

# PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 11, 2018

In the opinion of Bond Counsel, under present federal and State of Minnesota laws, regulations and rulings, the interest to be paid on the Bonds of this offering is not includible in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. See "Tax Exemption" herein for a discussion of federal tax legislation.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

**New Issue**

**Rating Application Made: S&P Global Ratings**

## INDEPENDENT SCHOOL DISTRICT NO. 659 (NORTHFIELD PUBLIC SCHOOLS), MINNESOTA (Rice, Dakota, and Goodhue Counties)

(Minnesota School District Credit Enhancement Program)

### \$7,715,000\* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2018A

**PROPOSAL OPENING:** October 22, 2018, 10:30 A.M., C.T.      **CONSIDERATION:** October 22, 2018, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$7,715,000\* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by Independent School District No. 659 (Northfield Public Schools), Minnesota (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

**DATE OF BONDS:** November 15, 2018

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$3,485,000	2021	\$3,600,000	2022	\$630,000

**MATURITY ADJUSTMENTS:** \* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** August 1, 2019 and semiannually thereafter.

**OPTIONAL REDEMPTION:** The Bonds are being offered without option of prior redemption.

**MINIMUM PROPOSAL:** \$7,576,130.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$154,300 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation

**BOND COUNSEL:** Knutson, Flynn & Deans, P.A.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.



## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the District and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the District, is contingent upon the sale of the issue.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the District for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Bonds are exempt or required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the District which indicates that the District does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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## **NORTHFIELD PUBLIC SCHOOLS SCHOOL BOARD**

		<u>Term Expires</u>
Julie Pritchard	Chairperson	January 2019
Ellen Iverson	Vice Chairperson	January 2021
Noel Stratmoen	Clerk	January 2021
Rob Hardy	Treasurer	January 2021
Margaret Colangelo	Member	January 2019
Jeff Quinnell	Member	January 2019
Amy Goerwitz	Member	January 2021

### **ADMINISTRATION**

Matt Hillmann, Superintendent of Schools  
Valori Mertesdorf, Director of Finance

### **PROFESSIONAL SERVICES**

Knutson, Flynn & Deans, P.A., Bond Counsel, Mendota Heights, Minnesota

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota  
*(Other offices located in Waukesha, Wisconsin; Chicago, Illinois; and Denver, Colorado)*

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 659 (Northfield Public Schools), Minnesota (the "District") and the issuance of its \$7,715,000\* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on October 22, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the District's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the link to the Bond Sales and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 15, 2018. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

### OPTIONAL REDEMPTION

The Bonds are being offered without option of prior redemption.

\*Preliminary, subject to change

**AUTHORITY; PURPOSE**

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by the District, for the purpose of effecting a current refunding of the District’s 2010A Bonds as follows:

<b>Issue Being Refunded</b>	<b>Date of Refunded Issue</b>	<b>Call Date</b>	<b>Call Price</b>	<b>Maturities Being Refunded</b>	<b>Interest Rates</b>	<b>Principal to be Refunded</b>	<b>CUSIP Base 666195</b>
Series 2010A Bonds	2/16/10	2/1/19	Par	2020	4.00%	\$3,420,000	MX7
				2021	4.00%	3,575,000	MY5
				2022	4.00%	<u>675,000</u>	MZ2
Total Series 2010A Bonds Being Refunded						<u>\$7,670,000</u>	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The District will pay the principal and interest payment due on February 1, 2019 from the Debt Service Fund for the Series 2010A Bonds.

**ESTIMATED SOURCES AND USES\***

<b>Sources</b>			
Par Amount		<u>\$7,715,000</u>	
<b>Total Sources</b>			<b>\$7,715,000</b>
<b>Uses</b>			
Total Underwriter's Discount (0.300%)		\$23,145	
Costs of Issuance		54,000	
Deposit to Current Refunding Fund		7,636,871	
Rounding Amount		<u>984</u>	
<b>Total Uses</b>			<b>\$7,715,000</b>

\*Preliminary, subject to change

**SECURITY**

The Bonds are general obligations of the District to which its full faith, credit and taxing powers are pledged. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

## **RATING**

The District will be participating in the State of Minnesota Credit Enhancement Program (“MNCEP”) for this issue and is requesting a rating from S&P Global Ratings. The "AA+" rating is based on the State of Minnesota’s current "AA+" rating from S&P Global Ratings. See “STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM” for further details.

The District currently has an "AA+" underlying rating from S&P Global Ratings and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading “CONTINUING DISCLOSURE” neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS**

By resolution adopted for this issue on September 24, 2018 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

Under the State Payment Law, if the District believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Commissioner of Education as soon as possible, but not less than 15 working days prior to the due date (which notice is to specify certain information) that it intends to exercise the provisions of the Law to guarantee payment of the principal and interest when due. The District also covenants in the Resolution to deposit with the Paying Agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of the payment.

The Law also requires the Paying Agent for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Paying Agent.

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the Commissioner of Management and Budget shall issue a warrant and authorize the Commissioner of Education to pay to the Paying Agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of subdivision are annually appropriated to the Department of Education from the state general fund."

The Law requires that all amounts paid by the State on behalf of any School District are required to be repaid by the District to the State with interest, either via a reduction in State aid payable to the District, or through the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education.

In its Official Statement dated August 7, 2018, for General Obligation State Bonds, Series 2018A, 2018B, and 2018C, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

"As the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2046, is approximately \$13.1 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is \$901.2 million, with the maximum amount of principal and interest payable in any one month being \$833.5 million. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the District shall covenant to take certain actions pursuant to a Resolution adopted by the Board of Education by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the District to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the District at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

Except to the extent that the following is deemed to be material, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. In the interest of full disclosure, the District notes the following: Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The District has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the District to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The District will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Ehlers is currently engaged as disclosure dissemination agent for the District.



## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

## **TAX EXEMPTION AND RELATED CONSIDERATIONS**

In the opinion of Knutson, Flynn & Deans, P.A., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Bonds, interest on the Bonds is not includible in gross income for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the Code), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain not includible in federal gross income and in Minnesota taxable net income. Noncompliance with such requirements by the Issuer may cause the interest on the Bonds to be includible in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes includible in federal gross income or Minnesota taxable net income.

Interest on the Bonds is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, but is includible in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax for tax years beginning prior to January 1, 2018, and the environmental tax imposed by Section 59A of the Code. Interest on the Bonds may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Bonds. Prospective purchasers or Bondholders should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income. Except as stated in its opinion, no opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the District, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the District under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the District for the fiscal year ended June 30, 2017 have been audited by CliftonLarsonAllen LLP, Rochester, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## **RISK FACTORS**

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds are general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service should other revenue (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the District, the taxable value of property within the District, and the ability of the District to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the District or the taxing authority of the District.

**Ratings; Interest Rates:** In the future, the District's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the District to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the District, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the District may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

**Cybersecurity:** The District is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2015/16	2016/17	2017/18
Residential homestead <sup>1</sup>	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% <sup>2</sup> Over \$2,140,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% <sup>2</sup> Over \$2,050,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% <sup>2</sup> Over \$1,940,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

<sup>1</sup> A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

<sup>5</sup> The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value \$3,140,919,011<sup>1</sup>

### 2017/18 Assessor's Estimated Market Value

	<b>Rice County</b>	<b>Dakota County</b>	<b>Goodhue County</b>	<b>Total</b>
Real Estate	\$2,224,290,100	\$517,365,900	\$30,950,300	\$2,772,606,300
Personal Property	<u>28,340,200</u>	<u>13,462,300</u>	<u>79,600</u>	<u>41,882,100</u>
Total Valuation	<u>\$2,252,630,300</u>	<u>\$530,828,200</u>	<u>\$31,029,900</u>	<u>\$2,814,488,400</u>

### 2017/18 Net Tax Capacity

	<b>Rice County</b>	<b>Dakota County</b>	<b>Goodhue County</b>	<b>Total</b>
Real Estate	\$22,581,010	\$4,593,575	\$267,996	\$27,442,581
Personal Property	<u>564,735</u>	<u>266,068</u>	<u>1,592</u>	<u>832,395</u>
Net Tax Capacity	\$23,145,745	\$4,859,643	\$269,588	\$28,274,976
Less: Captured Tax Increment Tax Capacity <sup>2</sup>	(323,723)	0	0	(323,723)
Fiscal Disparities Contribution <sup>3</sup>	<u>0</u>	<u>(196,137)</u>	<u>0</u>	<u>(196,137)</u>
Taxable Net Tax Capacity	\$22,822,022	\$4,663,506	\$269,588	\$27,755,116
Plus: Fiscal Disparities Distribution <sup>3</sup>	<u>0</u>	<u>99,708</u>	<u>0</u>	<u>99,708</u>
Adjusted Taxable Net Tax Capacity	<u>\$22,822,022</u>	<u>\$4,763,214</u>	<u>\$269,588</u>	<u>\$27,854,824</u>

<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 659 (Northfield Public Schools) is about 91.42% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of \$3,140,919,011.

<sup>2</sup> Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, and fiscal capacity indicated market value as determined by the Minnesota Department of Revenue. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

<sup>3</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts located in the District.

## 2017/18 NET TAX CAPACITY BY CLASSIFICATION

	<b>2017/18 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$15,004,611	53.07%
Agricultural	4,370,139	15.46%
Commercial/industrial	4,659,735	16.48%
Public utility	79,038	0.28%
Railroad operating property	262,274	0.93%
Non-homestead residential	2,962,275	10.48%
Commercial & residential seasonal/rec.	104,509	0.37%
Personal property	832,395	2.94%
Total	<u>\$28,274,976</u>	<u>100.00%</u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Adjusted Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent +/- in Estimated Market Value</b>
2013/14	\$2,403,648,400	\$2,262,538,213	\$23,832,414	\$22,829,315	+ 2.16%
2014/15	2,555,312,600	2,423,380,840	25,260,630	24,306,805	+ 6.31%
2015/16	2,608,110,700	2,477,613,386	25,822,490	24,758,655	+ 2.07%
2016/17	2,719,429,800	2,592,361,277	27,122,220	26,298,485	+ 4.27%
2017/18	2,814,488,400	2,685,872,988	28,274,976	27,854,824	+ 3.50%

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<sup>1</sup> Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

<sup>2</sup> Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment.

**LARGER TAXPAYERS**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2017/18 Net Tax Capacity</b>	<b>Percent of District's Total Net Tax Capacity</b>
Northern Natural Gas Co.	Utility	\$ 426,252	1.51%
Xcel Energy	Utility	412,158	1.46%
MOM Brands Company	Commercial	374,156	1.32%
Individuals	Agricultural	265,336	0.94%
McLane Minnesota Inc. (Real Estate Tax Dept)	Commercial/Industrial	186,318	0.66%
Menard Inc.	Commercial	156,211	0.55%
Target	Commercial	117,390	0.42%
Hidden Valley Apts LTD	Commercial	120,973	0.43%
Community Resource Bank	Commercial	100,280	0.35%
Hayzin, LLC	Commercial	99,056	0.35%
<b>Total</b>		<u><u>\$2,258,130</u></u>	<u><u>7.99%</u></u>

District's Total 2017/18 Net Tax Capacity      \$28,274,976

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Rice, Dakota, and Goodhue Counties.



# DEBT

## DIRECT DEBT<sup>1</sup>

### General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes and state aids<sup>2</sup> (includes the Bonds)\* \$ 28,300,000

### Lease Purchase Obligations (see schedule following)<sup>3</sup>

Total lease purchase obligations paid by annual appropriations<sup>4</sup> \$ 784,234

\*Preliminary, subject to change

## STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on most school district bonds. Bonds not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds and OPEB bonds, as well as building bonds with relatively short maturities.

Under the Debt Service Equalization Formula (the Formula) adopted by the 2001 Minnesota State Legislature, each school district is responsible for the amount of its qualifying annual debt service which is equal to 15.74% of its Adjusted Net Tax Capacity (ANTC). The District does not currently qualify for debt service equalization aid.

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue (LTFMR) program approved by the State in 2015. If any aid is received, it is deposited into the District's debt service fund and must be used for payments on the bonds; any payment of state aid into the debt service fund causes a reduction in the tax levy for Alternative Facilities Bonds and Facilities Maintenance Bonds. The amount of aid received in the debt service fund will vary each year, depending on a number of factors. Although the District expects to receive some Long Term Facilities Maintenance Aid in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

<sup>2</sup> Based upon the, long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

<sup>3</sup> Computers and copiers have not been included, however, information related to these leases can be reviewed in the audit.

<sup>4</sup> Non-general obligation debt has not been included in the debt ratios.

**INDEPENDENT SCHOOL DISTRICT NO. 659 (NORTHFIELD), MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Taxes**  
**(As of 11/15/16)**  
**FISCAL YEAR BASIS**

Fiscal Year Ending	Refunding (1) Series 2010A		Refunding (2) Series 2011A		Alternative Fac. (Ref. 3) Series 2012		Capital Facilities Series 2014A		Fac Maintenance Series 2017A		Refunding (4) Series 2018A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity						
2019	\$22,615,000	2/16/10	\$8,750,000	12/07/11	\$9,825,000	12/19/12	\$1,525,000	5/13/14	\$1,325,000	3/23/17	\$7,715,000*	11/15/18	4,915,000	406,847	5,321,847	23,385,000	17.37%	2019
2020													5,170,000	529,610	5,699,610	18,215,000	35.64%	2020
2021													5,345,000	396,524	5,741,524	12,870,000	54.52%	2021
2022													3,860,000	288,374	4,148,374	9,510,000	66.40%	2022
2023													3,755,000	217,425	3,972,425	5,755,000	79.66%	2023
2024													3,890,000	133,363	4,023,363	1,865,000	93.41%	2024
2025													1,570,000	43,300	1,613,300	295,000	98.96%	2025
2026													145,000	8,850	153,850	150,000	99.47%	2026
2027													150,000	4,500	154,500	0	100.00%	2027
													28,300,000	2,028,792	30,328,792			

\*Preliminary, subject to change

- 1) This issue refunded the 2012 through 2022 maturities of the District's \$30,000,000 General Obligation School Building Bonds, Series 2001B, dated July 1, 2003.
- 2) This issue refunded the 2016 through 2024 maturities of the District's \$12,640,000 General Obligation School Building Bonds, Series 2003A, dated March 1, 2005.
- 3) This issue refunded the 2015 through 2024 maturities of the District's \$6,300,000 General Obligation Alternative Facilities Bonds, Series 2004A, dated February 1, 2004, and the 2015 through 2025 maturities of the \$6,020,000 General Obligation Alternative Facilities Bonds, Series 2005A, dated February 1, 2005.
- 4) This issue will refund the 2020 through 2022 maturities of the District's \$22,615,000 General Obligation School Building Refunding Bonds, Series 2010A, dated February 16, 2010. The refunded maturities will be called for prior redemption on February 1, 2019 and have not been included in the calculation of debt ratios.

