

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**



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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, 2019**

**BOARD OF EDUCATION**

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

\*\*\*\*\*

**ADMINISTRATION**

Dr. Matthew Hillmann	Superintendent
Val Mertesdorf	Director of Finance

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, 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.

### ***Report on Summarized Comparative Information***

We have previously audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and we expressed unmodified opinions on those audited financial statements in our report dated November 21, 2018. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*


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



The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund, the Schedule of Changes in Fund Equities, the Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 15, 2019

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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, 2019**

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018-2019 include the following:

- The net position of governmental activities increased by \$13,574,211 to a deficit of \$4,072,167. The increase is primarily related to the net pension liability required by GASB Statement No. 68 and the changes to various actuarial assumptions in the Minnesota Teacher Retirement Association's calculation that is required to be recorded on the government-wide financial statements.
- The District's governmental funds reported a combined fund balance of \$59,730,552, a net increase of \$40,432,928 in comparison with the prior year. This increase is primarily due to the sale of the 2019A School Building Bonds totaling \$39,255,000. Approximately 17.9% of this total is unassigned.
- Total General Fund revenues and other financing sources were \$57,136,246 and total General Fund expenditures and other financing uses were \$56,837,316 for the fiscal year ended June 30, 2019. Total governmental fund revenues and other financing sources were \$119,784,165 total governmental fund expenditures and other financing uses were \$79,351,237.
- The General Fund Unassigned fund balance increased by \$5,516 to \$10,679,116 or 18.8% of general fund expenditures. The District had planned to spend down a portion of the unassigned fund balance. The District is in a great financial position to be able to serve the Northfield Community.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of the following:

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

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

**GOVERNMENT-WIDE STATEMENTS**

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

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

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

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

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

The District maintains three kinds of funds:

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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

**Net Position.** The District's combined net position from Governmental activities was \$(4,072,167) on June 30, 2019. (See Table A-1) This represents an increase in net position of \$13,574,211.

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

	<b>Governmental Activities as of June 30,</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Current and Other Assets	\$ 87,835,197	\$ 46,164,767	90.26 %
Capital Assets	<u>57,786,415</u>	<u>57,537,978</u>	0.43
Total Assets	145,621,612	103,702,745	40.42
Deferred Outflows of Resources	42,891,044	57,884,176	(25.90)
Current Liabilities	9,060,996	7,504,102	20.75
Long-Term Liabilities	<u>110,553,108</u>	<u>137,070,731</u>	(19.35)
Total Liabilities	119,614,104	144,574,833	(17.26)
Deferred Inflows of Resources	<u>72,970,719</u>	<u>34,658,466</u>	110.54
Net Position:			
Net Investment in Capital Assets	27,557,947	27,394,637	0.60
Restricted	5,871,386	3,629,113	61.79
Unrestricted	<u>(37,501,500)</u>	<u>(48,670,128)</u>	(22.95)
Total Net Position	<u>\$ (4,072,167)</u>	<u>\$ (17,646,378)</u>	(76.92)

The District's net position reflect its net investment in capital assets (e.g. land, buildings and furniture and equipment) increased to \$27,557,947. The assets are currently under construction. The restricted category of the District's net position represents those resources that are restricted as to how they may be used, such as state mandated reserves, capital assets acquisition and debt service payments.

You will note that our unrestricted net position became less negative from \$(48,670,128) in 2017-18 to \$(37,501,500) in 2018-19. The increase in the unrestricted net position is primarily due to the changes in actuarial assumptions of the Minnesota Teacher Retirement Association (TRA) pension liability.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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

Total revenues surpassed expenses, increasing net position \$13,574,211 over the prior year.

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

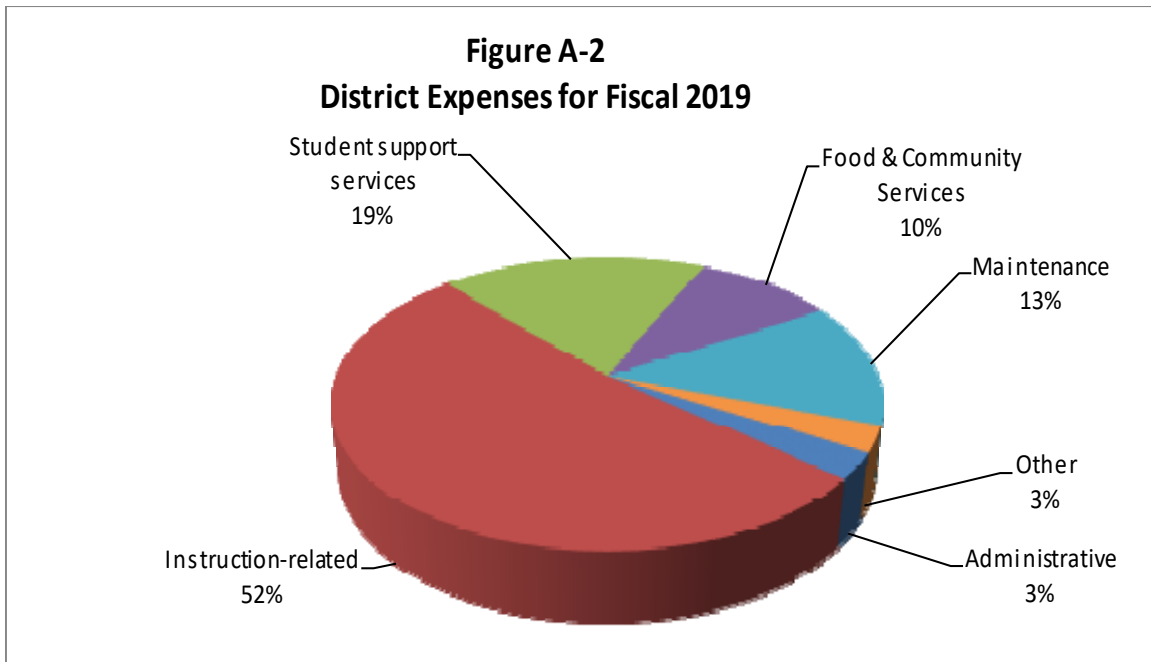
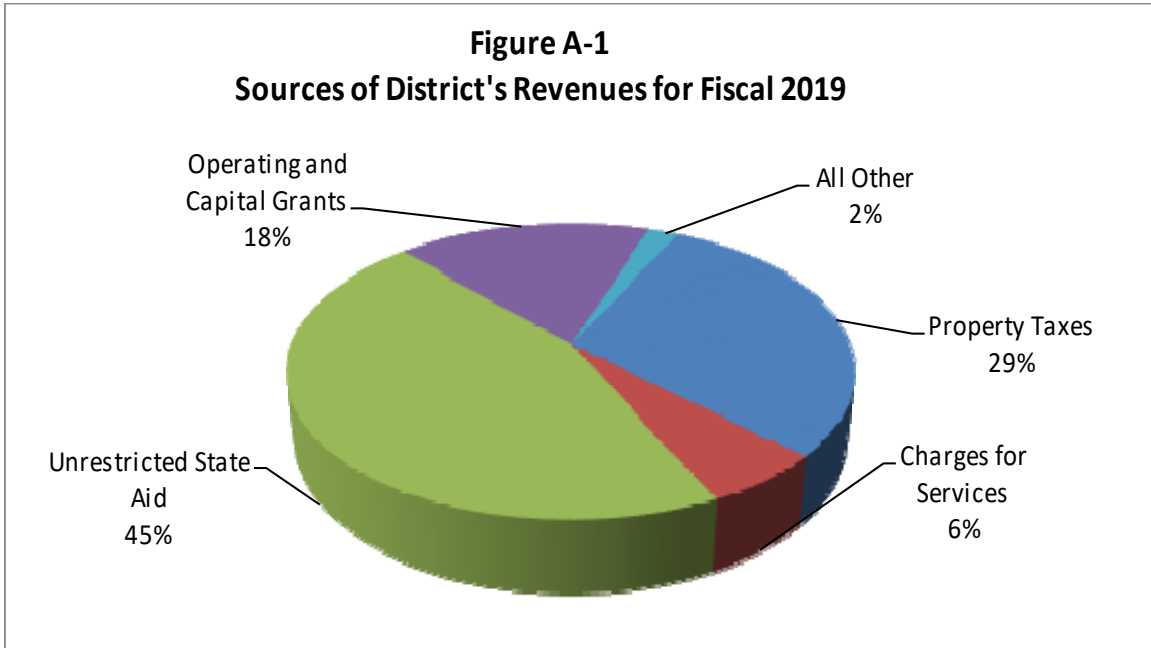
	<b>Governmental Activities for the Fiscal Year Ended June 30,</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 3,844,641	\$ 3,824,278	0.53 %
Operating Grants and Contributions	10,485,578	11,418,699	(8.17)
Capital Grants and Contributions	732,300	708,784	3.32
<u>General Revenues</u>			
Property Taxes	18,970,254	15,620,209	21.45
Unrestricted State Aid	29,296,690	28,380,011	3.23
Investment Earnings	872,095	233,872	272.89
Other	486,521	437,986	11.08
Total Revenues	<u>64,688,079</u>	<u>60,623,839</u>	6.70
<b>Expenses</b>			
Administration	1,458,874	2,380,013	(38.70)
District Support Services	1,441,354	1,411,109	2.14
Regular Instruction	18,456,558	37,046,867	(50.18)
Vocational Education Instruction	245,648	426,804	(42.44)
Special Education Instruction	8,038,507	14,087,630	(42.94)
Instructional Support Services	4,170,316	4,374,346	(4.66)
Pupil Support Services	3,949,745	4,363,845	(9.49)
Sites and Buildings	6,911,170	4,543,639	52.11
Fiscal and Other Fixed Cost Programs	138,065	142,173	(2.89)
Food Service	2,158,378	2,150,298	0.38
Community Service	2,813,124	3,025,039	(7.01)
Interest and Fiscal Charges on Long-Term Liabilities	1,332,129	780,322	70.72
Total Expenses	<u>51,113,868</u>	<u>74,732,085</u>	(31.60)
<b>Change in Net Position</b>	13,574,211	(14,108,246)	
Beginning Net Position	(17,646,378)	(3,538,132)	
Ending Net Position	<u>\$ (4,072,167)</u>	<u>\$ (17,646,378)</u>	

**Changes in net position.** The District's total revenues were \$64,688,079 for the year ended June 30, 2019. Property taxes and state formula aid accounted for 74.6% of total revenue for the year. (See Figure A-1). Another 23.3% came from program revenues. Investment earnings and other general revenues amounted to 2.1%.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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

The total cost of all programs and services was \$51,113,868. The District's total expenses are predominantly related to educating and supporting students (71%). (See Figure A-2.) The administrative activities of the District accounted for 3% of total expenses.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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

- The cost of all governmental activities this year was \$51,113,868, which is \$23,618,217 or 31.6% less than the prior year.
- Some of the expense was paid by the patrons of the District's programs (\$3,844,641).
- The federal and state governments subsidized certain programs with grants and contributions (\$11,217,878).
- Local property taxes financed \$18,970,254, state aid based on the statewide education aid formula funded \$29,296,690, and investment earnings and other general revenues provided \$1,358,616 in revenue.

