

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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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, 2014**

BOARD OF EDUCATION

Ellen Iverson	Chair
Julie Pritchard	Vice Chair
Noel Stratmoen	Clerk
Anne Maple	Treasurer
John Fossum	Director
Rob Hardy	Director
Kari Nelson	Director

ADMINISTRATION

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659 as of June 30, 2014, 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 Independent School District No. 659 as of and for the year ended June 30, 2013, and we expressed unmodified opinions on those audited financial statements in our report dated November 11, 2013. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 and the schedule of funding progress for postemployment benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

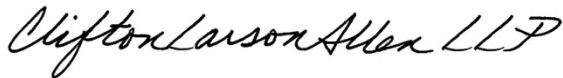
Other Information

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

The statement of revenues, expenditures, and changes in fund balance – budget to actual – debt service fund, the schedule of changes in fund equities, the uniform financial accounting and reporting standards compliance table, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of Independent School District No. 659's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 659's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
October 29, 2014

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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, 2014**

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, 2014. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2013-2014 include the following:

- The net position of governmental activities increased by approximately \$3,068,704 or 11.0% to \$30,870,453.
- The District's governmental funds reported a combined fund balance of \$17,905,348, a net decrease of \$8,972,791 in comparison with the prior year. Approximately 57.1% of this total is unassigned.
- Total General Fund revenues were \$42,529,879 and total General Fund expenditures were \$42,101,226 for the fiscal year ended June 30, 2014. Total revenues and expenditures for all governmental funds combined were \$52,558,462 and \$53,174,040 respectively.
- The General Fund Unassigned fund balance increased by \$932,110 to \$10,227,918 or 24.3% of general fund expenditures. The District's long range financial plan calls for a continued build up of the fund balance over the next several years with the increased operating referendum that passed in 2011. This will enable the District to weather the uncertainties of school district funding in future years. The District is in a great financial position to be able to serve the Northfield Community.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of the following:

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

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE STATEMENTS (CONTINUED)

- **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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position from Governmental activities was \$30,870,453 on June 30, 2014. (See Table A-1) This represents an increase in net position of 11.1%.

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

	Governmental Activities		Percentage Change
	2014	2013	
Current and Other Assets	\$ 38,623,607	\$ 42,384,992	-8.87%
Capital and Non-Current Assets	63,584,007	64,375,606	-1.23%
Total Assets	102,207,614	106,760,598	-4.26%
Current Liabilities	7,970,049	7,924,188	0.58%
Long Term Liabilities	48,487,245	60,420,321	-19.75%
Total Liabilities	56,457,294	68,344,509	-17.39%
Deferred Inflows of Resources	14,879,867	10,614,340	40.19%
Net Position			
Net Investment in Capital Assets	16,556,002	14,878,300	11.28%
Restricted	3,363,151	2,602,486	29.23%
Unrestricted	10,951,300	10,320,963	6.11%
Total Net Position	\$ 30,870,453	\$ 27,801,749	11.04%

The largest portion of the District's net position (53.6%) reflect its investment in capital assets (e.g. land, buildings and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The restricted category of the District's net position (10.9%) 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.

The remaining balance of unrestricted net position (\$10,951,300 or 35.5%) may be used to meet the District's ongoing obligations.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Total revenues surpassed expenses, increasing net position \$3,068,704 over the prior year.

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

	Governmental Activities for the fiscal year ended June 30,		Total % Change
	2014	2013	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 3,513,301	\$ 3,383,120	3.85%
Operating Grants and Contributions	9,662,879	8,902,680	8.54%
Capital Grants and Contributions	454,794	417,013	9.06%
<u>General Revenues</u>			
Property Taxes	11,092,616	15,407,939	-28.01%
Unrestricted State Aid	27,441,667	22,539,894	21.75%
Investment Earnings	29,517	22,741	29.80%
Other	363,760	295,422	23.13%
Total Revenues	52,558,534	50,968,809	
Expenses			
Administration	1,541,736	1,502,757	2.59%
District Support Services	1,125,102	947,961	18.69%
Regular Instruction	23,534,111	22,947,975	2.55%
Vocational Education Instruction	205,766	226,245	-9.05%
Special Education Instruction	8,048,147	7,635,720	5.40%
Instructional Support Services	1,322,370	1,474,216	-10.30%
Pupil Support Services	3,253,316	3,377,754	-3.68%
Sites and Buildings	4,488,898	4,423,399	1.48%
Fiscal and Other Fixed Cost Programs	139,733	139,080	0.47%
Food Service	1,876,461	1,819,647	3.12%
Community Service	2,314,488	2,297,346	0.75%
Interest and Fiscal Charges on Long-Term Liabilities	1,639,702	1,943,307	-15.62%
Total Expenses	49,489,830	48,735,407	1.55%
Increase in Net Position	3,068,704	2,233,402	
Beginning Net Position	27,801,749	25,568,347	
Ending Net Position	\$ 30,870,453	\$ 27,801,749	

Changes in net position. The District's total revenues were \$52,558,534 for the year ended June 30, 2014. Property taxes and state formula aid accounted for 73% of total revenue for the year. (See Figure A-1). Another 26% came from program revenues. Investment earnings and other general revenues amounted to less than 1%.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The total cost of all programs and services was \$49,489,830. The District's total expenses are predominantly related to educating and caring for students (74%). (See Figure A-2.) The administrative activities of the District accounted for 3% of total expenses.

Figure A-1 Sources of District's Revenues for Fiscal Year 2014

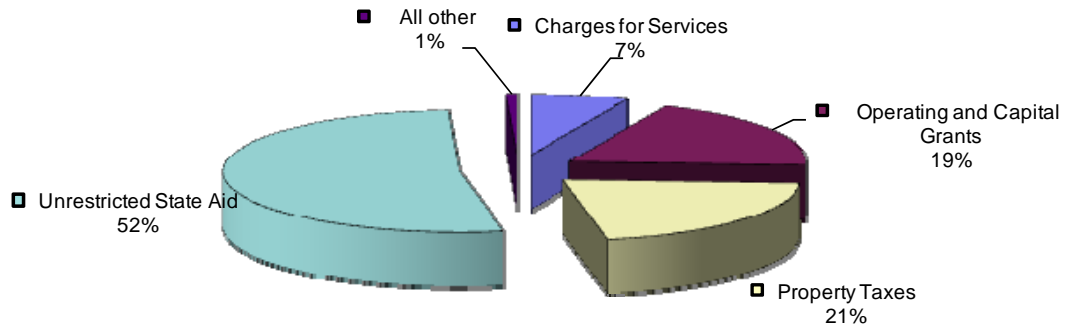
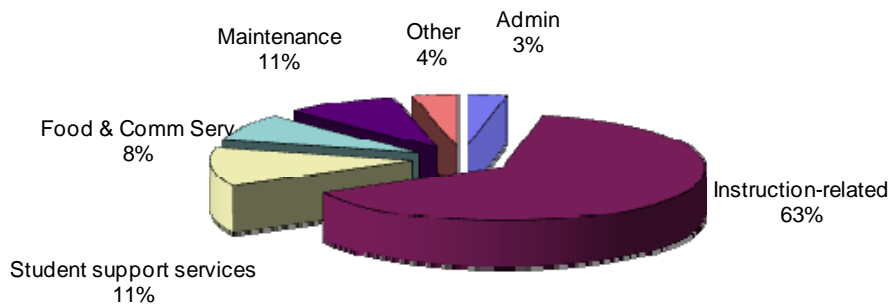


Figure A-2 District Expenses for Fiscal Year 2014



**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

- The cost of all governmental activities this year was \$49,489,830, which is \$754,423 or 1.55% more than the prior year.
 - Some of the expense was paid by the patrons of the District's programs (\$3,513,301).
 - The federal and state governments subsidized certain programs with grants and contributions (\$10,117,673).
 - Local property taxes financed \$11,092,616, state aid based on the statewide education aid formula funded \$27,441,667, and investment earnings and other general revenues provided \$393,277 in revenue.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2013		2014	2013	
Administration	\$ 1,541,736	\$ 1,502,757	2.59%	\$ 1,541,736	\$ 1,502,757	2.59%
District Support Services	1,125,102	947,961	18.69%	1,104,466	895,946	23.27%
Regular Instruction	23,534,111	22,947,975	2.55%	19,472,534	19,474,660	-0.01%
Vocational Education Instruction	205,766	226,245	-9.05%	197,827	226,245	-12.56%
Special Education Instruction	8,048,147	7,635,720	5.40%	3,014,121	2,864,705	5.22%
Instructional Support Services	1,322,370	1,474,216	-10.30%	1,317,652	1,424,396	-7.49%
Pupil Support Services	3,253,316	3,377,754	-3.68%	3,112,120	3,200,795	-2.77%
Sites and Buildings	4,488,898	4,423,399	1.48%	4,078,528	4,080,109	-0.04%
Fiscal and Other Fixed						
Cost Programs	139,733	139,080	0.47%	139,733	139,080	0.47%
Food Service	1,876,461	1,819,647	3.12%	(38,238)	(25,158)	51.99%
Community Service	2,314,488	2,297,346	0.75%	278,675	305,752	-8.86%
Interest and Fiscal Charges on						
Long-Term Liabilities	1,639,702	1,943,307	-15.62%	1,639,702	1,943,307	-15.62%
Total	\$ 49,489,830	\$ 48,735,407	1.55%	\$ 35,858,856	\$ 36,032,594	-0.48%

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 \$17,905,348, which is a decrease of \$8,972,791 from the prior year ending fund balance of \$26,878,139.

