

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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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, 2015**

BOARD OF EDUCATION

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

ADMINISTRATION

Dr. L. Chris Richardson	Superintendent
Val Mertesdorf	Director of Finance
Matt Hillmann	Director of Administrative Services

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FINANCIAL SECTION

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparisons for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

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

Report on Summarized Comparative Information

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 659's basic financial statements. The statement of revenues, expenditures, and changes in fund balance – budget to actual – debt service fund, the schedule of changes in fund equities, and the uniform financial accounting and reporting standards compliance table, as required by Minnesota Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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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, 2015**

This section of Independent School District No. 659's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of the following:

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

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

- **Government-Wide Financial Statements** – The government-wide financial statements, including the Statement of Net Position and Statement of Activities, are designed to provide short-term and long-term information about the District's overall financial status, using accounting methods similar to those used by private sector companies.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- **Fund Financial Statements** – The fund financial statements focus on individual parts of the District, reporting the District's operation in more detail than the government-wide financial statements. The District maintains three groups of fund financial statements:

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

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

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

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

GOVERNMENT-WIDE STATEMENTS

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The fund financial statements provide more detailed information about the District's funds - focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

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

GOVERNMENT-WIDE STATEMENTS (Continued)

The District maintains three kinds of funds:

- **Governmental funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
 - The District uses proprietary funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one proprietary fund; an internal service fund for health and dental insurance benefits.
- **Fiduciary Funds** – *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

**Table A-3
Change in Net Position**

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds, reported a combined fund balance of \$18,465,699, which is an increase of \$560,351 from the prior year ending fund balance of \$17,905,348.

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

GENERAL FUND

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

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

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

GENERAL FUND (CONTINUED)

Total General Fund Revenue increased by \$3,442,904 or 8.1% from the previous year. This increase was primarily from the increase in state sources. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. In fiscal year 2013-14, the State of Minnesota paid back the tax shift of \$4,127,273 which is why it appears we had a significant increase in property tax revenues.

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

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

Total General Fund expenditures, capital expenditures included increased \$2,953,966 or 7.0% due to normal cost inflationary measures, specific Board approved programs and District contract negotiation. The District has been diligent in controlling expenditures in anticipation of little or no funding increases from the State. The District continues to look for cost reductions and other containment measures in all contracted services arrangements currently in place.

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

General Fund Budgetary Highlights

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

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

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

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

GENERAL FUND (CONTINUED)

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>	<u>Percent Change</u>
Revenue and Other				
Financing Sources	\$ 44,535,222	\$ 45,972,783	\$ 1,437,561	3.1%
Expenditures and Other				
Financing Uses	<u>44,735,365</u>	<u>45,055,192</u>	<u>319,827</u>	0.7%
Net Change	<u>\$ (200,143)</u>	<u>\$ 917,591</u>	<u>\$ 1,117,734</u>	

FOOD SERVICE FUND

The Food Service Fund accounts for the activities related to providing nutrition services to the K-12 academic program. The fund operates on the principle of revenues exceeding expenditures on day-to-day operations so that the excess can be used to systematically replace and upgrade kitchen equipment around the district. By operating in this manner, the Student Nutrition Services program is self-contained and does not pull resources away from direct K-12 instruction. The District served 390,281 lunches and 108,264 breakfasts to students, in addition to a la carte sales during the 2014-2015 school year.

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

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

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

COMMUNITY SERVICE FUND

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

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

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

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

CAPITAL PROJECTS FUND

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

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

CAPITAL PROJECTS FUND (CONTINUED)

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

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

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

DEBT SERVICE FUNDS

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

The Debt Service Fund Balance increased by \$266,465 in 2014-2015.

The Minnesota Department of Education monitors fund balances in the Debt Service Fund and limits the amount of funds that can be carried forward. If the fund balance gets too high, future levy authority will be reduced in order to reduce the debt service fund balance to a reasonable level. The June 30, 2015, fund balance of \$1,710,277 plus future levies that include an additional 5% levy to cover late or delinquent property tax payments will provide adequate cash flow for timely payment of principal and interest.

The District's current general obligation bond rating from Standard and Poor's is AA+.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At the end of fiscal year 2015, the District had invested \$98,183,335 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-8). Total accumulated depreciation as of June 30, 2015 was \$35,664,897. The current year depreciation expense for Governmental Activities totaled \$2,648,109. More detailed information about capital assets can be found in Note 4 to the financial statements.

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Long-Term Liabilities:

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

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

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

OTHER SELECTED INFORMATION

The government-wide financial statements now recognize liabilities for severance pay, compensated absences and retiree health benefits for retired employees totaling \$6,049,653. This liability does include an amount for future health benefit costs to employees who have not retired as of June 30, 2015. The District continues to assign funds as available to meet future obligations. A total of \$3,062,204 has been segregated from the Unassigned Fund Balance over the last four years to begin to address this long term liability.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF NET POSITION
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	Governmental Activities	
	2015	2014
ASSETS		
Cash and Investments	\$ 26,150,421	\$ 25,981,884
Receivables		
Property Taxes	7,842,157	7,647,948
Other Governments	5,347,187	4,791,315
Other	58,506	16,248
Prepaid Items	33,815	145,083
Inventories	44,773	41,129
Capital Assets		
Land and Construction in Progress	968,609	2,312,573
Other Capital Assets, Net of Depreciation	61,549,829	61,271,434
Total Assets	<u>101,995,297</u>	<u>102,207,614</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	4,366,714	-
Total Deferred Outflows of Resources	<u>4,366,714</u>	<u>-</u>
LIABILITIES		
Salaries and Payroll Deductions Payable	791,931	767,786
Accounts and Contracts Payable	677,601	1,609,036
Accrued Interest	462,122	501,963
Due to Other Governmental Units	219,325	154,340
Unearned Revenue	217,892	432,511
Long-Term Liabilities		
Portion Due Within One Year	4,820,265	4,504,413
Portion Due in More Than One Year	69,607,069	48,487,245
Total Liabilities	<u>76,796,205</u>	<u>56,457,294</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	15,173,458	14,879,867
Pension Related	7,545,453	-
Total Deferred Inflows of Resources	<u>22,718,911</u>	<u>14,879,867</u>
NET POSITION		
Net Investment in Capital Assets	19,861,351	16,556,002
Restricted for:		
Operating Capital Purposes	629,961	485,653
State-Mandated Reserves	326,105	193,541
Food Service	451,138	582,392
Community Service	457,277	378,288
Capital Projects - Building Construction	-	593,265
Debt Service	1,432,846	1,130,012
Unrestricted	(16,311,783)	10,951,300
Total Net Position	<u>\$ 6,846,895</u>	<u>\$ 30,870,453</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	2015		
Functions	Expenses	Charges for Services	Program Operating Grants and Contributions
Governmental Activities			
Administration	\$ 1,630,194	\$ 5,075	\$ -
District Support Services	1,221,162	6,320	-
Regular Instruction	25,326,730	646,024	2,626,393
Vocational Education Instruction	273,941	-	7,681
Special Education Instruction	8,830,364	242,970	5,160,915
Instructional Support Services	1,373,565	-	-
Pupil Support Services	3,423,547	8,157	212,492
Sites and Buildings	3,895,453	39,155	33,672
Fiscal and Other Fixed Cost Programs	141,031	-	-
Food Service	2,064,091	1,164,864	893,407
Community Service	2,125,252	1,350,523	554,203
Interest and Fiscal Charges on Long-Term Liabilities	1,071,916	-	-
Total School District	\$ 51,377,246	\$ 3,463,088	\$ 9,488,763

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 - As Previously Stated
Restatement
Net Position - As Restated
Net Position - Ending

See accompanying Notes to Financial Statements.

