747,500	1,747,500	-	-	-
Total	<u>\$ 32,569,938</u>	<u>\$ 32,569,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021, the investment balances were fully covered by insurance for each brokerage firm.

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+ Liquid Class and Max Class	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
Negotiable Certificates of Deposit		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, 2021 which individually comprised more than 5% of total investments.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Balance Sheet Presentation

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

Deposits	\$ 1,842,299
Cash on Hand	1,000
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	11,225,167
MN Trust	19,597,271
Negotiable Certificates of Deposit	1,747,500
Total Cash and Investments	<u>\$ 34,413,237</u>
Cash and Investments - Statement of Net Position	<u>\$ 34,413,237</u>

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

The negotiable certificates of deposit are all categorized as Level 2.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,147,910	\$ -	\$ -	\$ -	\$ 1,147,910
Construction in Progress	32,920,721	5,500	-	(32,920,721)	5,500
Total Capital Assets, Not Being Depreciated	<u>34,068,631</u>	<u>5,500</u>	<u>-</u>	<u>(32,920,721)</u>	<u>1,153,410</u>
Capital Assets, Being Depreciated:					
Land Improvements	4,466,691	215,145	-	-	4,681,836
Buildings and Improvements	92,409,645	9,776,401	-	32,920,721	135,106,767
Equipment	5,767,411	804,859	-	-	6,572,270
Total Capital Assets, Being Depreciated	<u>102,643,747</u>	<u>10,796,405</u>	<u>-</u>	<u>32,920,721</u>	<u>146,360,873</u>
Accumulated Depreciation for:					
Land Improvements	(2,671,912)	(151,576)	-	-	(2,823,488)
Buildings and Improvements	(42,550,916)	(2,821,206)	-	-	(45,372,122)
Equipment	(3,562,463)	(361,839)	-	-	(3,924,302)
Total Accumulated Depreciation	<u>(48,785,291)</u>	<u>(3,334,621)</u>	<u>-</u>	<u>-</u>	<u>(52,119,912)</u>
Total Capital Assets, Being Depreciated, Net	<u>53,858,456</u>	<u>7,461,784</u>	<u>-</u>	<u>32,920,721</u>	<u>94,240,961</u>
Governmental Activities Capital Assets, Net	<u>\$ 87,927,087</u>	<u>\$ 7,467,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,394,371</u>

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

Governmental Activities	
Administration	\$ 2,238
District Support Services	32,931
Regular Instruction	3,081,783
Special Education Instruction	1,255
Instructional Support Services	39,701
Pupil Support Services	16,350
Sites and Buildings	98,697
Food Service	22,430
Community Service	39,236
Total Depreciation Expense, Governmental Activities	<u>\$ 3,334,621</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 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	Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding	
					Due Within One Year	Total
5/13/2014	2.0 - 3.0%	2014A	1,525,000	2/1/2025	\$ 155,000	\$ 640,000
3/23/2017	3.0%	2017A	1,325,000	2/1/2027	130,000	840,000
11/15/2018	5.0%	2018A	7,325,000	2/1/2022	615,000	615,000
1/31/2019	3.0 - 5.0%	2019A	39,255,000	2/1/2039	785,000	39,255,000
10/9/2020	5.0%	2020A	9,665,000	2/1/2025	1,965,000	9,665,000
Total General Obligation Bonds					3,650,000	51,015,000
Bond Premiums					-	3,002,818
Bond Discounts					-	-
Certificates of Participation Payable					177,400	947,405
Capital Lease Payable					-	763,275
Severance and Health Benefits Payable					-	532,904
Compensated Absences Payable					-	237,910
Total					<u>\$ 3,827,400</u>	<u>\$ 56,499,312</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
2022	\$ 3,650,000	\$ 2,185,016
2023	3,955,000	1,892,981
2024	4,130,000	1,701,131
2025	2,445,000	1,500,631
2026	2,085,000	1,465,681
2027-2031	11,600,000	5,858,505
2032-2036	13,755,000	3,459,780
2037-2039	9,395,000	1,108,919
Total	<u>\$ 51,015,000</u>	<u>\$ 19,172,644</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities

General Obligation Bonds

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. This bond was refunded by General Obligation School Building Refunding Bonds, Series 2020A in the year ended June 30, 2021.

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. This bond was refunded by General Obligation School Building Refunding Bonds, Series 2020A in the year ended June 30, 2021.

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.

On November 15, 2018, the District issued \$7,325,000 of General Obligation School Building Refunding Bonds, Series 2018A. The proceeds of this issue were used for a current refunding of the outstanding principal and interest of the District's General Obligation School Building Refunding Bonds, Series 2010A. The refunding resulted in an economic savings of \$169,508 for the District, with a present value of \$158,512.