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

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
Administration	\$ 1,458,874	\$ 2,380,013	-38.70%	\$ 1,512,947	\$ 2,367,678	-36.10%
District Support Services	1,441,354	1,411,109	2.14%	1,451,524	1,410,238	2.93%
Regular Instruction	18,456,558	37,046,867	-50.18%	16,346,917	33,637,544	-51.40%
Vocational Education Instruction	245,648	426,804	-42.44%	238,414	411,075	-42.00%
Special Education Instruction	8,038,507	14,087,630	-42.94%	1,444,389	7,936,044	-81.80%
Instructional Support Services	4,170,316	4,374,346	-4.66%	3,609,854	3,807,464	-5.19%
Pupil Support Services	3,949,745	4,363,845	-9.49%	3,679,493	4,030,799	-8.72%
Sites and Buildings	6,911,170	4,543,639	52.11%	5,784,570	3,532,011	63.78%
Fiscal and Other Fixed Cost Programs	138,065	142,173	-2.89%	138,065	142,173	-2.89%
Food Service	2,158,378	2,150,298	0.38%	104,053	(27,075)	-484.31%
Community Service	2,813,124	3,025,039	-7.01%	408,994	752,051	-45.62%
Interest and Fiscal Charges on Long-Term Liabilities	1,332,129	780,322	70.72%	1,332,129	780,322	70.72%
	<u>\$ 51,113,868</u>	<u>\$ 74,732,085</u>	-31.60%	<u>\$ 36,051,349</u>	<u>\$ 58,780,324</u>	-38.67%

**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 \$59,730,552, which is an increase of \$40,432,928 from the prior year ending fund balance of \$19,297,624.

Revenues and other financing sources for the District's governmental funds were \$119,784,165 while total expenditures and other financing uses were \$79,351,237, resulting in revenues exceeding expenditures by \$40,432,928. This is primarily due to the sale of the 2019A School Building Bonds in the amount of \$39,255,000.

**GENERAL FUND**

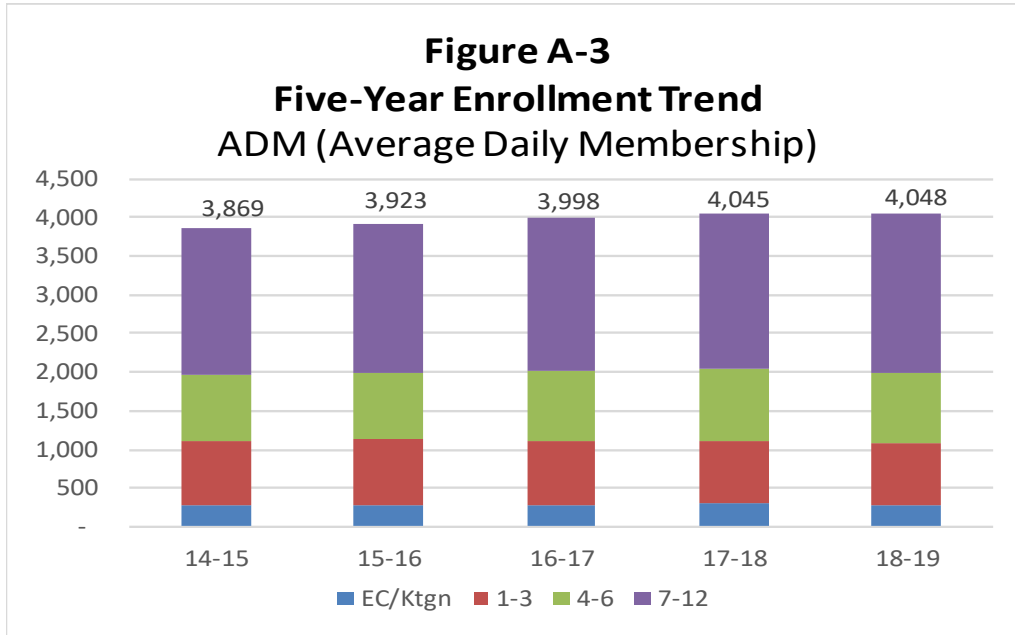
The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GENERAL FUND (CONTINUED)**

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



The following schedule presents a summary of General Fund Revenues.

**Table A-4  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2019	June 30, 2018	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 13,573,959	\$ 10,333,878	\$ 3,240,081	31.4 %
Earnings on Investments	484,043	190,524	293,519	154.1
Other	1,273,766	1,332,530	(58,764)	(4.4)
State Sources	38,699,985	37,193,504	1,506,481	4.1
Federal Sources	1,501,946	1,384,171	117,775	8.5
Total General Fund Revenue	<u>\$ 55,533,699</u>	<u>\$ 50,434,607</u>	<u>\$ 5,099,092</u>	10.1

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GENERAL FUND (CONTINUED)**

Total General Fund Revenues increased by \$5,099,092 or 10.1% from the previous year. This increase is primarily due to the increased operating referendum that was passed in November 2017. We did see an increase in our state sources primarily due to the increase in the basic funding formula. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-5  
General Fund Expenditures**

	<u>Year Ended</u>		<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
	<b>June 30, 2019</b>	<b>June 30, 2018</b>		
Salaries	\$ 31,696,526	\$ 30,527,714	\$ 1,168,812	3.8%
Employee Benefits	11,827,212	11,052,729	774,483	7.0%
Purchased Services	6,966,706	6,389,623	577,083	9.0%
Supplies and Materials	1,895,388	1,955,914	(60,526)	-3.1%
Capital Expenditures	3,903,509	1,702,430	2,201,079	129.3%
Other Expenditures	547,975	553,209	(5,234)	-0.9%
Total Expenditures	<u>\$ 56,837,316</u>	<u>\$ 52,181,619</u>	<u>\$ 4,655,697</u>	8.9%

Total General Fund expenditures increased \$4,655,697 or 8.9%. The District saw expenditure increases due to normal cost inflationary measures; specific Board approved programs and District contract negotiation. The District has been diligent in controlling expenditures in anticipation of little or no funding increases from the State. The District continues to look for cost reductions and other containment measures in all contracted services arrangements currently in place.

In 2018-19, General Fund revenues and other financing sources were more than expenditures by \$298,930 or 0.5% of total expenditures. After deducting statutory restrictions, the unassigned fund balance increased from \$10,673,600 at June 30, 2018 to \$10,679,116 at June 30, 2019, an increase of \$5,516. The unassigned fund balance represents 18.8% of general fund expenditures which is higher than the Board designated goal of 16%.

**General Fund Budgetary Highlights**

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GENERAL FUND (CONTINUED)**

**General Fund Budgetary Highlights (Continued)**

The District's final budget for the General Fund anticipated that revenues and other financing sources would be more than expenditures and other financing uses by \$434,570. The actual results show revenues being more than expenditures by \$298,930.

- Actual revenues and other financing sources were \$3,207,952 more than expected. This was primarily due to a new lease being classified as a capital lease (\$1,578,780) and the state pro-rated special education revenue was more than anticipated (\$930,000).
- Actual expenditures and other financing uses were \$3,343,592 more than expected. This was primarily due to the accounting for the capital lease (\$1,578,780) as well as some additional capital expenses and higher than anticipated salary costs.

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>	<u>Percent Over (Under)</u>
Revenue and Other Financing Sources	\$ 53,928,294	\$ 57,136,246	\$ 3,207,952	5.6%
Expenditures and Other Financing Uses	53,493,724	56,837,316	3,343,592	5.9%
	<u>\$ 434,570</u>	<u>\$ 298,930</u>	<u>\$ (135,640)</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 395,379 lunches and 81,400 breakfasts to students, in addition to a la carte sales during the 2018-19 school year.

The fund balance decreased by \$84,825 to \$717,728 during 2018-19. This was due to an intentional spend down to ensure the total fund balance was in compliance with the federal guidelines.

Food Service Fund Revenues for 2018-19 totaled \$2,073,553. This was a decrease of \$112,883 or approximately 5.2% from 2017-18.

Food Service Fund Expenditures for 2018-19 totaled \$2,158,378. This was an increase of \$8,080 or 0.4 % from 2017-18.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**COMMUNITY SERVICE FUND**

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

Community Service Fund Revenues and other financing sources for 2018-19 totaled \$2,845,524. This was an increase of \$166,266 or 6.2% from 2017-18.

Community Service Fund Expenditures for 2018-19 totaled \$2,987,040. This was an increase of \$257,008 or 9.4% over 2017-18.

The fund balance has decreased from \$581,457 on June 30, 2018 to \$439,941 on June 30, 2019. The majority of the fund balance is reserved for specific purposes based on state requirements.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for revenues and expenditures related to the school district's long-term capital and facility projects that are funded by the sale of bonds or capital loans. The Capital Project Fund includes activity related to our 2019A School Building Bonds that encompass five building projects throughout the district. Construction started in July 2019 and is expected to be completed by December 2020.

Capital Projects Fund Revenues and other financing sources for 2018-19 totaled \$41,553,594. This was an increase of \$41,533,594 or 100% from 2017-18.

Capital Projects Fund Expenditures and other financing uses for 2018-19 totaled \$3,894,235. This was an increase of \$3,805,099 or 4,269% over 2017-18.

The fund balance has increased from \$0 on June 30, 2018 to \$37,659,359 on June 30, 2019. The fund balance is reserved for the specific building projects based on state requirements.

**DEBT SERVICE FUND**

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

The Debt Service Fund Balance increased by \$2,700,980 in 2018-19. This increase is related to the transfer of \$2,609,000 of capitalized interest from the capital projects fund to pay for a portion of the first payments of the 2019A School Building Bonds.

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, 2019, fund balance of \$3,901,604 plus future levies that include an additional 5% levy to cover late or delinquent property tax payments will provide adequate cash flow for timely payment of principal and interest.

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

At the end of fiscal year 2019, the District had invested \$104,367,184 in a broad range of capital assets, including school buildings; land, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7). Total accumulated depreciation as of June 30, 2019 was \$46,580,769. The current year depreciation expense for Governmental Activities totaled \$2,810,608. More detailed information about capital assets can be found in Note 4 to the financial statements.