Revenues for the District's governmental funds were \$52,558,462 while total expenditures were \$53,174,040, resulting in expenditures exceeding revenues by \$615,578.

GENERAL FUND

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

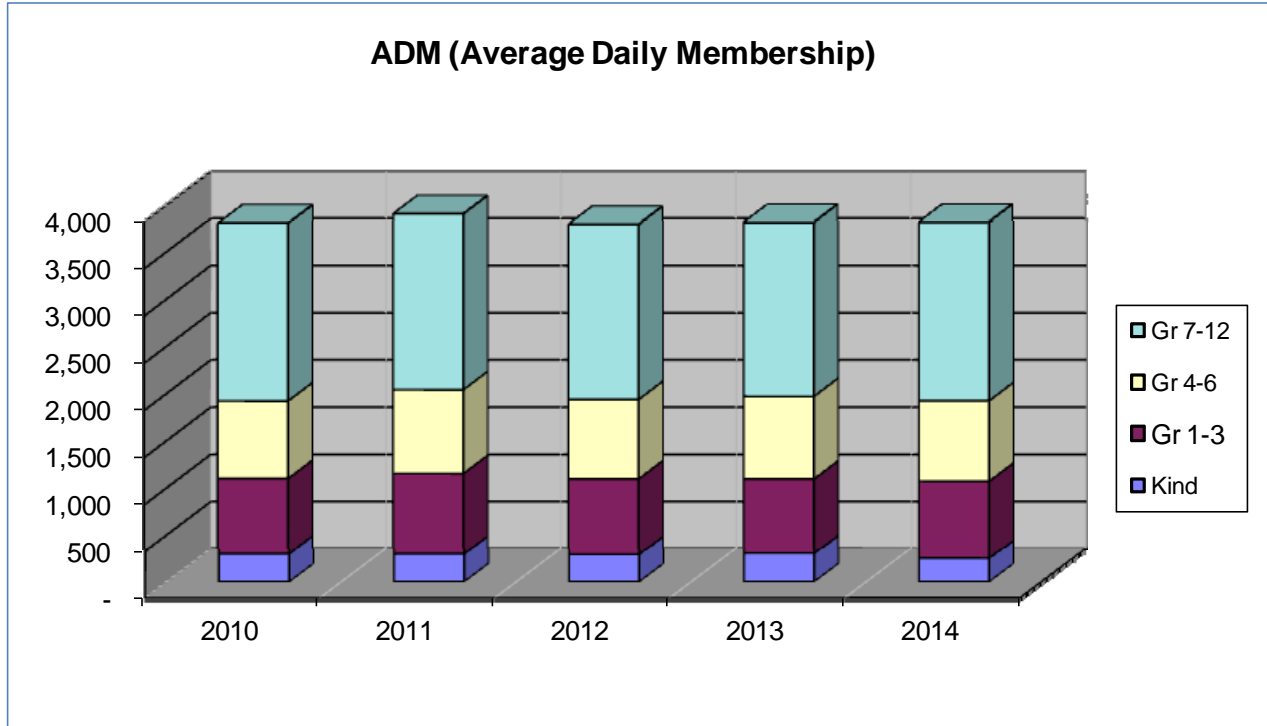
Funding for Minnesota school districts is largely driven by enrollment. Over the last five years, the District's enrollment has remained fairly stable in the number of students. Based on past historical trends and using a traditional cohort survival technique, the District anticipates that the total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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

GENERAL FUND (CONTINUED)

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

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



The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	<u>Year Ended</u>		<u>Change</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Local Sources				
Property Taxes	\$ 5,290,057	\$ 9,437,019	\$ (4,146,962)	-43.9%
Earnings on Investments	10,915	5,256	5,659	107.7%
Other	1,258,204	1,138,617	119,587	10.5%
State Sources	34,755,108	29,119,590	5,635,518	19.4%
Federal Sources	1,215,595	1,368,795	(153,200)	-11.2%
Total General Fund Revenue	<u>\$ 42,529,879</u>	<u>\$ 41,069,277</u>	<u>\$ 1,460,602</u>	3.6%

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

GENERAL FUND (CONTINUED)

Total General Fund Revenue increased by \$1,460,602 or 3.6% from the previous year. This increase was primarily from the increase in state sources. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2014	June 30, 2013	Increase (Decrease)	Percent
Salaries	\$ 24,004,882	\$ 23,443,656	\$ 561,226	2.4%
Employee Benefits	8,804,974	8,347,905	457,069	5.5%
Purchased Services	6,245,294	5,791,387	453,907	7.8%
Supplies and Materials	1,518,934	1,521,744	(2,810)	-0.2%
Capital Expenditures	1,280,721	1,663,657	(382,936)	-23.0%
Other Expenditures	246,421	240,648	5,773	2.4%
Total Expenditures	<u>\$ 42,101,226</u>	<u>\$ 41,008,997</u>	<u>\$ 1,092,229</u>	2.7%

Total General Fund expenditures, capital expenditures included increased \$1,092,229 or 2.7% due to normal cost inflationary measures, specific Board approved programs and District security upgrades. 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 2013-2014, General Fund revenues were more than expenditures by \$428,653 or 1.02% of total expenditures. After deducting statutory restrictions, the unassigned fund balance increased from \$9,295,808 at June 30, 2013 to \$10,227,918 at June 30, 2014, an increase of \$932,110. The unassigned fund balance represents 24.3% 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.

The District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$105,739. The actual results show revenues being larger than expenditures by \$428,653.

- Actual revenues and other financing sources were \$924,960 more than expected.
- Actual expenditures and other financing uses were \$390,568 more than expected.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

GENERAL FUND (CONTINUED)

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>	<u>Percent Change</u>
Revenue and Other Financing Sources	\$ 41,604,919	\$ 42,529,879	\$ 924,960	2.2%
Expenditures and Other Financing Uses	41,710,658	42,101,226	390,568	0.9%
Net Change	<u>\$ (105,739)</u>	<u>\$ 428,653</u>	<u>\$ 534,392</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 371,947 lunches and 81,793 breakfasts to students, in addition to a la carte sales during the 2013-2014 school year.

The fund balance decreased by \$105,438 to \$582,392 during 2013-14. This was primarily due to a planned capital project to remodel the high school kitchen.

Food Service Fund Revenues for 2013-2014 totaled \$1,915,511. This was an increase of \$70,158 or approximately 3.8% from 2012-2013.

Food Service Fund Expenditures for 2013-2014 totaled \$2,020,949. This was an increase of \$181,027 or 9.8% from 2012-2013.

COMMUNITY SERVICE FUND

The Community Service Fund accounts for the activities related to providing life-long educational opportunities for Pre-Kindergarten through Post-Grade 12 students. The fund operates on a principle of breaking even on a year-to-year basis so that it does not draw resources away from K-12 instruction.

Community Service Fund Revenues for 2013-2014 totaled \$2,409,094. This was a decrease of \$11,374 or .47% from 2012-2013.

Community Service Fund Expenditures for 2013-2014 totaled \$2,327,218. This was an increase of \$15,857 or .67% over 2012-2013.

The fund balance has increased from \$252,428 on June 30, 2013 to \$334,304 on June 30, 2014. The majority of the fund balance is reserved for specific purposes based on state requirements.

CAPITAL PROJECTS FUND

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

CAPITAL PROJECTS FUND (CONTINUED)

Capital Project Fund Revenues and Other Financing Sources totaled \$1,592,807. This was an increase of \$1,592,807 or 100% from 2012-2013.

Capital Project Fund Expenditures and Other Financing Uses totaled \$999,542. This was an increase of \$999,542 or 100% from 2012-2013.

The fund balance is \$593,265 which will be spent in 2014-2015 to finish the capital projects listed above.

DEBT SERVICE FUNDS

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

The Debt Service Fund Balance decreased by \$9,971,147 in 2013-2014. This was primarily due to the pay off of our advance refunding bond of \$9,950,000.

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, 2014, fund balance of \$1,443,812 plus future levies that include an additional 5% levy to cover late or delinquent property tax payments will provide adequate cash flow for timely payment of principal and interest.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At the end of fiscal year 2014, the District had invested \$96,617,795 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-8). Total accumulated depreciation as of June 30, 2014 was \$33,033,788. The current year depreciation expense for Governmental Activities totaled \$2,598,812. More detailed information about capital assets can be found in Note 4 to the financial statements.