On January 31, 2019, the District issued \$39,255,000 of General Obligation School Building Bonds, Series 2019A. The proceeds of this issue will be used to finance the acquisition and betterment of school sites and facilities, including construction and equipping of a new elementary school and improvements and additions at the Bridgewater and Sibley Elementary Schools sites, construction and renovations and improvements to the Longfellow School, and the construction of renovations and improvements to the Greenvale Park Elementary School to convert the facility for use as an early childhood center.

On October 9, 2020, the District issued \$9,665,000 of General Obligation School Building Refunding Bonds, Series 2020A. The proceeds of this issue were used for a current refunding of the 2022 through 2024 maturities and 2022 through 2025 maturities of the District's General Obligation School Building Refunding Bonds, Series 2011A and 2012A, respectively. The refunding resulted in an economic savings of \$367,681 for the District, with a present value of \$364,734.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

Compensated Absences Payable

The amount of the estimated obligation at June 30, 2021 is \$237,910. 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, 2021 is \$532,904. 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.

On July 23, 2019, the District raised funds through the issuance of a loan payable. The maximum amount that could be drawn on the loan was \$606,402.50 and was used to purchase an existing property used for storage of building and grounds equipment and supplies. The loan was structured as a lease purchase agreement. Repayment of the principal is made through rental payments.

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, 2021. 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, 2021 is \$1,128,338.

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 212,352
2023	212,352
2024	212,352
2025	140,973
2026	69,592
2027-2030	<u>208,777</u>
Total Minimum Lease Payments	1,056,398
Less Amounts Representing Interest	<u>108,993</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 947,405</u></u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

Capital Lease Payable

The District entered into separate capital leases for the purchase of laptop computers and iPads. The assets relating to the lease were under the District's 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, 2021:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ -
2023	524,299
2024	123,179
2025	128,822
Total Minimum Lease Payments	<u>776,300</u>
Less Amounts Representing Interest	<u>13,025</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 763,275</u></u>

D. Changes in Long-Term Liabilities

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
General Obligation Bonds	\$ 57,340,000	\$ 9,665,000	\$ 15,990,000	\$ 51,015,000
Bond Premiums	2,320,887	1,198,211	516,280	3,002,818
Bond Discount	(31,684)	-	(31,684)	-
Certificates of Participation Payable	1,117,383	-	169,978	947,405
Capital Lease Payable	1,318,165	492,369	1,047,259	763,275
Severance Payable	398,913	133,991	-	532,904
Compensated Absences Payable	234,480	3,430	-	237,910
Total	<u>\$ 62,698,144</u>	<u>\$ 11,493,001</u>	<u>\$ 17,691,833</u>	<u>\$ 56,499,312</u>

NOTE 5 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. Student Activities

In accordance with state statute, the fund balance represents available resources dedicated exclusively for student activities.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 RESTRICTED FUND BALANCES (CONTINUED)

B. Scholarships

In accordance with state statute, the fund balance represents available resources dedicated exclusively for scholarships.

C. Operating Capital

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

D. Teacher Development and Evaluation

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

E. 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 10-year plan.

F. Safe Schools Levy

The fund balance restriction represents accumulated resources available to be used for safe school levy purposes.

G. Early Childhood and Family Education Programs

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

H. School Readiness

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

I. 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 6 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

1. General Employees Retirement Plan (GERF)

GERF covers certain full-time and certain part-time employees of the District, other than teachers. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

The Teacher's Retirement Association (TRA) is an administrator of a multiple employer, cost sharing, defined benefit retirement fund. 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.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities).

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

1. GERF Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years 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.

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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).

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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.

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. GERS Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were \$640,117. The District's contributions were equal to the required contributions for each year as set by state statute.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 contribution rates for the fiscal year for the coordinated plan were 7.5% for the employee and 8.13% for the employer. Basic plan rates were 11% for the employee and 12.13% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2021 were \$2,130,249. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2021, the District reported a liability of \$7,464,344 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 \$16 million. The state of Minnesota is considered a non-employer 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 \$230,104. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .1245% at the end of the measurement period and .1204% for the beginning of the period.