**Table A-7  
Capital Assets**

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Land	\$ 968,609	\$ 968,609	-
Construction in Progress	1,285,235	-	N/A
Land Improvements	4,205,817	4,112,319	2.3
Buildings and Improvements	92,036,951	91,055,832	1.1
Equipment	5,870,572	5,189,513	13.1
Less: Accumulated Depreciation	(46,580,769)	(43,788,295)	6.4
Total District Capital Assets	<u>\$ 57,786,415</u>	<u>\$ 57,537,978</u>	0.4

**Long-Term Liabilities:**

For the fiscal year ended June 30, 2019, the District had \$67,956,944 in long-term liabilities outstanding. This is an increase of 122.7% from the prior year (see Table A-8). More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

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

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 62,250,000	\$ 28,255,000	120.3 %
Net Bond Premium and Discount	2,559,422	690,808	270.5
Certificates of Participation Payable	679,313	784,233	(13.4)
Capital Leases Payable	1,856,736	413,300	349.2
Severance Payable	415,946	187,624	121.7
Compensated Absences Payable	195,527	179,370	9.0
Total Long-Term Liabilities	<u>\$ 67,956,944</u>	<u>\$ 30,510,335</u>	122.7
Long-Term Liabilities:			
Due Within One Year	\$ 5,754,317	\$ 5,335,648	
Due in More Than One Year	62,202,627	25,174,687	
Total	<u>\$ 67,956,944</u>	<u>\$ 30,510,335</u>	



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**OTHER SELECTED INFORMATION**

The government-wide financial statements now recognize liabilities for severance pay, compensated absences, pensions and other postemployment benefits. This liability does include an amount for future health benefit costs to employees who have not retired as of June 30, 2019. The District continues to assign funds as available to meet future obligations. A total of \$4,000,000 has been classified as Assigned Fund Balance from the Unassigned Fund Balance over the last several years to begin to address this long-term liability.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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## **BASIC FINANCIAL STATEMENTS**

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**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF NET POSITION  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and Investments	\$ 71,258,827	\$ 29,537,124
Receivables:		
Property Taxes	9,884,902	9,194,471
Other Governments	5,896,569	6,789,833
Other	431,027	129,794
Prepaid Items	321,924	465,310
Inventories	41,948	48,235
Capital Assets:		
Land and Construction in Progress	2,253,844	968,609
Other Capital Assets, Net of Depreciation	55,532,571	56,569,369
Total Assets	<u>145,621,612</u>	<u>103,702,745</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	41,870,618	57,117,215
Other Postemployment Benefits Related	1,020,426	766,961
Total Deferred Outflows	<u>42,891,044</u>	<u>57,884,176</u>
<b>LIABILITIES</b>		
Salaries Payable	941,338	929,927
Accounts Payable	1,047,085	650,820
Accrued Interest	1,007,290	339,039
Due to Other Governmental Units	93,810	93,292
Unearned Revenue	217,156	155,376
Long-Term Liabilities:		
Portion Due Within One Year	5,754,317	5,335,648
Portion Due in More Than One Year	62,202,627	25,174,687
Net Pension Liability	33,811,251	97,007,796
Other Postemployment Benefits Liability	14,539,230	14,888,248
Total Liabilities	<u>119,614,104</u>	<u>144,574,833</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	19,622,025	18,857,172
Gains on Debt Refunding	298,000	-
Pension Related	52,395,329	15,801,294
Other Postemployment Benefits Related	655,365	-
Total Deferred Inflows of Resources	<u>72,970,719</u>	<u>34,658,466</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	27,557,947	27,394,637
Restricted for:		
Operating Capital Purposes	542,842	556,454
State-Mandated Reserves	1,229,536	766,201
Food Service	717,728	802,553
Community Service	443,291	587,498
Debt Service	2,937,989	916,407
Unrestricted	(37,501,500)	(48,670,128)
Total Net Position	<u>\$ (4,072,167)</u>	<u>\$ (17,646,378)</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

2019			
Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 1,458,874	\$ 3,574	\$ (57,647)
District Support Services	1,441,354	-	(11,524)
Regular Instruction	18,456,558	484,868	1,432,317
Vocational Education Instruction	245,648	-	7,234
Special Education Instruction	8,038,507	273,311	6,320,807
Instructional Support Services	4,170,316	-	503,295
Pupil Support Services	3,949,745	-	270,252
Sites and Buildings	6,911,170	42,463	602,814
Fiscal and Other Fixed Cost Programs	138,065	-	-
Food Service	2,158,378	1,131,184	923,141
Community Service	2,813,124	1,909,241	494,889
Interest and Fiscal Charges on			
Long-Term Liabilities	1,332,129	-	-
Total School District	\$ 51,113,868	\$ 3,844,641	\$ 10,485,578

**General Revenues**

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

Change in Net Position

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

See accompanying Notes to Financial Statements.

	<u>2019</u>	<u>2018</u>
	<b>Net (Expense) Revenue and Change in Net Position</b>	<b>Net (Expense) Revenue and Change in Net Position</b>
<b>Capital Grants and Contributions</b>	<b>Total Governmental Activities</b>	<b>Total Governmental Activities</b>
\$ -	\$ (1,512,947)	\$ (2,367,678)
1,354	(1,451,524)	(1,410,238)
192,456	(16,346,917)	(33,637,544)
-	(238,414)	(411,075)
-	(1,444,389)	(7,936,044)
57,167	(3,609,854)	(3,807,464)
-	(3,679,493)	(4,030,799)
481,323	(5,784,570)	(3,532,011)
-	(138,065)	(142,173)
-	(104,053)	27,075
-	(408,994)	(752,051)
-	(1,332,129)	(780,322)
<u>\$ 732,300</u>	<u>(36,051,349)</u>	<u>(58,780,324)</u>
	13,572,195	10,323,169
	407,304	396,858
	4,990,755	4,900,182
	29,296,690	28,380,011
	872,095	233,872
	486,521	437,986
	<u>49,625,560</u>	<u>44,672,078</u>
	13,574,211	(14,108,246)
	(17,646,378)	1,933,598
	-	(5,471,730)
	<u>(17,646,378)</u>	<u>(3,538,132)</u>
	<u>\$ (4,072,167)</u>	<u>\$ (17,646,378)</u>

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
BALANCE SHEET – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	Major		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 18,766,522	\$ 752,426	\$ 784,493
Receivables:			
Current Property Taxes	6,732,444	-	199,325
Delinquent Property Taxes	94,949	-	3,350
Accounts Receivable	326,969	1,971	14,585
Due from Other Minnesota School Districts	336,584	-	6,649
Due from Minnesota Department of Education	4,006,132	8,731	40,234
Due from Federal through Minnesota Department of Education	1,378,814	8,731	-
Due from Other Governmental Units	36,793	-	445
Inventory	21,798	20,150	-
Prepays	319,612	362	1,950
Total Assets	<u>\$ 32,020,617</u>	<u>\$ 792,371</u>	<u>\$ 1,051,031</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ 870,694	\$ 3,300	\$ 67,344
Accounts and Contracts Payable	275,555	4,520	65,408
Due to Other Governmental Units	91,279	-	2,531
Unearned Revenue	88,873	66,823	61,460
Total Liabilities	<u>1,326,401</u>	<u>74,643</u>	<u>196,743</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes Levied for Subsequent Year	13,605,282	-	410,997
Unavailable Revenue - Delinquent Property Taxes	77,014	-	3,350
Total Deferred Inflows of Resources	<u>13,682,296</u>	<u>-</u>	<u>414,347</u>
Fund Balance:			
Nonspendable:			
Inventory	21,798	20,150	-
Prepays	319,612	362	1,950
Restricted for:			
Operating Capital	542,842	-	-
Community Education	-	-	51,823
Early Childhood and Family Education	-	-	145,412
Teacher Development and Evaluation	61,763	-	-
School Readiness	-	-	238,444
Long-Term Facilities Maintenance	1,167,773	-	-
Restricted for Other Purposes	-	697,216	2,312
Assigned for:			
Tobacco Settlement	19,016	-	-
Special Education	200,000	-	-
Severance - Insurance Premiums	4,000,000	-	-
Unassigned	10,679,116	-	-
Total Fund Balance	<u>17,011,920</u>	<u>717,728</u>	<u>439,941</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 32,020,617</u>	<u>\$ 792,371</u>	<u>\$ 1,051,031</u>

See accompanying Notes to Financial Statements.



Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2019	2018
\$ 37,932,470	\$ 6,622,735	\$ 64,858,646	\$ 23,103,706
-	2,811,159	9,742,928	9,030,045
-	43,675	141,974	164,426
62,661	-	406,186	129,794
-	-	343,233	1,299,030
-	73,456	4,128,553	4,174,224
-	-	1,387,545	1,290,236
-	-	37,238	26,343
-	-	41,948	48,235
-	-	321,924	465,310
<u>\$ 37,995,131</u>	<u>\$ 9,551,025</u>	<u>\$ 81,410,175</u>	<u>\$ 39,731,349</u>
\$ -	\$ -	\$ 941,338	\$ 929,927
335,772	-	681,255	260,085
-	-	93,810	93,292
-	-	217,156	155,376
<u>335,772</u>	<u>-</u>	<u>1,933,559</u>	<u>1,438,680</u>
-	5,605,746	19,622,025	18,857,172
-	43,675	124,039	137,873
<u>-</u>	<u>5,649,421</u>	<u>19,746,064</u>	<u>18,995,045</u>
-	-	41,948	48,235
-	-	321,924	465,310
-	-	542,842	556,454
-	-	51,823	251,029
-	-	145,412	118,541
-	-	61,763	73,821
-	-	238,444	213,155
-	-	1,167,773	692,380
37,659,359	3,901,604	42,260,491	1,987,791
-	-	19,016	19,076
-	-	200,000	200,000
-	-	4,000,000	4,000,000
-	-	10,679,116	10,671,832
<u>37,659,359</u>	<u>3,901,604</u>	<u>59,730,552</u>	<u>19,297,624</u>
<u>\$ 37,995,131</u>	<u>\$ 9,551,025</u>	<u>\$ 81,410,175</u>	<u>\$ 39,731,349</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, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Total Fund Balance for Governmental Funds</b>	\$ 59,730,552	\$ 19,297,624
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	1,285,235	-
Land Improvements, Net of Accumulated Depreciation	1,636,812	1,674,131
Buildings and Improvements, Net of Accumulated Depreciation	51,782,536	53,175,805
Equipment, Net of Accumulated Depreciation	2,113,223	1,719,433
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds.	124,039	137,873
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.	(1,007,290)	(339,039)
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	(33,811,251)	(97,007,796)
Deferred Outflows of Resources - Pensions	41,870,618	57,117,215
Deferred Inflows of Resources - Pensions	(52,395,329)	(15,801,294)
The District's Other Postemployment Benefits Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:		
Other Postemployment Benefits Liability	(14,539,230)	(14,888,248)
Deferred Outflows of Resources - Other Postemployment Benefits	1,020,426	766,961
Deferred Inflows of Resources - Other Postemployment Benefits	(655,365)	-
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	(62,250,000)	(28,255,000)
Unamortized Premiums	(2,600,159)	(740,598)
Unamortized Discounts	40,737	49,790
Certificates of Participation Payable	(679,313)	(784,233)
Capital Lease Payable	(1,856,736)	(413,300)
Unamortized Gain on Bond Refunding	(298,000)	-
Severance and Health Benefits Payable	(415,946)	(187,624)
Compensated Absences Payable	(195,527)	(179,370)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end are:	6,059,192	6,042,683
<b>Total Net Position of Governmental Activities</b>	<u>\$ (4,072,167)</u>	<u>\$ (17,646,378)</u>