**INDEPENDENT SCHOOL DISTRICT NO. 659 (NORTHFIELD), MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**Non-General Obligation Lease Payable From Annual Appropriations**  
**(As of 1/15/18)**

Dated Amount	Addition		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	12/01/09	6/01 & 12/01						
\$1,495,000								
Maturity		Final Maturity 12/01						
2019			104,919	37,841	142,760	679,315	13.38%	2019
2020			110,220	32,540	142,760	569,094	27.43%	2020
2021			115,789	26,971	142,760	453,306	42.20%	2021
2022			121,639	21,121	142,760	331,667	57.71%	2022
2023			127,784	14,976	142,760	203,883	74.00%	2023
2024			134,240	8,520	142,760	69,643	91.12%	2024
2025			69,643	1,738	71,380	0	100.00%	2025
			784,234	143,706	927,940			

## BONDED DEBT LIMIT

Minnesota Statutes, Section 475.53, subdivision 4, presently limits the "net debt" of a school district to 15% of its actual market value. The actual market value of property within a district, on which its debt limit is based, is (a) the value certified by the county auditors, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value. The current debt limit of the District is computed as follows:

2017/18 Economic Market Value	\$3,140,919,011
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$ 471,137,852
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(28,300,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(784,234)</u>
Unused Debt Limit*	<u><u>\$ 442,837,852</u></u>

\*Preliminary, subject to change

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2017/18 Adjusted Taxable Net Tax Capacity</b>	<b>% In District</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>District's Proportionate Share</b>
Rice County	\$ 61,326,774	37.2138%	\$ 18,905,000	\$ 7,035,269
Goodhue County	76,704,944	0.3515%	19,170,000	67,383
City of Dennison	182,571	100.0000%	380,000	380,000
City of Dundas	1,784,108	100.0000%	1,820,000	1,820,000
City of Northfield	14,760,814	100.0000%	10,631,000	10,631,000
Metropolitan Council	3,971,779,581	0.1174%	147,660,000	173,353
District's Share of Total Overlapping Debt				<u>\$20,107,004</u>

**DEBT PAYMENT HISTORY**

The District has no record of default in the payment of principal and interest on its debt.

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

<sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value (\$3,140,919,011)</b>	<b>Debt/ Current Population Estimate (28,574)</b>
Tax Supported General Obligation Debt*	\$ 28,300,000	0.90%	\$990.41
District's Share of Total Overlapping Debt	<u>\$ 20,107,004</u>	<u>0.64%</u>	<u>\$703.68</u>
Total*	<u>\$ 48,407,004</u>	<u>1.54%</u>	<u>\$1,694.09</u>

\*Preliminary, subject to change

## FUTURE FINANCING

The District is holding a referendum on November 6, 2018 to authorize the issuance of up to \$40,975,000 in General Obligation Bonds; if the referendum is successful, bonds would be issued in early 2019.

## LEVY LIMITS

Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies.

School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date <sup>2</sup>	% Collected
2013/14	\$15,495,570	\$15,189,362	\$15,482,052	99.91%
2014/15	15,397,684	15,264,408	15,375,467	99.86%
2015/16	15,382,153	15,257,902	15,361,627	99.87%
2016/17	15,466,761	15,354,660	15,431,177	99.77%
2017/18	18,923,230	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>3</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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<sup>1</sup> This reflects the Final Levy Certification of the District after all adjustments have been made.

<sup>2</sup> Collections are through July 31, 2018 for Rice County, June 30, 2018 for Dakota County, and July 3, 2018 for Goodhue County.

<sup>3</sup> Second half tax payments on agricultural property are due on November 15th of each year.

**TAX CAPACITY RATES<sup>1</sup>**

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
I.S.D. No. 659 (Northfield Public Schools)	36.410%	34.064%	32.897%	30.937%	33.150%
Rice County	40.179%	40.545%	42.535%	41.566%	41.810%
Dakota County	31.827%	26.902%	25.941%	28.004%	26.580%
Goodhue County	44.511%	43.146%	42.786%	43.290%	43.882%
City of Dennison	59.987%	67.321%	67.989%	68.429%	68.035%
City of Dundas	72.497%	68.117%	71.885%	64.065%	53.461%
City of Northfield	59.785%	56.750%	57.640%	55.667%	57.164%
Town of Erin <sup>2</sup>	17.222%	16.952%	20.237%	21.408%	21.660%
Metropolitan Council	1.015%	0.827%	0.958%	0.878%	0.821%
Mosquito Control	0.548%	0.518%	0.491%	0.475%	0.443%
CDA	1.650%	1.559%	1.547%	1.548%	1.479%
Transit District	1.377%	1.292%	1.261%	1.215%	1.104%
Light Rail	0.403%	0.371%	0.357%	0.342%	0.031%
Northfield EDA	1.716%	1.697%	1.704%	1.638%	1.624%
Northfield HRA	1.751%	1.732%	1.739%	1.670%	1.655%
Rice County HRA	0.601%	0.223%	0.219%	0.109%	0.124%
SEMMCHRA	0.667%	0.669%	0.675%	0.656%	0.855%

*Referendum Market Value Rates:*

I.S.D. No. 659 (Northfield Public Schools)	0.37078%	0.36518%	0.36073%	0.34276%	0.44173%
City of Northfield	0.02100%	0.01983%	0.01746%	0.00000%	0.00000%

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Rice, Dakota, and Goodhue Counties.

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<sup>1</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

<sup>2</sup> Representative town rate.



## THE ISSUER

### EMPLOYEES

The District is governed by an elected school board and employs a staff of 708, including 340 non-licensed employees and 368 licensed employees (350 of whom are teachers). The District provides education for 4,050 students in grades kindergarten through twelve.

### PENSIONS; UNIONS

#### Teachers' Retirement Association (TRA)

All teachers employed by the District are covered by defined benefit pension plans 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, Chapter 354 and 356.

#### Public Employees' Retirement Association (PERA)

All full-time and certain part-time employees of the District (other than those covered by TRA) 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.

#### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Northfield Education Association	June 30, 2019
Northfield Principals Association	June 30, 2020
International Union of Operating Engineers	June 30, 2020
Northfield Public School Office Employees Association	June 30, 2020
Northfield Educational Assistants Federation, Local #6030 Education Minnesota	June 30, 2020

### POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The District's most recent actuarial study of its OPEB obligations shows an actuarial accrued liability of \$14,788,888 as of July 1, 2016. The District has been funding these obligations on a pay-as-you-go basis.

## STUDENT BODY

The number of students enrolled for the past four years and for the current year have been as follows:

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2014/15	250	1,680	1,879	3,809
2015/16	252	1,701	1,966	3,919
2016/17	246	1,734	1,968	3,948
2017/18	267	1,729	1,997	3,993
2018/19	257	1,739	2,054	4,050

Enrollments for the next three years are projected to be as follows:

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2019/20	258	1,723	2,075	4,056
2020/21	259	1,735	2,105	4,099
2021/22	255	1,725	2,099	4,079

## SCHOOL BUILDINGS

<b>School Building</b>	<b>Year Constructed</b>	<b>Years of Additions/ Remodelings</b>
Bridgewater Elementary	1998	2017
Greenvale Park Elementary	1970	2014
Sibley Elementary	1962	1976, 1990, 2003, 2010
Longfellow School	1941	1962
Northfield Middle School	2004	--
Northfield High School	1964	1970, 1993, 1997, 1998, 2002, 2014

**FUNDS ON HAND** (as of June 30, 2018)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$16,356,707
Food Service	865,351
Community Service	887,174
Debt Service	5,111,590
Trust & Agency	182,994
Internal Service	6,316,604
<b>Total Funds on Hand</b>	<b><u><u>\$29,720,421</u></u></b>

**LITIGATION**

There is no litigation threatened or pending questioning the organization or boundaries of the District or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

**MUNICIPAL BANKRUPTCY**

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

Currently there is no statutory authority for Minnesota school districts to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future while the Bonds are outstanding; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the District to file for relief under Chapter 9; or (c) whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. Such action could impact the rights of holders of the Bonds. Such modifications could be adverse to holders of the Bonds and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds.

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2015 Audited	2016 Audited	2017 Audited	2018 Unaudited <sup>1</sup>	2018-19 Adopted Budget <sup>2</sup>
<b>Revenues</b>					
Local property taxes	\$ 9,763,250	\$ 9,743,437	\$ 10,445,511	\$ 10,333,879	\$ 13,611,213
Other local and county revenues	1,326,140	1,581,273	6,512,477	1,507,485	1,403,278
Revenues from state sources	33,762,653	35,469,498	36,052,015	37,176,941	37,784,088
Revenues from federal sources	1,120,740	1,290,511	1,338,398	1,327,330	1,209,715
<b>Total Revenues</b>	<b>\$ 45,972,783</b>	<b>\$ 48,084,719</b>	<b>\$ 54,348,401</b>	<b>\$ 50,345,635</b>	<b>\$ 54,008,294</b>
<b>Expenditures</b>					
Current					
Administration	\$ 1,630,916	\$ 1,756,789	\$ 1,719,657	\$ 1,845,397	\$ 1,841,986
District support services	1,188,681	1,194,644	1,043,317	1,273,849	1,384,985
Elementary & secondary regular instruction	23,150,183	23,417,435	24,250,228	24,804,979	24,596,470
Vocational education instruction	270,787	290,157	268,810	332,268	422,714
Special education instruction	8,798,182	9,592,822	13,982,207	10,559,275	10,499,483
Instructional support services	1,371,559	1,422,376	2,909,737	3,210,887	3,700,962
Pupil support services	3,448,277	3,496,242	3,626,196	3,837,310	3,870,714
Sites and buildings	3,747,260	4,403,903	4,108,643	4,192,775	4,543,846
Fiscal and other fixed cost programs	141,031	139,490	142,235	142,173	145,000
Capital Outlay	1,165,556	576,831	1,664,997	1,147,646	2,019,593
Debt Service	142,760	142,760	142,760	142,760	142,760
<b>Total Expenditures</b>	<b>\$ 45,055,192</b>	<b>\$ 46,433,449</b>	<b>\$ 53,858,787</b>	<b>\$ 51,489,319</b>	<b>\$ 53,168,513</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 917,591</b>	<b>\$ 1,651,270</b>	<b>\$ 489,614</b>	<b>\$ (1,143,684)</b>	<b>\$ 839,781</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Operating transfers out	0	0	0	0	0
Sale of equipment proceeds	0	2,680	0	0	0
Insurance recovery proceeds	0	22,795	0	0	0
Energy rebate	0	23,700	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 49,175</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Change in Fund Balances</b>	<b>\$ 917,591</b>	<b>\$ 1,700,445</b>	<b>\$ 489,614</b>	<b>\$ (1,143,684)</b>	
General Fund Balance July 1	14,951,575	15,869,166	17,569,611	18,059,225	
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	\$ 15,869,166	\$ 17,569,611	\$ 18,059,225	\$ 16,915,540	
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$ 59,361	\$ 481,947	\$ 227,057	\$ 227,057	
Restricted	755,188	896,387	916,407	1,437,237	
Assigned	4,608,068	4,244,286	4,219,076	4,224,873	
Unassigned	10,446,549	11,946,991	12,696,685	11,026,373	
<b>Total</b>	<b>\$ 15,869,166</b>	<b>\$ 17,569,611</b>	<b>\$ 18,059,225</b>	<b>\$ 16,915,540</b>	

<sup>1</sup> Unaudited data is as of September 18, 2018.

<sup>2</sup> The 2018-19 budget was adopted on June 11, 2018. In November 2017, district voters approved an increase in the district's referendum revenue of \$470 per pupil; this will increase general fund revenue approximately \$2.1 million per year, beginning with fiscal year 2018-19.

## GENERAL INFORMATION

### LOCATION

The District, with a 2010 U.S. Census population of 27,800, and a current population estimate of 28,574, and comprising an area of 182 square miles, is located approximately 35 miles south of Minneapolis-St. Paul metropolitan area.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City of Northfield include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
St. Olaf College	Private liberal arts college	860
Northfield Hospital	Hospital and nursing home	839
I.S.D. No. 659 (Northfield Public Schools)	Elementary and secondary education	708 <sup>2</sup>
Carleton College	Private liberal arts college	700
Post Consumer Products	Breakfast cereal manufacturer	675
McLane Minnesota, Inc.	Food service distribution	480
Multek Flexible Circuits, Inc	Manufacturer of printed and etched circuits	450
Taylor Truck Line, Inc.	Trucking/motor freight	360
Three Links Care Center	Nursing and convalescent home	250
Lutheran Home - The Cannon Valley	Retirement community	250
City of Northfield	Municipal government and services	103

**Source:** *ReferenceUSA, written and telephone survey (March 2018), and the Minnesota Department of Employment and Economic Development.*

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

<sup>2</sup> Figure excludes approximately 375 seasonal staff.

**U.S. CENSUS DATA**

**Population Trend:** Independent School District No. 659 (Northfield Public Schools), Minnesota

2000 U.S. Census population	24,029
2010 U.S. Census population	27,800
2016 Population Estimate	28,574
Percent of Change 2000 - 2010	+ 15.69%

**Income and Age Statistics**

	<b>Northfield Public School District</b>	<b>Rice County</b>	<b>State of Minnesota</b>	<b>United States</b>
2016 per capita income	\$28,966	\$27,856	\$33,225	\$29,829
2016 median household income	\$68,333	\$61,683	\$63,217	\$55,322
2016 median family income	\$83,076	\$75,606	\$79,595	\$67,871
2016 median gross rent	\$769	\$760	\$873	\$928
2016 median value owner occupied units	\$227,200	\$184,400	\$191,500	\$184,700
2016 median age	33.8 yrs.	36.5 yrs.	37.8 yrs.	37.7 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
District % of 2016 per capita income	87.18%	97.11%
District % of 2016 median family income	104.37%	122.40%

**Source:** 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau ([www.factfinder2.census.gov](http://www.factfinder2.census.gov)).