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

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Land	\$ 968,609	\$ 968,609	0.0%
Construction in progress	1,343,964	218,777	514.3%
Land Improvements	3,284,520	2,932,694	12.0%
Buildings and Improvements	87,023,104	86,856,970	0.2%
Equipment	3,997,598	3,839,948	4.1%
Less: Accumulated Depreciation	<u>(33,033,788)</u>	<u>(30,441,392)</u>	<u>8.5%</u>
Total	<u><u>\$ 63,584,007</u></u>	<u><u>\$ 64,375,606</u></u>	<u><u>-1.2%</u></u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Long-Term Liabilities:

For the fiscal year ended June 30, 2014, the District had \$52,991,658 in long-term liabilities outstanding, including \$6,049,653 for health benefits, severance and compensated absences. This is a decrease of 18.28% from the prior year (see Table A-9). More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

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

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 44,465,000	\$ 56,945,000	-21.92%
Net Bond Premium and Discount	1,321,184	1,413,291	-6.52%
Certificates of Participation Payable	1,155,821	1,237,824	-6.62%
Other Postemployment Benefits Payable	5,686,054	4,911,087	15.78%
Severance Benefits Payable	221,051	218,539	1.15%
Compensated Absences Payable	142,548	116,673	22.18%
Total	<u>\$ 52,991,658</u>	<u>\$ 64,842,414</u>	<u>-18.28%</u>
Long-Term Liabilities:			
Due Within One Year	\$ 4,504,413	\$ 4,422,093	
Due in More Than One Year	48,487,245	60,420,321	
	<u>\$ 52,991,658</u>	<u>\$ 64,842,414</u>	

OTHER SELECTED INFORMATION

The government-wide financial statements now recognize liabilities for severance pay, compensated absences and retiree health benefits for retired employees totaling \$6,049,653. This liability does include an amount for future health benefit costs to employees who have not retired as of June 30, 2014. The District continues to assign funds as available to meet future obligations. A total of \$3,062,204 has been segregated from the Unassigned Fund Balance over the last four years to begin to address this long term liability.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information please visit our website at www.nfld.k12.mn.us or contact the Business Office, 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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Governmental Activities	
	2014	2013
ASSETS		
Cash and Investments	\$ 25,981,884	\$ 17,746,266
Cash and Investments Held by Trustee	-	10,129,048
Receivables		
Property Taxes	7,647,948	7,814,774
Other Governments	4,791,315	5,936,924
Other	16,248	47,795
Prepaid Items	145,083	414,020
Inventories	41,129	62,619
Bond Issuance Costs, Net	-	233,546
Capital Assets		
Land and Construction in Progress	2,312,573	1,187,386
Other Capital Assets, Net of Depreciation	61,271,434	63,188,220
Total Assets	<u>102,207,614</u>	<u>106,760,598</u>
LIABILITIES		
Salaries and Payroll Deductions Payable	767,786	872,140
Accounts and Contracts Payable	1,609,036	1,069,456
Accrued Interest	501,963	735,099
Due to Other Governmental Units	154,340	386,652
Unearned Revenue	432,511	438,748
Long-Term Liabilities		
Portion Due Within One Year	4,504,413	4,422,093
Portion Due in More Than One Year	48,487,245	60,420,321
Total Liabilities	<u>56,457,294</u>	<u>68,344,509</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	14,879,867	10,614,340
Total Deferred Inflows of Resources	<u>14,879,867</u>	<u>10,614,340</u>
NET POSITION		
Net Investment in Capital Assets	16,556,002	14,878,300
Restricted for:		
Operating Capital Purposes	485,653	808,661
State-Mandated Reserves	193,541	124,272
Food Service	582,392	687,830
Community Service	378,288	293,101
Capital Projects - Building Construction	593,265	-
Debt Service	1,130,012	688,622
Unrestricted	10,951,300	10,320,963
Total Net Position	<u>\$ 30,870,453</u>	<u>\$ 27,801,749</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 659
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

Functions	2014		
	Expenses	Charges for Services	Program Operating Grants and Contributions
Governmental Activities			
Administration	\$ 1,541,736	\$ -	\$ -
District Support Services	1,125,102	16,591	-
Regular Instruction	23,534,111	540,449	3,433,650
Vocational Education Instruction	205,766	-	7,939
Special Education Instruction	8,048,147	249,021	4,785,005
Instructional Support Services	1,322,370	-	-
Pupil Support Services	3,253,316	8,251	132,945
Sites and Buildings	4,488,898	29,631	22,186
Fiscal and Other Fixed Cost Programs	139,733	-	-
Food Service	1,876,461	1,130,875	783,824
Community Service	2,314,488	1,538,483	497,330
Interest and Fiscal Charges on Long-Term Liabilities	1,639,702	-	-
Total School District	\$ 49,489,830	\$ 3,513,301	\$ 9,662,879

General Revenues

Property Taxes Levied for:
 General Purposes
 Community Service
 Debt Service
 State Aid Not Restricted to Specific Purposes
 Earnings on Investments
 Miscellaneous
 Total General Revenues
 Change in Net Position
 Net Position - Beginning

 Net Position - Ending

See accompanying Notes to Financial Statements.

	2014	2013
Revenues	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
\$ -	\$ (1,541,736)	\$ (1,502,757)
4,045	(1,104,466)	(895,946)
87,478	(19,472,534)	(19,474,660)
-	(197,827)	(226,245)
-	(3,014,121)	(2,864,705)
4,718	(1,317,652)	(1,424,396)
-	(3,112,120)	(3,200,795)
358,553	(4,078,528)	(4,080,109)
-	(139,733)	(139,080)
-	38,238	25,158
-	(278,675)	(305,752)
-	(1,639,702)	(1,943,307)
<u>\$ 454,794</u>	<u>(35,858,856)</u>	<u>(36,032,594)</u>

5,294,002	9,262,420
195,773	401,709
5,602,841	5,743,810
27,441,667	22,539,894
29,517	22,741
<u>363,760</u>	<u>295,422</u>
<u>38,927,560</u>	<u>38,265,996</u>
3,068,704	2,233,402
<u>27,801,749</u>	<u>25,568,347</u>
<u>\$ 30,870,453</u>	<u>\$ 27,801,749</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 16,000,555	\$ 625,726	\$ 600,666
Cash and Investments Held by Trustee	-	-	-
Receivables			
Current Property Taxes	4,474,335	-	193,405
Delinquent Property Taxes	155,691	-	7,369
Due from Other Minnesota School Districts	110,039	-	2,048
Due from Minnesota Department of Education	4,061,017	-	26,346
Due from Federal through Minnesota Department of Education	575,032	5,561	-
Due from Other Governmental Units	2,134	-	4,029
Other Receivables	15,862	-	386
Prepaid Items	141,556	-	3,527
Inventory	22,272	18,857	-
Total Assets	<u>\$ 25,558,493</u>	<u>\$ 650,144</u>	<u>\$ 837,776</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Salaries and Payroll Deductions Payable	\$ 727,417	\$ 1,399	\$ 38,970
Accounts and Contracts Payable	358,450	14,034	26,295
Due to Other Governmental Units	153,852	-	488
Unearned Revenue	348,259	52,319	31,933
Total Liabilities	<u>1,587,978</u>	<u>67,752</u>	<u>97,686</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	8,888,114	-	398,417
Unavailable Revenue - Delinquent Property Taxes	130,826	-	7,369
Total Deferred Inflows of Resources	<u>9,018,940</u>	<u>-</u>	<u>405,786</u>
Fund Balance			
Nonspendable			
Prepaid Items	141,556	-	3,527
Inventory	22,272	18,857	-
Restricted for			
Health and Safety	(41,995)	-	-
Deferred Maintenance	193,541	-	-
Operating Capital	485,653	-	-
Community Education Programs	-	-	300,262
Early Childhood and Family Education Programs	-	-	67,128
School Readiness	-	-	(28,527)
Bond Refundings	-	-	-
Other Purposes	-	563,535	-
Assigned For			
Severance - Insurance Premiums	3,062,204	-	-
Special Education	200,000	-	-
Tobacco Settlement	21,782	-	-
Carry-Over Funds	55,107	-	-
Self-Insurance	583,537	-	-
Unassigned	10,227,918	-	(8,086)
Total Fund Balance	<u>14,951,575</u>	<u>582,392</u>	<u>334,304</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 25,558,493</u>	<u>\$ 650,144</u>	<u>\$ 837,776</u>

See accompanying Notes to Financial Statements.