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, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	<u>General</u>	<u>Food Service</u>	<u>Major Community Service</u>
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 13,573,959	\$ -	\$ 408,227
Earnings and Investments	484,043	14,138	9,759
Other	1,273,766	1,135,715	2,100,936
State Sources	38,699,985	108,710	326,602
Federal Sources	1,501,946	814,990	-
Total Revenues	<u>55,533,699</u>	<u>2,073,553</u>	<u>2,845,524</u>
<b>EXPENDITURES</b>			
Current:			
Administration	1,824,720	-	-
District Support Services	1,482,851	-	-
Elementary and Secondary Regular Instruction	26,412,472	-	-
Vocational Education Instruction	301,656	-	-
Special Education Instruction	10,951,009	-	-
Instructional Support Services	2,891,269	-	-
Pupil Support Services	4,308,967	-	-
Sites and Buildings	4,338,552	-	-
Fiscal and Other Fixed Cost Programs	138,065	-	-
Food Service	-	2,134,446	-
Community Service	-	-	2,985,377
Capital Outlay	3,903,509	23,932	1,663
Debt Service:			
Principal	235,622	-	-
Interest and Fiscal Charges	48,624	-	-
Total Expenditures	<u>56,837,316</u>	<u>2,158,378</u>	<u>2,987,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,303,617)	(84,825)	(141,516)
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Recovery	23,767	-	-
Sale of Bonds	-	-	-
Bond Premium	-	-	-
Capital Lease Proceeds	1,578,780	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>1,602,547</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	298,930	(84,825)	(141,516)
<b>FUND BALANCES</b>			
Beginning of Year	16,712,990	802,553	581,457
End of Year	<u>\$ 17,011,920</u>	<u>\$ 717,728</u>	<u>\$ 439,941</u>

See accompanying Notes to Financial Statements.

Capital Projects	Funds	Total Governmental Funds	
	Debt Service	2019	2018
\$ -	\$ 5,001,902	\$ 18,984,088	\$ 15,635,645
244,356	119,800	872,096	233,873
-	-	4,510,417	4,493,974
-	737,798	39,873,095	38,029,384
-	-	2,316,936	2,237,056
<u>244,356</u>	<u>5,859,500</u>	<u>66,556,632</u>	<u>60,629,932</u>
-	-	1,824,720	1,845,398
-	-	1,482,851	1,258,852
-	-	26,412,472	24,977,628
-	-	301,656	332,269
-	-	10,951,009	10,559,280
-	-	2,891,269	3,034,260
-	-	4,308,967	3,837,310
-	-	4,338,552	4,207,774
-	-	138,065	142,173
-	-	2,134,446	2,111,821
-	-	2,985,377	2,722,144
1,044,618	-	4,973,722	1,837,931
-	4,915,000	5,150,622	4,986,359
240,617	889,268	1,178,509	981,043
<u>1,285,235</u>	<u>5,804,268</u>	<u>69,072,237</u>	<u>62,834,242</u>
(1,040,879)	55,232	(2,515,605)	(2,204,310)
-	-	23,767	-
39,255,000	7,325,000	46,580,000	-
2,054,238	381,748	2,435,986	-
-	-	1,578,780	554,785
-	(7,670,000)	(7,670,000)	-
-	2,609,000	2,609,000	154,008
<u>(2,609,000)</u>	<u>-</u>	<u>(2,609,000)</u>	<u>(154,008)</u>
<u>38,700,238</u>	<u>2,645,748</u>	<u>42,948,533</u>	<u>554,785</u>
37,659,359	2,700,980	40,432,928	(1,649,525)
-	1,200,624	19,297,624	20,947,149
<u>\$ 37,659,359</u>	<u>\$ 3,901,604</u>	<u>\$ 59,730,552</u>	<u>\$ 19,297,624</u>

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	<b>2019</b>	<b>2018</b>
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 40,432,928</b>	<b>\$ (1,649,525)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:		
Capital Outlays	3,059,045	853,914
Depreciation Expense	(2,810,608)	(2,753,573)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.	(13,834)	(15,436)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Other Financing Sources - Capital Lease	(1,578,780)	(554,785)
Principal Payments - Capital Leases	135,344	141,485
Pension expenses in the governmental funds are measured by current year employer contributions. Pension expenditures on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	11,355,913	(14,887,075)
Other postemployment benefits expenses in the governmental funds are measured by current year employer contributions. Other postemployment benefits expenditures on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(52,882)	(454,824)
In the statement of activities, certain operating expenses - severance benefits, and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	(244,479)	39,741
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	(46,580,000)	-
Bond Premium or Discount	(2,435,986)	-
Payment to Refunded Bond Escrow Agent	7,670,000	-
Repayment of Bond Principal	4,915,000	4,745,000
Change in Accrued Interest - General Obligation Bonds	(668,251)	43,554
Repayment of Certificates of Participation Payable	104,920	99,874
Amortization of Bond Premium	278,425	166,220
Amortization of Bond Discount	(9,053)	(9,053)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	16,509	126,237
Total	<b>\$ 13,574,211</b>	<b>\$ (14,108,246)</b>

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 13,611,213	\$ 13,611,213	\$ 13,573,959	\$ (37,254)
Earnings and Investments	150,000	150,000	484,043	334,043
Other	1,253,278	1,253,278	1,273,766	20,488
State Sources	37,784,088	37,704,088	38,699,985	995,897
Federal Sources	1,209,715	1,209,715	1,501,946	292,231
Total Revenues	<u>54,008,294</u>	<u>53,928,294</u>	<u>55,533,699</u>	<u>1,605,405</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,840,972	1,842,633	1,824,720	(17,913)
District Support Services	1,383,410	1,383,735	1,482,851	99,116
Elementary and Secondary Regular Instruction	25,943,878	25,968,413	26,412,472	444,059
Vocational Education Instruction	272,714	272,795	301,656	28,861
Special Education Instruction	10,482,272	10,485,080	10,951,009	465,929
Instructional Support Services	2,969,074	3,019,172	2,891,269	(127,903)
Pupil Support Services	3,795,714	3,863,590	4,308,967	445,377
Sites and Buildings	4,245,622	4,383,562	4,338,552	(45,010)
Fiscal and Other Fixed Cost Programs	145,000	145,000	138,065	(6,935)
Capital Outlay	1,947,097	1,986,984	3,903,509	1,916,525
Debt Service:				
Principal	104,919	104,919	235,622	130,703
Interest and Fiscal Charges	37,841	37,841	48,624	10,783
Total Expenditures	<u>53,168,513</u>	<u>53,493,724</u>	<u>56,837,316</u>	<u>3,343,592</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	839,781	434,570	(1,303,617)	(1,738,187)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Recovery	-	-	23,767	23,767
Capital Lease Proceeds	-	-	1,578,780	1,578,780
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,602,547</u>	<u>1,602,547</u>
Net Change in Fund Balance	<u>\$ 839,781</u>	<u>\$ 434,570</u>	298,930	<u>\$ (135,640)</u>
<b>FUND BALANCE</b>				
Beginning of Year			16,712,990	
End of Year			<u>\$ 17,011,920</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 6,000	\$ 6,000	\$ 14,138	\$ 8,138
Other - Primarily Meal Sales	1,242,400	1,242,400	1,135,715	(106,685)
State Sources	113,000	113,000	108,710	(4,290)
Federal Sources	858,500	858,500	814,990	(43,510)
Total Revenues	<u>2,219,900</u>	<u>2,219,900</u>	<u>2,073,553</u>	<u>(146,347)</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	2,204,037	2,204,037	2,134,446	(69,591)
Capital Outlay	30,500	30,500	23,932	(6,568)
Total Expenditures	<u>2,234,537</u>	<u>2,234,537</u>	<u>2,158,378</u>	<u>(76,159)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (14,637)</u>	<u>\$ (14,637)</u>	(84,825)	<u>\$ (70,188)</u>
<b>FUND BALANCE</b>				
Beginning of Year			802,553	
End of Year			<u>\$ 717,728</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 414,908	\$ 414,908	\$ 408,227	\$ (6,681)
Earnings and Investments	5,000	5,000	9,759	4,759
Other - Primarily Tuition and Fees	2,054,974	2,054,974	2,100,936	45,962
State Sources	<u>290,371</u>	<u>290,371</u>	<u>326,602</u>	<u>36,231</u>
Total Revenues	<u>2,765,253</u>	<u>2,765,253</u>	<u>2,845,524</u>	<u>80,271</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	2,811,136	2,811,136	2,985,377	174,241
Capital Outlay	<u>11,850</u>	<u>11,850</u>	<u>1,663</u>	<u>(10,187)</u>
Total Expenditures	<u>2,822,986</u>	<u>2,822,986</u>	<u>2,987,040</u>	<u>164,054</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (57,733)</u>	<u>\$ (57,733)</u>	(141,516)	<u>\$ (83,783)</u>
<b>FUND BALANCE</b>				
Beginning of Year			581,457	
End of Year			<u>\$ 439,941</u>	

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	<b>Governmental Activities - Internal Service Funds</b>	
	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 6,400,181	\$ 6,433,418
Accounts Receivable	24,841	-
Total Assets	6,425,022	6,433,418
<b>LIABILITIES</b>		
Accounts Payable	365,830	390,735
Total Liabilities	365,830	390,735
<b>NET POSITION</b>		
Unrestricted	\$ 6,059,192	\$ 6,042,683