**EMPLOYMENT/UNEMPLOYMENT DATA**

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>		<b><u>Average Unemployment</u></b>	
	<b>Rice County</b>		<b>Rice County</b>	<b>State of Minnesota</b>
2014	33,777		4.1%	4.2%
2015	34,310		3.6%	3.7%
2016	34,623		3.5%	3.9%
2017	35,667		3.2%	3.5%
2018, August	35,884		2.6%	2.5%

**Source:** Minnesota Department of Employment and Economic Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the District requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**INDEPENDENT SCHOOL DISTRICT NO. 659**  
*Northfield SD*  
**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**





CliftonLarsonAllen

CliftonLarsonAllen LLP  
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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, 2017, 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, 2017, 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, 2016, and we expressed unmodified opinions on those audited financial statements in our report dated November 21, 2016. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 659's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund, the Schedule of Changes in Fund Equities, and the Uniform Financial Accounting and Reporting Standards Compliance Table, as required by Minnesota Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 659's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 659's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 21, 2017

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

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, 2017. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016-2017 include the following:

- The net position of governmental activities decreased by \$9,026,960, or 82%, to \$1,933,598. The decrease is primarily related to the net pension liability required by GASB Statement No. 68. The liability is the school district's actuarial prorated portion of unfunded liability for both the Teacher's Retirement Association (TRA) and the Public Employee's Retirement Association (PERA).
- The District's governmental funds reported a combined fund balance of \$20,947,149, a net increase of \$566,833 in comparison with the prior year. Approximately 60.6% of this total is unassigned.
- Total General Fund revenues and other financing sources were \$54,348,401 and total General Fund expenditures were \$53,858,787 for the fiscal year ended June 30, 2017. Total revenues and other financing sources and expenditures for all governmental funds combined were \$65,776,231 and \$65,209,398 respectively.
- The General Fund Unassigned fund balance increased by \$749,694 to \$12,696,685 or 23.6% of general fund expenditures. The District's long-range financial plan calls for a continued buildup of the fund balance over the next several years with the increased operating referendum. This will enable the District to maintain programming for as long as possible even in times when the State of Minnesota doesn't adequately fund public education. The District is in a great financial position to be able to serve the Northfield Community.
- There is approximately \$4.7 million in charges for services and special education expenditures related to the flow-thru of the Cannon Valley Special Education Cooperative. The District was the fiscal host for this program during its first year of operation.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of the following:

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

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

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

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

- **Government-Wide Financial Statements** – The government-wide financial statements, including the Statement of Net Position and Statement of Activities, are designed to provide short-term and long-term information about the District's overall financial status, using accounting methods similar to those used by private sector companies.
- **Fund Financial Statements** – The fund financial statements focus on individual parts of the District, reporting the District's operation in more detail than the government-wide financial statements. The District maintains three groups of fund financial statements:
  - **Governmental Funds Statements** – Governmental funds statements review how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
  - **Proprietary Funds Statements** – Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like a business.
  - **Fiduciary Funds Statements** – Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

**GOVERNMENT-WIDE STATEMENTS**

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

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

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

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

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

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

The District maintains three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- **Proprietary Funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

- The District uses proprietary funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one proprietary fund, an internal service fund for health and dental insurance benefits.

- **Fiduciary Funds** – *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

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

**Net Position.** The District's combined net position from Governmental activities was \$1,933,598 on June 30, 2017. (See Table A-1) This represents a decrease in net position of 82%.

Table A-1  
The District's Net Position

	Governmental Activities as of June 30,		Percentage Change
	2017	2016	
Current and Other Assets	\$ 44,167,221	\$ 41,997,278	5.17 %
Capital Assets	59,437,637	60,077,707	(1.07)
Total Assets	<u>103,604,858</u>	<u>102,074,985</u>	1.50
Deferred Outflows of Resources	85,716,267	5,730,896	1,046.70
Current Liabilities	7,345,302	6,967,864	5.42
Long-Term Liabilities	143,583,112	71,426,142	101.02
Total Liabilities	<u>150,928,414</u>	<u>78,394,006</u>	92.53
Deferred Inflows of Resources	16,459,113	18,451,317	(10.80)
Net Position:			
Net Investment in Capital Assets	24,792,279	22,138,097	11.99
Restricted	3,484,936	3,542,033	(1.61)
Unrestricted	(26,343,617)	(14,719,572)	78.97
Total Net Position	<u>\$ 1,933,598</u>	<u>\$ 10,950,558</u>	(82.36)

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

You will note that our unrestricted net position became further negative from \$14,719,572 in 2015-16 to \$26,343,617 in 2016-17. The negative nature of the unrestricted net position is due to the adoption of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* beginning with the 2014-15 school year. The District had to record a proportionate share of the state pension plan's unfunded net pension liability. This standard does not change how we budget or fund the state pension plans. It is transferring the unfunded net pension liability from the Minnesota Teacher's Retirement Association and the Minnesota Public Employee's Retirement Association financial statements to all members of the pension plan.

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

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

Total expenses surpassed revenues, decreasing net position \$9,026,961 over the prior year.

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

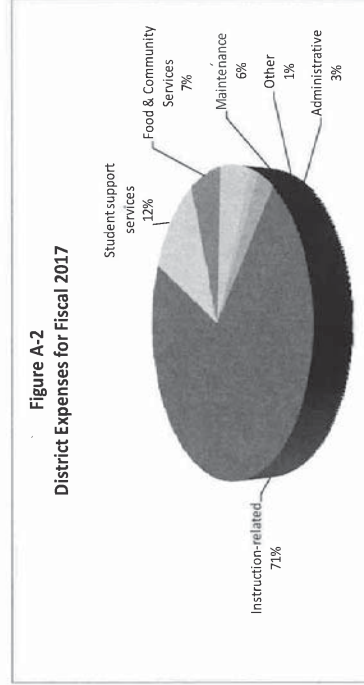
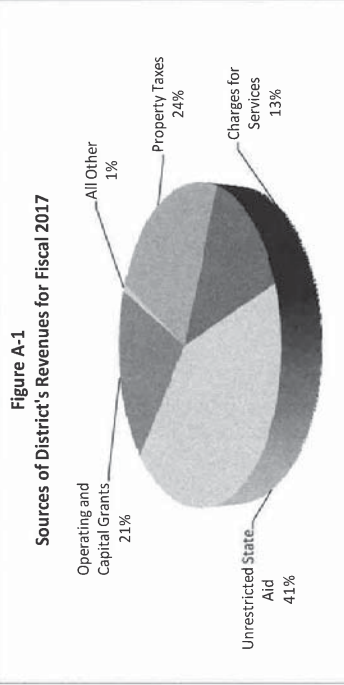
	Governmental Activities for the		Percentage Change
	2017	2016	
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 8,879,394	\$ 3,895,242	127.95 %
Operating Grants and Contributions	12,946,180	10,676,349	21.26
Capital Grants and Contributions	600,099	572,972	4.73
<b>General Revenues</b>			
Property Taxes	15,549,757	15,399,662	0.97
Unrestricted State Aid	27,052,927	27,342,958	(1.06)
Investment Earnings	138,555	63,735	117.39
Other	437,921	259,610	68.68
<b>Total Revenues</b>	<b>65,604,833</b>	<b>58,210,548</b>	<b>12.70</b>
<b>Expenses</b>			
Administration	2,164,164	1,730,307	25.07
District Support Services	1,026,668	1,208,765	(15.06)
Regular Instruction	35,047,429	26,149,580	34.03
Vocational Education Instruction	348,560	287,828	21.10
Special Education Instruction	17,806,090	9,620,471	85.09
Instructional Support Services	3,901,828	1,467,610	165.86
Pupil Support Services	3,989,028	3,465,194	14.46
Sites and Buildings	4,422,362	4,648,628	(4.87)
Fiscal and Other Fixed Cost Programs	142,235	139,490	1.97
Food Service	2,098,282	1,979,087	6.02
Community Service	2,848,045	2,459,065	15.82
Interest and Fiscal Charges on			
Long-Term Liabilities	837,102	920,860	(9.10)
<b>Total Expenses</b>	<b>74,631,793</b>	<b>54,096,885</b>	<b>37.96</b>
<b>Change in Net Position</b>	<b>(9,026,960)</b>	<b>4,113,663</b>	
Beginning Net Position	10,960,558	6,846,895	
Ending Net Position	<b>\$ 1,933,598</b>	<b>\$ 10,960,558</b>	

**Changes in net position.** The District's total revenues were \$65,604,833 for the year ended June 30, 2017. Property taxes and state formula aid accounted for 64.9% of total revenue for the year. (See Figure A-1). Another 34% came from program revenues, investment earnings and other general revenues amounted to 1%.

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

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

The total cost of all programs and services was \$74,631,794. The District's total expenses are predominantly related to educating and supporting students (81.9%). (See Figure A-2.) The administrative activities of the District accounted for 3% of total expenses.





**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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

- The cost of all governmental activities this year was \$74,631,793, which is \$20,534,909 or 38% more than the prior year.
- Some of the expense was paid by the patrons of the District's programs (\$8,879,394).
- The federal and state governments subsidized certain programs with grants and contributions (\$13,546,279).
- Local property taxes financed \$15,549,757, state aid based on the statewide education aid formula funded \$27,052,927, and investment earnings and other general revenues provided \$576,476 in revenue.

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

	Total Cost of Services 2017	Total Cost of Services 2016	Percentage Change	Net Cost of Services 2017	Net Cost of Services 2016	Percentage Change
Administration	\$ 2,164,164	\$ 1,730,307	25.07%	\$ 1,726,552	\$ 1,726,552	22.41%
District Support Services	1,026,668	1,208,765	-15.06%	999,467	1,176,463	-15.19%
Regular Instruction	35,047,629	26,149,580	34.03%	30,353,563	22,051,507	37.65%
Vocational Education Instruction	348,560	287,828	21.10%	328,183	283,175	15.89%
Special Education Instruction	17,808,090	9,620,471	85.09%	6,465,106	3,610,163	79.08%
Instructional Support Services	3,901,828	3,485,194	165.86%	3,127,985	1,460,189	114.22%
Pupil Support Services	3,989,028	3,485,194	14.48%	3,712,435	3,250,745	14.20%
Sites and Buildings	4,422,362	4,646,628	-4.87%	3,755,525	4,206,375	-10.72%
Fiscal and Other Fixed Cost Programs	142,235	139,490	1.97%	142,235	139,490	1.97%
Food Service	2,098,282	1,975,087	6.02%	(107,857)	(175,326)	-38.48%
Community Service	2,848,045	2,459,065	15.82%	478,884	300,129	59.56%
Interest and Fiscal Charges on Long-Term Liabilities	837,102	920,860	-9.10%	837,102	920,860	-9.10%
	\$ 74,631,793	\$ 54,096,885	37.96%	\$ 52,206,120	\$ 38,852,322	34.03%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds, reported a combined fund balance of \$20,947,149, which is an increase of \$566,833 from the prior year ending fund balance of \$20,380,316.

Revenues and other financing sources for the District's governmental funds were \$65,776,231 while total expenditures were \$65,209,398, resulting in revenues exceeding expenditures by \$566,833.

**GENERAL FUND**

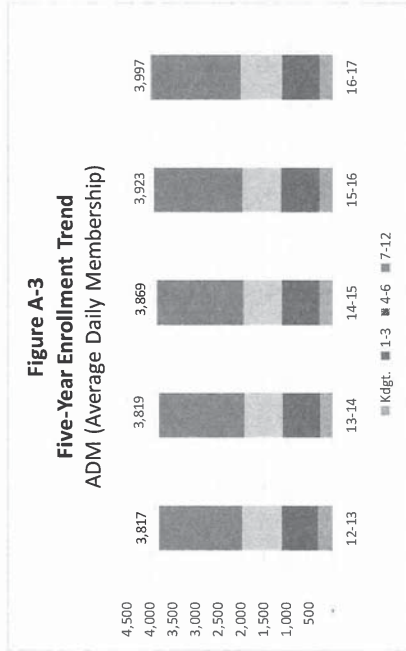
The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND (CONTINUED)**

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



The following schedule presents a summary of General Fund Revenues.

**Table A-4  
General Fund Revenues**

	Year Ended		Change	Percent Change
	June 30, 2017	June 30, 2016		
Local Sources:				
Property Taxes	\$ 10,445,511	\$ 9,743,437	\$ 702,074	7.2 %
Earnings on Investments	102,682	22,772	79,910	350.9
Other	6,409,795	1,558,501	4,851,294	311.3
State Sources	36,052,015	35,469,498	582,517	1.6
Federal Sources	1,338,398	1,290,511	47,887	3.7
<b>Total General Fund Revenue</b>	<b>\$ 54,348,401</b>	<b>\$ 48,084,719</b>	<b>\$ 6,263,682</b>	<b>13.0</b>

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND (CONTINUED)**

Total General Fund Revenue increased by \$6,263,682 or 13.0% from the previous year. This increase was primarily from the increase in our property tax levy as well as the flow-thru revenue generated by the Cannon Valley Special Education Cooperative. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-5  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2017	June 30, 2016		
Salaries	\$ 31,003,171	\$ 26,883,222	\$ 4,119,949	15.3%
Employee Benefits	11,367,865	10,318,375	1,049,490	10.2%
Purchased Services	7,629,977	6,761,624	868,353	12.8%
Supplies and Materials	1,793,666	1,581,595	212,071	13.4%
Capital Expenditures	1,664,997	576,831	1,088,166	188.6%
Other Expenditures	399,111	311,802	87,309	28.0%
Total Expenditures	<u>\$ 53,858,787</u>	<u>\$ 46,433,449</u>	<u>\$ 7,425,338</u>	<u>16.0%</u>

Total General Fund expenditures, capital expenditures included increased \$7,425,338 or 16.0% due to normal cost inflationary measures, specific Board approved programs including the one-year fiscal host relationship with the Cannon Valley Special Education Cooperative and District contract negotiation. The District has been diligent in controlling expenditures in anticipation of little or no funding increases from the State. The District continues to look for cost reductions and other containment measures in all contracted services arrangements currently in place.