	2015	2014
Revenues	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
\$ -	\$ (1,625,119)	\$ (1,541,736)
-	(1,214,842)	(1,104,466)
228,113	(21,826,200)	(19,472,534)
-	(266,260)	(197,827)
-	(3,426,479)	(3,014,121)
7,972	(1,365,593)	(1,317,652)
-	(3,202,898)	(3,112,120)
375,568	(3,447,058)	(4,078,528)
-	(141,031)	(139,733)
-	(5,820)	38,238
-	(220,526)	(278,675)
-	(1,071,916)	(1,639,702)
<u>\$ 611,653</u>	<u>(37,813,742)</u>	<u>(35,858,856)</u>

9,781,333	5,294,002
394,717	195,773
5,541,784	5,602,841
26,428,743	27,441,667
23,598	29,517
215,128	363,760
<u>42,385,303</u>	<u>38,927,560</u>
4,571,561	3,068,704
30,870,453	27,801,749
(28,595,119)	-
<u>2,275,334</u>	<u>27,801,749</u>
<u>\$ 6,846,895</u>	<u>\$ 30,870,453</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 16,491,945	\$ 491,032	\$ 696,683
Receivables			
Current Property Taxes	4,725,929	-	199,952
Delinquent Property Taxes	172,221	-	7,614
Due from Other Minnesota School Districts	96,665	-	3,003
Due from Minnesota Department of Education	4,121,934	11,321	28,550
Due from Federal through Minnesota Department of Education	1,017,852	5,579	-
Due from Federal Government Received Directly	32,923	-	-
Due from Other Governmental Units	19,478	-	4,726
Other Receivables	49,795	1,128	7,136
Prepaid Items	27,177	1,040	5,598
Inventory	32,184	12,589	-
Total Assets	<u>\$ 26,788,103</u>	<u>\$ 522,689</u>	<u>\$ 953,262</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Salaries and Payroll Deductions Payable	\$ 745,277	\$ 2,129	\$ 44,525
Accounts and Contracts Payable	298,157	13,124	22,707
Due to Other Governmental Units	217,039	-	2,286
Unearned Revenue	130,121	56,298	31,473
Total Liabilities	<u>1,390,594</u>	<u>71,551</u>	<u>100,991</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	9,379,434	-	409,539
Unavailable Revenue - Delinquent Property Taxes	148,909	-	7,614
Total Deferred Inflows of Resources	<u>9,528,343</u>	<u>-</u>	<u>417,153</u>
Fund Balance			
Nonspendable			
Prepaid Items	27,177	1,040	5,598
Inventory	32,184	12,589	-
Restricted for			
Health and Safety	(200,878)	-	-
Deferred Maintenance	234,889	-	-
Operating Capital	629,961	-	-
Teacher Development and Evaluation	91,216	-	-
Community Education Programs	-	-	340,641
Early Childhood and Family Education Programs	-	-	48,553
School Readiness	-	-	54,872
Other Purposes	-	437,509	-
Assigned For			
Severance - Insurance Premiums	3,762,204	-	-
Special Education	200,000	-	-
Tobacco Settlement	20,869	-	-
Carry-Over Funds	41,458	-	-
Self-Insurance	583,537	-	-
Unassigned	10,446,549	-	(14,546)
Total Fund Balance	<u>15,869,166</u>	<u>451,138</u>	<u>435,118</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 26,788,103</u>	<u>\$ 522,689</u>	<u>\$ 953,262</u>

See accompanying Notes to Financial Statements.

Major Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2015	2014
\$ -	\$ 4,460,908	\$ 22,140,568	\$ 23,032,795
-	2,628,698	7,554,579	7,382,725
-	107,743	287,578	265,223
-	-	99,668	112,087
-	5,156	4,166,961	4,092,472
-	-	1,023,431	580,593
-	-	32,923	-
-	-	24,204	6,163
-	-	58,059	16,248
-	-	33,815	145,083
-	-	44,773	41,129
<u>\$ -</u>	<u>\$ 7,202,505</u>	<u>\$ 35,466,559</u>	<u>\$ 35,674,518</u>
\$ -	\$ -	\$ 791,931	\$ 767,786
-	-	333,988	1,294,308
-	-	219,325	154,340
-	-	217,892	432,511
-	-	1,563,136	2,648,945
-	5,384,485	15,173,458	14,879,867
-	107,743	264,266	240,358
-	5,492,228	15,437,724	15,120,225
-	-	33,815	145,083
-	-	44,773	41,129
-	-	(200,878)	(41,995)
-	-	234,889	193,541
-	-	629,961	485,653
-	-	91,216	-
-	-	340,641	300,262
-	-	48,553	67,128
-	-	54,872	(28,527)
-	1,710,277	2,147,786	2,600,612
-	-	3,762,204	3,062,204
-	-	200,000	200,000
-	-	20,869	21,782
-	-	41,458	55,107
-	-	583,537	583,537
-	-	10,432,003	10,219,832
-	1,710,277	18,465,699	17,905,348
<u>\$ -</u>	<u>\$ 7,202,505</u>	<u>\$ 35,466,559</u>	<u>\$ 35,674,518</u>

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	2015	2014
Total Fund Balance for Governmental Funds	\$ 18,465,699	\$ 17,905,348
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	968,609	968,609
Construction in Progress	-	1,343,964
Land Improvements, Net of Accumulated Depreciation	1,678,956	1,363,286
Buildings and Improvements, Net of Accumulated Depreciation	58,167,603	58,247,759
Equipment, Net of Accumulated Depreciation	1,703,270	1,660,389
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	(24,791,497)	-
Deferred Outflows of Resources - Pension Related	4,366,714	-
Deferred Inflows of Resources - Pension Related	(7,545,453)	-
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 deferred inflows of resources in the funds.		
	264,266	240,358
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(462,122)	(501,963)
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:		
	3,666,687	2,634,361
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	(40,355,000)	(44,465,000)
Unamortized Premiums	(1,232,412)	(1,407,184)
Unamortized Discounts	76,948	86,000
Certificates of Participation Payable	(1,069,675)	(1,155,821)
Severance Benefits Payable	(258,146)	(221,051)
Compensated Absences Payable	(149,046)	(142,548)
Other Postemployment Benefits Payable	(6,648,506)	(5,686,054)
Total Net Position of Governmental Activities	\$ 6,846,895	\$ 30,870,453

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 9,763,250	\$ -	\$ 394,472
Earnings on Investments	4,210	1,273	1,177
Other	1,321,930	1,172,209	1,656,058
State Sources	33,762,653	106,224	228,826
Federal Sources	1,120,740	787,183	-
Total Revenues	<u>45,972,783</u>	<u>2,066,889</u>	<u>2,280,533</u>
EXPENDITURES			
Current			
Administration	1,630,916	-	-
District Support Services	1,188,681	-	-
Regular Instruction	23,150,183	-	-
Vocational Education Instruction	270,787	-	-
Special Education Instruction	8,798,182	-	-
Instructional Support Services	1,371,559	-	-
Pupil Support Services	3,448,277	-	-
Sites and Buildings	3,747,260	-	-
Fiscal and Other Fixed Cost Programs	141,031	-	-
Food Service	-	2,043,708	-
Community Service	-	-	2,159,226
Capital Outlay	1,165,556	154,435	20,493
Debt Service			
Principal	86,146	-	-
Interest and Fiscal Charges	56,614	-	-
Total Expenditures	<u>45,055,192</u>	<u>2,198,143</u>	<u>2,179,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	917,591	(131,254)	100,814
OTHER FINANCING SOURCES (USES)			
Sale of Bonds Proceeds	-	-	-
Bond Premium	-	-	-
Payment of Refunded Bonds	-	-	-
Discount on Bonds	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	917,591	(131,254)	100,814
Fund Balances - Beginning of Year	14,951,575	582,392	334,304
Fund Balances - End of Year	<u>\$ 15,869,166</u>	<u>\$ 451,138</u>	<u>\$ 435,118</u>

See accompanying Notes to Financial Statements.