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, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Charges for Services:		
Health Insurance Premiums	\$ 6,891,856	\$ 6,864,812
Dental Insurance Premiums	624,260	598,100
Total Operating Revenues	<u>7,516,116</u>	<u>7,462,912</u>
<b>OPERATING EXPENSES</b>		
Health Insurance Claims	6,245,197	6,030,279
Dental Insurance Claims	507,202	517,285
General Administration Fees	838,356	837,838
Total Operating Expenses	<u>7,590,755</u>	<u>7,385,402</u>
Operating Income	(74,639)	77,510
<b>NONOPERATING INCOME</b>		
Earnings on Investments	<u>91,148</u>	<u>48,727</u>
Change in Net Position	16,509	126,237
Net Position - Beginning	6,042,683	5,916,446
Net Position - Ending	<u>\$ 6,059,192</u>	<u>\$ 6,042,683</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Interfund Services Provided	\$ 7,491,275	\$ 7,463,169
Payments for Health and Dental Insurance Claims	(6,777,304)	(6,428,499)
Payments for Administrative Fees	(838,356)	(837,838)
Net Cash Provided by Operating Activities	<u>(124,385)</u>	<u>196,832</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	91,148	48,727
Net Cash Provided by Investing Activities	<u>91,148</u>	<u>48,727</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(33,237)	245,559
Cash and Cash Equivalents - Beginning of Year	<u>6,433,418</u>	<u>6,187,859</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 6,400,181</u>	<u>\$ 6,433,418</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ (74,639)	\$ 77,510
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Decrease in Accounts Receivable	(24,841)	257
Increase (Decrease) in Accounts Payable	(24,905)	119,065
Total Adjustments	<u>(49,746)</u>	<u>119,322</u>
Net Cash Provided by Operating Activities	<u>\$ (124,385)</u>	<u>\$ 196,832</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

	<b>2019</b>
<b>ASSETS</b>	
Cash and Investments	\$ 212,145
Total Assets	212,145
<b>NET POSITION</b>	
Held In Trust	\$ 212,145

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2019**

	<b>2019</b>
<b>ADDITIONS</b>	
Gifts and Donations	\$ 80,600
Earnings on Investments	3,050
Total Additions	83,650
<b>DEDUCTIONS</b>	
Scholarships Awarded	55,754
Total Deductions	55,754
Change in Net Position	27,896
Net Position - Beginning of Year	184,249
Net Position - End of Year	\$ 212,145

See accompanying Notes to Financial Statements.

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**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to customers for service. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds**

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

*Major Governmental Funds*

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

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

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

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

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgeting**

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

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

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

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

**F. Cash and Investments**

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

**G. Cash and Cash Equivalents**

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

**H. Receivables**

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019, 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 2018 pay 2019 levy, normally revenue for the 2019-19 fiscal year, are also advance recognized at June 30, 2019, 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, 2019**

**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, 2019, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**L. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the Government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment and furnishings.

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

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

**M. Deferred Outflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense) until that time. The District has two types of items that qualify as this reporting element, pension related and other postemployment benefit related.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 \$195,527 is included in long-term debt for earned but unpaid vacation.

**Sick Pay**

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

**Severance**

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

**Other Postemployment Benefits Payable**

Under the provisions of the various employee and union contracts the District provides Health and Dental Care coverage until age 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 75, at June 30, 2019.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 four types of deferred inflows. Two types occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred inflow is pension related. The fourth type of deferred inflow is related to a bond refunding.

**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 2019-2020 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.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Fund Balance (Continued)**

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.

**T. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers' compensation. The District purchases commercial insurance coverage for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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

**U. Self-Insurance Claims**

This liability represents an estimate of health and dental claims incurred but not reported as of June 30, 2019. These claims are included in accounts payable in the Statement of Net Position.

**V. Net Position**

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

**W. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which the summarized information was derived.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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	\$ 53,493,724	\$ 56,837,316	\$ 3,343,592
Special Revenue Funds:			
Community Service Fund	2,822,986	2,987,040	164,054

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

**Interfund Transfers**

The District had the following transfers at June 30, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects Fund	\$ -	\$ (2,609,000)
Debt Service Fund	2,609,000	-
	<u>\$ 2,609,000</u>	<u>\$ (2,609,000)</u>

The purpose of the transfer from the General Fund to the Debt Service Fund was to cover the initial debt service fund payment on the 2019A bond.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

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

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

The District’s deposits in banks at June 30, 2019 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, 2019**

**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, 2019, the District’s investment balances were as follows:

	2019
External Investment Pools:	
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 10,032,363
MN Trust Investment Shares Portfolio	2,579,011
MN Trust Term Series	18,000,000
MN Trust Limited Term Duration Series	6,243,600
Municipal Bonds	5,315,781
Total District Investments	\$ 42,170,755

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

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

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

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

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

<u>Class</u>	
MSDLAF Liquid Class	\$ 9,041,552
MSDLAF Max Class	990,811
Total MSDLAF+	<u>\$ 10,032,363</u>

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

The Municipal bonds are summarized as follows:

<u>Municipal Bonds</u>	<u>Maturity Date</u>	<u>Bond Rating Moody's/S&amp;P</u>	<u>Market Value as of June 30, 2019</u>
Delaware SD-REF-TXBL	12/1/2019	NR/AA	\$ 352,104
Hilliard SD-B-REF	12/1/2019	Aa1/AA+	264,414
Honolulu-G-TXBL	11/1/2019	Aa1/NR	154,781
Bloomington SD	12/1/2019	Aa2/NR	698,712
Columbus OH CITY SCH	12/1/2019	Aa2/AA	250,120
DE ST-SER D	10/1/2019	WR/AAA	402,048
St Louis SD	2/15/2020	Aa1/NR	1,348,487
Franklin-A-TXBL	3/1/2020	Aa2/NR	668,943
Mukwonago-A-REF	3/1/2020	NR/AA	175,900
New York NY	6/1/2020	Aa1/AA	249,927
Houston BABS-SER	3/1/2020	NR/AA	750,345

NR = not rated

**NORTHFIELD PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

***Interest Rate Risk.***

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

***Custodial Credit Risk.***

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires insurance of all balances held with each investment account. As of June 30, 2019, the investment balances were fully covered by insurance for each brokerage firm.

***Credit Risk.***

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

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

***Concentration of Credit Risk.***

The District's investment policies place no limit on the amount the District may invest in any one issuer. The District had no investments at June 30, 2019 which individually comprised more than 5% of total investments

**NORTHFIELD PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Balance Sheet Presentation**

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

Deposits	\$ 29,299,199
Cash on Hand	1,018
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	10,032,363
MN Trust	26,822,611
Municipal Bonds	5,315,781
Total Cash and Investments	<u>\$ 71,470,972</u>
Cash and Investments - Statement of Net Position	\$ 71,258,827
Cash and Investments - Statement of Fiduciary Net Position	212,145
Total Cash and Investments	<u>\$ 71,470,972</u>

**D. Fair Value Measurements**

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

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

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

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

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

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

All municipal bonds mature in less than one year, and are all categorized as Level 1.

**NORTHFIELD PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 968,609	\$ -	\$ -	\$ 968,609
Construction in Progress	-	1,285,235	-	1,285,235
Total Capital Assets, Not Being Depreciated	968,609	1,285,235	-	2,253,844
Capital Assets, Being Depreciated				
Land Improvements	4,112,319	93,498	-	4,205,817
Buildings and Improvements	91,055,832	981,119	-	92,036,951
Equipment	5,189,513	699,193	(18,134)	5,870,572
Total Capital Assets, Being Depreciated	100,357,664	1,773,810	(18,134)	102,113,340
Accumulated Depreciation for:				
Land Improvements	(2,438,188)	(130,817)	-	(2,569,005)
Buildings and Improvements	(37,880,027)	(2,374,388)	-	(40,254,415)
Equipment	(3,470,080)	(305,403)	18,134	(3,757,349)
Total Accumulated Depreciation	(43,788,295)	(2,810,608)	18,134	(46,580,769)
Total Capital Assets, Being Depreciated, Net	56,569,369	(1,036,798)	-	55,532,571
Governmental Activities Capital Assets, Net	<u>\$ 57,537,978</u>	<u>\$ 248,437</u>	<u>\$ -</u>	<u>\$ 57,786,415</u>

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

<b>Governmental Activities</b>	
Administration	\$ 4,477
District Support Services	30,745
Regular Instruction	2,621,733
Special Education Instruction	1,255
Instructional Support Services	19,120
Pupil Support Services	16,350
Sites and Buildings	95,296
Food Service	17,880
Community Service	3,752
Total Depreciation Expense, Governmental Activities	<u>\$ 2,810,608</u>

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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	Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding	
					Due Within One Year	Total
12/7/2011	2.0 - 2.375%	2011A	\$ 9,750,000	2/1/2024	\$ 545,000	\$ 7,415,000
12/19/2012	1.5 - 2.0%	2012A	9,825,000	2/1/2025	870,000	6,230,000
5/13/2014	2.0 - 3.0%	2014A	1,525,000	2/1/2025	150,000	940,000
3/23/2017	3.0%	2017A	1,325,000	2/1/2027	120,000	1,085,000
11/15/2018	5.0%	2018A	7,325,000	2/1/2022	3,225,000	7,325,000
1/31/2019	3.0 - 5.0%	2019A	39,255,000	2/1/2039	-	39,255,000
Total General Obligation Bonds					4,910,000	62,250,000
Bond Premiums					-	2,600,159
Bond Discounts					-	(40,737)
Certificates of Participation Payable					110,220	679,313
Capital Lease Payable					538,570	1,856,736
Severance and Health Benefits Payable					-	415,946
Compensated Absences Payable					195,527	195,527
					<u>\$ 5,754,317</u>	<u>\$ 67,956,944</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
2020	\$ 4,910,000	\$ 2,612,142
2021	5,230,000	2,197,675
2022	4,130,000	1,844,275
2023	4,270,000	1,689,556
2024	4,370,000	1,579,744
2025-2029	11,295,000	6,373,305
2030-2034	12,895,000	3,883,555
2035-2039	15,150,000	1,636,025
Total	<u>\$ 62,250,000</u>	<u>\$ 21,816,277</u>

**NORTHFIELD PUBLIC SCHOOLS  
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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities**

**General Obligation Bonds**

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

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

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

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

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

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

**Compensated Absences Payable**

The amount of the estimated obligation at June 30, 2019 is \$195,527. The District's General Fund finances compensated absences on a pay-as-you-go basis.