District's Proportionate Share of the Net Pension Liability	\$ 7,464,344
State of Minnesota's Proportionate Share of the Net Liability Associated with the District	<u>230,104</u>
Total	<u><u>\$ 7,694,448</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$402,885 for its proportionate share of GERF's pension expense. It also recognized \$20,026 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Plan.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At June 30, 2021, 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	\$ 68,056	\$ 28,241
Changes in Actuarial Assumptions	-	276,732
Net Difference Between Projected and Actual		
Earnings on Plan Investments	128,952	-
Changes in Proportion	195,893	174,742
District Contributions Subsequent to the Measurement Date	640,117	-
Total	<u>\$ 1,033,018</u>	<u>\$ 479,715</u>

Of the resources related to pensions resulting from District contributions to GERF subsequent to the measurement date, \$640,117 is reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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
2022	\$ (521,797)
2023	47,431
2024	207,213
2025	180,339

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$27,646,397 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2020, 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 0.3742% at the end of the measurement period and 0.4373% for the beginning of the period.

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JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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	\$ 27,646,397
State's Proportionate Share of the Net Pension Liability Associated with the District	2,317,082
Total	<u>\$ 29,963,479</u>

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

For the year ended June 30, 2021, the District recognized an increase in pension expense of \$3,615,701. It also recognized \$212,239 as an increase to pension expense for the support provided by direct aid.

At June 30, 2021, 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	\$ 554,421	\$ 419,045
Changes in Actuarial Assumptions	9,919,549	23,208,486
Net Difference Between Projected and Actual Earnings on Plan Investments	428,080	-
Changes in Proportion	1,736,911	6,107,296
District Contributions Subsequent to the Measurement Date	2,130,249	-
Total	<u>\$ 14,769,210</u>	<u>\$ 29,734,827</u>

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Of the resources related to pensions resulting from the District contributions to TRA subsequent to the measure date, \$2,130,249 is reported as deferred outflows and will be recognized as a reduction in the net pension liability in the year ending June 30, 2022. 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>
2022	\$ 52,313
2023	(8,926,174)
2024	(6,917,356)
2025	(352,458)
2026	(952,191)

3. Aggregate Pension Costs

At June 30, 2021, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	<u>TRA</u>	<u>GERF</u>	<u>Total</u>
Net Pension Liability	\$ 27,646,397	\$ 7,464,344	\$ 35,110,741
Deferred Outflows of Resources	14,769,210	1,033,018	15,802,228
Deferred Inflows of Resources	29,734,827	479,715	30,214,542
Pension Expense	3,827,940	422,911	4,250,851

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.25% per year	2.50%
Active Member Payroll Growth	3.00 per year	2.85% for 10 years and 3.25% thereafter
Investment Rate of Return	7.50%	7.50%

ERA salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table for the General Employees Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

TRA pre-retirement mortality rates were based on the RP-2014 white-collar employee table, male rates set back six years and female rates set back five years. Generational projections use the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white-collar annuitant tables, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality tables, without adjustment. TRA cost of living benefit increases 1.0% for January 2020 through January 2023, then increasing 0.10% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2020, valuation was based on the results of actuarial experience studies. The most recent four-year experience study for the PERA General Employees Plan was completed in 2019. The assumption changes were adopted and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions for PERA occurred in 2020:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

The following changes in plan provisions for PERA occurred in 2020:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

The following changes in actuarial assumptions for TRA occurred in 2020:

- The Cost-of-Living Adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 2 years, (8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5 %	5.10%
Alternative Assets (Private Markets)	25.0	5.90%
Bonds (Fixed Income)	20.0	0.75%
International Stocks	17.5	5.30%
Cash Equivalents	2.0	0.00%
Totals	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total GERP pension liability in 2020 was 7.50%. There was no change since the prior measurement date. 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 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 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 not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 paragraphs, 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 GERF Net Pension Liability	\$ 11,962,754	\$ 7,464,344	\$ 3,753,517
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 42,326,342	\$ 27,646,397	\$ 15,550,865

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

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 1-800-657-3669.

NOTE 7 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 year ended June 30, 2021 was \$542,082. The related employee contributions were \$1,397,429 for the year ended June 30, 2021.

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NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 593 active participants and 66 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing the District's employees and are renegotiated each bargaining period. There are no assets accumulated in a trust and the plan is currently being funded on a pay as you go basis. The Plan does not issue a publicly available financial report.

B. Benefits Provided

Teachers hired before July 1, 2009, who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 10 years are also eligible, along with their spouses, to remain on the District's dental insurance for six years (nine years if hired before September 1, 1987). The District will pay dental insurance at the same rate as active employees.

Certain other nonteaching staff who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 10 years are eligible to remain on the District's health and dental insurance for three to nine years, depending on their contract group. The District will pay the health insurance premiums up to 80% of \$1,000 CMM health plan premium rate, limited to \$400 per month toward the Medicare supplement after age 65. The District will pay dental insurance at the same rate as active employees.