In 2016-2017, General Fund revenues and other financing sources were more than expenditures by \$489,614 or 0.9% of total expenditures. After deducting statutory restrictions, the unassigned fund balance increased from \$11,946,991 at June 30, 2016 to \$12,698,685 at June 30, 2017, an increase of \$749,694. The unassigned fund balance represents 23.6% of general fund expenditures which is higher than the Board designated goal of 16%, but in line with our goal to increase fund balance to maintain programming during times of financial inadequacy from the State of Minnesota.

**General Fund Budgetary Highlights**

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND (CONTINUED)**

**General Fund Budgetary Highlights (Continued)**  
The District's final budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by \$136,173. The actual results show revenues being larger than expenditures by \$489,614.

- Actual revenues and other financing sources were \$1,128,009 more than expected. This was primarily due to a conservative special education revenue estimate and additional general education revenue due to increased enrollment.
- Actual expenditures and other financing uses were \$774,568 more than expected. This was primarily due to increased enrollment in health insurance, additional capital projects, and the entry we are required to book for GASB 68 related to the pension expense.

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

	Final Budget		Actual		Over (Under)		Percent Over (Under)
	\$	136,173	\$	54,348,401	\$	1,128,009	
Revenue and Other Financing Sources	53,220,392	136,173	53,858,787	54,348,401	774,568	1,128,009	2.1%
Expenditures and Other Financing Uses	53,084,219	136,173	489,614	489,614	353,441	353,441	1.4%

**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 410,916 lunches and 100,925 breakfasts to students, in addition to a la carte sales during the 2016-17 school year.

The fund balance increased by \$113,634 to \$766,415 during 2016-2017. This was primarily due to an increase in participation and cost containment measures on expenditures.

Food Service Fund Revenues for 2016-17 totaled \$2,211,916. This was an increase of \$49,667 or approximately 2.3% from 2015-16.

Food Service Fund Expenditures for 2016-17 totaled \$2,098,282. This was an increase of \$137,676 or 7.0% from 2015-2016.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**COMMUNITY SERVICE FUND**

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

Community Service Fund Revenues and other financing sources for 2016-2017 totaled \$2,761,311. This was an increase of \$203,014 or 7.9% from 2015-2016.

Community Service Fund Expenditures for 2016-2017 totaled \$2,660,004. This was an increase of \$197,513 or 8.0% over 2015-2016.

The fund balance has increased from \$530,924 on June 30, 2016 to \$632,231 on June 30, 2017. The majority of the fund balance is reserved for specific purposes based on state requirements.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for revenues and expenditures related to the school district's long-term capital and facility projects that are funded by the sale of bonds or capital loans. The Capital Project Fund includes activity related to our 2017A Long Term Facility Maintenance Bond to replace the roof at Bridgewater Elementary.

Capital Project Fund Revenues and Other Financing Sources totaled \$1,407,117. This was an increase of \$1,407,117 or 100% from 2015-16.

Capital Project Fund Expenditures and Other Financing Uses totaled \$1,317,981. This was an increase of \$1,317,981 or 100% from 2015-16.

The fund balance is \$89,136 which will be spent in 2017-18 to finish the roof replacement listed above.

**DEBT SERVICE FUND**

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

The Debt Service Fund Balance decreased by \$226,858 in 2016-2017.

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, 2017, fund balance of \$1,400,142 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+.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

At the end of fiscal year 2017, the District had invested \$100,507,502 in a broad range of capital assets, including school buildings; land, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7). Total accumulated depreciation as of June 30, 2017 was \$41,069,865. The current year depreciation expense for Governmental Activities totaled \$2,725,278. More detailed information about capital assets can be found in Note 4 to the financial statements.

**Table A-7  
Capital Assets**

	2017	2016	Percentage Change
Land	\$ 988,609	\$ 988,609	N/A
Construction in Progress	1,280,894	-	N/A
Land Improvements	3,994,256	3,759,659	6.2
Buildings and Improvements	89,435,276	89,286,146	0.2
Equipment	4,828,467	4,419,880	9.2
Less: Accumulated Depreciation	(41,069,865)	(38,366,587)	7.0
Total District Capital Assets	<u>\$ 59,437,637</u>	<u>\$ 60,077,707</u>	(1.1)

**Long-Term Liabilities:**

For the fiscal year ended June 30, 2017, the District had \$43,333,550 in long-term liabilities outstanding, including \$8,601,468 for health benefits, severance and compensated absences. This is an increase of 9.9% from the prior year (see Table A-8). More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

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

	2017	2016	Percentage Change
General Obligation Bonds	\$ 33,000,000	\$ 35,940,000	(8.2)%
Net Bond Premium and Discount	847,975	952,537	(11.0)
Certificates of Participation Payable	884,107	979,177	(9.7)
Other Postemployment Benefits Payable	8,194,733	7,455,011	9.9
Severance Payable	249,754	208,852	19.6
Compensated Absences Payable	156,981	164,419	(4.5)
Total Long-Term Liabilities	<u>\$ 43,333,550</u>	<u>\$ 45,699,996</u>	(5.2)
Long-Term Liabilities:			
Due Within One Year	\$ 5,001,854	\$ 4,729,252	
Due in More Than One Year	38,331,696	40,970,744	
Total	<u>\$ 43,333,550</u>	<u>\$ 45,699,996</u>	

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 359  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**OTHER SELECTED INFORMATION**

The government-wide financial statements now recognize liabilities for severance pay, compensated absences, and retiree health benefits for retired employees totaling \$8,601,468. This liability does include an amount for future health benefit costs to employees who have not retired as of June 30, 2017. The District continues to assign funds as available to meet future obligations. A total of \$4,000,000 has been segregated from the Unassigned Fund Balance over the last several years to begin to address this long-term liability.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF NET POSITION  
JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and Investments	\$ 25,018,581	\$ 28,309,869
Receivables:		
Property Taxes	7,702,221	7,668,032
Other Governments	11,077,157	5,469,600
Other	121,376	48,465
Prepaid Items	197,863	452,876
Inventories	50,023	48,436
Capital Assets:		
Land and Construction in Progress	2,249,503	968,609
Other Capital Assets, Net of Depreciation	57,188,134	59,109,098
Total Assets	<u>103,604,858</u>	<u>102,074,985</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	65,716,267	5,730,896
Total Deferred Outflows	<u>65,716,267</u>	<u>5,730,896</u>
<b>LIABILITIES</b>		
Salaries Payable	965,025	911,351
Accounts Payable	601,294	540,718
Accrued Interest	382,593	418,258
Due to Other Governmental Units	182,627	174,298
Unearned Revenue	211,909	193,987
Long-Term Liabilities:		
Portion Due Within One Year	5,001,854	4,729,252
Portion Due in More Than One Year	38,331,696	40,970,744
Net Pension Liability	105,251,416	30,455,398
Total Liabilities	<u>150,928,414</u>	<u>78,394,006</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	15,189,462	15,169,046
Pension Related	1,269,651	3,282,271
Total Deferred Inflows of Resources	<u>16,459,113</u>	<u>18,451,317</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	24,792,279	22,138,097
Restricted for:		
Operating Capital Purposes	467,688	569,700
State-Mandated Reserves	528,920	437,514
Food Service	766,415	652,781
Community Service	642,736	544,354
Capital Projects - Building Construction	2,412	-
Debt Service	1,076,765	1,337,684
Unrestricted	(26,343,617)	(14,719,572)
Total Net Position	<u>\$ 1,933,598</u>	<u>\$ 10,960,558</u>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	2017		
Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	2,164,164	\$ 4,355	\$ 46,317
District Support Services	1,026,668	-	26,472
Regular Instruction	35,047,429	578,168	4,025,066
Vocational Education Instruction	348,560	-	20,377
Special Education Instruction	17,806,090	5,279,695	6,061,289
Instructional Support Services	3,901,828	1,760	586,401
Pupil Support Services	3,989,028	2,245	274,348
Sites and Buildings	4,422,362	69,162	274,619
Fiscal and Other Fixed Cost Programs	142,235	-	-
Food Service	2,098,282	1,223,601	982,538
Community Service	2,848,045	1,720,408	648,753
Interest and Fiscal Charges on Long-Term Liabilities	837,102	-	-
Total School District	\$ 74,631,793	\$ 8,879,394	\$ 12,946,180

**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.*

	<u>2017</u>	<u>2016</u>
	<b>Net (Expense) Revenue and Change in Net Position</b>	<b>Net (Expense) Revenue and Change in Net Position</b>
<b>Capital Grants and Contributions</b>	<b>Total Governmental Activities</b>	<b>Total Governmental Activities</b>
\$ -	\$ (2,113,492)	\$ (1,726,552)
729	(999,467)	(1,178,463)
90,632	(30,353,563)	(22,051,507)
-	(328,183)	(283,175)
-	(6,465,106)	(3,610,163)
185,682	(3,127,985)	(1,460,189)
-	(3,712,435)	(3,250,745)
323,056	(3,755,525)	(4,206,375)
-	(142,235)	(139,490)
-	107,857	175,326
-	(478,884)	(300,129)
-	(837,102)	(920,860)
<u>\$ 600,099</u>	<u>(52,206,120)</u>	<u>(38,952,322)</u>

10,444,483	9,685,043
402,101	403,900
4,703,173	5,310,739
27,052,927	27,342,958
138,555	63,735
437,921	259,610
<u>43,179,160</u>	<u>43,065,985</u>
(9,026,960)	4,113,663
<u>10,960,558</u>	<u>6,846,895</u>
<u>\$ 1,933,598</u>	<u>\$ 10,960,558</u>

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Major		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 13,035,859	\$ 801,872	\$ 922,830
Receivables:			
Current Property Taxes	4,918,836	-	195,488
Delinquent Property Taxes	110,314	-	4,606
Accounts Receivable	109,847	1,689	9,583
Due from Other Minnesota School Districts	5,042,468	-	4,943
Due from Minnesota Department of Education	4,718,115	-	39,393
Due from Federal through Minnesota Department of Education	1,186,584	7,686	-
Due from Federal Government Received Directly	20,475	-	-
Due from Other Governmental Units	25,617	-	-
Inventory	31,524	18,499	-
Prepays	195,533	972	1,358
Total Assets	<u>\$ 29,395,172</u>	<u>\$ 830,718</u>	<u>\$ 1,178,201</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ 902,123	\$ 2,222	\$ 60,680
Accounts and Contracts Payable	228,226	6,799	30,554
Due to Other Governmental Units	163,744	-	18,883
Unearned Revenue	127,285	55,282	29,342
Total Liabilities	<u>1,421,378</u>	<u>64,303</u>	<u>139,459</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes Levied for Subsequent Year	9,825,082	-	401,905
Unavailable Revenue - Delinquent Property Taxes	89,487	-	4,606
Total Deferred Inflows of Resources	<u>9,914,569</u>	<u>-</u>	<u>406,511</u>
Fund Balance:			
Nonspendable:			
Inventory	31,524	18,499	-
Prepays	195,533	972	1,358
Restricted for:			
Deferred Maintenance	-	-	-
Health and Safety	(80,201)	-	-
Operating Capital	467,688	-	-
Community Education	-	-	360,192
Early Childhood and Family Education	-	-	106,074
Teacher Development and Evaluation	85,989	-	-
School Readiness	-	-	170,506
Long-Term Facilities Maintenance	442,931	-	-
Restricted for Other Purposes	-	746,944	-
Assigned for:			
Tobacco Settlement	19,076	-	-
Special Education	200,000	-	-
Severance - Insurance Premiums	4,000,000	-	-
Carry-Over Funds	-	-	-
Unassigned	12,696,685	-	(5,899)
Total Fund Balance	<u>18,059,225</u>	<u>766,415</u>	<u>632,231</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 29,395,172</u>	<u>\$ 830,718</u>	<u>\$ 1,178,201</u>

See accompanying Notes to Financial Statements.

Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2017	2016
\$ 153,181	\$ 3,916,980	\$ 18,830,722	\$ 23,573,411
-	2,413,761	7,528,085	7,499,031
-	59,216	174,136	169,001
-	-	121,119	48,043
-	-	5,047,411	561,894
-	31,876	4,789,384	4,232,413
-	-	1,194,270	617,521
-	-	20,475	7,877
-	-	25,617	49,895
-	-	50,023	48,436
-	-	197,863	452,876
<u>\$ 153,181</u>	<u>\$ 6,421,833</u>	<u>\$ 37,979,105</u>	<u>\$ 37,260,398</u>
\$ -	\$ -	\$ 965,025	\$ 911,351
64,045	-	329,624	275,331
-	-	182,627	174,298
-	-	211,909	193,987
<u>64,045</u>	<u>-</u>	<u>1,689,185</u>	<u>1,554,967</u>
-	4,962,475	15,189,462	15,169,046
-	59,216	153,309	156,069
-	<u>5,021,691</u>	<u>15,342,771</u>	<u>15,325,115</u>
-	-	50,023	48,436
-	-	197,863	452,876
-	-	-	346,798
-	-	(80,201)	(110,827)
-	-	467,688	569,700
-	-	360,192	403,843
-	-	106,074	63,625
-	-	85,989	90,716
-	-	170,506	71,225
-	-	442,931	-
89,136	1,400,142	2,236,222	2,261,571
-	-	19,076	19,734
-	-	200,000	200,000
-	-	4,000,000	4,000,000
-	-	-	24,552
-	-	12,690,786	11,938,067
<u>89,136</u>	<u>1,400,142</u>	<u>20,947,149</u>	<u>20,380,316</u>
<u>\$ 153,181</u>	<u>\$ 6,421,833</u>	<u>\$ 37,979,105</u>	<u>\$ 37,260,398</u>