Major Funds		Total Governmental Funds	
Capital Projects	Debt Service	2015	2014
\$ -	\$ 5,536,204	\$ 15,693,926	\$ 11,094,653
62	9,572	16,294	27,408
-	-	4,150,197	4,231,072
-	51,552	34,149,255	35,269,098
-	-	1,907,923	1,936,231
62	5,597,328	55,917,595	52,558,462
-	-	1,630,916	1,548,532
-	-	1,188,681	1,045,497
-	-	23,150,183	21,200,841
-	-	270,787	203,504
-	-	8,798,182	8,082,779
-	-	1,371,559	1,330,837
-	-	3,448,277	3,261,921
-	-	3,747,260	3,899,790
-	-	141,031	139,733
-	-	2,043,708	1,855,977
-	-	2,159,226	2,308,010
593,327	-	1,933,811	2,360,430
-	4,110,000	4,196,146	4,137,003
-	1,220,863	1,277,477	1,799,186
593,327	5,330,863	55,357,244	53,174,040
(593,265)	266,465	560,351	(615,578)
-	-	-	1,525,000
-	-	-	67,787
-	-	-	(9,950,000)
-	-	-	-
-	-	-	68,324
-	-	-	(68,324)
-	-	-	(8,357,213)
(593,265)	266,465	560,351	(8,972,791)
593,265	1,443,812	17,905,348	26,878,139
\$ -	\$ 1,710,277	\$ 18,465,699	\$ 17,905,348

**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, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	2015	2014
Net Change in Fund Balance-Total Governmental Funds	\$ 560,351	\$ (8,972,791)
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 with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	1,582,540	1,817,907
Gain (Loss) on Disposal of Capital Assets	-	(10,694)
Depreciation Expense	(2,648,109)	(2,598,812)
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.		
	624,883	-
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. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	-	(1,525,000)
Payment of Refunded Bond	-	9,950,000
Bond Premium	-	(67,787)
Repayment of Certificates of Participation	86,146	82,003
Repayment of Bond Principal	4,110,000	4,055,000
Change in Accrued Interest Expense - General Obligation Bonds	39,841	233,136
Amortization of Bond Issuance Costs	-	(233,546)
Amortization of Bond Premium	174,772	168,946
Amortization of Bond Discount	(9,052)	(9,052)
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 unavailable in the funds.		
	23,908	(2,037)
In the statement of activities, certain operating expenses - other postemployment benefits, severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	(1,006,045)	(803,354)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
	1,032,326	984,785
Change in Net Position of Governmental Activities	\$ 4,571,561	\$ 3,068,704

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	<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	\$ 9,378,082	\$ 9,285,857	\$ 9,763,250	\$ 477,393
Earnings on Investments	10,000	10,000	4,210	(5,790)
Other	1,134,369	1,217,903	1,321,930	104,027
State Sources	32,194,380	32,747,113	33,762,653	1,015,540
Federal Sources	1,111,559	1,274,349	1,120,740	(153,609)
Total Revenues	<u>43,828,390</u>	<u>44,535,222</u>	<u>45,972,783</u>	<u>1,437,561</u>
EXPENDITURES				
Current:				
Administration	1,599,551	1,624,494	1,630,916	6,422
District Support Services	1,323,848	1,313,198	1,188,681	(124,517)
Regular Instruction	23,154,399	22,926,253	23,150,183	223,930
Vocational Education Instruction	217,315	182,471	270,787	88,316
Special Education Instruction	8,152,423	8,474,466	8,798,182	323,716
Instructional Support Services	1,418,547	1,424,462	1,371,559	(52,903)
Pupil Support Services	3,376,693	3,494,203	3,448,277	(45,926)
Sites and Buildings	3,676,518	3,927,417	3,747,260	(180,157)
Fiscal and Other Fixed Cost Programs	162,632	162,632	141,031	(21,601)
Capital Outlay	988,009	1,063,009	1,165,556	102,547
Debt Service				
Principal	86,146	86,146	86,146	-
Interest and Fiscal Charges	56,614	56,614	56,614	-
Total Expenditures	<u>44,212,695</u>	<u>44,735,365</u>	<u>45,055,192</u>	<u>319,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (384,305)</u>	<u>\$ (200,143)</u>	917,591	<u>\$ 1,117,734</u>
FUND BALANCE				
Beginning of Year			<u>14,951,575</u>	
End of Year			<u>\$ 15,869,166</u>	

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Earnings on Investments	\$ -	\$ -	\$ 1,273	\$ 1,273
Other - Primarily Meal Sales	1,067,900	1,122,900	1,172,209	49,309
State Sources	60,000	84,000	106,224	22,224
Federal Sources	666,300	747,000	787,183	40,183
Total Revenues	<u>1,794,200</u>	<u>1,953,900</u>	<u>2,066,889</u>	<u>112,989</u>
EXPENDITURES				
Current				
Food Service	1,723,131	1,908,289	2,043,708	135,419
Capital Outlay	161,500	141,500	154,435	12,935
Total Expenditures	<u>1,884,631</u>	<u>2,049,789</u>	<u>2,198,143</u>	<u>148,354</u>
Deficiency of Revenues Under Expenditures	<u>\$ (90,431)</u>	<u>\$ (95,889)</u>	(131,254)	<u>\$ (35,365)</u>
FUND BALANCE				
Beginning of Year			<u>582,392</u>	
End of Year			<u>\$ 451,138</u>	

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2015**

	<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	\$ 397,962	\$ 397,962	\$ 394,472	\$ (3,490)
Earnings on Investments	200	200	1,177	977
Other - Primarily Tuition and Fees	1,392,615	1,558,831	1,656,058	97,227
State Sources	<u>206,281</u>	<u>206,281</u>	<u>228,826</u>	<u>22,545</u>
Total Revenues	1,997,058	2,163,274	2,280,533	117,259
EXPENDITURES				
Current				
Community Service	1,965,863	2,146,776	2,159,226	12,450
Capital Outlay	<u>10,532</u>	<u>15,732</u>	<u>20,493</u>	<u>4,761</u>
Total Expenditures	<u>1,976,395</u>	<u>2,162,508</u>	<u>2,179,719</u>	<u>17,211</u>
Excess of Revenues Over Expenditures	<u>\$ 20,663</u>	<u>\$ 766</u>	100,814	<u>\$ 100,048</u>
FUND BALANCE				
Beginning of Year			<u>334,304</u>	
End of Year			<u>\$ 435,118</u>	

See accompanying Notes to Financial Statements.

NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)

	Governmental Activities - Internal Service Funds	
	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 4,009,853	\$ 2,949,089
Accounts Receivable	447	-
Total Assets	4,010,300	2,949,089
LIABILITIES		
Accounts Payable	343,613	314,728
Total Liabilities	343,613	314,728
NET POSITION		
Unrestricted	3,666,687	2,634,361
Total Net Position	\$ 3,666,687	\$ 2,634,361

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	Governmental Activities - Internal Service Funds	
	2015	2014
OPERATING REVENUES		
Charges for Services	\$ 6,411,917	\$ 6,111,119
Total Operating Revenues	6,411,917	6,111,119
OPERATING EXPENSES		
Insurance Claim Payments	4,484,538	4,241,916
Administrative Fees	902,357	886,527
Total Operating Expenses	5,386,895	5,128,443
Operating Income (Loss)	1,025,022	982,676
NONOPERATING INCOME		
Earnings on Investments	7,304	2,109
Total Nonoperating Income	7,304	2,109
CHANGE IN NET POSITION	1,032,326	984,785
Total Net Position - Beginning of Year	2,634,361	1,649,576
TOTAL NET POSITION - END OF YEAR	\$ 3,666,687	\$ 2,634,361