**Severance Payable**

Severance pay is available for certain eligible employees. The maximum benefit is generally based on accumulated unused sick leave, and years of service. The amount of the estimated obligation at June 30, 2019 is \$415,946. The District's General Fund finances severance benefits on a pay-as-you-go basis.



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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities (Continued)**

**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 lease purchase agreement together with the present value of the net minimum lease payments as of June 30, 2019. The total cost of assets associated with the lease purchase agreement is \$2,686,518. The related accumulated depreciation of the assets at June 30, 2019 is \$913,416.

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 142,760
2021	142,760
2022	142,760
2023	142,760
2024	142,760
2025-2026	71,379
Total Minimum Lease Payments	785,179
Less Amounts Representing Interest	105,866
Present Value of Net Minimum Lease Payments	\$ 679,313

**Capital Lease Payable**

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

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2019:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 544,504
2021	544,504
2022	402,967
2023	402,967
Total Minimum Lease Payments	1,894,942
Less Amounts Representing Interest	38,206
Present Value of Net Minimum Lease Payments	\$ 1,856,736

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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**D. Changes in Long-Term Liabilities**

	June 30, 2018	Additions	Retirements	June 30, 2019
General Obligation Bonds	\$ 28,255,000	\$ 46,580,000	\$ 12,585,000	\$ 62,250,000
Bond Premiums	740,598	2,137,986	278,425	2,600,159
Bond Discount	(49,790)	-	(9,053)	(40,737)
Certificates of Participation Payable	784,233	-	104,920	679,313
Capital Lease Payable	413,300	1,578,780	135,344	1,856,736
Severance Payable	187,624	307,062	78,740	415,946
Compensated Absences Payable	179,370	195,527	179,370	195,527
Total	<u>\$ 30,510,335</u>	<u>\$ 50,799,355</u>	<u>\$ 13,352,746</u>	<u>\$ 67,956,944</u>

**NOTE 6 RESTRICTED FUND BALANCES**

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

**A. Operating Capital**

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

**B. Teacher Development and Evaluation**

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

**C. Long Term Facilities Maintenance (LTFM)**

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

**D. Community Education Programs**

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

**E. Early Childhood and Family Education Programs**

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

**F. School Readiness**

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

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**NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)**

**G. Restricted for Other Purposes**

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The District participates in the following cost-sharing multiple-employer 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*, Chapters 353 and 356. PERA and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

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

2. Teachers Retirement Fund (TRA)

The Teacher's Retirement Association (TRA) is an administrator of a multiple employer, cost sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

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

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided**

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of services and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available for 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 the unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

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.

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)

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

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

*Tier I Benefits*

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

With these provisions:

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

or

*Tier II Benefits*

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

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)

*Tier II Benefits (Continued)*

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

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

**C. Contributions**

1. GERS Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were \$639,117. 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 rates for the fiscal year for coordinated were 7.5% for the employee and 7.71% for the employer. Basic rates were 11% for the employee and 11.71% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2019, were \$1,912,879. The District's contributions were equal to the required contributions for each year as set by state statute.

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

**D. Pension Costs**

1. GERF Pension Costs

At June 30, 2019, the District reported a liability of \$6,718,131 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in fiscal year 2018. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District was \$220,416. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was 0.1211% which was a decrease of 0.0095% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$383,880 for its proportionate share of GERF's pension expense. It also recognized \$51,402 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Plan.

At June 30, 2019, 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	\$ 177,818	\$ 195,939
Changes in Actuarial Assumptions	641,752	754,854
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	686,487
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	411,574	482,402
District Contributions Subsequent to the		
Measurement Date	639,117	-
Total	<u>\$ 1,870,261</u>	<u>\$ 2,119,682</u>

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

1. GERF Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to GERF subsequent to the measurement date, \$639,117 is reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 260,292
2021	(310,531)
2022	(698,080)
2023	(140,219)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of \$27,093,120 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2018, 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 0.4314% at the end of the measurement period and 0.4442% 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	\$ 27,093,120
State's Proportionate Share of the Net Pension Liability Associated with the District	2,545,572



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

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

For the year ended June 30, 2019, the District recognized a decrease in pension expense of (\$9,193,346). It also recognized (\$1,776,644) as a decrease to pension expense and negative grant revenue for the support provided by direct aid.

At June 30, 2019, 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	\$ 288,981	\$ 546,380
Changes in Actuarial Assumptions	34,982,231	46,197,122
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	2,101,065
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	2,816,266	1,431,080
District Contributions Subsequent to the		
Measurement Date	1,912,879	-
Total	<u>\$ 40,000,357</u>	<u>\$ 50,275,647</u>

Of the resources related to pensions resulting from the District contributions to TRA subsequent to the measure date, \$1,912,879 is reported as deferred outflows and will be recognized as a reduction in the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 2,980,116
2021	2,061,730
2022	343,475
2023	(9,993,527)
2024	(7,579,963)

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

3. Aggregate Pension Costs

At June 30, 2019, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	TRA	PERA	Total
Net Pension Liability	\$ 27,093,120	\$ 6,718,131	\$ 33,811,251
Deferred Outflows of Resources	40,000,357	1,870,261	41,870,618
Deferred Inflows of Resources	50,275,647	2,119,682	52,395,329
Pension Expense	(10,969,990)	435,282	(10,534,708)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	11.25% after 1 year	2.85% for 10 years and 3.25% thereafter
Investment Rate of Return	7.50%	7.50%

PERA salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually for TRA.

TRA pre-retirement mortality rates were based on the RP-2014 white-collar employee table, male rates set back six years and female rates set back five years. Generational projections use the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white-collar annuitant tables, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality tables, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing 0.10% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions for PERA occurred in 2018:

- The mortality projection scale was changed from MP-2015 to MP-20173

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions for TRA occurred in 2018:

- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.
- The cost of living adjustment (COLA) was reduced from 2.0% each January to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 and 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced for 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next four years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%.

The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Discount Rate**

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

The discount rate used to measure the total TRA pension liability was 7.50%. This is an increase from the discount rate at the prior measurement date of 5.12%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**G. Pension Liability Sensitivity**

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

Description	1% Decrease	Current Discount Rate	1% Increase
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the GERP Net Pension Liability	\$ 10,917,824	\$ 6,718,131	\$ 3,251,405
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 42,996,670	\$ 27,093,120	\$ 13,972,794

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**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**H. Pension Plan Fiduciary Net Position**

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

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

**NOTE 8 DEFINED CONTRIBUTION BENEFIT PLAN**

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

The District contribution for the year ended June 30, 2019 was approximately \$488,781. The related employee contributions were \$1,182,838 for the year ended June 30, 2019.

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates a single-employer retiree defined benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's self-insured health and dental insurance plan. There are 601 active participants and 115 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**B. Benefits Provided**

Teachers hired before July 1, 2009, who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 10 years are eligible, along with their spouses, to remain on the District's health insurance for six years (nine years if hired before September 1, 1987). The District will pay the health insurance premiums up to 80% of \$1,000 CMM health plan premium rate, limited to \$350 per month toward the Medicare supplement after age 65. Additionally, if hired before July 1, 2002 and not electing the District Matching Contribution Plan, a retiree at age 59 with 25 years of service or any age with 30 years of service, will receive a lump sum payment of 100 days' worth of the daily rate of pay paid into a health care savings plan.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**B. Benefits Provided (Continued)**

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

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

**C. Total OPEB Liability**

The District's total OPEB liability was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Changes in the Total OPEB Liability**

	Increase (Decrease)
	Total OPEB Liability
Balances at July 1, 2017	\$ 14,888,248
Changes for the Year:	
Service Cost	666,600
Interest	515,935
Differences between expected and actual experience	(718,209)
Changes of assumptions	(46,383)
Benefit Payments	(766,961)
Net Changes	(349,018)
Balances at July 1, 2018	\$ 14,539,230

**E. Total OPEB Liability Sensitivity**

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

	1% Decrease 2.50 %	Discount Rate 3.50 %	1% Increase 4.50 %
Total OPEB Liability (Asset)	\$ 15,415,590	\$ 14,539,230	\$ 13,697,243

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

	1% Decrease	Selected Trend Rates	1% Increase
		Healthcare Cost Trend Rate	
	5.50%	6.50%	7.50%
	Decreasing to 4.00%	Decreasing to 5.00%	Decreasing to 6.00%
		Dental Trend Rate	
	3%	4%	5%
Total OPEB Liability (Asset)	\$ 13,689,194	\$ 14,539,230	\$ 15,509,304

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**F. OPEB Expense**

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,073,308. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 615,608
Changes of assumptions	-	39,757
District Contributions Subsequent to the Measurement Date	1,020,426	-
Total	\$ 1,020,426	\$ 655,365

District contributions of \$1,020,426 were made subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ (109,227)
2021	(109,227)
2022	(109,227)
2023	(109,227)
2024	(109,227)
2025	(109,230)

**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.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 FLEXIBLE BENEFIT PLAN (CONTINUED)**

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

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

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

**NOTE 11 SELF-INSURED HEALTH AND DENTAL PLAN**

The District has elected to self-insure their employee dental insurance program and their health insurance program. The District established an internal service fund to account for contributions from other funds for health and dental insurance. Contributions during the year were based on claims history. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year-end. The District recorded total expenses of \$7,590,755 for the year ended June 30, 2019.