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	<b>2017</b>	<b>2016</b>
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 20,947,149</b>	<b>\$ 20,380,316</b>
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	1,280,894	-
Land Improvements, Net of Accumulated Depreciation	1,689,531	1,587,515
Buildings and Improvements, Net of Accumulated Depreciation	53,877,767	56,019,276
Equipment, Net of Accumulated Depreciation	1,620,836	1,502,307
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds.		
	153,309	156,069
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.		
	(382,593)	(418,258)
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(105,251,416)	(30,455,398)
Deferred Outflows of Resources - Pensions	65,716,267	5,730,896
Deferred Inflows of Resources - Pensions	(1,269,651)	(3,282,271)
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	(33,000,000)	(35,940,000)
Unamortized Premiums	(906,818)	(1,020,433)
Unamortized Discounts	58,843	67,896
Certificates of Participation Payable	(884,107)	(979,177)
Other Postemployment Benefits Payable	(8,194,733)	(7,455,011)
Severance and Health Benefits Payable	(249,754)	(208,852)
Compensated Absences Payable	(156,981)	(164,419)
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:		
	5,916,446	4,471,493
<b>Total Net Position of Governmental Activities</b>	<b>\$ 1,933,598</b>	<b>\$ 10,960,558</b>

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, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	<u>General</u>	<u>Food Service</u>	<u>Major Community Service</u>
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 10,445,511	\$ -	\$ 402,003
Earnings and Investments	102,682	4,895	4,643
Other	6,409,795	1,227,670	2,030,927
State Sources	36,052,015	113,835	323,738
Federal Sources	1,338,398	865,516	-
Total Revenues	<u>54,348,401</u>	<u>2,211,916</u>	<u>2,761,311</u>
<b>EXPENDITURES</b>			
Current:			
Administration	1,719,657	-	-
District Support Services	1,043,317	-	-
Elementary and Secondary Regular Instruction	24,250,228	-	-
Vocational Education Instruction	268,810	-	-
Special Education Instruction	13,982,207	-	-
Instructional Support Services	2,909,737	-	-
Pupil Support Services	3,626,196	-	-
Sites and Buildings	4,108,643	-	-
Fiscal and Other Fixed Cost Programs	142,235	-	-
Food Service	-	2,087,815	-
Community Service	-	-	2,653,074
Capital Outlay	1,664,997	10,467	6,930
Debt Service:			
Principal	95,070	-	-
Interest and Fiscal Charges	47,690	-	-
Total Expenditures	<u>53,858,787</u>	<u>2,098,282</u>	<u>2,660,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	489,614	113,634	101,307
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Equipment	-	-	-
Insurance Recovery	-	-	-
Energy Rebate	-	-	-
Sale of Bonds	-	-	-
Bond Premium	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	489,614	113,634	101,307
<b>FUND BALANCES</b>			
Beginning of Year	17,569,611	652,781	530,924
End of Year	<u>\$ 18,059,225</u>	<u>\$ 766,415</u>	<u>\$ 632,231</u>

See accompanying Notes to Financial Statements.

Capital Projects	Funds	Total Governmental Funds	
	Debt Service	2017	2016
\$ -	\$ 4,705,003	\$ 15,552,517	\$ 15,507,879
2,412	23,921	138,553	43,862
-	-	9,668,392	4,633,063
-	318,562	36,808,150	35,927,772
-	-	2,203,914	2,136,957
<u>2,412</u>	<u>5,047,486</u>	<u>64,371,526</u>	<u>58,249,533</u>
-	-	1,719,657	1,756,789
-	-	1,043,317	1,194,644
-	-	24,250,228	23,417,435
-	-	268,810	290,157
-	-	13,982,207	9,592,822
-	-	2,909,737	1,422,376
-	-	3,626,196	3,496,242
-	-	4,108,643	4,403,903
-	-	142,235	139,490
-	-	2,087,815	1,959,099
-	-	2,653,074	2,440,496
1,317,981	-	3,000,375	600,333
-	4,265,000	4,360,070	4,505,498
-	1,009,344	1,057,034	1,167,651
<u>1,317,981</u>	<u>5,274,344</u>	<u>65,209,398</u>	<u>56,386,935</u>
(1,315,569)	(226,858)	(837,872)	1,862,598
-	-	-	2,680
-	-	-	25,639
-	-	-	23,700
1,325,000	-	1,325,000	-
79,705	-	79,705	-
<u>1,404,705</u>	<u>-</u>	<u>1,404,705</u>	<u>52,019</u>
89,136	(226,858)	566,833	1,914,617
-	1,627,000	20,380,316	18,465,699
<u>\$ 89,136</u>	<u>\$ 1,400,142</u>	<u>\$ 20,947,149</u>	<u>\$ 20,380,316</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, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 566,833</b>	<b>\$ 1,914,617</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:		
Capital Outlays	2,085,208	293,471
Gain (Loss) on Disposal of Capital Assets	-	(9,329)
Proceeds from the Sales of Capital Assets	-	(2,680)
Depreciation Expense	(2,725,278)	(2,722,193)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.	(2,760)	(108,197)
Pension expenses in the governmental funds are measured by current year employer contributions. Pension expenditures on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(12,798,027)	(36,537)
In the statement of activities, certain operating expenses - other post employment benefits, severance benefits, and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	(773,186)	(772,584)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	(1,325,000)	-
Bond Premium or Discount	(79,705)	-
Repayment of Bond Principal	4,265,000	4,415,000
Change in Accrued Interest - General Obligation Bonds	35,665	43,864
Repayment of Certificates of Participation Payable	95,070	90,498
Amortization of Bond Premium	193,320	211,979
Amortization of Bond Discount	(9,053)	(9,052)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	1,444,953	804,806
<b>Total</b>	<b>\$ (9,026,960)</b>	<b>\$ 4,113,663</b>

See accompanying Notes to Financial Statements.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 9,584,275	\$ 10,374,684	\$ 10,445,511	\$ 70,827
Earnings and Investments	5,000	105,000	102,682	(2,318)
Other	3,646,699	6,305,097	6,409,795	104,698
State Sources	34,692,980	35,175,247	36,052,015	876,768
Federal Sources	1,260,364	1,260,364	1,338,398	78,034
Total Revenues	<u>49,189,318</u>	<u>53,220,392</u>	<u>54,348,401</u>	<u>1,128,009</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,778,712	1,716,734	1,719,657	2,923
District Support Services	1,103,266	1,158,061	1,043,317	(114,744)
Elementary and Secondary Regular Instruction	24,117,944	23,582,387	24,250,228	667,841
Vocational Education Instruction	283,100	288,990	268,810	(20,180)
Special Education Instruction	11,673,044	13,965,316	13,982,207	16,891
Instructional Support Services	2,933,795	2,925,332	2,909,737	(15,595)
Pupil Support Services	3,588,342	3,582,460	3,626,196	43,736
Sites and Buildings	3,557,411	3,755,444	4,108,643	353,199
Fiscal and Other Fixed Cost Programs	145,000	145,000	142,235	(2,765)
Capital Outlay	1,546,735	1,821,735	1,664,997	(156,738)
Debt Service:				
Principal	86,146	86,146	95,070	8,924
Interest and Fiscal Charges	56,614	56,614	47,690	(8,924)
Total Expenditures	<u>50,870,109</u>	<u>53,084,219</u>	<u>53,858,787</u>	<u>774,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,680,791)</u>	<u>\$ 136,173</u>	489,614	<u>\$ 353,441</u>
<b>FUND BALANCE</b>				
Beginning of Year			17,569,611	
End of Year			<u>\$ 18,059,225</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ -	\$ 4,000	\$ 4,895	\$ 895
Other - Primarily Meal Sales	1,130,235	1,224,720	1,227,670	2,950
State Sources	102,000	112,292	113,835	1,543
Federal Sources	791,000	832,000	865,516	33,516
Total Revenues	<u>2,023,235</u>	<u>2,173,012</u>	<u>2,211,916</u>	<u>38,904</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	2,069,104	2,055,965	2,087,815	31,850
Capital Outlay	30,500	16,000	10,467	(5,533)
Total Expenditures	<u>2,099,604</u>	<u>2,071,965</u>	<u>2,098,282</u>	<u>26,317</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (76,369)</u>	<u>\$ 101,047</u>	<u>113,634</u>	<u>\$ 12,587</u>
<b>FUND BALANCE</b>				
Beginning of Year			652,781	
End of Year			<u>\$ 766,415</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 407,505	\$ 407,505	\$ 402,003	\$ (5,502)
Earnings and Investments	200	4,000	4,643	643
Other - Primarily Tuition and Fees	1,737,791	1,830,348	2,030,927	200,579
State Sources	<u>294,252</u>	<u>294,252</u>	<u>323,738</u>	<u>29,486</u>
Total Revenues	<u>2,439,748</u>	<u>2,536,105</u>	<u>2,761,311</u>	<u>225,206</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	2,394,745	2,447,286	2,653,074	205,788
Capital Outlay	<u>12,412</u>	<u>12,850</u>	<u>6,930</u>	<u>(5,920)</u>
Total Expenditures	<u>2,407,157</u>	<u>2,460,136</u>	<u>2,660,004</u>	<u>199,868</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 32,591</u>	<u>\$ 75,969</u>	101,307	<u>\$ 25,338</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>530,924</u>	
End of Year			<u>\$ 632,231</u>	

*See accompanying Notes to Financial Statements.*

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>ASSETS</b>		
Cash and Investments	\$ 6,187,859	\$ 4,736,458
Accounts Receivable	257	422
Total Assets	6,188,116	4,736,880
<b>LIABILITIES</b>		
Accounts Payable	271,670	265,387
Total Liabilities	271,670	265,387
<b>NET POSITION</b>		
Unrestricted	\$ 5,916,446	\$ 4,471,493

*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, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Charges for Services:		
Health Insurance Premiums	\$ 6,969,825	\$ 6,241,211
Dental Insurance Premiums	591,107	474,805
Total Operating Revenues	<u>7,560,932</u>	<u>6,716,016</u>
<b>OPERATING EXPENSES</b>		
Health Insurance Claims	4,725,278	4,524,874
Dental Insurance Claims	502,065	456,279
General Administration Fees	929,119	949,930
Total Operating Expenses	<u>6,156,462</u>	<u>5,931,083</u>
Operating Income	1,404,470	784,933
<b>NONOPERATING INCOME</b>		
Earnings on Investments	<u>40,483</u>	<u>19,873</u>
Change in Net Position	1,444,953	804,806
Net Position - Beginning	<u>4,471,493</u>	<u>3,666,687</u>
Net Position - Ending	<u>\$ 5,916,446</u>	<u>\$ 4,471,493</u>

See accompanying Notes to Financial Statements.



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Interfund Services Provided	\$ 7,561,097	\$ 6,716,041
Payments for Health and Dental Insurance Claims	(5,221,060)	(5,059,379)
Payments for Administrative Fees	(929,119)	(949,930)
Net Cash Provided by Operating Activities	1,410,918	706,732
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	40,483	19,873
Net Cash Provided by Investing Activities	40,483	19,873
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,451,401	726,605
 Cash and Cash Equivalents - Beginning	4,736,458	4,009,853
 <b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 6,187,859	\$ 4,736,458
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 1,404,470	\$ 784,933
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Decrease in Accounts Receivable	165	25
Increase (Decrease) in Accounts Payable	6,283	(78,226)
Total Adjustments	6,448	(78,201)
Net Cash Provided by Operating Activities	\$ 1,410,918	\$ 706,732

*See accompanying Notes to Financial Statements.*

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

	<b>Private-Purpose Trust</b>
<b>ASSETS</b>	
Cash and Investments	\$ 164,255
Total Assets	164,255
<b>NET POSITION</b>	
Held In Trust	\$ 164,255

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2017**

	<b>Private-Purpose Trust</b>
<b>ADDITIONS</b>	
Gifts and Donations	\$ 70,988
Earnings on Investments	966
Total Additions	71,954
<b>DEDUCTIONS</b>	
Scholarships Awarded	55,875
Total Deductions	55,875
Change in Net Position	16,079
Net Position - Beginning of Year	148,176
Net Position - End of Year	\$ 164,255

*See accompanying Notes to Financial Statements.*

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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.

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, 2017

**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, 2017

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

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

**Description of Funds**

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

*Major Governmental Funds*

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

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

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

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

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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, 2017

**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, 2017, 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 2016 pay 2017 levy, normally revenue for the 2017-18 fiscal year, are also advance recognized at June 30, 2017, as required by state statute to match revenue with the same fiscal year as the related expenditures.

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, 2017, 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. **Deferred Outflows of Resources**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. **Long-Term Liabilities**

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

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

O. **Accrued Employee Benefits**

**Compensated Absences**

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

Vacation leave vests and may be carried forward but must be used by the end of the following contract year. A liability of \$156,981 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, 2017.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**R. Unearned Revenue**  
Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for Food and Community Service accounts, grants, and 2017-2018 school year deposits.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District self-insures for health and dental insurance offered to its employees. The District is covered by a specific stop-loss policies for health claims in excess of \$100,000 and dental claims in excess of \$1,500.

**U. Self-Insurance Claims**  
This liability represents an estimate of health and dental claims incurred but not reported as of June 30, 2017. These claims are included in accounts payable in the Statement of Net Position.

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

**W. Summarized Comparative Information**  
The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**NORTHFIELD PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 659**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
General Fund	\$ 53,084,219	\$ 53,858,787	\$ 774,568
Special Revenue Funds:			
Food Service Fund	2,071,965	2,098,282	26,317
Community Service Fund	2,460,136	2,660,004	199,868

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

**NOTE 3 DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

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

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

The District's deposits in banks at June 30, 2017 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

**NORTHFIELD PUBLIC SCHOOLS**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**B. Investments (Continued)**

- 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, 2017, the District's investment balances were as follows:

MN Trust Limited Term Duration Series	Net Asset Value	\$ 5,999,400
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	Amortized Cost	\$ 4,653,100
MN Trust Investment Shares Portfolio		12,992,250
MN Trust Term Series		500,000
Total Investments at Amortized Cost	\$	18,144,750
Total District Investments	\$	24,144,750

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 investment Shares Portfolio and Term Series investments are valued at amortized cost, which approximates fair value. 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.

MSDLAF is an external investment pool not registered with the Securities Exchange Commission (SEC).



NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
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JUNE 30, 2017

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

**B. Investments (Continued)**

**Interest Rate Risk.**

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

**Custodial Credit Risk.**

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires insurance of all balances held with each investment account. As of June 30, 2017, the investment balances were fully covered by insurance for each brokerage firm.