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	Totals	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 6,411,470	\$ 6,111,119
Payments for Medical Fees and Insurance Claims	(4,455,653)	(4,310,863)
Payments for Services, Supplies, & Fees	(902,357)	(886,527)
Net Cash Provided by Operating Activities	1,053,460	913,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	7,304	2,109
Net Increase in Cash and Cash Equivalents	1,060,764	915,838
Cash and Cash Equivalents - Beginning of Year	2,949,089	2,033,251
Cash and Cash Equivalents - End of Year	\$ 4,009,853	\$ 2,949,089
Displayed on the Statement of Net Position as:		
Cash and Investments	\$ 4,009,853	\$ 2,949,089
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ 1,025,022	\$ 982,676
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(447)	-
Increase (Decrease) in Accounts Payable	28,885	(68,947)
Total Adjustments	28,438	(68,947)
Net Cash Provided by Operating Activities	\$ 1,053,460	\$ 913,729

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	Private- Purpose Trust
ASSETS	
Cash and Investments	\$ 145,863
Total Assets	145,863
LIABILITIES	
Accounts and Contracts Payable	7,500
Total Liabilities	7,500
NET POSITION	
Unrestricted	138,363
Total Net Position	\$ 138,363

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015**

	Private- Purpose Trust
ADDITIONS	
Gifts and Donations	\$ 61,925
Earnings on Investments	301
Total Additions	62,226
DEDUCTIONS	
Miscellaneous	66,800
Total Deductions	66,800
Change in Net Position	(4,574)
Net Position - Beginning of Year	142,937
Net Position - End of Year	\$ 138,363

See accompanying Notes to Financial Statements.

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

C. Basic Financial Statement Presentation

The Government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the statement of Fiduciary Net Position at the Fund Financial Statement level.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

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

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

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

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

F. Cash and Investments

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

G. Cash and Cash Equivalents

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

H. Receivables

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventories

Inventories are recorded using the consumption method of accounting and consist of fuel, food and other supplies on hand at June 30, 2015, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

J. Prepaid Items

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

K. Property Taxes

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

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

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

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy which is frozen at \$374,466. Starting in fiscal year 2011, the shift was expanded to include all other general and community service fund levies. State aids are then reduced by this expanded shift amount, making this portion of the tax shift revenue neutral to school districts. Certain other portions of the District's 2014 pay 2015 levy, normally revenue for the 2015-16 fiscal year, are also advance recognized at June 30, 2015, as required by state statute to match revenue with the same fiscal year as the related expenditures.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Taxes (Continued)

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2015, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market 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.

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 one type of item that qualifies as this reporting element, pension related.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-Term Liabilities

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

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

O. Accrued Employee Benefits

Compensated Absences

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

Vacation leave vests and may be carried forward but must be used by the end of the following contract year. A liability of \$149,046 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 45, at June 30, 2015.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions

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

Q. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has two types of items which 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 is pension related.

R. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for Food and Community Service accounts, grants, and 2015-2016 school year deposits.

S. Fund Balance

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

The District self-insures for health and dental insurance offered to its employees. District purchases commercial insurance coverage for all other risks of loss. 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.

U. Self-Insurance Claims

This liability represents an estimate of health and dental claims incurred but not reported as of June 30, 2015. These claims are included in accounts payable in the Statement of Net Position.

V. Net Position

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

W. Restatement Due to a Change in Accounting Principle

At June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and related Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities as follows:

	Governmental Activities
Net Position, June 30, 2014, as Previously Reported	\$ 30,870,453
Cumulative Affect of Application of GASB 68, Net Pension Liability	(30,373,535)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for District Contributions Made to the Plan During Fiscal Year Ending June 30, 2014	1,778,416
Net Position, June 30, 2014, as Restated	\$ 2,275,334

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Certain 2014 amounts have been reclassified to conform to 2015 presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 44,735,365	\$ 45,055,192	\$ 319,827
Special Revenue Funds			
Food Service Fund	2,049,789	2,198,143	148,354
Community Service Fund	2,162,508	2,179,719	17,211

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

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated “A” or better; revenue obligations rated “AA” or better
- General obligations of the Minnesota Housing Finance Agency rated “A” or better
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories
- Repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2015, the District’s investment balances were as follows:

External Investment Pools –

	Amortized Cost
MN Trust Investment Term Series	\$ 7,277,861
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	7,537,728
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	247,894
	\$ 15,063,483

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 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 on the previous page. Its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. 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 instruments.

The MSDLAF and MSDMAX are external investment pools and their investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. 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 instruments.

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. 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. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 7,537,728	\$ 7,537,728
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	247,894	247,894
MN Trust Investment Shares Portfolio	7,277,861	7,277,861
Negotiable Certificates of Deposit	10,223,221	10,223,221
Total	<u>\$ 25,286,704</u>	<u>\$ 25,286,704</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, 2015, the investment balances were fully covered by insurance for each brokerage firm.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

<u>Type</u>	<u>Rated by</u>	<u>Credit Rating</u>
United States Treasury Securities	Moody's	AAA
MN Trust Investment Shares Portfolio	S&P	AAAm
Negotiable Certificates of Deposit	N/A	N/A
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	S&P	AAAm
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	S&P	AAAm

Concentration of Credit Risk.

The District places no limit on the amount the District may invest in any one issuer. The following is a list of investments which individually comprise more than five percent of the District's total investments:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 7,537,728	29.8%
MN Trust Investment Shares Portfolio	7,277,861	28.8%
Bank United, NA Certificate of Deposit	2,004,300	7.9%

C. Balance Sheet Presentation

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

Deposits	\$ 1,008,530
Cash on Hand	1,050
Minnesota School District Liquid Asset Funds	7,785,622
MN Trust Investment Shares Portfolio	7,277,861
Negotiable Certificates of Deposit	10,223,221
Total Cash and Investments	<u>\$ 26,296,284</u>
Cash and Investments - Statement of Net Position	\$ 26,150,421
Cash and Investments - Statement of Fiduciary Net Position	145,863
Total Cash and Investments	<u>\$ 26,296,284</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 968,609	\$ -	\$ -	\$ 968,609
Construction in Progress	1,343,964	967,969	(2,311,933)	-
Total Capital Assets, Not Being Depreciated	2,312,573	967,969	(2,311,933)	968,609
Capital Assets, Being Depreciated				
Land Improvements	3,284,520	437,063	-	3,721,583
Buildings and Improvements	87,023,104	2,145,556	-	89,168,660
Equipment	3,997,598	343,885	(17,000)	4,324,483
Total Capital Assets, Being Depreciated	94,305,222	2,926,504	(17,000)	97,214,726
Accumulated Depreciation for				
Land Improvements	(1,921,234)	(121,393)	-	(2,042,627)
Buildings and Improvements	(28,775,345)	(2,225,712)	-	(31,001,057)
Equipment	(2,337,209)	(301,004)	17,000	(2,621,213)
Total Accumulated Depreciation	(33,033,788)	(2,648,109)	17,000	(35,664,897)
Total Capital Assets, Being Depreciated, Net	61,271,434	278,395	-	61,549,829
Governmental Activities Capital Assets, Net	<u>\$ 63,584,007</u>	<u>\$ 1,246,364</u>	<u>\$ (2,311,933)</u>	<u>\$ 62,518,438</u>

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

Governmental Activities	
Administration	\$ 4,477
District Support Services	18,110
Regular Instruction	2,501,196
Vocational Education Instruction	901
Special Education Instruction	1,255
Sites and Buildings	87,740
Food Service	31,037
Community Service	3,393
Total Depreciation Expense, Governmental Activities	<u>\$ 2,648,109</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