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

	2019	2018
Beginning Liability - July 1	\$ 390,735	\$ 271,670
Incurred Claims	6,752,399	6,547,564
Claims Payments	6,777,304	6,428,499
Ending Liability - June 30	\$ 365,830	\$ 390,735

**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.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Operating Leases**

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 421,883
2021	197,566
Total Minimum Lease Payments	<u>\$ 619,449</u>

**NOTE 13 JOINTLY GOVERNED ORGANIZATIONS**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
JUNE 30, 2019 AND 2018**

Measurement Date	<u>July 1, 2018</u>	<u>July 1, 2017</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 666,600	\$ 718,218
Interest	515,935	503,567
Changes of benefit terms	-	(845,157)
Difference between expected and actual experience	(718,209)	-
Changes of assumptions	(46,383)	-
Benefit Payments	<u>(766,961)</u>	<u>-</u>
Net Change in Total OPEB Liability	(349,018)	376,628
Total OPEB Liability - Beginning	<u>14,888,248</u>	<u>14,511,620</u>
Total OPEB Liability - Ending	<u><u>\$ 14,539,230</u></u>	<u><u>\$ 14,888,248</u></u>
 Covered Employee Payroll	 \$ 31,707,340	 \$ 28,953,340
 District's Net OPEB Liability as a Percentage of the Covered Employee Payroll	 45.85%	 51.42%

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

Note 2: No assets are accumulated in a trust.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Measurement Date</b>	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>PERA</b>					
District's Proportion of the Net Pension Liability	0.1211%	0.1306%	0.1171%	0.1188%	0.1183%
District's Proportionate Share of the Net Pension Liability	\$ 6,718,131	\$ 8,337,418	\$ 9,507,939	\$ 6,156,833	\$ 5,567,224
State's Proportionate Share of the Net Pension Liability Associated with District	220,416	104,856	124,147	-	-
Total	<u>\$ 6,938,547</u>	<u>\$ 8,442,274</u>	<u>\$ 9,632,086</u>	<u>\$ 6,156,833</u>	<u>\$ 5,567,224</u>
District's Covered Payroll	\$ 8,076,280	\$ 8,479,931	\$ 7,264,732	\$ 6,969,875	\$ 6,211,247
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	85.91%	99.56%	132.59%	88.33%	89.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.90%	78.20%	78.70%
<b>TRA</b>					
District's Proportion of the Net Pension Liability	0.4314%	0.4442%	0.4014%	0.3928%	0.4172%
District's Proportionate Share of the Net Pension Liability	\$ 27,093,120	\$ 88,670,378	\$ 95,743,477	\$ 24,298,565	\$ 19,224,276
State's Proportionate Share of the Net Pension Liability Associated with District	2,545,572	8,570,788	9,610,363	2,980,581	1,333,077
Total	<u>\$ 29,638,692</u>	<u>\$ 97,241,166</u>	<u>\$ 105,353,840</u>	<u>\$ 27,279,146</u>	<u>\$ 20,557,353</u>
District's Covered Payroll	\$ 23,831,907	\$ 23,885,558	\$ 20,803,603	\$ 19,836,024	\$ 18,972,883
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	113.68%	371.23%	460.23%	122.50%	101.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	51.57%	44.88%	76.80%	81.50%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PERA</b>						
Statutorily Required Contribution	\$ 639,117	\$ 605,674	\$ 635,996	\$ 544,855	\$ 514,948	\$ 450,316
Contributions in Relation to the Statutorily Required Contribution	<u>(639,117)</u>	<u>(605,674)</u>	<u>(635,996)</u>	<u>(544,855)</u>	<u>(514,948)</u>	<u>(450,316)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 8,521,586	\$ 8,076,280	\$ 8,479,931	\$ 7,264,732	\$ 6,969,875	\$ 6,211,247
Contributions as a Percentage of Covered-Employee Payroll	7.50%	7.50%	7.50%	7.50%	7.39%	7.25%
<b>TRA</b>						
Statutorily Required Contribution	\$ 1,912,879	\$ 1,773,835	\$ 1,791,417	\$ 1,560,272	\$ 1,487,706	\$ 1,328,100
Contributions in Relation to the Statutorily Required Contribution	<u>(1,912,879)</u>	<u>(1,773,835)</u>	<u>(1,791,417)</u>	<u>(1,560,272)</u>	<u>(1,487,706)</u>	<u>(1,328,100)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 24,810,810	\$ 23,651,122	\$ 23,885,558	\$ 20,803,603	\$ 19,836,024	\$ 18,972,883
Contributions as a Percentage of Covered-Employee Payroll	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019 AND 2018**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

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

A. General Employees Fund  
2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019 AND 2018**

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

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

A. Coordinated Plan

2018

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%

2017

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate was changed from 4.66% to 5.12%

2016

- There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date.
- Post-retirement benefit adjustments are now assumed to stay level at 2.0% annually.
- The single discount rate was changed from 8.0% to 4.66%.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019 AND 2018**

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

The following changes were reflected in the valuation performed for the District's OPEB Plan for the year ended June 30, 2018:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

## **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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 5,337,839	\$ 5,337,839	\$ 5,001,902	\$ (335,937)
Earnings and Investments	24,000	24,000	119,800	95,800
State Sources	<u>387,475</u>	<u>387,475</u>	<u>737,798</u>	<u>350,323</u>
Total Revenues	5,749,314	5,749,314	5,859,500	110,186
<b>EXPENDITURES</b>				
Debt Service:				
Bond Principal	4,915,000	4,915,000	4,915,000	-
Bond Interest	813,694	813,694	813,694	-
Paying Agent Fees and Other	<u>6,000</u>	<u>6,000</u>	<u>75,574</u>	<u>69,574</u>
Total Expenditures	<u>5,734,694</u>	<u>5,734,694</u>	<u>5,804,268</u>	<u>69,574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,620	14,620	55,232	40,612
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Bonds	7,706,750	7,706,750	7,706,748	(2)
Payment to Refunded Bond Escrow Agent	(7,670,000)	(7,670,000)	(7,670,000)	-
Transfers In	<u>2,609,000</u>	<u>2,609,000</u>	<u>2,609,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,645,750</u>	<u>2,645,750</u>	<u>2,645,748</u>	<u>(2)</u>
Net Change in Fund Balance	<u>\$ 2,660,370</u>	<u>\$ 2,660,370</u>	2,700,980	<u>\$ 40,610</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>1,200,624</u>	
End of Year			<u>\$ 3,901,604</u>	

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
SCHEDULE OF CHANGES IN FUND EQUITIES  
YEAR ENDED JUNE 30, 2019**

	Fund Equities June 30, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Transfers	Total
<b>GOVERNMENTAL FUNDS</b>					
General Fund					
Nonspendable	\$ 497,659	\$ -	\$ -	\$ (156,249)	\$ 341,410
Restricted for Staff Development	-	563,085	563,085	-	-
Restricted for Health and Safety	(188,086)	-	-	188,086	-
Restricted for Capital Project Levy	-	750,000	750,000	-	-
Restricted for Operating Capital	556,454	1,180,599	1,194,211	-	542,842
Restricted for Learning and Development	-	844,294	844,294	-	-
Restricted for Area Learning Center	-	727,234	925,031	197,797	-
Restricted for Gifted and Talented	-	57,986	57,986	-	-
Restricted for Teacher Development and Evaluation	73,821	-	12,058	-	61,763
Restricted for Basic Skills	-	1,145,925	1,495,214	349,289	-
Restricted for Safe Schools	-	163,203	163,203	-	-
Restricted for Basic Skills Extended Time	-	34,654	34,654	-	-
Restricted for LTFM	692,380	1,553,687	1,078,294	-	1,167,773
Restricted for Medical Assistance	-	266,301	266,301	-	-
Assigned for Severance	4,000,000	-	-	-	4,000,000
Assigned for Special Education	200,000	-	-	-	200,000
Assigned for Tobacco Settlement	19,076	-	-	(60)	19,016
Assigned for Carry-Over Funds	-	300,996	266,488	(34,508)	-
Unassigned	10,861,686	49,548,280	49,186,495	(544,355)	10,679,116
Total General Fund	16,712,990	57,136,244	56,837,314	-	17,011,920
Food Service Fund					
Nonspendable	15,386	-	-	5,126	20,512
Restricted for Other Purposes	787,167	2,073,558	2,158,383	(5,126)	697,216
Total Food Service Fund	802,553	2,073,558	2,158,383	-	717,728
Community Service Fund					
Nonspendable	500	-	-	1,450	1,950
Restricted for Community Education	251,029	2,190,302	2,389,508	-	51,823
Restricted for E.C.F.E.	118,541	256,529	229,658	-	145,412
Restricted for School Readiness	213,155	351,671	326,382	-	238,444
Restricted for Other Purposes	-	47,020	41,488	(3,220)	2,312
Unassigned	(1,770)	-	-	1,770	-
Total Community Service Fund	581,455	2,845,522	2,987,036	-	439,941
Restricted for Other Purposes	-	41,553,594	3,894,235	-	37,659,359
Total Capital Projects Fund	-	41,553,594	3,894,235	-	37,659,359
Debt Service Fund					
Restricted for Other Purposes	1,200,623	16,175,247	13,474,266	-	3,901,604
Total Debt Service Fund	1,200,623	16,175,247	13,474,266	-	3,901,604
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>19,297,621</b>	<b>119,784,165</b>	<b>79,351,234</b>	<b>-</b>	<b>59,730,552</b>
<b>FIDUCIARY FUNDS</b>					
Trust Fund					
Unassigned	184,249	83,651	55,755	-	212,145
Total Trust Fund	184,249	83,651	55,755	-	212,145
<b>TOTAL FIDUCIARY FUNDS</b>	<b>184,249</b>	<b>83,651</b>	<b>55,755</b>	<b>-</b>	<b>212,145</b>
<b>PROPRIETARY FUNDS</b>					
Internal Service Fund					
Unassigned	6,042,683	7,607,264	7,590,755	-	6,059,192
Total Internal Service Fund	6,042,683	7,607,264	7,590,755	-	6,059,192
<b>TOTAL PROPRIETARY FUNDS</b>	<b>6,042,683</b>	<b>7,607,264</b>	<b>7,590,755</b>	<b>-</b>	<b>6,059,192</b>
<b>GRAND TOTAL</b>	<b>\$ 25,524,553</b>	<b>\$ 127,475,080</b>	<b>\$ 86,997,744</b>	<b>\$ -</b>	<b>\$ 66,001,889</b>

**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, 2019**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	1-0659-000	\$ 148,531
Cash Assistance:			
Commodity Cash Rebate Program	10.555	1-0659-000	6,492
National School Lunch Program	10.555	1-0659-000	534,493
After School Snack	10.555	1-0659-000	1,943
Subtotal CFDA No. 10.555			<u>691,459</u>
School Breakfast Program	10.553	1-0659-000	99,187
Summer Program	10.559	1-0659-000	24,344
Total Child Nutrition Cluster			<u>\$ 814,990</u>
U.S. Department of Education			
Pass-Through Minnesota Department of Education			
Title I, Part A - Grants to Local Educational Agencies	84.010	1-0659-000	335,116
Title II, Part A - Supporting Effective Instruction State Grant	84.367	1-0659-000	101,414
Title III, Part A - English Language Acquisition Grants	84.365	1-0659-000	41,098
Title IV, Part A - Student Support and Academic Enrichment Grants	84.424A	1-0659-000	22,903
Title IV, Part B - Twenty-First Century Community Learning Centers	84.287C	1-0659-000	98,146
Special Education - Grants for Infants and Families with Disabilities	84.181	1-0659-000	18,442
Emergency Impact Aid	84.938C	1-0659-000	12,622
			<u>629,741</u>
Special Education Cluster:			
Special Education - Preschool Grants	84.173	1-0659-000	12,445
Special Education - Grants to States	84.027	1-0659-000	778,504
Multi-Tiered Systems of Support	84.027A	**	74,711
Subtotal CFDA No. 84.027			<u>853,215</u>
Total Special Education Cluster			865,660
Pass-Through Independent School District #917			
Carl Perkins Vocational Education Basic Grants to States	84.048A	1-0917-000	8,357
Total Independent School District #917			<u>8,357</u>
Total Federal Awards Expended			<u>\$ 2,318,748</u>

\*\* Not available

See Notes to Schedule of Expenditures of Federal Awards.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2019**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 15, 2019



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

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

### **Report on Compliance for Each Major Federal Program**

We have audited Independent School District No. 659's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

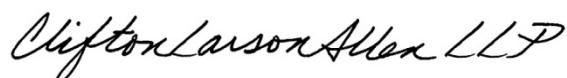
**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 15, 2019



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2019.