C. Actuarial Methods and Assumptions

The District's total OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to periods included in the measurement date, unless specified otherwise.

Inflation	2.50 %
Salary Increases	varies by service and contract group
	6.50% Decreasing to 5.00% over 6 years
Healthcare Cost Trend Rates	and then to 4% over the next 48 years
Dental Trend Rate	4.00 %

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale (RP-2014 White Collar Mortality Tables (General, Teachers) with MP-2017 Generational Improvement Scale as of the measurement date of July 1, 2019).

**NORTHFIELD PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.40% (3.10% as of the measurement date of July 1, 2019). 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)
	Total OPEB Liability
Balances at July 1, 2020	\$ 15,064,668
Changes for the Year:	
Service Cost	766,224
Interest	477,609
Differences Between Expected and Actual Experience	(1,431,607)
Changes of assumptions	19,928
Benefit Payments	(854,835)
Net Changes	(1,022,681)
Balances at July 1, 2021	\$ 14,041,987

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 1.40 %	Discount Rate 2.40 %	1% Increase 3.40 %
Total OPEB Liability	\$ 14,762,166	\$ 14,041,987	\$ 13,336,160

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 health care cost trend rate that is one percentage point lower or one percentage point higher than the current health care cost trend rate:

	1% Decrease	Selected Trend Rates	1% Increase
		Healthcare Cost Trend Rate	
	5.50% Decreasing to 3.00%	6.50% Decreasing to 4.00%	7.50% Decreasing to 5.00%
	Dental Trend Rate 3%	Dental Trend Rate 4%	Dental Trend Rate 5%
Total OPEB Liability	\$ 13,240,775	\$ 14,041,987	\$ 14,951,846

**NORTHFIELD PUBLIC SCHOOLS
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NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. OPEB Expense

For the year ended June 30, 2021, the District recognized OPEB expense of \$975,572. At June 30, 2021, 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
Differences Between Expected and Actual Experience	\$ 213,176	\$ 1,637,497
Changes of Assumptions	17,081	26,504
District Payment of Benefits Subsequent to the Measurement Date	951,780	-
Total	\$ 1,182,037	\$ 1,664,001

District payment of benefits of \$951,780 were made subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

Year Ending June 30,	Amount
2022	\$ (268,261)
2023	(268,261)
2024	(268,261)
2025	(268,261)
2026	(159,033)
2027	(201,667)

NOTE 9 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.

**NORTHFIELD PUBLIC SCHOOLS
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JUNE 30, 2021**

NOTE 9 FLEXIBLE BENEFIT PLAN (CONTINUED)

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.

NOTE 10 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 \$9,544,456 for the year ended June 30, 2021.

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

	2021	2020
Beginning Liability - July 1	\$ 454,593	\$ 365,830
Incurred Claims	8,463,773	7,560,022
Claims Payments	8,063,152	7,471,259
Ending Liability - June 30	<u>\$ 855,214</u>	<u>\$ 454,593</u>

NOTE 11 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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 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 13 INTERFUND TRANSACTIONS

Due from/to other funds between the General Fund and the Capital Projects Fund of \$16,437 was outstanding at June 30, 2021, to eliminate deficit cash in the Capital Projects Fund. This balance is expected to be repaid within one year.

REQUIRED SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021**

Measurement Date	<u>July 1, 2020</u>	<u>July 1, 2019</u>	<u>July 1, 2018</u>	<u>July 1, 2017</u>
Total OPEB Liability				
Service Cost	\$ 766,224	\$ 730,675	\$ 666,600	\$ 718,218
Interest	477,609	516,743	515,935	503,567
Changes of Benefit Terms	-	-	-	(845,157)
Difference Between Expected and Actual Experience	(1,431,607)	298,446	(718,209)	-
Changes of Assumptions	19,928	-	(46,383)	-
Benefit Payments	(854,835)	(1,020,426)	(766,961)	-
Net Change in Total OPEB Liability	<u>(1,022,681)</u>	<u>525,438</u>	<u>(349,018)</u>	<u>376,628</u>
Total OPEB Liability - Beginning	15,064,668	14,539,230	14,888,248	14,511,620
Total OPEB Liability - Ending	<u>\$ 14,041,987</u>	<u>\$ 15,064,668</u>	<u>\$ 14,539,230</u>	<u>\$ 14,888,248</u>
 Covered Employee Payroll	 \$ 34,264,395	 \$ 32,658,560	 \$ 31,707,340	 \$ 28,953,340
 District's Net OPEB Liability as a Percentage of the Covered Employee Payroll	 40.98%	 46.13%	 45.85%	 51.42%

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.