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

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
7/5/2006	4.0%	\$ 2,100,000	2/1/2016	\$ 265,000	\$ 265,000
2/16/2010	2.0 - 4.0%	22,615,000	2/1/2022	1,500,000	17,140,000
12/7/2011	2.0 - 2.375%	9,750,000	2/1/2024	535,000	9,600,000
12/19/2012	1.5 - 2.0%	9,825,000	2/1/2025	665,000	9,195,000
1/3/2013	1.5 - 3.0%	5,965,000	2/1/2017	1,305,000	2,630,000
5/13/2014	2.0 - 3.0%	1,525,000	2/1/2025	145,000	1,525,000
Total General Obligation Bonds				4,415,000	40,355,000
Bond Premium - Net				174,772	1,232,412
Bond Discounts - Net				(9,052)	(76,948)
Certificates of Participation Payable				90,499	1,069,675
Other Postemployment Benefits Payable				-	6,648,506
Severance Benefit Payable				-	258,146
Compensated Absences Payable				149,046	149,046
Net Pension Liability				-	24,791,497
				<u>\$ 4,820,265</u>	<u>\$ 74,427,334</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
2016	\$ 4,415,000	\$ 1,109,094
2017	4,265,000	1,003,819
2018	4,625,000	897,819
2019	4,795,000	777,544
2020	4,985,000	620,444
2021 - 2025	17,270,000	1,071,776
	<u>\$ 40,355,000</u>	<u>\$ 5,480,496</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities

General Obligation Bonds

On July 5, 2006, the District issued \$2,100,000 of General Obligation Capital Facilities Bonds, Series 2006A. The proceeds of this issue were used to finance certain capital projects, including roof maintenance and replacement at Northfield High School, Longfellow Elementary School, and Sibley Elementary School.

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

On December 7, 2011, the District issued \$9,750,000 of General Obligation Refunding Bonds, Series 2011A to refund the portion of General Obligation School Building Refunding Bonds, Series 2003A totaling \$9,350,000, which were scheduled to mature in 2016 through 2024. This type of refunding is considered an advance crossover refunding. The proceeds of the refunding bonds were placed into an escrow account pending the call date of the old bonds (February 1, 2013).

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 type of refunding is considered an advance crossover refunding. The proceeds of the refunding bonds were placed into an escrow account pending the call date of the old bonds (February 1, 2014).

On January 3, 2013, the District issued \$5,965,000 of General Obligation School Building Refunding Bonds, Series 2013A. The proceeds of the issue were used to refund the outstanding principal and interest of the District's General Obligation School Building Bonds of 2003A and 2003C on February 1, 2013. The new issue was issued at a premium of \$226,892.

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.

Compensated Absences Payable

The amount of the estimated obligation at June 30, 2015 is \$149,046. The District's General Fund finances compensated absences on a pay-as-you-go basis.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

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, 2015 is \$258,147. 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.

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, 2015. The total cost of assets associated with the capital leases is \$2,686,518. The related accumulated depreciation of the assets at June 30, 2015 is \$483,573.

Year Ending June 30,		
2016	\$	142,759
2017		142,760
2018		142,759
2019		142,759
2020		142,759
2021 - 2025		642,421
Total Minimum Lease Payments		1,356,217
Less Amounts Representing Interest		286,542
Present Value of Net Minimum Lease Payments	\$	1,069,675

D. Changes in Long-Term Liabilities

	2014 As Restated	Net Additions	Retirements	June 30, 2015
Bonds Payable	\$ 44,465,000	\$ -	\$ 4,110,000	\$ 40,355,000
Bond Premium	1,407,184	-	174,772	1,232,412
Bond Discounts	(86,000)	-	(9,052)	(76,948)
Certificates of Participation Payable	1,155,821	-	86,146	1,069,675
Other Postemployment Benefits Payable	5,686,054	1,569,250	606,798	6,648,506
Severance Benefits Payable	221,051	37,095	-	258,146
Compensated Absences Payable	142,548	149,046	142,548	149,046
Net Pension Liability	30,373,536	14,705,358	20,287,397	24,791,497
	\$ 83,365,194	\$ 16,460,749	\$ 25,398,609	\$ 74,427,334

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 RESTRICTED FUND BALANCES

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

A. Health and Safety

Represents available resources to be used for Health & Safety projects in accordance with an approved Health & Safety plan.

B. Deferred Maintenance

This fund balance restriction represents accumulated resources available to provide maintenance on buildings with funding available for that purpose.

C. Operating Capital

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. Community Education Programs

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

F. Early Childhood and Family Education Programs

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

G. School Readiness

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

H. Restricted for Bond Refundings

The fund balance restriction represents accumulated resources available to refund bond issues at a future date.

I. Restricted for Other Purposes

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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

1. GERF Benefits

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

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.

<u>Tier 1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service 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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

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

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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$514,948. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Ending June 30, 2014		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	10.50%	11.00%	11.00%	11.50%
Coordinated	7.0	7.0	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2015, were \$1,487,706. 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, 2015, the District reported a liability of \$5,567,224 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the District's proportion was 0.1183%.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs

For the year ended June 30, 2015, the District recognized pension expense of \$412,535 for its proportionate share of GERF's pension expense.

At June 30, 2015, 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	\$ 85,285	\$ -
Changes in Actuarial Assumptions	572,719	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,501,535
District Contributions Subsequent to the Measurement Date	514,948	-
Total	<u>\$ 1,172,952</u>	<u>\$ 1,501,535</u>

Of the resources related to pensions resulting from District contributions to GERF subsequent to the measurement date, \$514,948 is reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ 156,049
2017	156,049
2018	156,049
2019	375,384

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. TRA Pension Costs

At June 30, 2015, the District reported a liability of \$19,224,273 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 0.4172% at the end of the measurement period and 0.4172% for the beginning of the period.

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 19,224,273
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	1,333,077

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

For the year ended June 30, 2015, the District recognized pension expense of \$1,030,939. It also recognized \$58,989 as pension expense for the support provided by direct aid.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. TRA Pension Costs

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,640,352	\$ -
Net Difference Between Projected and Actual Investment Earnings	-	6,043,918
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	65,704	-
District Contributions Subsequent to the Measurement Date	<u>1,487,706</u>	<u>-</u>
Total	<u>\$ 3,193,762</u>	<u>\$ 6,043,918</u>

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$1,487,706 is reported as deferred outflows and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ (1,154,809)
2017	(1,154,809)
2018	(1,154,809)
2019	(1,154,809)
2020	281,374

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75%	3.50%
		3.75% Based on Years of Service
Active Member Payroll Growth	3.50% per Year	8.25%
Investment Rate of Return	7.90%	

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

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the actuarial experience study for the period of July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GFRF occurred in 2014: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

F. Discount Rate

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

G. Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 8,958,336	\$ 5,567,224	\$ 2,758,758
<u>TRA Discount Rate</u>	7.25%	8.25%	9.25%
District's Proportionate Share of the TRA Net Pension Liability	\$ 31,771,144	\$ 19,224,276	\$ 8,764,525

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution	\$ 1,682,013
Interest on Net OPEB Obligation	227,442
Adjustment to Annual Required Contribution	<u>(340,205)</u>
Annual OPEB Cost (Expense)	1,569,250
Contributions Made	<u>(606,798)</u>
Increase in Net OPEB Obligation	962,452
Net OPEB Obligation - Beginning of Year	<u>5,686,054</u>
Net OPEB Obligation - End of Year	<u><u>\$ 6,648,506</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 1,569,250	38.7%	\$ 6,648,506
6/30/2014	\$ 1,494,115	48.1%	\$ 5,686,054
6/30/2013	\$ 1,510,598	46.7%	\$ 4,911,087

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$13,993,036. The annual payroll for active employees covered by the plan in the actuarial valuation was \$23,198,976 for a ratio of UAAL to covered payroll of 60.32%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.50%, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2015 doesn't exceed 30 years.