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

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 15, 2019

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**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**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 2 CFR 200.516(a)? \_\_\_\_\_ yes        x   no

**Identification of Major Federal Programs**

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.027 and 84.173 84.010	Special Education Cluster Title I

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes        x   no

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**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  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING  
STANDARDS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2019**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$ 55,557,466	\$ 55,557,456	\$ 10	Total Revenue	\$ 244,356	\$ 244,356	\$ -
Total Expenditures	56,837,316	56,837,302	14	Total Expenditures	1,285,235	1,285,235	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	341,410	341,410	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
406 Health and Safety	-	-	-	413 Projects Funded by COP	-	-	-
407 Capital Project Levy	-	-	-	467 LTFM	-	-	-
408 Cooperative Programs	-	-	-	<i>Restricted:</i>			
413 Projects Funded by COP	-	-	-	464 Restricted Fund Balance	37,659,359	37,659,359	-
414 Operating Debt	-	-	-	<i>Unassigned:</i>			
416 Levy Reduction	-	-	-	463 Unassigned Fund Balance	-	-	-
417 Taconite Building Maintenance	-	-	-				
424 Operating Capital	542,842	542,842	-	<b>07 DEBT SERVICE</b>			
426 \$25 Taconite	-	-	-	Total Revenue	5,859,500	5,859,499	1
427 Disabled Accessibility	-	-	-	Total Expenditures	5,804,268	5,804,268	-
428 Learning and Development	-	-	-	<i>Nonspendable:</i>			
434 Area Learning Center	-	-	-	460 Nonspendable Fund Balance	-	-	-
435 Contracted Alternative Programs	-	-	-	<i>Restricted/Reserved:</i>			
436 State Approved Alternative Programs	-	-	-	425 Bond Refunding	-	-	-
438 Gifted and Talented	-	-	-	451 QZAB and QSCB Payments	-	-	-
440 Teacher Development and Evaluations	61,763	61,763	-	<i>Restricted:</i>			
441 Basic Skills Programs	-	-	-	464 Restricted Fund Balance	3,901,604	3,901,604	-
445 Career and Technical Programs	-	-	-	<i>Unassigned:</i>			
448 Achievement and Integration	-	-	-	463 Unassigned Fund Balance	-	-	-
449 Safe Schools Crime Levy	-	-	-				
450 Pre-Kindergarten	-	-	-	<b>08 TRUST</b>			
451 QZAB Payments	-	-	-	Total Revenue	83,650	83,651	(1)
452 OPEB Liability Not Held in Trust	-	-	-	Total Expenditures	55,754	55,755	(1)
453 Unfunded Severance & Retirement Levy	-	-	-	<i>Net Position:</i>			
459 Basic Skills Extended Time	-	-	-	422 Net Position	212,145	212,145	-
467 LTFM	1,167,773	1,167,773	-				
472 Medical Assistance	-	-	-	<b>20 INTERNAL SERVICE</b>			
<i>Restricted:</i>				Total Revenue	7,607,264	7,607,264	-
464 Restricted Fund Balance	-	-	-	Total Expenditures	7,590,755	7,590,755	-
<i>Committed:</i>				<i>Net Position:</i>			
418 Committed for Separation	-	-	-	422 Net Position	6,059,192	6,059,191	1
461 Committed Fund Balance	-	-	-				
<i>Assigned:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
462 Assigned Fund Balance	4,107,462	4,107,462	-	Total Revenue	-	-	-
<i>Unassigned:</i>				Total Expenditures	-	-	-
422 Unassigned Fund Balance	10,790,670	10,790,671	(1)	<i>Net Position:</i>			
				422 Net Position	-	-	-
<b>02 FOOD SERVICE</b>							
Total Revenue	2,073,553	2,073,558	(5)	<b>45 OPEB IRREVOCABLE TRUST</b>			
Total Expenditures	2,158,378	2,158,383	(5)	Total Revenue	-	-	-
<i>Nonspendable:</i>				Total Expenditures	-	-	-
460 Nonspendable Fund Balance	20,512	20,512	-	<i>Net Position:</i>			
<i>Restricted/Reserved:</i>				422 Net Position	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-				
<i>Restricted:</i>				<b>47 OPEB DEBT SERVICE</b>			
464 Restricted Fund Balance	697,216	697,216	-	Total Revenue	-	-	-
<i>Unassigned:</i>				Total Expenditures	-	-	-
463 Unassigned Fund Balance	-	-	-	<i>Nonspendable:</i>			
				460 Nonspendable Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>				<i>Restricted:</i>			
Total Revenue	2,845,524	2,845,522	2	425 Bond Refunding	-	-	-
Total Expenditures	2,987,040	2,987,036	4	464 Restricted Fund Balance	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable Fund Balance	1,950	1,950	-	463 Unassigned Fund Balance	-	-	-
<i>Restricted/Reserved:</i>							
426 \$25 Taconite	-	-	-				
431 Community Education	51,823	51,823	-				
432 E.C.F.E.	145,412	145,412	-				
440 Teacher Development and Evaluations	-	-	-				
444 School Readiness	238,444	238,444	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liability Not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	2,312	2,313	(1)				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

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## **STUDENT ACTIVITY FUNDS**

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## INDEPENDENT AUDITORS' REPORT

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

### ***Report on the Financial Statement***

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 659 (the District) as of June 30, 2019, and the related note to the financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of the District as of June 30, 2019, or changes in financial position for the year then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

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

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds of the District as of June 30, 2019, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 15, 2019



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2019**

Funds	Balance 6/30/18	Receipts and Transfer In	Disbursements and Transfers Out	Balance 6/30/19
<b>Middle School/Elementary</b>				
MS Musical	\$ 4,369	\$ -	\$ 31	\$ 4,338
MS Yearbook	10,740	3,284	8,267	5,757
MS Student Council	2,432	4,572	4,818	2,186
GP Student Council	629	-	-	629
Sibley Student Council	520	2,237	2,585	172
BW Student Council	3,199	1,262	2,160	2,301
MS Talent Show	1,863	-	-	1,863
Nfld Fastpitch Softball	545	-	-	545
Greenvale Activity	391	-	-	391
ALC Candle Shop	459	5,555	5,862	152
Total Middle School/Elementary Funds	25,147	16,910	23,723	18,334
<b>High School</b>				
Alpine Ski Team	4,160	670	1,176	3,654
Baseball	2,963	5,345	6,727	1,581
Basketball, Boys	845	494	1,339	-
Basketball, Girls	1,236	7,776	7,938	1,074
Bowling	2,310	2,900	2,326	2,884
Cheer Team	3,433	2,445	5,836	42
Cross Country	6,756	7,906	8,672	5,990
Dance Team	2,411	12,310	11,783	2,938
Football	2,827	5,595	8,088	334
Golf, Boys	5,479	3,210	3,432	5,257
Golf, Girls	2,548	1,557	1,656	2,449
Gymnastics	4,088	2,168	4,154	2,102
Hockey, Boys	1,538	-	953	585
Hockey, Girls	420	2,490	2,629	281
Lacrosse, Girls	130	8,445	7,017	1,558
Nordic Skiing	515	17,575	8,612	9,478
Soccer, Boys	39	654	684	9
Soccer, Girls	6,749	5,581	9,375	2,955
Softball	13,913	18,414	20,340	11,987
Swimming, Boys	3,253	14,910	15,237	2,926
Swimming, Girls	8,014	14,835	5,959	16,890
Tennis, Boys	746	5	-	751
Tennis, Girls	680	857	477	1,060
Track, Boys	2,667	4,936	1,655	5,948
Track, Girls	1,161	5,140	1,860	4,441
Volleyball	8,667	826	7,933	1,560
Weight Lifting	6,549	5,672	5,766	6,455
Wrestling	4,860	6,275	6,363	4,772

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2019**

Funds	Balance 6/30/18	Receipts and Transfer In	Disbursements and Transfers Out	Balance 6/30/19
<u>High School (continued)</u>				
Applied Science Class	\$ 4,312	\$ 4,744	\$ 4,657	\$ 4,399
Art Club	1,943	2,789	2,785	1,947
Band	14,687	65,886	77,375	3,198
Chess Club	217	95	-	312
Costa Rica Trip Fund	11,358	1,000	7,000	5,358
DECA	2,590	8,636	9,094	2,132
Drama Club	8,307	3,938	6,753	5,492
Environmental Club	4	-	-	4
Interest/Bank Charges	728	901	64	1,565
International Club	192	-	-	192
Jazz Band	765	2,685	2,094	1,356
Junior Class	12,092	20,255	19,300	13,047
Lace For The Cure	-	11,193	11,193	-
Leadership Class	2,523	-	-	2,523
Math Team	674	-	35	639
National Honor Society	817	3,500	3,563	754
NHS Film Society	996	-	-	996
Norhian	2,311	-	-	2,311
Orchestra	12,520	2,886	1,458	13,948
Poinsettia Sales	24,818	17,488	20,713	21,593
R.A.L.I.E.	159	2,190	3,122	(773)
Robotics Club	860	7,085	6,424	1,521
Senior Class	21,619	15,567	10,193	26,993
Share	4,325	3,372	2,308	5,389
Ski Club	15,338	-	-	15,338
Speech	9,473	4,045	5,828	7,690
Student Council	9,598	3,261	5,023	7,836
Vocal Music	14,301	31,389	30,877	14,813
World History AP	411	-	-	411
Total High School Funds	276,895	371,896	387,846	260,945
Total Student Activity Funds	\$ 302,042	\$ 388,806	\$ 411,569	\$ 279,279

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTE TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

### Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Fund of as of Independent School District No. 659 (the District) and for the year ended June 30, 2019, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated November 15, 2019. 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*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *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*

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 15, 2019