Major Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2014	2013
\$ 1,488,794	\$ 4,317,054	\$ 23,032,795	\$ 15,713,015
-	-	-	10,129,048
-	2,714,985	7,382,725	7,539,815
-	102,163	265,223	274,959
-	-	112,087	70,407
-	5,109	4,092,472	4,591,243
-	-	580,593	1,071,453
-	-	6,163	203,821
-	-	16,248	47,795
-	-	145,083	414,020
-	-	41,129	62,619
<u>\$ 1,488,794</u>	<u>\$ 7,139,311</u>	<u>\$ 35,674,518</u>	<u>\$ 40,118,195</u>
\$ -	\$ -	\$ 767,786	\$ 872,140
895,529	-	1,294,308	685,781
-	-	154,340	386,652
-	-	432,511	438,748
<u>895,529</u>	<u>-</u>	<u>2,648,945</u>	<u>2,383,321</u>
-	5,593,336	14,879,867	10,614,340
-	102,163	240,358	242,395
-	5,695,499	15,120,225	10,856,735
-	-	145,083	414,020
-	-	41,129	62,619
-	-	(41,995)	(47,120)
-	-	193,541	124,272
-	-	485,653	808,661
-	-	300,262	251,398
-	-	67,128	32,798
-	-	(28,527)	(30,004)
-	-	-	10,129,048
593,265	1,443,812	2,600,612	1,954,683
-	-	3,062,204	3,062,204
-	-	200,000	200,000
-	-	21,782	23,199
-	-	55,107	15,741
-	-	583,537	583,537
-	-	10,219,832	9,293,083
<u>593,265</u>	<u>1,443,812</u>	<u>17,905,348</u>	<u>26,878,139</u>
<u>\$ 1,488,794</u>	<u>\$ 7,139,311</u>	<u>\$ 35,674,518</u>	<u>\$ 40,118,195</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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
Total Fund Balance for Governmental Funds	\$ 17,905,348	\$ 26,878,139
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	968,609	968,609
Construction in Progress	1,343,964	218,777
Land Improvements, Net of Accumulated Depreciation	1,363,286	1,113,130
Buildings and Improvements, Net of Accumulated Depreciation	58,247,759	60,293,907
Equipment, Net of Accumulated Depreciation	1,660,389	1,781,183
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
	240,358	242,395
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(501,963)	(735,099)
Bond issuance costs are reported as expenditures in the governmental funds.		
	-	233,546
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:		
	2,634,361	1,649,576
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	(44,465,000)	(56,945,000)
Unamortized Premiums	(1,407,184)	(1,508,343)
Unamortized Discounts	86,000	95,052
Certificates of Participation Payable	(1,155,821)	(1,237,824)
Severance Benefits Payable	(221,051)	(218,539)
Compensated Absences Payable	(142,548)	(116,673)
Other Postemployment Benefits Payable	(5,686,054)	(4,911,087)
Total Net Position of Governmental Activities	\$ 30,870,453	\$ 27,801,749

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 5,290,057	\$ -	\$ 196,347
Earnings on Investments	10,915	812	474
Other	1,258,204	1,130,875	1,812,562
State Sources	34,755,108	63,188	399,711
Federal Sources	1,215,595	720,636	-
Total Revenues	<u>42,529,879</u>	<u>1,915,511</u>	<u>2,409,094</u>
EXPENDITURES			
Current			
Administration	1,548,532	-	-
District Support Services	1,045,497	-	-
Regular Instruction	21,200,841	-	-
Vocational Education Instruction	203,504	-	-
Special Education Instruction	8,082,779	-	-
Instructional Support Services	1,330,837	-	-
Pupil Support Services	3,261,921	-	-
Sites and Buildings	3,864,101	-	-
Fiscal and Other Fixed Cost Programs	139,733	-	-
Food Service	-	1,855,977	-
Community Service	-	-	2,308,010
Capital Outlay	1,280,721	164,972	19,208
Debt Service			
Principal	82,003	-	-
Interest and Fiscal Charges	60,757	-	-
Total Expenditures	<u>42,101,226</u>	<u>2,020,949</u>	<u>2,327,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	428,653	(105,438)	81,876
OTHER FINANCING SOURCES (USES)			
Sale of Bonds Proceeds	-	-	-
Bond Premium	-	-	-
Payment of Refunded Bonds	-	-	-
Discount on Bonds	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	428,653	(105,438)	81,876
Fund Balances - Beginning	14,522,922	687,830	252,428
Fund Balances - Ending	<u>\$ 14,951,575</u>	<u>\$ 582,392</u>	<u>\$ 334,304</u>

See accompanying Notes to Financial Statements.

Major Funds		Total Governmental Funds	
Capital Projects	Debt Service	2014	2013
\$ -	\$ 5,608,249	\$ 11,094,653	\$ 15,695,208
20	15,187	27,408	21,894
-	29,431	4,231,072	4,039,890
-	51,091	35,269,098	29,458,451
-	-	1,936,231	2,039,788
<u>20</u>	<u>5,703,958</u>	<u>52,558,462</u>	<u>51,255,231</u>
-	-	1,548,532	1,521,040
-	-	1,045,497	979,287
-	-	21,200,841	20,104,128
-	-	203,504	226,814
-	-	8,082,779	7,582,962
-	-	1,330,837	1,441,148
-	-	3,261,921	3,338,932
35,689	-	3,899,790	3,869,189
-	-	139,733	139,080
-	-	1,855,977	1,799,214
-	-	2,308,010	2,297,172
895,529	-	2,360,430	1,861,314
-	4,055,000	4,137,003	3,845,000
-	1,738,429	1,799,186	2,368,448
<u>931,218</u>	<u>5,793,429</u>	<u>53,174,040</u>	<u>51,373,728</u>
(931,198)	(89,471)	(615,578)	(118,497)
1,525,000	-	1,525,000	15,790,000
67,787	-	67,787	613,064
-	(9,950,000)	(9,950,000)	(15,485,000)
-	-	-	-
-	68,324	68,324	-
(68,324)	-	(68,324)	-
<u>1,524,463</u>	<u>(9,881,676)</u>	<u>(8,357,213)</u>	<u>918,064</u>
<u>593,265</u>	<u>(9,971,147)</u>	<u>(8,972,791)</u>	<u>799,567</u>
-	11,414,959	26,878,139	26,078,572
<u>\$ 593,265</u>	<u>\$ 1,443,812</u>	<u>\$ 17,905,348</u>	<u>\$ 26,878,139</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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	2014	2013
Net Change in Fund Balance-Total Governmental Funds	\$ (8,972,791)	\$ 799,567
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlays	1,817,907	1,178,384
Gain (Loss) on Disposal of Capital Assets	(10,694)	-
Depreciation Expense	(2,598,812)	(2,577,784)
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:</p>		
General Obligation Bond Proceeds	(1,525,000)	(15,790,000)
Payment of Refunded Bond	9,950,000	15,485,000
Bond Premium	(67,787)	(613,064)
Bond Issuance Costs	-	131,313
Repayment of Certificates of Participation	82,003	78,059
Repayment of Bond Principal	4,055,000	3,845,000
Change in Accrued Interest Expense - General Obligation Bonds	233,136	197,017
Amortization of Bond Issuance Costs	(233,546)	(20,122)
Amortization of Bond Premium	168,946	125,985
Amortization of Bond Discount	(9,052)	(9,052)
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>		
	(2,037)	(287,269)
<p>In the statement of activities, certain operating expenses - other postemployment benefits, severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
	(803,354)	(794,084)
<p>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.</p>		
	984,785	484,452
Change in Net Position of Governmental Activities	\$ 3,068,704	\$ 2,233,402

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 9,394,586	\$ 9,379,914	\$ 5,290,057	\$ (4,089,857)
Earnings on Investments	10,000	10,000	10,915	915
Other	1,099,500	1,099,500	1,258,204	158,704
State Sources	29,910,717	29,911,977	34,755,108	4,843,131
Federal Sources	1,243,816	1,203,528	1,215,595	12,067
Total Revenues	<u>41,658,619</u>	<u>41,604,919</u>	<u>42,529,879</u>	<u>924,960</u>
EXPENDITURES				
Current:				
Administration	1,545,443	1,547,679	1,548,532	853
District Support Services	1,217,186	1,108,040	1,045,497	(62,543)
Regular Instruction	21,552,614	21,567,842	21,200,841	(367,001)
Vocational Education Instruction	208,851	208,851	203,504	(5,347)
Special Education Instruction	7,242,865	7,651,905	8,082,779	430,874
Instructional Support Services	1,469,046	1,500,987	1,330,837	(170,150)
Pupil Support Services	3,331,361	3,319,443	3,261,921	(57,522)
Sites and Buildings	3,589,603	3,568,870	3,864,101	295,231
Fiscal and Other Fixed Cost Programs	161,022	161,022	139,733	(21,289)
Capital Outlay	920,359	933,259	1,280,721	347,462
Debt Service				
Principal	82,003	82,003	82,003	-
Interest and Fiscal Charges	60,757	60,757	60,757	-
Total Expenditures	<u>41,381,110</u>	<u>41,710,658</u>	<u>42,101,226</u>	<u>390,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 277,509</u>	<u>\$ (105,739)</u>	428,653	<u>\$ 534,392</u>
FUND BALANCE				
Beginning of Year			<u>14,522,922</u>	
End of Year			<u>\$ 14,951,575</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Earnings on Investments	\$ 4,764	\$ 4,764	\$ 812	\$ (3,952)
Other - Primarily Meal Sales	1,076,350	1,076,350	1,130,875	54,525
State Sources	58,100	58,100	63,188	5,088
Federal Sources	627,269	627,269	720,636	93,367
Total Revenues	<u>1,766,483</u>	<u>1,766,483</u>	<u>1,915,511</u>	<u>149,028</u>
EXPENDITURES				
Current				
Food Service	1,711,559	1,711,559	1,855,977	144,418
Capital Outlay	201,500	151,500	164,972	13,472
Total Expenditures	<u>1,913,059</u>	<u>1,863,059</u>	<u>2,020,949</u>	<u>157,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (146,576)</u>	<u>\$ (96,576)</u>	(105,438)	<u>\$ (8,862)</u>
FUND BALANCE				
Beginning of Year			<u>687,830</u>	
End of Year			<u>\$ 582,392</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 387,799	\$ 387,799	\$ 196,347	\$ (191,452)
Earnings on Investments	3,000	3,000	474	(2,526)
Other - Primarily Tuition and Fees	1,596,257	1,703,027	1,812,562	109,535
State Sources	199,909	199,909	399,711	199,802
Total Revenues	<u>2,186,965</u>	<u>2,293,735</u>	<u>2,409,094</u>	<u>115,359</u>
EXPENDITURES				
Current				
Community Service	2,170,891	2,229,073	2,308,010	78,937
Capital Outlay	9,041	15,041	19,208	4,167
Total Expenditures	<u>2,179,932</u>	<u>2,244,114</u>	<u>2,327,218</u>	<u>83,104</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 7,033</u>	<u>\$ 49,621</u>	81,876	<u>\$ 32,255</u>
FUND BALANCE				
Beginning of Year			<u>252,428</u>	
End of Year			<u>\$ 334,304</u>	

See accompanying Notes to Financial Statements.

NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)

	Governmental Activities - Internal Service Funds	
	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 2,949,089	\$ 2,033,251
Total Assets	2,949,089	2,033,251
LIABILITIES		
Accounts Payable	314,728	383,675
Total Liabilities	314,728	383,675
NET POSITION		
Unrestricted	2,634,361	1,649,576
Total Net Position	\$ 2,634,361	\$ 1,649,576

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, 2014
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	Governmental Activities - Internal Service Funds	
	2014	2013
OPERATING REVENUES		
Charges for Services	\$ 6,111,119	\$ 4,884,938
Total Operating Revenues	6,111,119	4,884,938
OPERATING EXPENSES		
Insurance Claim Payments	4,241,916	3,675,114
Administrative Fees	886,527	726,219
Total Operating Expenses	5,128,443	4,401,333
Operating Income (Loss)	982,676	483,605
NONOPERATING INCOME		
Earnings on Investments	2,109	847
Total Nonoperating Income	2,109	847
Change in Net Position	984,785	484,452
Total Net Position - Beginning	1,649,576	1,165,124
Total Net Position - Ending	\$ 2,634,361	\$ 1,649,576

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	Totals	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 6,111,119	\$ 5,817,644
Payments for Medical Fees and Insurance Claims	(4,310,863)	(4,497,194)
Payments for Services, Supplies, & Fees	(886,527)	(726,219)
Net Cash Provided by Operating Activities	913,729	594,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	2,109	847
Net Increase in Cash and Cash Equivalents	915,838	595,078
Cash and Cash Equivalents - Beginning	2,033,251	1,438,173
Cash and Cash Equivalents - Ending	\$ 2,949,089	\$ 2,033,251
Displayed on the Statement of Net Position as:		
Cash and Investments	\$ 2,949,089	\$ 2,033,251
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ 982,676	\$ 483,605
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	-	932,706
Increase (Decrease) in Accounts Payable	(68,947)	(822,080)
Total Adjustments	(68,947)	110,626
Net Cash Provided by Operating Activities	\$ 913,729	\$ 594,231

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	Private- Purpose Trust
ASSETS	
Cash and Investments	\$ 142,937
Total Assets	\$ 142,937
NET POSITION	
Unrestricted	\$ 142,937
Total Net Position	\$ 142,937

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014**

	Private- Purpose Trust
ADDITIONS	
Gifts and Donations	\$ 64,752
Earnings on Investments	148
Total Additions	64,900
DEDUCTIONS	
Miscellaneous	48,650
Total Deductions	48,650
Change in Net Position	16,250
Net Position - Beginning of Year	126,687
Net Position - End of Year	\$ 142,937

See accompanying Notes to Financial Statements.

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

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

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

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

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

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

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

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

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

F. Cash and Investments

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

G. Cash and Cash Equivalents

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

H. Receivables

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, 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 2013 pay 2014 levy, normally revenue for the 2014-15 fiscal year, are also advance recognized at June 30, 2014, 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, 2014**

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, 2014, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

L. Capital Assets

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

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

Capital assets not being depreciated include land 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. 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.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Liabilities (Continued)

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.

N. 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 \$142,548 is included in long-term debt for earned but unpaid vacation.

Sick Pay

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

Severance

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

Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts the District provides Health and Dental Care coverage until age 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45, at June 30, 2014.

O. Deferred Inflows of Resources

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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 2014-2015 school year deposits.

Q. Fund Balance

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

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

R. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

The District self-insures for health and dental insurance offered to its employees. District purchases commercial insurance coverage for all other risks of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

S. Self-Insurance Claims

This liability represents an estimate of health and dental claims incurred but not reported as of June 30, 2014. These claims are included in accounts payable in the Statement of Net Position.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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.

U. 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, 2013, from which the summarized information was derived. Certain 2013 amounts have been reclassified to conform to 2014 presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 41,710,658	\$ 42,101,226	\$ 390,568
Special Revenue Funds			
Food Service Fund	1,863,059	2,020,949	157,890
Community Service Fund	2,244,114	2,327,218	83,104

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

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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, 2014 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

B. Investments

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

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

At June 30, 2014, the District's investment balances were as follows:

External Investment Pools –

	Amortized Cost
MN Trust Investment Shares Portfolio	\$ 777,190
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	4,701,083
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	7,573,584
	\$ 13,051,857

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The Minnesota Municipal Money Market Fund Trust (MN Trust) is a common law trust organized in accordance with the Minnesota Joint Powers Act, which invests only in investment instruments allowable under Minnesota statutes as described on the previous page. Its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

The MSDLAF and MSDMAX are external investment pools and their investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

Interest Rate Risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 4,701,083	\$ 4,701,083	\$ -
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	7,573,584	7,573,584	-
MN Trust Investment Shares Portfolio	777,190	777,190	-
Negotiable Certificates of Deposit	12,725,920	7,484,720	5,241,200
Total	<u>\$ 25,777,777</u>	<u>\$ 20,536,577</u>	<u>\$ 5,241,200</u>

Custodial Credit Risk.

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires insurance of all balances held with each investment account. As of June 30, 2014, the investment balances were fully covered by insurance for each brokerage firm.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk.

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

Type	Rated by	Credit Rating
MN Trust Investment Shares Portfolio	S&P	AAAm
Negotiable Certificates of Deposit	N/A	N/A
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	S&P	AAAm
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	S&P	AAAm

Concentration of Credit Risk.

The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in a negotiable certificate of deposit with Bank United, NA. This investment is 7.78% of the District's total investments.

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

Deposits	\$ 345,994
Cash on Hand	1,050
Minnesota School District Liquid Asset Funds	12,274,667
MN Trust Investment Shares Portfolio	777,190
Negotiable Certificates of Deposit	12,725,920
Total Cash and Investments	<u>\$ 26,124,821</u>
Cash and Investments - Statement of Net Position	\$ 25,981,884
Cash and Investments Held by Trustee - Statement of Net Position	-
Cash and Investments - Statement of Fiduciary Net Position	142,937
Total Cash and Investments	<u>\$ 26,124,821</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 968,609	\$ -	\$ -	\$ 968,609
Construction in Progress	218,777	1,236,687	(111,500)	1,343,964
Total Capital Assets, Not Being Depreciated	1,187,386	1,236,687	(111,500)	2,312,573
Capital Assets, Being Depreciated				
Land Improvements	2,932,694	351,826	-	3,284,520
Buildings and Improvements	86,856,970	166,134	-	87,023,104
Equipment	3,839,948	174,760	(17,110)	3,997,598
Total Capital Assets, Being Depreciated	93,629,612	692,720	(17,110)	94,305,222
Accumulated Depreciation for				
Land Improvements	(1,819,564)	(101,670)	-	(1,921,234)
Buildings and Improvements	(26,563,063)	(2,212,282)	-	(28,775,345)
Equipment	(2,058,765)	(284,860)	6,416	(2,337,209)
Total Accumulated Depreciation	(30,441,392)	(2,598,812)	6,416	(33,033,788)
Total Capital Assets, Being Depreciated, Net	63,188,220	(1,906,092)	(10,694)	61,271,434
Governmental Activities Capital Assets, Net	\$ 64,375,606	\$ (669,405)	\$ (122,194)	\$ 63,584,007

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

Governmental Activities	
Administration	\$ 4,477
District Support Services	17,911
Regular Instruction	2,459,487
Vocational Education Instruction	1,803
Special Education Instruction	1,255
Sites and Buildings	84,149
Food Service	26,268
Community Service	3,462
Total Depreciation Expense, Governmental Activities	\$ 2,598,812

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

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

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
7/5/2006	4.0%	\$ 2,100,000	2/1/2016	\$ 255,000	\$ 520,000
2/16/2010	2.0 - 4.0%	22,615,000	2/1/2022	1,455,000	18,595,000
12/7/2011	2.0 - 2.375%	9,750,000	2/1/2024	75,000	9,675,000
12/19/2012	1.5 - 2.0%	9,825,000	2/1/2025	630,000	9,825,000
1/3/2013	1.5 - 3.0%	5,965,000	2/1/2017	1,695,000	4,325,000
5/13/2014	2.0 - 3.0%	1,525,000	2/1/2025	-	1,525,000
Total General Obligation Bonds				4,110,000	44,465,000
Bond Premium - Net				174,772	1,407,184
Bond Discounts - Net				(9,052)	(86,000)
Certificates of Participation Payable				86,145	1,155,821
Other Postemployment Benefits Payable				-	5,686,054
Severance Benefit Payable				-	221,051
Compensated Absences Payable				142,548	142,548
				<u>\$ 4,504,413</u>	<u>\$ 52,991,658</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
2015	\$ 4,110,000	\$ 1,214,728
2016	4,415,000	1,109,094
2017	4,265,000	1,003,819
2018	4,625,000	897,819
2019	4,795,000	777,544
2020 - 2024	20,825,000	1,661,970
2025	1,430,000	30,250
	<u>\$ 44,465,000</u>	<u>\$ 6,695,224</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities

General Obligation Bonds

On February 1, 2004, the District issued \$6,300,000 of General Obligation Alternative Facilities Bonds, Series 2004A. The proceeds of this issue were used to provide funds for health and safety projects included in the five year health and safety plan of the District. This bond was refunded on February 1, 2014.