NOTE 10 FLEXIBLE BENEFIT PLAN

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

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 SELF-INSURED HEALTH AND DENTAL PLAN

The District has elected to self-insure their employee dental insurance program and their health insurance program. The District established an internal service fund to account for contributions from other funds for health and dental insurance. Contributions during the year were based on claims history. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year end. The District recorded total expenses of \$5,386,895 for the year ended June 30, 2015.

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

	<u>2015</u>	<u>2014</u>
Beginning of Fiscal Year Liability - July 1	\$ 314,728	\$ 383,675
Incurred Claims	4,484,538	4,241,916
Claims Payments	<u>4,455,653</u>	<u>4,310,863</u>
End of Fiscal Year Liability - June 30	<u>\$ 343,613</u>	<u>\$ 314,728</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Operating Leases

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

<u>Year Ending June 30,</u>	
2016	\$ 600,501
Total Minimum Lease Payments	<u>\$ 600,501</u>

The District had \$751,448 of expenditures related to these leases during the year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 659
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
 JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 13,993,036	\$ 13,993,036	0.0%	\$ 23,198,976	60.32%
7/1/2012	\$ -	\$ 12,886,686	\$ 12,886,686	0.0%	\$ 23,129,627	55.72%
7/1/2010	\$ -	\$ 12,879,241	\$ 12,879,241	0.0%	\$ 22,135,154	58.18%

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

Fiscal Year	<u>2015</u>
Measurement Date	6/30/14
PERA	
District's Proportion of the Net Pension Liability (Asset)	0.1183%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,567,224
District's Covered-Employee Payroll	6,200,042
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	89.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.70%
TRA	
District's Proportion of the Net Pension Liability (Asset)	0.4172%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 19,224,276
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>1,333,077</u>
	\$ <u>20,557,353</u>
District's Covered-Employee Payroll	19,043,951
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.50%

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

**Schedule of District Contributions
Last Ten Fiscal Years**

	2015
PERA	
Contractually Required Contribution	\$ 514,948
Contributions in Relation to the Contractually Required Contribution	(514,948)
Contribution Deficiency (Excess)	\$ -
 District's Covered-Employee Payroll	\$ 6,951,353
 Contributions as a Percentage of Covered Employee Payroll	7.41%
 TRA	
Contractually Required Contribution	\$ 1,487,706
Contributions in Relation to the Contractually Required Contribution	(1,487,706)
Contribution Deficiency (Excess)	\$ -
 District's Covered-Employee Payroll	\$ 20,188,655
 Contributions as a Percentage of Covered Employee Payroll	7.37%

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SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2015**

	2015			Over (Under) Final Budget
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	
REVENUES				
Local Sources				
Property Tax	\$ 5,593,337	\$ 5,593,337	\$ 5,536,204	\$ (57,133)
Earnings on Investments	12,000	12,000	9,572	(2,428)
Other	-	-	-	-
State Sources	56,100	56,100	51,552	(4,548)
Total Revenues	<u>5,661,437</u>	<u>5,661,437</u>	<u>5,597,328</u>	<u>(64,109)</u>
EXPENDITURES				
Debt Service:				
Bond Principal	4,110,000	4,110,000	4,110,000	-
Bond Interest	1,210,129	1,210,129	1,214,728	4,599
Paying Agent Fees and other	10,000	10,000	6,135	(3,865)
Total Expenditures	<u>5,330,129</u>	<u>5,330,129</u>	<u>5,330,863</u>	<u>734</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>331,308</u>	<u>331,308</u>	<u>266,465</u>	<u>(64,843)</u>
OTHER FINANCING SOURCES				
Sale of Bonds Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Payment of Refunded Bond	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 331,308</u>	<u>\$ 331,308</u>	266,465	<u>\$ (64,843)</u>
Fund Balance - Beginning			<u>1,443,812</u>	
Fund Balance - Ending			<u>\$ 1,710,277</u>	

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF CHANGES IN FUND EQUITIES
YEAR ENDED JUNE 30, 2015**

	Fund Equities June 30, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Transfers	Total
GOVERNMENTAL FUNDS						
General Fund						
Nonspendable	\$ 163,828	\$ -	\$ -	\$ -	\$ (104,467)	\$ 59,361
Restricted for Staff Development	-	495,488	515,717	-	20,229	-
Restricted for Health and Safety	(41,995)	164,514	323,397	-	-	(200,878)
Restricted for Deferred Maintenance	193,541	242,796	201,448	-	-	234,889
Restricted for Operating Capital	485,653	979,699	835,391	-	-	629,961
Restricted for Learning and Development	-	837,233	837,233	-	-	-
Restricted for Area Learning Center	-	501,431	687,145	-	185,714	-
Restricted for Gifted and Talented	-	55,234	55,234	-	-	-
Restricted for Teacher Development and Evaluation	-	91,216	-	-	-	91,216
Restricted for Basic Skills	-	1,140,528	1,332,852	-	192,324	-
Restricted for Career and Tech. Programs	-	14,319	87,809	-	73,490	-
Restricted for Safe Schools	-	147,005	147,005	-	-	-
Assigned for Severance	3,062,204	-	-	-	700,000	3,762,204
Assigned for Special Education	200,000	-	-	-	-	200,000
Assigned for Tobacco Settlement	21,782	-	-	-	(913)	20,869
Assigned for Self-Insurance	583,537	-	-	-	-	583,537
Assigned for Carry-Over Funds	55,107	133,013	110,540	-	(36,122)	41,458
Unassigned	10,227,918	41,170,307	39,921,421	-	(1,030,255)	10,446,549
Total General Fund	<u>14,951,575</u>	<u>45,972,783</u>	<u>45,055,192</u>	<u>-</u>	<u>-</u>	<u>15,869,166</u>
Food Service Fund						
Nonspendable	18,857	-	-	-	(5,228)	13,629
Restricted for Other Purposes	563,535	2,066,889	2,198,143	-	5,228	437,509
Total Food Service Fund	<u>582,392</u>	<u>2,066,889</u>	<u>2,198,143</u>	<u>-</u>	<u>-</u>	<u>451,138</u>
Community Service Fund						
Nonspendable	3,527	-	-	-	2,071	5,598
Restricted for Community Education	300,262	1,815,718	1,775,339	-	-	340,641
Restricted for E.C.F.E.	67,128	240,439	259,014	-	-	48,553
Restricted for School Readiness	(28,527)	222,072	138,673	-	-	54,872
Unassigned	(8,086)	42,304	46,693	-	(2,071)	(14,546)
Total Community Service Fund	<u>334,304</u>	<u>2,320,533</u>	<u>2,219,719</u>	<u>-</u>	<u>-</u>	<u>435,118</u>
Capital Projects Fund						
Restricted for Other Purposes	593,265	62	593,327	-	-	-
Total Capital Projects Fund	<u>593,265</u>	<u>62</u>	<u>593,327</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service Fund						
Restricted for Other Purposes	1,443,812	5,597,328	5,330,863	-	-	1,710,277
Total Debt Service Fund	<u>1,443,812</u>	<u>5,597,328</u>	<u>5,330,863</u>	<u>-</u>	<u>-</u>	<u>1,710,277</u>
TOTAL GOVERNMENTAL FUNDS	<u>17,905,348</u>	<u>55,957,595</u>	<u>55,397,244</u>	<u>-</u>	<u>-</u>	<u>18,465,699</u>
FIDUCIARY FUNDS						
Trust Fund						
Unassigned	142,937	62,226	66,800	-	-	138,363
Total Trust Fund	<u>142,937</u>	<u>62,226</u>	<u>66,800</u>	<u>-</u>	<u>-</u>	<u>138,363</u>
TOTAL FIDUCIARY FUNDS	<u>142,937</u>	<u>62,226</u>	<u>66,800</u>	<u>-</u>	<u>-</u>	<u>138,363</u>
PROPRIETARY FUNDS						
Internal Service Fund						
Unassigned	2,634,361	6,419,221	5,386,895	-	-	3,666,687
Total Internal Service Fund	<u>2,634,361</u>	<u>6,419,221</u>	<u>5,386,895</u>	<u>-</u>	<u>-</u>	<u>3,666,687</u>
TOTAL PROPRIETARY FUNDS	<u>2,634,361</u>	<u>6,419,221</u>	<u>5,386,895</u>	<u>-</u>	<u>-</u>	<u>3,666,687</u>
GRAND TOTAL	<u>\$ 20,682,646</u>	<u>\$ 62,439,042</u>	<u>\$ 60,850,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,270,749</u>