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 SEVEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
PERA							
District's Proportion of the Net Pension Liability	0.1245%	0.1204%	0.1211%	0.1306%	0.1171%	0.1188%	0.1183%
District's Proportionate Share of the Net Pension Liability	\$ 7,464,344	\$ 6,656,646	\$ 6,718,131	\$ 8,337,418	\$ 9,507,939	\$ 6,156,833	\$ 5,567,224
State's Proportionate Share of the Net Pension Liability Associated with District	230,104	206,991	220,416	104,856	124,147	-	-
Total	<u>\$ 7,694,448</u>	<u>\$ 6,863,637</u>	<u>\$ 6,938,547</u>	<u>\$ 8,442,274</u>	<u>\$ 9,632,086</u>	<u>\$ 6,156,833</u>	<u>\$ 5,567,224</u>
District's Covered Payroll	\$ 8,875,532	\$ 8,521,586	\$ 8,076,280	\$ 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	86.69%	80.54%	85.91%	99.56%	132.59%	88.33%	89.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10%	79.50%	79.50%	75.90%	68.90%	78.20%	78.70%
TRA							
District's Proportion of the Net Pension Liability	0.3742%	0.4373%	0.4314%	0.4442%	0.4014%	0.3928%	0.4172%
District's Proportionate Share of the Net Pension Liability	\$ 27,646,397	\$ 27,873,594	\$ 27,093,120	\$ 88,670,378	\$ 95,743,477	\$ 24,298,565	\$ 19,224,276
State's Proportionate Share of the Net Pension Liability Associated with District	2,317,082	2,466,730	2,545,572	8,570,788	9,610,363	2,980,581	1,333,077
Total	<u>\$ 29,963,479</u>	<u>\$ 30,340,324</u>	<u>\$ 29,638,692</u>	<u>\$ 97,241,166</u>	<u>\$ 105,353,840</u>	<u>\$ 27,279,146</u>	<u>\$ 20,557,353</u>
District's Covered Payroll	\$ 21,744,520	\$ 24,826,654	\$ 23,831,907	\$ 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	127.14%	112.27%	113.68%	371.23%	460.23%	122.50%	101.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.48%	78.07%	78.07%	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 EIGHT FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014
PERA								
Statutorily Required Contribution	\$ 640,117	\$ 665,666	\$ 639,117	\$ 605,674	\$ 635,996	\$ 544,855	\$ 514,948	\$ 450,316
Contributions in Relation to the Statutorily Required Contribution	<u>(640,117)</u>	<u>(665,666)</u>	<u>(639,117)</u>	<u>(605,674)</u>	<u>(635,996)</u>	<u>(544,855)</u>	<u>(514,948)</u>	<u>(450,316)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 8,534,878	\$ 8,875,532	\$ 8,521,586	\$ 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%	7.50%	7.50%	7.50%	7.39%	7.25%
TRA								
Statutorily Required Contribution	\$ 1,722,166	\$ 2,010,880	\$ 1,912,879	\$ 1,773,835	\$ 1,791,417	\$ 1,560,272	\$ 1,487,706	\$ 1,328,100
Contributions in Relation to the Statutorily Required Contribution	<u>(1,722,166)</u>	<u>(2,010,880)</u>	<u>(1,912,879)</u>	<u>(1,773,835)</u>	<u>(1,791,417)</u>	<u>(1,560,272)</u>	<u>(1,487,706)</u>	<u>(1,328,100)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 21,744,520	\$ 24,826,654	\$ 24,810,810	\$ 23,651,122	\$ 23,885,558	\$ 20,803,603	\$ 19,836,024	\$ 18,972,883
Contributions as a Percentage of Covered-Employee Payroll	7.92%	8.10%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

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.

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% 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
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Plan Provisions

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised, the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2020

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January to 1.0, effective January 2019. Beginning January 1, 2024, the COLA will increase .01% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for first COLA changes to normal retirement age (age 65 to 66, age 62 with 30 years of service credit are exempt).
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 2 years (8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions

- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, 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 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost-of-living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2016 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost-of-living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

2014

Changes in Actuarial Assumptions

- The cost-of-living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the year ended June 30:

2020

Changes in Plan Provisions

- There were no changes in plan provisions.
- Mortality rates were updated from MP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Headcount-Weighted Mortality Tables (General Teachers) with MP-2019 Generational Improvement Scales.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.10% to 2.40%.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2019

Changes in Plan Provisions

- There were no changes to plan provisions.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.50% to 3.10%.