On February 1, 2004, the District issued \$1,475,000 of General Obligation Capital Facilities Bonds, Series 2004B. The proceeds of this issue were used to finance certain capital projects, including energy improvements and modifications to various district facilities and related costs. This bond was paid off on February 1, 2014.

On February 1, 2005, the District issued \$6,020,000 of General Obligation Alternative Facilities Bonds, Series 2005A. The proceeds of this issue were used to provide funds for health and safety projects included in the five year health and safety plan of the District. This bond was refunded on February 1, 2014.

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

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

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

On December 19, 2012, the District issued \$9,825,000 of General Obligation Alternative Facility Refunding Bonds, Series 2012A to refund the portion of General Obligation Alternative Facilities Refunding Bonds, Series 2004A and 2005A totaling \$9,950,000, which were scheduled to mature in 2015 through 2025. The Series 2012A bonds were issued at a premium of \$386,172. This type of refunding is considered an advance crossover refunding. The proceeds of the refunding bonds were placed into an escrow account pending the call date of the old bonds (February 1, 2014).

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

General Obligation Bonds (Continued)

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

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

Compensated Absences Payable

The amount of the estimated obligation at June 30, 2014 is \$142,548. 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, 2014 is \$221,051. The District's General Fund finances severance benefits on a pay-as-you-go basis.

Certificate of Participation

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

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2014. The total cost of assets associated with the capital leases is \$2,686,518. The related accumulated depreciation of the assets at June 30, 2014 is \$376,113.

Year Ending June 30,	
2015	\$ 142,759
2016	142,760
2017	142,759
2018	142,759
2019	142,760
2020 - 2024	713,800
2025 - 2029	71,381
Total Minimum Lease Payments	1,498,978
Less Amounts Representing Interest	343,157
Present Value of Net Minimum Lease Payments	\$ 1,155,821

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Liabilities

	June 30, 2013	Net Additions	Retirements	June 30, 2014
Bonds Payable	\$ 56,945,000	\$ 1,525,000	\$ 14,005,000	\$ 44,465,000
Bond Premium	1,508,343	67,787	168,946	1,407,184
Bond Discounts	(95,052)	-	(9,052)	(86,000)
Certificates of Participation Payable	1,237,824	-	82,003	1,155,821
Other Postemployment Benefits Payable	4,911,087	1,494,115	719,148	5,686,054
Severance Benefits Payable	218,539	45,927	43,415	221,051
Compensated Absences Payable	116,673	142,548	116,673	142,548
	<u>\$ 64,842,414</u>	<u>\$ 3,275,377</u>	<u>\$ 15,126,133</u>	<u>\$ 52,991,658</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. Health and Safety

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

B. Deferred Maintenance

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

C. Operating Capital

Represents available resources in the General Fund to be used to purchase equipment and facilities.

D. Community Education Programs

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

E. Early Childhood and Family Education Programs

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

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.

G. Restricted for Bond Refundings

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

H. Restricted for Other Purposes

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

NOTE 7 PENSION PLANS

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teachers Retirement Association (TRA)

1. Plan Description

All teachers employed by the District are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

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

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103 or by calling (651) 296-6449 or 1-800-657-3853.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 PENSION PLANS (CONTINUED)

A. Teachers Retirement Association (TRA) (Continued)

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.0% and 9.5%, respectively, of their annual covered salary while the District is required to contribute at an actuarially determined rate.

The District is required to contribute the following percentages of annual covered payroll: 7.0% for Coordinated Plan members and 10.0% for Basic plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District contributions for the years ended June 30, 2014, 2013 and 2012 were \$1,328,100, \$1,208,705, and \$1,069,538, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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. PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 PENSION PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA) (Continued)

2. Funding Policy (Continued)

The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members and 7.25% for Coordinated Plan GERS members. The contribution requirements of plan members and the District are established by and may be amended by state statute. The District's contributions for the years ending June 30, 2014, 2013, and 2012, were \$450,316, \$438,129, and \$419,110, respectively, equal to the contractually required contributions for each year as set by state statute.

C. Defined Contribution 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 and maximum contribution is based on the number of years an individual has taught at the District with a maximum career contribution of \$25,000.

The District contribution for the years ended June 30, 2014, 2013, and 2012 were approximately \$201,632, \$197,138, and \$167,945, respectively. The related employee contributions were \$741,918, \$739,772, and \$707,892, for the years ended June 30, 2014, 2013, and 2012, respectively.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's self-insured health insurance plan. There are 536 active participants and 68 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. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes up to 80% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2014, the District contributed \$719,148 to the plan.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 1,579,815
Interest on Net OPEB Obligation	220,999
Adjustment to Annual Required Contribution	(306,699)
Annual OPEB Cost (Expense)	1,494,115
Contributions Made	(719,148)
Increase in Net OPEB Obligation	774,967
Net OPEB Obligation - Beginning of Year	4,911,087
Net OPEB Obligation - End of Year	\$ 5,686,054

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013, and 2012:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 1,494,115	48.1%	\$ 5,686,054
6/30/2013	\$ 1,510,598	46.7%	\$ 4,911,087
6/30/2012	\$ 1,507,574	52.2%	\$ 4,105,234

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$12,886,686. The annual payroll for active employees covered by the plan in the actuarial valuation was \$23,129,627 for a ratio of UAAL to covered payroll of 55.72%.

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 8.0%, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2014 doesn't exceed 30 years.

NOTE 9 FLEXIBLE BENEFIT PLAN

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

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

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

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

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

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 SELF-INSURED HEALTH AND DENTAL PLAN

The District has elected to self-insure their employee dental insurance program and their health insurance program. The District established an internal service fund to account for contributions from other funds for health and dental insurance. Contributions during the year were based on claims history. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year end. The District recorded total expenses of \$5,128,443 for the year ended June 30, 2014.

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

	<u>2014</u>	<u>2013</u>
Beginning of Fiscal Year Liability - July 1	\$ 383,675	\$ 1,205,755
Incurred Claims	4,241,916	3,675,114
Claims Payments	<u>4,310,863</u>	<u>4,497,194</u>
End of Fiscal Year Liability - June 30	<u>\$ 314,728</u>	<u>\$ 383,675</u>

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

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>	
2015	\$ 600,075
2016	531,872
Total Minimum Lease Payments	<u>\$ 1,131,947</u>

The District had \$670,412 of expenditures related to these leases during the year ended June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 659
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
 JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 12,886,686	\$ 12,886,686	0.0%	\$ 23,129,627	55.72%
7/1/2010	\$ -	\$ 12,879,241	\$ 12,879,241	0.0%	\$ 22,135,154	58.18%
7/1/2008	\$ -	\$ 15,285,592	\$ 15,285,592	0.0%	\$ 20,841,808	73.34%

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SUPPLEMENTARY INFORMATION

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2014**

	2014			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES				
Local Sources				
Property Tax	\$ 5,653,934	\$ 5,653,934	\$ 5,608,249	\$ (45,685)
Earnings on Investments	60,000	60,000	15,187	(44,813)
Other	-	-	29,431	29,431
State Sources	306,000	306,000	51,091	(254,909)
Total Revenues	<u>6,019,934</u>	<u>6,019,934</u>	<u>5,703,958</u>	<u>(315,976)</u>
EXPENDITURES				
Debt Service:				
Bond Principal	4,055,000	4,055,000	4,055,000	-
Bond Interest	1,733,328	1,733,328	1,733,329	1
Paying Agent Fees and other	10,000	10,000	5,100	(4,900)
Total Expenditures	<u>5,798,328</u>	<u>5,798,328</u>	<u>5,793,429</u>	<u>(4,899)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>221,606</u>	<u>221,606</u>	<u>(89,471)</u>	<u>(311,077)</u>
OTHER FINANCING SOURCES				
Payment of Refunded Bond	-	(9,950,000)	(9,950,000)	-
Transfers In	-	-	68,324	68,324
Total Other Financing Sources	<u>-</u>	<u>(9,950,000)</u>	<u>(9,881,676)</u>	<u>68,324</u>
Net Change in Fund Balances	<u>\$ 221,606</u>	<u>\$ (9,728,394)</u>	<u>(9,971,147)</u>	<u>\$ (242,753)</u>
Fund Balance - Beginning			<u>11,414,959</u>	
Fund Balance - Ending			<u>\$ 1,443,812</u>	

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF CHANGES IN FUND EQUITIES
YEAR ENDED JUNE 30, 2014**