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, 2015**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Non-Cash Assistance (Commodities):			
National School Lunch Program	# 10.555	1-0659-000	\$ 71,720
Total Non-Cash Assistance			\$ 71,720
Cash Assistance:			
Commodity Cash Rebate Program	# 10.555	1-0659-000	29,803
School Breakfast Program	# 10.553	1-0659-000	131,480
National School Lunch Program	# 10.555	1-0659-000	520,541
Summer Program	# 10.559	1-0659-000	28,585
After School Snack	# 10.555	1-0659-000	5,054
Total Cash Assistance			715,463
Total U.S. Department of Agriculture			787,183
U.S. Department of Education			
Pass-Through Minnesota Department of Education			
Title I, Part A - Grants to Local Educational Agencies	84.010	1-0659-000	236,586
Title II, Part A - Improving Teacher Quality State Grants	84.367	1-0659-000	83,563
Title III, Part A - English Language Acquisition Grants	84.365	1-0659-000	36,101
Title IV, Part B - Twenty-First Century Community Learning Centers	84.287	1-0659-000	69,088
Special Education - Grants to States	& 84.027	1-0659-000	616,050
Special Education - Preschool Incentive	& 84.173	1-0659-000	11,888
Continuous Improvement Special Education Grants	& 84.027	1-0659-000	4,989
Special Education - Grants for Infants and Families	84.181	1-0659-000	11,965
Total U.S. Department of Education			1,070,230
Pass-Through Independent School District #917			
Carl Perkins Vocational Education Basic Grants to States	84.048	1-0917-000	15,044
Total Independent School District #917			15,044
Pass-Through Region 10			
Discretionary Low Incidence	& 84.027	**	2,542
Total Region 10			2,542
U.S. Department of Health and Human Services			
Project Aware Grant	93.243	**	32,924
Total U.S. Department of Health and Human Services			32,924
Total Federal Awards Expended			\$ 1,907,923
& Special Education Cluster # Child Nutrition Cluster ** 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
YEAR ENDED JUNE 30, 2015**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements.

NOTE 3 TOTALS BY CATALOG OF FEDERAL ASSISTANCE NUMBER

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
National School Lunch Program	10.555	\$ 627,118
Special Education Grants to States	84.027	\$ 623,581



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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Independent School District No. 659's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 659's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 659's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 659'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.

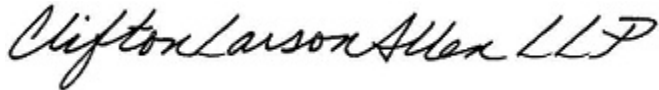
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Independent School District No. 659's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Austin, Minnesota
November 30, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 659's major federal programs for the year ended June 30, 2015. Independent School District No. 659'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 659's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 659'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 Independent School District No. 659's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 659 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, 2015.

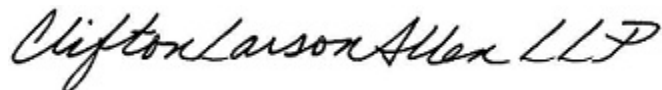
Report on Internal Control Over Compliance

Management of Independent School District No. 659's 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 Independent School District No. 659's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 659'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 preceding paragraph 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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
November 30, 2015

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659, as of June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated .

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 659 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 659's noncompliance with the above-referenced provisions.

Independent School District No. 659's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 659's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
November 30, 2015

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ 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 section 510(a) of OMB Circular A-133? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.556, & 10.559	Child Nutrition
84.027 & 84.173	Special Education

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133? _____ yes x no

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

PART II: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS

None

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

None

Part IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

None

**NORTHFIELD PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 659
 SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
 YEAR ENDED JUNE 30, 2015**

Summary Schedule of Prior Federal Audit Findings

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not Corrected, Provide Planned Corrective Action or Other Explanation</u>
None noted			

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
UNIFORM FINANCIAL ACCOUNTING AND REPORTING
STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2015**

	Audit	UFARS	Difference		Audit	UFARS	Difference
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 45,972,783	\$ 45,972,779	\$ 4	Total Revenues	\$ 62	\$ 62	\$ -
Total Expenditures	\$ 45,055,192	\$ 45,055,189	\$ 3	Total Expenditures	\$ 593,327	\$ 593,327	\$ -
Nonspendable				<i>Nonspendable:</i>			
460 Nonspendable	\$ 59,361	\$ 59,362	\$ (1)	460 Nonspendable	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Restricted:</i>			
403 Staff Development	\$ -	\$ -	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ 234,889	\$ 234,889	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ (200,878)	\$ (200,878)	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
408 Cooperative Rev.	\$ -	\$ -	\$ -	<i>Unassigned</i>			
411 Severance Pay	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
419 Encumbrances	\$ -	\$ -	\$ -	Total Revenues	\$ 5,597,328	\$ 5,597,328	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 5,330,863	\$ 5,330,863	\$ -
424 Operating Capital	\$ 629,961	\$ 629,961	\$ -	<i>Restricted:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -	464 Other Purposes	\$ 1,710,277	\$ 1,710,277	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -				
438 Gifted & Talented	\$ -	\$ -	\$ -	08 TRUST			
440 Teacher Development & Evaluation	\$ 91,216	\$ 91,216	\$ -	Total Revenues	\$ 62,226	\$ 62,226	\$ -
441 Basic Skills	\$ -	\$ -	\$ -	Total Expenditures	\$ 66,800	\$ 66,800	\$ -
445 Career and Tech, Programs	\$ -	\$ -	\$ -	<i>Unreserved:</i>			
446 First Grade Preparedness	\$ -	\$ -	\$ -	422 Unassigned	\$ 138,363	\$ 138,363	\$ -
449 Safe Schools Levy	\$ -	\$ -	\$ -				
450 Pre-Kindergarten	\$ -	\$ -	\$ -	09 AGENCY			
451 QZAB Payments	\$ -	\$ -	\$ -	<i>Unreserved: Should Always Be -0-</i>			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	<i>Unreserved:</i>			
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
464 Other Purposes	\$ -	\$ -	\$ -				
<i>Committed:</i>				20 INTERNAL SERVICE			
418 Desig. Severance-Ins. Prem	\$ -	\$ -	\$ -	Total Revenues	\$ 6,419,221	\$ 6,419,221	\$ -
<i>Assigned</i>				Total Expenditures	\$ 5,386,895	\$ 5,386,894	\$ 1
462 Assigned	\$ 4,608,068	\$ 4,608,068	\$ -	<i>Unassigned:</i>			
<i>Unassigned</i>				422 Unassigned	\$ 3,666,687	\$ 3,666,688	\$ (1)
422 Unassigned	\$ 10,446,549	\$ 10,446,547	\$ 2				
02 FOOD SERVICE				25 OPEB REVOCABLE TRUST			
Total Revenues	\$ 2,066,889	\$ 2,066,888	\$ 1	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 2,198,143	\$ 2,198,143	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Nonspendable				<i>Unassigned:</i>			
460 Nonspendable	\$ 13,629	\$ 13,629	\$ -	422 Unassigned	\$ -	\$ -	\$ -
<i>Restricted:</i>							
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	45 OPEB IRREVOCABLE TRUST			
464 Other Purposes	\$ 437,509	\$ 437,509	\$ -	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned</i>				Total Expenditures	\$ -	\$ -	\$ -
463 Unassigned	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
				422 Unassigned	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE							
Total Revenues	\$ 2,280,533	\$ 2,280,532	\$ 1	47 OPEB DEBT SERVICE			
Total Expenditures	\$ 2,179,719	\$ 2,179,717	\$ 2	Total Revenue	\$ -	\$ -	\$ -
Nonspendable				Total Expenditures	\$ -	\$ -	\$ -
460 Nonspendable	\$ 5,598	\$ 5,598	\$ -	<i>Restricted:</i>			
<i>Restricted:</i>				464 Other Purposes	\$ -	\$ -	\$ -
419 Encumbrances	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
431 Community Education	\$ 340,641	\$ 340,640	\$ 1				
432 E.C.F.E.	\$ 48,553	\$ 48,553	\$ -				
444 School Readiness	\$ 54,872	\$ 54,872	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ -	\$ -	\$ -				
<i>Unassigned</i>							
463 Unassigned	\$ (14,546)	\$ (14,545)	\$ (1)				