2018

Changes in Plan Provisions

- Postemployment subsidized payments for all head custodians are now paid for three years.

Changes in Actuarial Assumptions

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

2017

Changes in Plan Provisions

- There were no changes to plan provisions.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.00% to 3.40%.

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, 2021**

v	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 5,436,718	\$ 5,436,718	\$ 4,944,766	\$ (491,952)
Earnings and Investments	120,000	120,000	3,370	(116,630)
State Sources	654,089	654,089	923,169	269,080
Total Revenues	6,210,807	6,210,807	5,871,305	(339,502)
EXPENDITURES				
Debt Service:				
Bond Principal	5,230,000	5,230,000	5,230,000	-
Bond Interest	2,027,675	2,027,675	2,027,675	-
Paying Agent Fees and Other	7,000	7,000	109,226	102,226
Total Expenditures	7,264,675	7,264,675	7,366,901	102,226
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,053,868)	(1,053,868)	(1,495,596)	(441,728)
OTHER FINANCING SOURCES (USES)				
Sale of Bonds	9,665,000	9,665,000	9,665,000	-
Bond Premium	-	-	1,198,211	1,198,211
Payment to Refunded Bond Escrow Agent	(9,665,000)	(9,665,000)	(10,760,000)	(1,095,000)
Total Other Financing Sources (Uses)	-	-	103,211	103,211
NET CHANGE IN FUND BALANCE	\$ (1,053,868)	\$ (1,053,868)	(1,392,385)	\$ (338,517)
FUND BALANCE				
Beginning of Year			2,780,013	
End of Year			\$ 1,387,628	

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF CHANGES IN FUND EQUITIES
YEAR ENDED JUNE 30, 2021**

	Fund Equities June 30, 2020	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Transfers	Total
GOVERNMENTAL FUNDS					
General Fund:					
Nonspendable	\$ 30,356	\$ -	\$ -	\$ 542,675	\$ 573,031
Restricted for Student Activities	244,239	63,455	90,075	4,537	222,156
Restricted for Scholarships	219,560	79,139	129,358	-	169,341
Restricted for Staff Development	-	565,955	565,955	-	-
Restricted for Capital Project Levy	-	750,000	750,000	-	-
Restricted for Operating Capital	279,224	1,160,588	885,095	-	554,717
Restricted for Learning and Development	-	782,276	782,276	-	-
Restricted for Area Learning Center	-	994,338	841,736	(152,602)	-
Restricted for Gifted and Talented	-	56,059	56,059	-	-
Restricted for Teacher Development and Evaluation	50,546	-	11,238	-	39,308
Restricted for Basic Skills	-	1,003,200	1,561,701	558,501	-
Reserved for Achievement and Integration	-	417,750	391,770	(25,980)	-
Restricted for Safe Schools	-	165,745	123,967	-	41,778
Restricted for Basic Skills Extended Time	-	-	39,604	39,604	-
Restricted for LTFM	1,028,645	1,538,303	1,386,318	-	1,180,630
Restricted for Medical Assistance	-	330,805	330,805	-	-
Assigned for Severance	4,000,000	-	-	-	4,000,000
Assigned for Special Education	-	-	-	500,000	500,000
Assigned for Tobacco Settlement	18,980	-	-	(523)	18,457
Unassigned	12,686,211	50,044,858	50,410,236	(1,466,212)	10,854,621
Total General Fund	18,557,761	57,952,471	58,356,193	-	18,154,039
Food Service Fund:					
Nonspendable	21,958	-	-	(6,693)	15,265
Restricted for Other Purposes	475,069	1,824,062	1,755,151	6,693	550,673
Total Food Service Fund	497,027	1,824,062	1,755,151	-	565,938
Community Service Fund:					
Nonspendable	1,000	-	-	(500)	500
Restricted for Community Education	(57,030)	1,843,887	1,909,239	(500)	(122,882)
Restricted for E.C.F.E.	178,605	252,970	198,168	-	233,407
Restricted for School Readiness	173,471	296,063	332,590	-	136,944
Restricted for Other Purposes	12,690	227,417	267,394	27,287	-
Unassigned	-	-	-	(26,287)	(26,287)
Total Community Service Fund	308,736	2,620,337	2,707,391	-	221,682
Restricted for Other Purposes	7,503,571	183,179	7,686,750	-	-
Total Capital Projects Fund	7,503,571	183,179	7,686,750	-	-
Debt Service Fund:					
Restricted for Other Purposes	2,780,013	16,734,516	18,126,901	-	1,387,628
TOTAL GOVERNMENT FUNDS	29,647,108	79,314,565	88,632,386	-	20,329,287
FIDUCIARY FUNDS					
Custodial Fund:					
Unassigned	-	10,365	10,365	-	-
TOTAL FIDUCIARY FUNDS	-	10,365	10,365	-	-
PROPRIETARY FUNDS					
Internal Service Fund:					
Unassigned	5,317,888	8,010,769	9,544,456	-	3,784,201
TOTAL PROPRIETARY FUNDS	5,317,888	8,010,769	9,544,456	-	3,784,201
GRAND TOTAL	\$ 34,964,996	\$ 87,335,699	\$ 98,187,207	\$ -	\$ 24,113,488