	Fund Equities June 30, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Transfers	Total
GOVERNMENTAL FUNDS						
General Fund						
Nonspendable	\$ 456,620	\$ -	\$ -	\$ -	\$ (292,792)	\$ 163,828
Restricted for Staff Development	-	472,847	472,847	-	-	-
Restricted for Health and Safety	(47,120)	270,452	265,327	-	-	(41,995)
Restricted for Deferred Maintenance	124,272	232,892	163,623	-	-	193,541
Restricted for Operating Capital	808,661	771,218	1,094,226	-	-	485,653
Restricted for Learning and Development	-	837,233	837,233	-	-	-
Restricted for Area Learning Center	-	485,031	817,461	-	332,430	-
Restricted for Gifted and Talented	-	53,510	53,510	-	-	-
Restricted for Basic Skills	-	1,092,032	1,282,881	-	190,849	-
Restricted for Career and Tech. Programs	-	21,485	65,459	-	43,974	-
Restricted for Safe Schools	-	124,534	124,534	-	-	-
Assigned for Severance	3,062,204	-	-	-	-	3,062,204
Assigned for Special Education	200,000	-	-	-	-	200,000
Assigned for Tobacco Settlement	23,199	-	1,417	-	-	21,782
Assigned for Self-Insurance	583,537	-	-	-	-	583,537
Assigned for Carry-Over Funds	15,741	149,828	110,462	-	-	55,107
Unassigned	9,295,808	38,018,817	36,812,246	-	(274,461)	10,227,918
Total General Fund	14,522,922	42,529,879	42,101,226	-	-	14,951,575
Food Service Fund						
Nonspendable	19,058	-	-	-	(201)	18,857
Restricted for Other Purposes	668,772	1,915,511	2,020,949	-	201	563,535
Total Food Service Fund	687,830	1,915,511	2,020,949	-	-	582,392
Community Service Fund						
Nonspendable	961	-	-	-	2,566	3,527
Restricted for Community Education	251,398	1,985,135	1,936,271	-	-	300,262
Restricted for E.C.F.E.	32,798	235,092	200,762	-	-	67,128
Restricted for School Readiness	(30,004)	142,077	140,600	-	-	(28,527)
Unassigned	(2,725)	46,785	49,580	-	(2,566)	(8,086)
Total Community Service Fund	252,428	2,409,089	2,327,213	-	-	334,304
Capital Projects Fund						
Restricted for Other Purposes	-	20	931,218	1,524,463	-	593,265
Total Capital Projects Fund	-	20	931,218	1,524,463	-	593,265
Debt Service Fund						
Restricted for Bond Refundings	10,129,048	-	-	(9,950,000)	(179,048)	-
Restricted for Other Purposes	1,285,911	5,703,958	5,793,429	68,324	179,048	1,443,812
Total Debt Service Fund	11,414,959	5,703,958	5,793,429	(9,881,676)	-	1,443,812
TOTAL GOVERNMENTAL FUNDS	26,878,139	52,558,457	53,174,035	(8,357,213)	-	17,905,348
FIDUCIARY FUNDS						
Trust Fund						
Unassigned	126,687	64,900	48,650	-	-	142,937
Total Trust Fund	126,687	64,900	48,650	-	-	142,937
TOTAL FIDUCIARY FUNDS	126,687	64,900	48,650	-	-	142,937
PROPRIETARY FUNDS						
Internal Service Fund						
Unassigned	1,649,576	6,113,228	5,128,443	-	-	2,634,361
Total Internal Service Fund	1,649,576	6,113,228	5,128,443	-	-	2,634,361
TOTAL PROPRIETARY FUNDS	1,649,576	6,113,228	5,128,443	-	-	2,634,361
GRAND TOTAL	\$ 28,654,402	\$ 58,736,585	\$ 58,351,128	\$ (8,357,213)	\$ -	\$ 20,682,646

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, 2014**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Non-Cash Assistance (Commodities):			
National School Lunch Program	# 10.555	1-0659-000	\$ 72,469
Total Non-Cash Assistance			\$ 72,469
Cash Assistance:			
Commodity Cash Rebate Program	# 10.555	1-0659-000	31,197
School Breakfast Program	# 10.553	1-0659-000	113,203
National School Lunch Program	# 10.555	1-0659-000	484,959
Summer Program	# 10.559	1-0659-000	17,342
Special Milk Program	# 10.556	1-0659-000	1,466
Total Cash Assistance			648,167
Total U.S. Department of Agriculture			720,636
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	299,600
Title II, Part A - Improving Teacher Quality State Grants	84.367	1-0659-000	141,920
Title III, Part A - English Language Acquisition Grants	84.365	1-0659-000	32,756
Special Education - Grants to States	& 84.027	1-0659-000	687,847
Special Education - Preschool Incentive	& 84.173	1-0659-000	10,000
Continuous Improvement Special Education Grants	& 84.027	1-0659-000	5,000
Special Education - Grants for Infants and Families	84.181	1-0659-000	19,760
Total U.S. Department of Education			1,196,883
Pass-Through Independent School District #917			
Carl Perkins Vocational Education Basic Grants to States	84.048	1-0917-000	9,045
Total Independent School District #917			9,045
Pass-Through Region 10			
Discretionary Low Incidence	& 84.027	**	2,794
Total Region 10			2,794
Total Federal Awards Expended			\$ 1,929,358
&	Special Education Cluster		
#	Child Nutrition Cluster		
**	Not available		

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 TOTALS BY CATALOG OF FEDERAL ASSISTANCE NUMBER

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
National School Lunch Program	10.555	\$ 588,625
Special Education Grants to States	84.027	\$ 695,641

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Independent School District No. 659's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

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

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

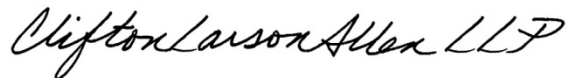
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 659's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Austin, Minnesota
October 29, 2014



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

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

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 659's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 659's major federal programs for the year ended June 30, 2014. Independent School District No. 659's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 659's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 659 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Independent School District No. 659's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 659's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 659's internal control over compliance.

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

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
October 29, 2014

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659, as of June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated October 29, 2014.

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 659 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2014-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 659's noncompliance with the above-referenced provisions.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
October 29, 2014

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Part I: Summary of the Independent Auditors' Results:

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Independent School District No. 659.
2. No deficiencies in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the basic financial statements of Independent School District No. 659 were disclosed during the audit.
4. No deficiencies in internal control over major programs were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 659 expresses an unmodified opinion.
6. The audit disclosed no findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. The programs tested as major programs included:

U.S. Department of Education:

Special Education Cluster:

Special Education – Grants to States	CFDA #84.027
Special Education – Preschool Incentive	CFDA #84.173

Title I, Part A	CFDA #84.010
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U.S. Department of Agriculture:

Child Nutrition Cluster:

School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Summer Program	CFDA #10.559
Special Milk Program	CFDA #10.556

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 659 was not determined to be a low-risk auditee.

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

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

FINDING: 2014-001 TIMELY PAYMENT OF BILLS

Condition: Minnesota statute 471.425, subdivision 2, requires prompt payment of local government bills. Payment is required within the contract period or the standard payment period of 35 days from receipt of the invoice. If payment is not made within this period, the government entity must voluntarily pay interest on those bills not paid in a timely manner. The interest rate is 1 ½ percent per month or part of a month. We noted two out of 40 sampled disbursements where payment was not made within 35 days, nor was interest paid on the outstanding balance.

Recommendation: Management should implement procedures to ensure all personnel involved in the receiving or payment of bills are familiar with the related requirements.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will implement the recommendation.

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

The planned completion date is December 31, 2014.

Plan to Monitor Completion of CAP:

The Board of Education and administration will monitor this corrective action plan.

**NORTHFIELD PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 659
 SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
 YEAR ENDED JUNE 30, 2014**

Summary Schedule of Prior Federal Audit Findings

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not Corrected, Provide Planned Corrective Action or Other Explanation</u>
2013-001	Time and Effort Documentation	Corrected	
2013-002	Internal Control Over Clics Reporting	Corrected	

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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
UNIFORM FINANCIAL ACCOUNTING AND REPORTING
STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2014**