**Credit Risk.**

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

Investment	Rated by	Credit Rating
MSDLAF+	S&P	AAA+
MN Trust Investment Shares Portfolio	S&P	AAA+
MN Trust Term Series	Not rated	Not rated
MN Trust Limited Term Duration Series	Not rated	Not rated

**Concentration of Credit Risk.**

The District's investment policies place no limit on the amount the District may invest in any one issuer. The District had no investments at June 30, 2017 which individually comprised more than 5% of total investments

NORTHFIELD PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Balance Sheet Presentation**

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

Deposits	\$ 1,037,136
Cash on Hand	950
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	4,653,100
MN Trust	19,491,650
Total Cash and Investments	\$ 25,182,836
Cash and Investments - Statement of Net Position	\$ 25,018,581
Cash and Investments - Statement of Fiduciary Net Position	164,255
Total Cash and Investments	\$ 25,182,836

**D. Fair Value Measurement**

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

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

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

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

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

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

**NORTHFIELD PUBLIC SCHOOLS**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**D. Fair Value Measurement (Continued)**

Assets measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
None Noted	\$ -	\$ -	\$ -	\$ -
Investments Measured at Net Asset Value				
Investments Measured at Amortized Cost				
				\$ 5,999,400
				18,145,350
				\$ 24,144,750

The District reports the following investment in the Pool at the NAV per share, the fair value established by the Pool.

Investment	Net Asset Value	Unfunded Commitments
MN Trust Limited Term Duration Series	\$ 5,999,400	\$ -

The MN Trust Limited Term Duration Series maintains a quarterly redemption frequency requirement with a 30-day redemption notice.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 968,609	\$ -	\$ -	\$ 968,609
Construction in Progress		1,280,894		1,280,894
Total Capital Assets, Not Being Depreciated	968,609	1,280,894		2,249,503
Capital Assets, Being Depreciated				
Land Improvements	3,759,659	234,597		3,994,256
Buildings and Improvements	89,296,146	139,130		89,435,276
Equipment	4,419,880	430,597	(22,000)	4,828,477
Total Capital Assets, Being Depreciated	97,475,685	804,314	(22,000)	98,257,999
Accumulated Depreciation for:				
Land Improvements	(2,172,144)	(132,561)		(2,304,725)
Buildings and Improvements	(33,276,870)	(2,280,639)		(35,557,509)
Equipment	(6,967,373)	(512,056)	22,000	(7,457,429)
Total Accumulated Depreciation	(39,366,387)	(3,925,256)	22,000	(41,069,643)
Total Capital Assets, Being Depreciated, Net	\$ 58,109,398	(1,707,564)	\$ -	\$ 56,401,834
Governmental Activities Capital Assets, Net	\$ 95,077,707	\$ (640,070)	\$ -	\$ 94,437,637

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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities</b>	\$	4,477
Administration		33,711
District Support Services		2,548,646
Regular Instruction		1,255
Special Education Instruction		5,844
Instructional Support Services		16,350
Pupil Support Services		94,373
Sites and Buildings		16,870
Food Service		3,752
Community Service		
Total Depreciation Expense, Governmental Activities	\$	2,725,278

**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	Series Number	Original Issue	Principal Outstanding		
				Due Within One Year	Total	
2/16/2010	2.0 - 4.0%	2010A	\$ 22,815,000	2/1/2022	\$ 3,160,000	\$ 14,095,000
12/7/2011	2.0 - 2.375%	2011A	9,750,000	2/1/2024	555,000	8,530,000
12/19/2012	1.5 - 2.0%	2012A	9,825,000	2/1/2025	765,000	7,815,000
5/13/2014	2.0 - 3.0%	2014A	1,525,000	2/1/2025	145,000	1,235,000
3/23/2017	3.0%	2017A	1,325,000	2/1/2027	120,000	1,325,000
Total General Obligation Bonds					4,745,000	33,000,000
Bond Premiums					-	906,818
Bond Discounts					-	(58,843)
Certificates of Participation Payable					98,873	884,107
Other Postemployment Benefits Payable					-	8,194,733
Severance and Health Benefits Payable					-	249,754
Compensated Absences Payable					156,981	156,981
					\$ 5,001,854	\$ 43,333,550

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

**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
2018	\$ 4,745,000	\$ 931,827
2019	4,915,000	813,684
2020	5,105,000	652,994
2021	5,320,000	481,294
2022	3,405,000	302,144
2023-2027	9,510,000	407,438
Total	\$ 33,000,000	\$ 3,589,391

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

**General Obligation Bonds**

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 2007A 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.

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

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

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

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

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

**Compensated Absences Payable**

The amount of the estimated obligation at June 30, 2017 is \$156,981. 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, 2017 is \$249,754. 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, 2017. The total cost of assets associated with the capital leases is \$2,686,518. The related accumulated depreciation of the assets at June 30, 2017 is \$698,495.

Year Ending June 30,	Amount
2018	\$ 142,759
2019	142,760
2020	142,760
2021	142,760
2022	142,760
2023-2025	356,901
Total Minimum Lease Payments	1,070,700
Less Amounts Representing Interest	186,593
Present Value of Net Minimum Lease Payments	\$ 884,107

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

	June 30, 2016	Additions	Retirements	June 30, 2017
General Obligation Bonds	\$ 35,940,000	\$ 1,325,000	\$ 4,285,000	\$ 33,000,000
Bond Premiums	1,020,433	79,705	193,320	906,818
Bond Discount	(67,896)	-	(9,053)	(56,843)
Certificates of Participation Payable	979,177	-	95,070	884,107
Other Postemployment Benefits Payable	7,455,011	1,959,648	1,219,926	8,194,733
Severance Payable	208,852	40,902	-	249,754
Compensated Absences Payable	164,419	156,981	164,419	156,981
Total	\$ 45,699,996	\$ 3,562,236	\$ 5,928,662	\$ 43,333,550

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**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. Deferred Maintenance**  
The fund balance restriction represents accumulated resources available to provide maintenance on buildings with funding available for that purpose.
- B. Health and Safety**  
The fund balance restriction represents available resources to be used for Health & Safety projects in accordance with an approved Health & Safety plan.
- C. Operating Capital**  
The fund balance restriction represents available resources in the General Fund to be used to purchase equipment and facilities.
- D. Teacher Development and Evaluation**  
The fund balance restriction represents available resources to be expended for teacher development and evaluation programs.
- E. Long Term Facilities Maintenance (LTFM)**  
The fund balance restriction represents accumulated resources available to be used for LTFM projects in accordance with the District's ten-year plan.
- F. Community Education Programs**  
The fund balance restriction represents accumulated resources available to provide general community education programming.
- G. Early Childhood and Family Education Programs**  
The fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.
- H. School Readiness**  
The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.
- I. Restricted for Other Purposes**  
The fund balance restriction represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

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**NOTE 7 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

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

- 1. General Employees Retirement Plan (GERF)  
PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
- 2. Teachers Retirement Fund (TRA)  
TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.  
  
Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the city of St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

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

**B. Benefits Provided**

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

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

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

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

**1. GERS Benefits**

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

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

**B. Benefits Provided (Continued)**

**2. TRA Benefits**

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

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

**Tier I Benefits**

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

With these provisions:

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

or

**Tier II Benefits**

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



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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)  
*Tier II Benefits (Continued)*

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

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

**C. Contributions**

1. GERF Contributions  
*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2016. In fiscal year ending June 30, 2017, the District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2017, were \$635,996. The District's contributions were equal to the required contributions for each year as set by state statute.

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

	2017		2016	
	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%
Coordinate	7.5%	7.5%	7.5%	7.5%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2017, were \$1,791,417. The District's contributions were equal to the required contributions for each year as set by state statute.

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**D. Pension Costs**

1. GERF Pension Costs

At June 30, 2017, the District reported a liability of \$9,507,939 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in fiscal year 2016. The State of Minnesota is considered a nonemployer contributing entity, and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District was \$124,147. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1171% at the end of the measurement period and 0.1188% for the beginning of the period.

For the year ended June 30, 2017, the District recognized pension expense of \$1,188,246 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$7,026 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Plan.

At June 30, 2017, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 28,140	\$ 772,379
Changes in Actuarial Assumptions	2,050,632	-
Net Difference Between Projected and Actual Earnings on Plan Investments	1,061,496	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	13,526	70,563
District Contributions Subsequent to the Measurement Date	635,996	-
Total	<u>\$ 3,789,790</u>	<u>\$ 842,942</u>

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

**D. Pension Costs (Continued)**

**1. GERP Pension Costs (Continued)**

Of the resources related to pensions resulting from District contributions to GERP subsequent to the measurement date, \$635,996 is reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
Amount	Amount
2018	\$ 644,943
2019	427,833
2020	894,635
2021	343,441

**2. TRA Pension Costs**

At June 30, 2017, the District reported a liability of \$95,743,477 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.4014% at the end of the measurement period and 0.3928% for the beginning of the period.

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

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 95,743,477
State's Proportionate Share of the Net Pension Liability Associated with the District	9,610,363

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

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

**D. Pension Costs (Continued)**

**2. TRA Pension Costs (Continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$14,045,383. It also recognized \$142,848 as pension expense for the support provided by direct aid.

At June 30, 2017, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 937,847	\$ 2,869
Changes in Actuarial Assumptions	54,596,577	-
Net Difference Between Projected and Actual Earnings on Plan Investments	4,141,926	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	458,710	424,040
District Contributions Subsequent to the Measurement Date	1,791,417	-
<u>Total</u>	<u>\$ 61,926,477</u>	<u>\$ 426,709</u>

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$1,791,417 is reported as deferred outflows and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
Amount	Amount
2018	\$ 11,774,699
2019	11,774,699
2020	13,156,383
2021	12,300,753
2022	10,701,817

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Aggregate Pension Costs

At June 30, 2017, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	TRA	PERA	Total
Net Pension Liability	\$ 95,743,477	\$ 9,507,939	\$ 105,251,416
Deferred Outflows of Resources	61,926,477	3,789,790	65,716,267
Deferred Inflows of Resources	426,709	842,942	1,269,651
Pension Expense	14,188,231	1,195,272	15,383,503

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.75%
Active Member Payroll Growth	3.25% per Year	3.50%, Based on Years of Service
Investment Rate of Return	7.50%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability rates were based on RP-2014 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions for GERS occurred in 2016:

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

The long-term expected rate of return on pension plan investments is 7.5% for GERS and 8.0% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

F. Discount Rate

The discount rate used to measure the total General Employees Plan pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.



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

**G. Pension Liability Sensitivity**

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

Description	1% Decrease	Current	1% Increase
GERF Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the GERF Net Pension Liability	\$ 13,504,091	\$ 9,507,939	\$ 6,156,833
TRA Discount Rate	3.66%	4.66%	5.66%
District's Proportionate Share of the TRA Net Pension Liability	\$ 123,341,530	\$ 95,743,477	\$ 73,265,764

**H. Pension Plan Fiduciary Net Position**

Detailed information about GERF's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the internet at [www.mmpetra.org](http://www.mmpetra.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

**NOTE 8 DEFINED CONTRIBUTION BENEFIT PLAN**

The District has a retirement plan qualifying under the Internal Revenue Code 403(b) for the benefit of employees hired on or after July 1, 2002. For qualifying employees the District's annual 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, 2017, 2016, and 2015 were approximately \$295,600, \$268,918, and \$256,384, respectively. The related employee contributions were \$894,595, \$850,342, and \$810,302, for the years ended June 30, 2017, 2016, and 2015, respectively.

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 9 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 613 active participants and 60 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 2017, the District contributed \$854,157 to the plan.

**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 30 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	\$ 1,735,998
Interest on Net OPEB Obligation	223,650
Adjustment to Annual Required Contribution	(374,769)
Annual OPEB Cost (Expense)	1,584,879
Contributions Made	(645,157)
Increase (Decrease) in Net OPEB Obligation	739,722
Net OPEB Obligation (Assets) - Beginning of Year	7,455,011
Net OPEB Obligation (Assets) - End of Year	<u>\$ 8,194,733</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2017	\$ 1,584,879	53.33%	\$ 8,194,733
6/30/2016	1,570,937	48.70%	7,455,011
6/30/2015	1,569,250	38.70%	6,648,506

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

**D. Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$14,788,888. The annual payroll for active employees covered by the plan in the actuarial valuation was \$29,957,276 for a ratio of UAAL to covered payroll of 49.40%.

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.

**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, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 6.75%, reduced by decrements to an ultimate rate of 5% after seven years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2017 doesn't exceed 30 years.

**NOTE 10 FLEXIBLE BENEFIT PLAN**

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

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

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.

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

The District has elected to self-insure their employee dental insurance program and their health insurance program. The District established an internal service fund to account for contributions from other funds for health and dental insurance. Contributions during the year were based on claims history. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year-end. The District recorded total expenses of \$6,156,462 for the year ended June 30, 2017.

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

	2017	2016
Beginning Liability - July 1	\$ 265,387	\$ 343,613
Incurred Claims	5,227,343	4,981,154
Claims Payments	5,221,060	5,059,380
Ending Liability - June 30	<u>\$ 271,670</u>	<u>\$ 265,387</u>

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Federal and State Programs**

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

**Operating Leases**

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

Year Ending June 30,	Amount
2018	\$ 620,758
2019	583,408
2020	300,134
2021	163,959
Total Minimum Lease Payments	\$ 1,668,259

The District had \$760,272 of expenditures related to these leases during the year ended June 30, 2017.

**NOTE 13 JOINTLY GOVERNED ORGANIZATIONS**

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

The District served as the fiscal host for CVSEC for the fiscal year ending June 30, 2017. Effective July 1, 2017, the District will no longer serve as the fiscal host.