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, 2021**

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education				
Child Nutrition Cluster:				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555	202020N109942	\$ 146,714	\$ -
Cash Assistance:				
Commodity Cash Rebate Program	10.555	202020N109942	3,923	-
After School Snack	10.555	202020N109942	279	-
Subtotal Assistance Listing No. 10.555			<u>150,916</u>	
Summer Program	10.559	202020N109942	<u>1,598,022</u>	-
Total Child Nutrition Cluster			\$ 1,748,938	
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Title I, Part A - Grants to Local Educational Agencies	84.010	S010A190023	380,199	-
Title II, Part A - Supporting Effective Instruction State Grant	84.367	S367A200022	45,230	-
Title III, Part A - English Language Acquisition Grants	84.365	S365A200023	20,769	-
Title IV, Part A - Student Support and Academic Enrichment Grants	84.181	S424A200024	22,869	-
Special Education - Grants for Infants and Families with Disabilities	84.181	H181A190029	<u>26,283</u>	-
Subtotal Assistance Listing No. 84.181			49,152	-
Title IV, Part B - Twenty-First Century Community Learning Centers	84.287C	S287C190023	73,165	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund 2	84.425D	S425D200045	52,008	-
COVID-19 - Expanded Summer Programming	84.425DC	S425D200045	<u>37,908</u>	-
Total Assistance Listing 84.425			<u>89,916</u>	-
			<u>658,431</u>	-
Special Education Cluster:				
Multi-Tiered Systems of Support	84.027A	H027A190087	68,529	-
Special Education - Grants to States	84.027	H027A190087	760,938	-
Special Education - Preschool Grants	84.173	H173A180086	<u>11,436</u>	-
Total Special Education Cluster			840,903	-
Pass-Through Independent School District #917				
Carl Perkins Vocational Education Basic Grants to States	84.048A	V048A190023A	<u>6,124</u>	-
Total U.S. Department of Education			<u>1,505,458</u>	-
U.S. Department of Treasury				
Pass-Through Minnesota Department of Education				
Summer Preschool	21.027C	**	24,000	-
COVID-19 - Coronavirus Relief Fund	21.019C	**	1,055,384	-
Farm to School Grant	21.019C	**	5,000	-
Pass-Through City of Northfield				
COVID-19 - Coronavirus Relief Fund	21.019C	076484856	38,027	-
Pass-Through Greenvale Township				
COVID-19 - Coronavirus Relief Fund	21.019C	**	2,931	-
Pass-Through Goodhue County				
COVID-19 - Coronavirus Relief Fund	21.019C	**	<u>340</u>	-
Subtotal Assistance Listing No. 21.019C			<u>1,101,682</u>	-
Total U.S. Department of Treasury			1,125,682	
U.S. Department of Health and Human Services				
Childcare Development Fund Cluster:				
Childcare Grant	93.575	**	<u>151,900</u>	-
Total Childcare Development Fund Cluster and total U.S. Department of Health and Human Services			151,900	-
Total Federal Awards Expended			<u>\$ 4,531,978</u>	<u>\$ -</u>

** Not available

See accompanying 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, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Northfield Public Schools (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Federal Assistance Listing Number 21.019C, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The District has elected not 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, 2021, 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 30, 2021.

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) 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Rochester, Minnesota
November 30, 2021



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, 2021. 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, 2021.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Rochester, Minnesota
November 30, 2021



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 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, 2021 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 30, 2021.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
November 30, 2021

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of 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? _____ 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? _____ yes x 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)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.019C 84.027 and 84.173	Coronavirus Relief Fund Special Education Cluster

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, 2021**

Section II – Findings Related to Basic Financial Statements

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Awards Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section 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, 2021**