01 GENERAL FUND	Audit	UFARS	Difference	06 BUILDING CONSTRUCTION	Audit	UFARS	Difference
Total Revenues	\$ 42,529,879	\$ 42,529,866	\$ 13	Total Revenues	\$ 20	\$ 20	\$ -
Total Expenditures	\$ 42,101,226	\$ 42,101,214	\$ 12	Total Expenditures	\$ 931,218	\$ 931,218	\$ -
Nonspendable				Nonspendable:			
460 Nonspendable	\$ 163,828	\$ 163,830	\$ (2)	460 Nonspendable	\$ -	\$ -	\$ -
Restricted:				Restricted:			
403 Staff Development	\$ -	\$ -	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ 193,541	\$ 193,541	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ (41,995)	\$ (41,995)	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Other Purposes	\$ 593,265	\$ 593,265	\$ -
408 Cooperative Rev.	\$ -	\$ -	\$ -	Unassigned			
411 Severance Pay	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
419 Encumbrances	\$ -	\$ -	\$ -	Total Revenues	\$ 5,703,958	\$ 5,703,957	\$ 1
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 5,793,429	\$ 5,793,429	\$ -
424 Operating Capital	\$ 485,653	\$ 485,653	\$ -	Restricted:			
426 \$25 Taconite	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -	464 Other Purposes	\$ 1,443,812	\$ 1,443,813	\$ (1)
434 Area Learning Center	\$ -	\$ -	\$ -	Unassigned:			
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -				
438 Gifted & Talented	\$ -	\$ -	\$ -	08 TRUST			
441 Basic Skills	\$ -	\$ -	\$ -	Total Revenues	\$ 64,900	\$ 64,901	\$ (1)
445 Career and Tech, Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 48,650	\$ 48,650	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -	Unreserved:			
449 Safe Schools Levy	\$ -	\$ -	\$ -	422 Unassigned	\$ 142,937	\$ 142,937	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -				
451 QZAB Payments	\$ -	\$ -	\$ -	09 AGENCY			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Unreserved: Should Always Be -0-			
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -	Unreserved:			
464 Other Purposes	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
Committed:							
418 Desiq. Severance-Ins. Prem	\$ -	\$ -	\$ -	20 INTERNAL SERVICE			
Assigned				Total Revenues	\$ 6,113,228	\$ 6,113,229	\$ (1)
462 Assigned	\$ 3,922,630	\$ 3,922,631	\$ (1)	Total Expenditures	\$ 5,128,443	\$ 5,128,444	\$ (1)
Unassigned				Unassigned:			
422 Unassigned	\$ 10,227,918	\$ 10,227,916	\$ 2	422 Unassigned	\$ 2,634,361	\$ 2,634,361	\$ -
02 FOOD SERVICE							
Total Revenues	\$ 1,915,511	\$ 1,915,511	\$ -	25 OPEB REVOCABLE TRUST			
Total Expenditures	\$ 2,020,949	\$ 2,020,949	\$ -	Total Revenue	\$ -	\$ -	\$ -
Nonspendable				Total Expenditures	\$ -	\$ -	\$ -
460 Nonspendable	\$ 18,857	\$ 18,857	\$ -	Unassigned:			
Restricted:				422 Unassigned	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ 563,535	\$ 563,535	\$ -	45 OPEB IRREVOCABLE TRUST			
Unassigned				Total Revenue	\$ -	\$ -	\$ -
463 Unassigned	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
				Unassigned:			
				422 Unassigned	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE							
Total Revenues	\$ 2,409,094	\$ 2,409,089	\$ 5	47 OPEB DEBT SERVICE			
Total Expenditures	\$ 2,327,218	\$ 2,327,214	\$ 4	Total Revenue	\$ -	\$ -	\$ -
Nonspendable				Total Expenditures	\$ -	\$ -	\$ -
460 Nonspendable	\$ 3,527	\$ 3,527	\$ -	Restricted:			
Restricted:				464 Other Purposes	\$ -	\$ -	\$ -
419 Encumbrances	\$ -	\$ -	\$ -	Unassigned:			
426 \$25 Taconite	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
431 Community Education	\$ 300,262	\$ 300,262	\$ -				
432 E.C.F.E.	\$ 67,128	\$ 67,129	\$ (1)				
444 School Readiness	\$ (28,527)	\$ (28,527)	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ -	\$ -	\$ -				
Unassigned							
463 Unassigned	\$ (8,086)	\$ (8,088)	\$ 2				

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STUDENT ACTIVITY FUNDS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 659 as of June 30, 2014, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles


In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 659 as of June 30, 2013, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds Independent School District No. 659 as of June 30, 2014, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



CliftonLarsonAllen LLP

Austin, Minnesota
October 29, 2014

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014**

	Balance 6/30/2013	Receipts & Transfers In	Disbursements & Transfers Out	Balance 6/30/2014
Middle School/ Elementary:				
MS Musical	\$ 8,052	\$ 4,135	\$ 6,358	\$ 5,829
MS Yearbook	11,347	5,787	8,058	9,076
MS Student Council	7,163	11,317	9,783	8,697
GP Student Council	141	470	218	393
Sibley Student Council	66	2,394	2,394	66
BW Student Council	878	2,442	556	2,764
Sibley Memory Book	216	-	-	216
MS Talent Show	1,871	-	3	1,868
Nfld Fastpitch Softball	545	-	-	545
Greenvale Activity	1,632	873	2,109	396
ALC Candle Shop	358	6,252	5,765	845
Sibley Spanish Club	2,246	-	2,246	-
	<u>34,515</u>	<u>33,670</u>	<u>37,490</u>	<u>30,695</u>
High School:				
Alpine Ski Team	1,837	1,822	-	3,659
Baseball	2,835	2,930	4,052	1,713
Basketball, Boys	2,466	962	709	2,719
Basketball, Girls	1,049	8,718	6,833	2,934
Cheer Team	1,507	11,779	12,674	612
Cross Country	1,250	6,373	5,707	1,916
Dance Team	5,462	13,780	13,444	5,798
Football	528	2,136	2,501	163
Golf, Boys	-	1,890	1,370	520
Golf, Girls	1,585	3,514	3,096	2,003
Gymnastics	1,317	8,025	5,191	4,151
Hockey, Boys	-	1,657	1,647	10
Hockey, Girls	379	1,413	763	1,029
Nordic Skiing	3,740	1,707	2,646	2,801
Soccer, Boys	39	-	-	39
Soccer, Girls	501	1,111	1,612	-
Softball	7,707	4,221	4,469	7,459
Swimming, Boys	1,360	13,639	14,080	919
Swimming, Girls	4,228	20,917	17,905	7,240
Tennis, Boys	1,456	10,958	11,966	448
Tennis, Girls	63	8,022	7,619	466
Track, Boys	2,710	683	670	2,723
Track, Girls	4,238	355	1,210	3,383
Volleyball	2,280	4,366	6,241	405
Weight Lifting	3,179	7,073	6,547	3,705
Wrestling	2,303	9,479	8,960	2,822
Art Club	2,305	2,359	2,318	2,346
Band	19,431	13,488	13,145	19,774

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014**

	Balance 6/30/2013	Receipts & Transfers In	Disbursements & Transfers Out	Balance 6/30/2014
High School (Continued):				
Chess Club	\$ 152	\$ 185	\$ 169	\$ 168
Costa Rica Trip Fund	11,902	-	-	11,902
Drama Club	2,652	11,516	2,693	11,475
Drama/Rock & Roll	24,154	-	2,125	22,029
Environmental Club	1,110	512	1,500	122
Interest/Bank Charges	473	90	184	379
International Club	192	-	-	192
Junior Class	7,010	20,750	15,014	12,746
Leadership Class	2,523	-	-	2,523
Math Team	707	-	-	707
National Honor Society	1,404	50	470	984
NHS Film Society	996	-	-	996
Norhian	6,872	20,186	16,720	10,338
Orchestra	11,421	7,730	4,518	14,633
R.A.L.I.E.	1,699	6,014	3,705	4,008
Senior Class	16,351	17,520	14,644	19,227
Share	4,813	5,500	10,103	210
Ski Club	27,232	600	500	27,332
Speech	7,347	4,657	3,962	8,042
Student Council	21,482	4,694	4,579	21,597
Vocal Music	14,486	80,921	77,877	17,530
World History AP	699	-	-	699
Applied Science Class	2,687	3,725	3,059	3,353
Robotics Club	5,142	9,900	10,335	4,707
Jazz Band	2,226	1,164	1,533	1,857
Poinsettia Sales	7,083	30,500	25,813	11,770
Bowling	900	1,790	1,354	1,336
DECA	1,273	14,055	13,381	1,947
Girls Lacrosse	-	19,665	16,228	3,437
	<u>260,743</u>	<u>425,101</u>	<u>387,841</u>	<u>298,003</u>
	<u>\$ 295,258</u>	<u>\$ 458,771</u>	<u>\$ 425,331</u>	<u>\$ 328,698</u>

**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STUDENT ACTIVITY FUNDS
NOTES TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Funds of as of Independent School District No. 659 and for the year ended June 30, 2014, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated October 29, 2014. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Manual for Activity Fund Accounting*, except as described in the Schedule of Findings and Responses as items 2014-002 and 2014-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

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

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

CliftonLarsonAllen LLP

Austin, Minnesota
October 29, 2014



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**NORTHFIELD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 659
STUDENT ACTIVITY FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

FINDING: 2014-002 MINNESOTA LEGAL COMPLIANCE –LACK OF STUDENT REPRESENTATIVE APPROVAL

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

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding: None

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

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

Planned Completion Date for CAP: June 30, 2015.

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

FINDING: 2014-003 MINNESOTA LEGAL COMPLIANCE –MISSING STATEMENT OF PURPOSE FORMS

Condition: Out of five student activity funds selected for testing, none had a Statement of Purpose Form on file as required under guidelines included in *The Manual for Activity Fund Accounting (MAFA)*.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The District will continue to review the *Manual for Activity Fund Accounting* and to ensure compliance with the requirements. The District will require the activity fund complete a Statement of Purpose Form at the beginning of each year.

Official Responsible for Ensuring CAP: Val Mertesdorf, Director of Finance, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP: June 30, 2015.

Plan to Monitor Completion of CAP: Chris Richardson, Superintendent, will monitor this corrective action plan.