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN  
JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Other Postemployment Benefits Payable			Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAA) (b-a)	Fund Ratio (a/b)			
7/1/2016	\$ -	\$ 14,788,888	\$ 14,788,888	0.0%	\$ 23,957,276	49.4%	
7/1/2014	-	13,993,036	13,993,036	0.0	23,198,976	60.3	
7/1/2012	-	12,886,686	12,886,686	0.0	23,129,627	55.7	

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

Measurement Date	2017		2016		2015	
	June 30, 2017	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2014
<b>PERA</b>						
District's Proportion of the Net Pension Liability	0.1171%	0.1171%	0.1186%	0.1186%	0.1183%	0.1183%
District's Proportionate Share of the Net Pension Liability	\$ 9,507,939	\$ 9,507,939	\$ 6,156,833	\$ 6,156,833	\$ 5,567,224	\$ 5,567,224
State's Proportionate Share of the Net Pension Liability Associated with District	124,147	124,147	6,156,833	6,156,833	5,567,224	5,567,224
<b>Total</b>						
District's Covered Payroll	\$ 7,264,732	\$ 7,264,732	\$ 6,969,875	\$ 6,969,875	\$ 6,211,247	\$ 6,211,247
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	132.59%	132.59%	88.33%	88.33%	89.63%	89.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.90%	66.90%	78.20%	78.20%	78.70%	78.70%
<b>TRA</b>						
District's Proportion of the Net Pension Liability	0.4014%	0.4014%	0.3928%	0.3928%	0.4172%	0.4172%
District's Proportionate Share of the Net Pension Liability	\$ 95,743,477	\$ 95,743,477	\$ 24,298,565	\$ 24,298,565	\$ 19,224,276	\$ 19,224,276
State's Proportionate Share of the Net Pension Liability Associated with District	9,610,363	9,610,363	2,980,581	2,980,581	1,333,077	1,333,077
<b>Total</b>						
District's Covered Payroll	\$ 105,353,840	\$ 105,353,840	\$ 27,279,146	\$ 27,279,146	\$ 20,557,353	\$ 20,557,353
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	20.803603%	20.803603%	19.836024%	19.836024%	18.972883%	18.972883%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	44.88%	76.80%	76.80%	81.50%	81.50%

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

	2017	2016	2015	2014
<b>PERA</b>				
Statutorily Required Contribution	\$ 635,996	\$ 544,855	\$ 514,948	\$ 450,316
Contributions in Relation to the Statutorily Required Contribution	(635,996)	(544,855)	(514,948)	(450,316)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
<b>Districts Covered Payroll</b>	\$ 8,479,931	\$ 7,264,732	\$ 6,969,875	\$ 6,211,247
Contributions as a Percentage of Covered-Employee Payroll	7.50%	7.50%	7.39%	7.25%
<b>TPA</b>				
Statutorily Required Contribution	\$ 1,791,417	\$ 1,560,272	\$ 1,487,706	\$ 1,328,100
Contributions in Relation to the Statutorily Required Contribution	(1,791,417)	(1,560,272)	(1,487,706)	(1,328,100)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
<b>Districts Covered Payroll</b>	\$ 23,885,558	\$ 20,803,603	\$ 19,836,024	\$ 18,972,883
Contributions as a Percentage of Covered-Employee Payroll	7.50%	7.50%	7.50%	7.00%

**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, 2017**

	Budgeted Amounts			Actual Amounts		Over (Under) Final Budget
	Original	Final		Final	Amounts	
<b>REVENUES</b>						
Local Sources:						
Property Taxes	\$ 4,765,914	\$ 4,765,914	\$ 4,705,003	\$ 4,705,003	\$ (60,911)	
Earnings and Investments	8,000	8,000	23,921	23,921	15,921	
State Sources	52,000	52,000	318,562	318,562	286,562	
Total Revenues	<u>4,825,914</u>	<u>4,825,914</u>	<u>5,047,486</u>	<u>5,047,486</u>	<u>221,572</u>	
<b>EXPENDITURES</b>						
Debt Service:						
Bond Principal	4,265,000	4,265,000	4,265,000	4,265,000	-	
Bond Interest	1,003,819	1,003,819	1,003,819	1,003,819	-	
Paying Agent Fees and Other	6,000	6,000	5,525	5,525	(475)	
Total Expenditures	<u>5,274,819</u>	<u>5,274,819</u>	<u>5,274,344</u>	<u>5,274,344</u>	<u>(475)</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (448,905)</u>	<u>\$ (448,905)</u>	<u>(226,858)</u>	<u>(226,858)</u>	<u>\$ 222,047</u>	
<b>FUND BALANCE</b>						
Beginning of Year			1,627,000	1,627,000		
End of Year			<u>\$ 1,400,142</u>	<u>\$ 1,400,142</u>		

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
SCHEDULE OF CHANGES IN FUND EQUITIES  
YEAR ENDED JUNE 30, 2017**

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

Fund Equities	June 30, 2016		Revenues		Expenditures		Transfers		Total
<b>GOVERNMENTAL FUNDS</b>									
General Fund	\$ 481,947	\$ 532,996	\$ 578,855	\$ (954,890)	\$ 227,287				
Restricted for Staff Development	346,798	30,626	1,858,000	(46,690)	(80,201)				
Restricted for Deferred Maintenance	(110,827)	750,000	1,858,000	(346,798)	467,686				
Restricted for Health and Safety	589,700	1,750,000	1,858,000	859,569	318,948				
Restricted for Capital Project Levy	1,750,000	652,453	977,401	57,104	85,989				
Restricted for Operating Center Development	652,453	57,104	4,727	1,472,786	382,591				
Restricted for Area Learning Center	97,401	57,104	1,472,786	100,886	77,703				
Restricted for Gifted and Talented	57,104	1,115,478	25,193	161,488	701,751				
Restricted for Teacher Development and Evaluation	90,716	1,115,478	161,488	797,884	274,419				
Restricted for Career Tech Programs	1,115,478	25,193	161,488	701,751	346,798				
Restricted for Safe Schools	161,488	797,884	274,419	442,831	4,000,000				
Restricted for LTFM	797,884	274,419	442,831	4,000,000	200,000				
Restricted for Medical Assistance	4,000,000	200,000	200,000	200,000	200,000				
Assigned for General Education	19,734	208,694	234,868	(658)	19,076				
Assigned for Special Education	24,552	208,694	234,868	(658)	19,076				
Assigned for Tobacco Settlement	11,946,991	47,229,775	46,429,195	(559,885)	12,936,665				
Unassigned	17,389,611	94,346,401	53,858,787	18,099,225	16,099,225				
Total General Fund	18,210	2,211,916	2,098,282	1,261	19,471				
Food Service Fund	634,571	2,211,916	2,098,282	(1,261)	746,844				
Restricted for Other Purposes	634,571	2,211,916	2,098,282	(1,261)	746,844				
Nonspendable					768,415				
Total Food Service Fund	1,155	2,132,949	2,176,600	203	1,358				
Community Service Fund	403,843	2,132,949	2,176,600	203	1,358				
Restricted for Community Education	15,614	1,176,600	1,176,600	15,614	380,192				
Restricted for C.P.E.	70,225	334,255	334,255	70,225	170,506				
Restricted for Social Readiness	(8,924)	40,245	37,014	(203)	170,506				
Unassigned	530,924	2,761,311	2,660,004	532,231	(5,899)				
Total Community Service Fund	1,155	2,132,949	2,176,600	203	1,358				
Capital Projects Fund									
Restricted for Other Purposes		1,407,117	1,317,981		89,136				
Unassigned		1,407,117	1,317,981		89,136				
Total Capital Projects Fund		1,407,117	1,317,981		89,136				
Debt Service Fund									
Restricted for Other Purposes	1,827,000	5,627,486	5,274,944		1,400,142				
Total Debt Service Fund	1,827,000	5,627,486	5,274,944		1,400,142				
Total Government Funds	20,380,316	65,776,231	65,209,398		20,947,149				
FIDUCIARY FUNDS									
Trust Fund	148,176	71,954	56,875		164,255				
Unassigned	148,176	71,954	56,875		164,255				
Total Trust Fund	148,176	71,954	56,875		164,255				
TOTAL FIDUCIARY FUNDS	148,176	71,954	56,875		164,255				
PROPRIETARY FUNDS									
Internal Service Fund	4,471,493	7,601,415	6,156,462		5,916,448				
Unassigned	4,471,493	7,601,415	6,156,462		5,916,448				
Total Internal Service Fund	4,471,493	7,601,415	6,156,462		5,916,448				
TOTAL PROPRIETARY FUNDS	4,471,493	7,601,415	6,156,462		5,916,448				
GRAND TOTAL	\$ 24,999,895	\$ 73,449,600	\$ 71,421,735	\$	\$ 27,027,850				

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Non-Cash Assistance (Commodities):			
National School Lunch Program	# 10.555	1-0659-000	\$ 121,305
Cash Assistance:			
Commodity Cash Rebate Program	# 10.555	1-0659-000	33,684
National School Lunch Program	# 10.555	1-0659-000	556,884
After School Snack	# 10.555	1-0659-000	4,251
Subtotal CFDA No. 10.555			716,134
School Breakfast Program	# 10.553	1-0659-000	122,303
Summer Program	# 10.559	1-0659-000	27,079
Total U.S. Department of Agriculture			865,516
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	284,383
Title II, Part A - Improving Teacher Quality State Grants	84.367	1-0659-000	115,857
Title III, Part A - English Language Acquisition Grants	84.385	1-0659-000	29,944
Title IV, Part B - Twenty-First Century Community Learning Centers	84.287	1-0659-000	87,320
Special Education - Preschool Incentive	84.173	1-0659-000	11,284
Special Education - Grants for Infants and Families	84.161	1-0659-000	18,368
Special Education - Grants to States	84.027	1-0659-000	746,918
Multi-Tiered Systems of Support	84.027A	**	16,106
Subtotal CFDA No. 84.027			763,024
Total Pass-Through Minnesota Department of Education	84.048	1-0917-000	7,773
Carl Perkins Vocational Education Basic Grants to States			
Total Independent School District #917			7,773
Total U.S. Department of Education			1,310,150
Department of Health and Human Services			
Project Aware Grant	93.243	**	20,475
Total U.S. Department of Health and Human Services			20,475
Total Federal Awards Expended			\$ 2,203,914

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, 2017**

CliftonLarsonAllen LLP  
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**NOTE 1  
GENERAL**

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

**NOTE 2  
BASIS OF ACCOUNTING**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 659, as of and for the year ended June 30, 2017, 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 November 21, 2017.

**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

Rochester, Minnesota  
November 21, 2017

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

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

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

We have audited Independent School District No. 659's compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2017.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

Independent School District No. 659's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

**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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 659's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a significant deficiency.

Independent School District No. 659's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

Rochester, Minnesota  
November 21, 2017

NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP  
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**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, 2017, and the aggregate remaining fund information of Independent School District No. 659, as of June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated November 21, 2017.

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

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
November 21, 2017



**PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:**

**FINANCIAL STATEMENTS**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes \_\_\_\_\_ no
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ no

**FEDERAL AWARDS**

1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes \_\_\_\_\_ no
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes \_\_\_\_\_ no

**Identification of Major Federal Programs**

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.566, & 10.569 84.027 & 84.173	Child Nutrition Special Education
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ yes _____ no

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING  
STANDARDS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2017**

**PART II: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS**

None

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
2017-001**

**Special Education Cluster – CFDA 84.027 and 84.173  
All Grant Years  
U.S. Department of Education  
Pass through Minnesota Department of Education  
Internal Control Over Time and Effort Reporting**

**Criteria:**

2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of time and effort reporting. The District should have internal controls designed to ensure compliance with those provisions.

**Condition:**

The District's time and effort documentation was not completed and reviewed in a timely manner.

**Questioned Costs:**

None

**Context:**

One of the two employees selected for testing did not have time and effort documentation completed and reviewed in a timely manner. There were no errors noted in the documentation for the employee selected for testing.

**Effect:**

The potential exists that a more than consequential noncompliance may have existed and not been detected or corrected in a timely manner.

**Cause:**

The District's internal control procedures, although properly designed, were not followed.

**Recommendation:** We recommend the District follows the existing internal control procedures in place.

**Part IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE**

None

	AUDIT	UFARS	DIFFERENCE	AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>						
Total Revenue	\$ 54,348,401	\$ 54,348,397	\$ 4	\$ 2,412	\$ 2,413	\$ (1)
Total Expenditures	53,858,787	53,858,785	2	1,317,881	1,317,881	-
Nonspendable	-	-	-	-	-	-
Restricted/Reserved	227,057	227,057	-	-	-	-
403 Staff Development	-	-	-	-	-	-
406 Health and Safety	-	-	-	-	-	-
408 Cooperative Programs	180,201	(89,201)	-	-	-	-
413 Projects Funded by COP	-	-	-	-	-	-
414 Operating Debt	-	-	-	-	-	-
417 Teacher Building Maintenance	-	-	-	-	-	-
424 Operating Capital	467,888	467,888	-	-	-	-
426 357 Tonnie	-	-	-	-	-	-
428 Learning and Development	-	-	-	-	-	-
434 Area Learning Center	-	-	-	-	-	-
435 Computer Alternative Programs	-	-	-	-	-	-
438 Other and Related	85,889	85,889	-	-	-	-
440 Teacher Development and Evaluations	-	-	-	-	-	-
445 Staff and Training Programs	-	-	-	-	-	-
448 Achievement and Integration	-	-	-	-	-	-
449 Safe Schools Crime Levy	-	-	-	-	-	-
451 OZAB Programs	-	-	-	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	-	-	-
453 Unfunded Stewardship & Retirement Levy	-	-	-	-	-	-
472 Medical Assistance	442,931	442,931	-	-	-	-
484 Restricted Fund Balance	-	-	-	-	-	-
489 Committed for Separation	-	-	-	-	-	-
481 Committed Fund Balance	-	-	-	-	-	-
Assigned	4,219,038	4,219,076	-	-	-	-
Unassigned	12,898,858	12,898,884	1	-	-	-
<b>02 FOOD SERVICE</b>						
Total Revenue	2,211,918	2,211,918	-	-	-	-
Total Expenditures	2,098,282	2,098,280	2	-	-	-
Nonspendable	-	-	-	-	-	-
Restricted/Reserved	19,471	19,471	-	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	-	-	-
463 Unassigned Fund Balance	746,244	746,245	(1)	-	-	-
Total Revenue	2,281,311	2,761,301	10	-	-	-
Total Expenditures	2,650,004	2,659,398	8	-	-	-
Nonspendable	1,388	1,388	-	-	-	-
Restricted/Reserved	-	-	-	-	-	-
426 357 Tonnie	360,197	360,191	6	-	-	-
431 Community Education	1,044,197	1,044,197	-	-	-	-
440 Teacher Development and Evaluations	170,396	170,396	-	-	-	-
444 School Readiness	-	-	-	-	-	-
447 Music Education	-	-	-	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	-	-	-
464 Restricted Fund Balance	-	-	-	-	-	-
483 Unassigned Fund Balance	(5,850)	(5,850)	-	-	-	-
<b>03 BUILDING CONSTRUCTION</b>						
Total Revenue	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-
Restricted/Reserved	-	-	-	-	-	-
407 Capital Projects Levy	-	-	-	-	-	-
413 Projects Funded by COP	-	-	-	-	-	-
454 Restricted Fund Balance	89,136	89,136	-	-	-	-
483 Unassigned Fund Balance	-	-	-	-	-	-
<b>07 DEBT SERVICE</b>						
Total Revenue	5,047,486	5,047,486	-	-	-	-
Total Expenditures	5,047,486	5,047,486	-	-	-	-
Nonspendable	3,213,524	3,213,524	-	-	-	-
460 Nonspendable Fund Balance	-	-	-	-	-	-
451 OZAB and OSCB Payments	-	-	-	-	-	-
484 Restricted Fund Balance	1,400,142	1,400,142	-	-	-	-
483 Unassigned Fund Balance	-	-	-	-	-	-
<b>08 TRUST</b>						
Total Revenue	71,954	71,954	-	-	-	-
Total Expenditures	54,975	55,975	(1)	-	-	-
422 Net Position	184,255	184,255	-	-	-	-
<b>20 INTERNAL SERVICE</b>						
Total Revenue	7,667,415	7,667,415	-	-	-	-
Total Expenditures	6,152,622	6,152,622	-	-	-	-
422 Net Position	3,918,448	3,918,447	1	-	-	-
<b>26 OPEB RECEIVABLE TRUST</b>						
Total Revenue	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
422 Net Position	-	-	-	-	-	-
<b>45 OPEB IRREVOCABLE TRUST</b>						
Total Revenue	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
422 Net Position	-	-	-	-	-	-
<b>47 OPEB DEBT SERVICE</b>						
Total Revenue	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
425 Bond Refunding	-	-	-	-	-	-
464 Restricted Fund Balance	-	-	-	-	-	-
483 Unassigned Fund Balance	-	-	-	-	-	-



**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, 2017, 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, 2017, 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.