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STUDENT ACTIVITY FUNDS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 659 as of June 30, 2015, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As described in the note to the financial statements, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statements are prepared by the Independent School District No. 659 in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

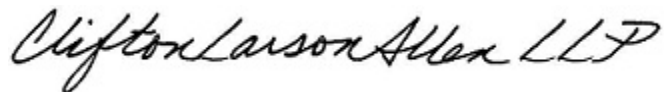
In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 659 as of June 30, 2015, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds Independent School District No. 659 as of June 30, 2015, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



CliftonLarsonAllen LLP

Austin, Minnesota
November 30, 2015

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015**

	Balance 6/30/2014	Receipts & Transfers In	Disbursements & Transfers Out	Balance 6/30/2015
Middle School/ Elementary:				
MS Musical	\$ 5,829	\$ 1,703	\$ 1,729	\$ 5,803
MS Yearbook	9,076	7,689	3,370	13,395
MS Student Council	8,697	8,080	8,717	8,060
GP Student Council	393	549	630	312
Sibley Student Council	66	4,068	2,820	1,314
BW Student Council	2,764	672	364	3,072
Sibley Memory Book	216	-	216	-
MS Talent Show	1,868	-	5	1,863
Nfld Fastpitch Softball	545	-	-	545
Greenvale Activity	396	-	5	391
ALC Candle Shop	845	6,075	6,387	533
	<u>30,695</u>	<u>28,836</u>	<u>24,243</u>	<u>35,288</u>
High School:				
Alpine Ski Team	3,659	5,965	6,729	2,895
Baseball	1,713	2,965	3,987	691
Basketball, Boys	2,719	900	2,361	1,258
Basketball, Girls	2,934	5,164	3,433	4,665
Cheer Team	612	7,724	4,426	3,910
Cross Country	1,916	6,080	5,612	2,384
Dance Team	5,798	21,308	21,966	5,140
Football	163	5,860	4,217	1,806
Golf, Boys	520	2,690	2,173	1,037
Golf, Girls	2,003	4,549	5,542	1,010
Gymnastics	4,151	3,868	8,980	(961)
Hockey, Boys	10	1,100	799	311
Hockey, Girls	1,029	4,790	4,350	1,469
Nordic Skiing	2,801	6,800	9,430	171
Soccer, Boys	39	-	-	39
Soccer, Girls	-	2,700	2,123	577
Softball	7,459	10,788	8,634	9,613
Swimming, Boys	919	12,728	13,295	352
Swimming, Girls	7,240	14,911	17,190	4,961
Tennis, Boys	448	9,616	8,837	1,227
Tennis, Girls	466	6,103	6,436	133
Track, Boys	2,723	-	-	2,723
Track, Girls	3,383	230	3,380	233
Volleyball	405	6,964	6,539	830
Weight Lifting	3,705	8,525	8,393	3,837
Wrestling	2,822	10,993	8,530	5,285
Art Club	2,346	3,562	2,632	3,276
Band	19,774	18,510	14,707	23,577

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015**

	Balance 6/30/2014	Receipts & Transfers In	Disbursements & Transfers Out	Balance 6/30/2015
Chess Club	\$ 168	\$ 180	\$ 210	\$ 138
Costa Rica Trip Fund	11,902	-	-	11,902
Drama Club	11,475	7,336	9,720	9,091
Drama/Rock & Roll	22,029	69,606	83,436	8,199
Environmental Club	122	80	198	4
Interest/Bank Charges	379	139	37	481
International Club	192	-	-	192
Junior Class	12,746	18,620	19,199	12,167
Leadership Class	2,523	-	-	2,523
Math Team	707	-	-	707
National Honor Society	984	1,042	1,241	785
NHS Film Society	996	-	-	996
Norhian	10,338	23,098	21,116	12,320
Orchestra	14,633	19,799	19,071	15,361
R.A.L.I.E.	4,008	4,250	5,064	3,194
Senior Class	19,227	18,174	16,648	20,753
Share	210	10,672	7,848	3,034
Ski Club	27,332	-	700	26,632
Speech	8,042	5,596	5,410	8,228
Student Council	21,597	1,063	6,943	15,717
Vocal Music	17,530	27,632	28,859	16,303
World History AP	699	-	-	699
Applied Science Class	3,353	4,925	5,067	3,211
Robotics Club	4,707	6,800	9,042	2,465
Jazz Band	1,857	544	1,742	659
Poinsettia Sales	11,770	19,518	16,237	15,051
Bowling	1,336	1,475	805	2,006
DECA	1,947	16,240	15,788	2,399
Girls Lacrosse	3,437	14,312	18,320	(571)
	<u>298,003</u>	<u>456,494</u>	<u>477,402</u>	<u>277,095</u>
	<u>\$ 328,698</u>	<u>\$ 485,330</u>	<u>\$ 501,645</u>	<u>\$ 312,383</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STUDENT ACTIVITY FUNDS
NOTE TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Funds of as of Independent School District No. 659 and for the year ended June 30, 2015, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated . We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Manual for Activity Fund Accounting*, except as described in the Schedule of Findings and Responses as items 2015-001 and 2015-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

The District's written responses to the legal compliance findings identified in our audit are described in the Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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

CliftonLarsonAllen LLP

Austin, Minnesota
November 30, 2015

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STUDENT ACTIVITY FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

FINDING: 2015-001 MINNESOTA LEGAL COMPLIANCE –LACK OF STUDENT REPRESENTATIVE APPROVAL

Condition: One of twenty-five disbursements tested lacked documentation of approval of the student representative which is required under guidelines included in The Manual for Activity Fund Accounting (MAFA).

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The District will take care to ensure that all transactions are properly approved by the student representative.

Official Responsible for Ensuring CAP: Tom Graupmann, Student Activities Coordinator, and Joel Leer, High School Principal, are the officials responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP: June 30, 2016.

Plan to Monitor Completion of CAP: Val Mertesdorf, Director of Finance, will monitor this corrective action plan.

FINDING: 2015-002 MINNESOTA LEGAL COMPLIANCE –ENTERING INTO A CONTRACT FOR SERVICES

Condition: One of the twenty-five disbursements resulted in a student activity fund entering into a contract for services which is prohibited under guidelines included in The Manual for Activity Fund Accounting (MAFA).

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The District will take care to review all transactions to ensure that student activity accounts do not enter into any contracts for services..

Official Responsible for Ensuring CAP: Tom Graupmann, Student Activities Coordinator, and Joel Leer, High School Principal, are the officials responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP: June 30, 2016.

Plan to Monitor Completion of CAP: Val Mertesdorf, Director of Finance, will monitor this corrective action plan.