	Audit	UFARS	Difference		Audit	UFARS	Difference
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 58,114,102	\$ 58,114,092	\$ 10	Total Revenue	\$ 183,181	\$ 183,179	\$ 2
Total Expenditures	59,010,193	59,010,183	10	Total Expenditures	7,686,752	7,686,751	1
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	573,031	573,031	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activity	222,156	222,153	3	407 Capital Projects Levy	-	-	-
402 Scholarships	169,341	169,340	1	413 Projects Funded by COP	-	-	-
403 Staff Development	-	-	-	467 LTFM	-	-	-
406 Health and Safety	-	-	-	<i>Restricted:</i>			
407 Capital Project Levy	-	-	-	464 Restricted Fund Balance	-	-	-
408 Cooperative Programs	-	-	-	<i>Unassigned:</i>			
413 Projects Funded by COP	-	-	-	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	07 DEBT SERVICE			
417 Taconite Building Maintenance	-	-	-	Total Revenue	5,871,305	5,871,305	-
424 Operating Capital	554,717	554,717	-	Total Expenditures	7,366,901	7,366,901	-
426 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
427 Disabled Accessibility	-	-	-	460 Nonspendable Fund Balance	-	-	-
428 Learning and Development	-	-	-	<i>Restricted/Reserved:</i>			
434 Area Learning Center	-	-	-	425 Bond Refunding	-	-	-
435 Contracted Alternative Programs	-	-	-	451 QZAB and QSCB Payments	-	-	-
436 State Approved Alternative Programs	-	-	-	<i>Restricted:</i>			
438 Gifted and Talented	-	-	-	464 Restricted Fund Balance	1,387,628	1,387,628	-
440 Teacher Development and Evaluations	39,308	39,308	-	<i>Unassigned:</i>			
441 Basic Skills Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career and Technical Programs	-	-	-				
448 Achievement and Integration	-	-	-	08 TRUST			
449 Safe Schools Crime Levy	41,778	41,778	-	Total Revenue	-	-	-
450 Pre-Kindergarten	-	-	-	Total Expenditures	-	-	-
451 QZAB Payments	-	-	-	<i>Net Position:</i>			
452 OPEB Liability Not Held in Trust	-	-	-	422 Net Position	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-				
459 Basic Skills Extended Time	-	-	-	18 CUSTODIAL			
467 LTFM	1,180,630	1,180,630	-	Total Revenue	10,365	10,365	-
472 Medical Assistance	-	-	-	Total Expenditures	10,365	10,365	-
<i>Restricted:</i>				<i>Net Position:</i>			
464 Restricted Fund Balance	-	-	-	422 Net Position	-	-	-
<i>Committed:</i>							
418 Committed for Separation	-	-	-	20 INTERNAL SERVICE			
461 Committed Fund Balance	-	-	-	Total Revenue	8,010,769	8,010,769	-
<i>Assigned:</i>				Total Expenditures	9,544,456	9,544,456	-
462 Assigned Fund Balance	4,398,413	4,398,414	(1)	<i>Net Position:</i>			
<i>Unassigned:</i>				422 Net Position	3,784,201	3,784,201	-
422 Unassigned Fund Balance	10,974,665	10,974,668	(3)				
02 FOOD SERVICE				25 OPEB REVOCABLE TRUST			
Total Revenue	1,824,062	1,824,057	5	Total Revenue	-	-	-
Total Expenditures	1,755,151	1,755,148	3	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Net Position:</i>			
460 Nonspendable Fund Balance	15,265	15,265	-	422 Net Position	-	-	-
<i>Restricted/Reserved:</i>							
452 OPEB Liability Not Held in Trust	-	-	-	45 OPEB IRREVOCABLE TRUST			
<i>Restricted:</i>				Total Revenue	-	-	-
464 Restricted Fund Balance	550,673	550,673	-	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Net Position:</i>			
463 Unassigned Fund Balance	-	-	-	422 Net Position	-	-	-
04 COMMUNITY SERVICE							
Total Revenue	2,620,337	2,620,330	7	47 OPEB DEBT SERVICE			
Total Expenditures	2,707,391	2,707,385	6	Total Revenue	-	-	-
<i>Nonspendable:</i>				Total Expenditures	-	-	-
460 Nonspendable Fund Balance	500	500	-	<i>Nonspendable:</i>			
<i>Restricted/Reserved:</i>				460 Nonspendable Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	<i>Restricted:</i>			
431 Community Education	(122,882)	(122,883)	1	425 Bond Refunding	-	-	-
432 E.C.F.E.	233,407	233,406	1	464 Restricted Fund Balance	-	-	-
440 Teacher Development and Evaluations	-	-	-	<i>Unassigned:</i>			
444 School Readiness	136,944	136,944	-	463 Unassigned Fund Balance	-	-	-
447 Adult Basic Education	-	-	-				
452 OPEB Liability Not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	-	-	-				