A handwritten signature in blue ink, appearing to read 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Rochester, Minnesota  
November 21, 2017

**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, 2017, and the related note to the financial statements.

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

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

**Auditors' Responsibility**

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

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

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



**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2017**

**NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2017**

Funds	Balance 6/30/16	Receipts and Transfer In	Disbursements and Transfers Out	Balance 6/30/17
<b>Middle School/Elementary</b>				
MS Musical	\$ 4,380	\$ 2,729	\$ 2,285	\$ 4,824
MS Yearbook	13,424	2,471	2,021	13,874
MS Student Council	5,021	7,257	7,579	4,699
GP Student Council	667	471	457	681
Sibley Student Council	1,330	4,863	5,058	1,135
BW Student Council	2,800	1,278	786	3,292
MS Talent Show	1,863	-	-	1,863
Nfld Faspitch Softball	545	-	-	545
Greenvale Activity	391	-	-	391
ALC Candle Shop	611	5,113	5,008	716
<b>Total Middle School/Elementary Funds</b>	<b>31,032</b>	<b>24,182</b>	<b>23,194</b>	<b>32,020</b>
<b>High School</b>				
Alpine Ski Team	3,476	3,643	3,061	4,058
Baseball	379	6,262	4,466	2,175
Basketball, Boys	646	378	1,023	1
Basketball, Girls	4,072	6,613	8,417	2,268
Bowling	1,372	4,099	2,656	2,815
Cheer Team	2,133	3,573	3,530	2,176
Cross Country	1,972	8,067	9,474	565
Dance Team	6,281	13,846	17,916	2,211
Football	1,046	427	1,047	426
Golf, Boys	2,041	3,467	2,476	3,032
Golf, Girls	519	3,220	1,825	1,914
Gymnastics	121	2,979	1,035	2,065
Hockey, Boys	438	-	-	438
Hockey, Girls	2,013	870	320	2,563
Lacrosse, Boys	-	551	551	-
Lacrosse, Girls	119	3	-	122
Nordic Skiing	890	2,760	3,305	345
Soccer, Boys	39	282	282	39
Soccer, Girls	3	-	-	3
Softball	12,891	9,869	9,376	13,384
Swimming, Boys	568	14,674	12,953	2,289
Swimming, Girls	7,101	10,801	11,789	6,113
Tennis, Boys	1,173	125	495	803
Tennis, Girls	415	1,015	855	575
Track, Boys	2,106	900	858	2,148
Track, Girls	264	-	-	264
Volleyball	218	6,007	5,156	1,069
Weight Lifting	4,931	5,875	9,473	1,333
Wrestling	5,739	5,027	8,200	2,566

Funds	Balance 6/30/16	Receipts and Transfer In	Disbursements and Transfers Out	Balance 6/30/17
<b>High School (continued)</b>				
Applied Science Class	\$ 3,566	\$ 3,365	\$ 4,037	\$ 2,894
Art Club	3,022	2,097	3,936	1,183
Band	12,288	18,566	16,731	14,123
Chess Club	152	50	-	202
Costa Rica Trip Fund	11,902	468	1,012	11,358
DECA	2,748	7,999	8,290	2,457
Drama Club	4,702	5,475	6,527	3,650
Drama/Rock & Roll	5,760	5,985	6,089	5,676
Environmental Club	4	-	-	4
Interest/Bank Charges	467	454	179	742
International Club	192	-	-	192
Jazz Band	1,364	1,602	1,577	1,389
Junior Class	15,112	16,435	19,543	12,004
Leadership Class	2,523	-	-	2,523
Math Team	707	707	-	707
National Honor Society	512	95	362	245
NHS Film Society	996	-	-	996
Norman	13,658	-	11,065	2,793
Orchestra	17,839	19,521	25,581	11,779
Poissettia Sales	14,391	20,299	14,267	20,423
R.A.L.I.E.	2,730	2,518	5,301	(53)
Robotics Club	4,004	12,810	14,306	2,508
Senior Class	22,414	17,976	15,324	25,066
Share	3,146	2,608	2,279	3,475
Ski Club	25,932	-	4,865	21,067
Speech	8,774	7,397	7,111	9,060
Student Council	14,595	4,715	6,188	13,122
Vocal Music	22,490	102,268	102,649	22,129
World History AP	699	-	-	699
<b>Total High School Funds</b>	<b>279,875</b>	<b>368,056</b>	<b>397,758</b>	<b>250,173</b>
<b>Total Student Activity Funds</b>	<b>\$ 310,907</b>	<b>\$ 392,238</b>	<b>\$ 420,952</b>	<b>\$ 282,193</b>



NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STUDENT ACTIVITY FUNDS  
NOTE TO STUDENT ACTIVITY FUND FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

**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.



CliftonLarsonAllen LLP  
CLAcconnect.com

**CliftonLarsonAllen**

**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, 2017, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated November 21, 2017. 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 as item 2017-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

The District's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Rochester, Minnesota  
November 21, 2017



NORTHFIELD PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 659  
STUDENT ACTIVITY FUNDS  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2017

2017-002 INAPPROPRIATE STUDENT ACTIVITY DISBURSEMENT

**Condition:** The *Manual for Activity Fund Accounting* (MAFA) contains guidelines for proper student activity fund disbursements. Noted on disbursement selected for testing related to a donation to an individual. Donations to individuals are listed as an inappropriate student activity fund disbursement.

**Recommendation:** The District reviews the *Manual for Activity Fund Accounting* guidelines for appropriate disbursements.

**FORM OF LEGAL OPINION**

(See following page)





**KNUTSON, FLYNN & DEANS, P.A.**

1155 Centre Pointe Drive, Suite 10  
Mendota Heights, MN 55120

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**\$7,715,000\***  
**GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS,**  
**SERIES 2018A**  
**INDEPENDENT SCHOOL DISTRICT NO. 659**  
**(NORTHFIELD PUBLIC SCHOOLS)**  
**RICE, GOODHUE AND DAKOTA COUNTIES, MINNESOTA**

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 659 (Northfield Public Schools), Rice, Goodhue and Dakota Counties, Minnesota (the "District"), of its General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds"), in the aggregate principal amount of \$7,715,000\*, bearing a date of original issue of November 15, 2018. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

We have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other affidavits and certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based upon our examination of these materials, assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions, it is our opinion that:

(1) The Bonds are in due form and the proceedings show lawful authority for their issuance according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the District enforceable in accordance with their terms except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion in accordance with general principles of equity, by the constitutional powers of the United States of America and by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted. All of the taxable property in the District is subject to the levy of ad valorem taxes to pay the principal and interest on the Bonds, which taxes are without limitation as to rate or amount.

(3) Interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes. Interest on the Bonds is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax measured by income. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 1986, as amended, (the "Code") or for purposes of the Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in adjusted current earnings of corporations for purposes of the Minnesota alternative minimum tax and federal alternative minimum tax applicable to corporations for tax years beginning before January 1, 2018.

(4) The opinion set forth in paragraph (3) above is subject to the condition that the District comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and state income tax purposes. The District has covenanted in the resolution authorizing the issuance of the Bonds to comply with these continuing requirements. Noncompliance with these covenants by the District following the issuance of the Bonds may result in inclusion of interest on the Bonds in federal gross income and Minnesota taxable net income for federal and Minnesota income tax purposes retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

(5) The Bonds have been designated as "qualified tax-exempt obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

DATED at Mendota Heights, Minnesota, this 15th day of November, 2018.

KNUTSON, FLYNN & DEANS  
Professional Association

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following page)

## CONTINUING DISCLOSURE CERTIFICATE (Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 659 (Northfield Public Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on October 22, 2018 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders or beneficial owners, if different, and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5). This Disclosure Certificate constitutes the written Undertaking required by the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" shall mean the financial statements of the District audited annually by an independent certified public accounting firm and prepared in accordance with generally accepted accounting principles or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances.

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent which has been designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system: [www.emma.msrb.org](http://www.emma.msrb.org), established by the MSRB and which contains a component that includes a continuing disclosure service for the receipt and public availability of continuing disclosure documents and related information to be submitted by issuers, obligated persons, and their agents pursuant to continuing disclosure undertakings entered into consistent with the Rule.

"Fiscal Year" shall mean the fiscal year of the District.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the Securities and Exchange Commission.

### **SECTION 3. Provision of Annual Reports.**

(a) The District shall provide, or shall cause the Dissemination Agent to provide, not later than June 30, 2019, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the District shall send a timely notice to the MSRB.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the required method of submission to the MSRB and (if the Dissemination Agent is other than the District)

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.

**SECTION 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: "Current Property Valuations", "Tax Levies & Collections", "Student Body", "Direct Debt", and "Employment/Unemployment."

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must also be available from the Municipal Securities Rulemaking Board (MSRB). The District shall clearly identify each such other document so incorporated by reference.

### **SECTION 5. Reporting of Significant Events.**

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events, with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;



12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever a Listed Event occurs, the District shall in a timely manner not in excess of ten business days after the occurrence of the Listed Event file a notice of such occurrence with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

**SECTION 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, including but not limited to its duties under Sections 3 and 5 hereof, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If this Disclosure Certificate is amended, the District will disclose such amendment, together with a narrative explanation of that amendment, to the MSRB with its annual financial information disclosure.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution or with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds or the beneficial owners, if different, and shall create no rights in any other person or entity.

**SECTION 13. Reserved Rights.** The District reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or to modify the Undertaking under this Disclosure Certificate if the District determines that such modification is required by the Rule, or by a court of competent jurisdiction

**SECTION 14. District Contact Information.**

Title:	Superintendent
Name of District:	Independent School District No. 659
Address:	1400 Division Street South Northfield, MN 55057
Telephone No.	(507) 663-0600

Dated the 15th day of November, 2018

INDEPENDENT SCHOOL DISTRICT NO. 659  
(NORTHFIELD PUBLIC SCHOOLS)  
RICE, GOODHUE AND DAKOTA COUNTIES  
STATE OF MINNESOTA

By: \_\_\_\_\_  
Chair

And: \_\_\_\_\_  
Clerk

[Signature Page for Continuing Disclosure Certificate]

## APPENDIX E

### TERMS OF PROPOSAL

#### **\$7,715,000\* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2018A INDEPENDENT SCHOOL DISTRICT NO. 659 (NORTHFIELD PUBLIC SCHOOLS), MINNESOTA**

Proposals for the purchase of \$7,715,000\* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds") of Independent School District No. 659 (Northfield Public Schools), Minnesota (the "District") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on October 22, 2018, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

#### **PURPOSE**

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by the District, for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

#### **DATES AND MATURITIES**

The Bonds will be dated November 15, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$3,485,000	2021	\$3,600,000	2022	\$630,000

#### **ADJUSTMENT OPTION**

\* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

#### **TERM BOND OPTION**

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## **INTEREST PAYMENT DATES AND RATES**

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## **BOOK-ENTRY-ONLY FORMAT**

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## **PAYING AGENT**

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

## **OPTIONAL REDEMPTION**

The Bonds are being offered without option of prior redemption.

## **DELIVERY**

On or about November 15, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$7,576,130 plus accrued interest on the principal sum of \$7,715,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit (“Deposit”) in the amount of \$154,300 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder’s federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

## AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District’s computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

## **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

## **CUSIP NUMBERS**

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

## **NEW ISSUE PRICING**

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an “issue price” or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the District under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the District by the District’s municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District’s municipal advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;

- (3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a “competitive sale” are not satisfied, the District shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the District agrees to use the rule selected by the Underwriter on its proposal form to determine the issue price for the Bonds. On its proposal form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the “hold-the-offering-price rule”).

(d) If all of the requirements of a “competitive sale” are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth (5<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and



(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a “competitive sale” are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the District to the winning bidder.

### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Education

Independent School District No. 659  
(Northfield Public Schools), Minnesota

# PROPOSAL FORM

The Board of Education  
Independent School District No. 659 (Northfield Public Schools), Minnesota

October 22, 2018

**RE: \$7,715,000\* General Obligation School Building Refunding Bonds, Series 2018A**

**DATED: November 15, 2018**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$7,576,130) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

\_\_\_\_\_ % due 2020      \_\_\_\_\_ % due 2021      \_\_\_\_\_ % due 2022

\* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$154,300, to be held by the District pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 15, 2018.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_\_ NO: \_\_\_\_.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 15, 2018 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 659 (Northfield Public Schools), Minnesota, on October 22, 2018.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_