

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NORTHWOOD, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	Page
ROSTER OF SCHOOL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4
FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Assets and Liabilities-Fiduciary Funds	16
Notes to the Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund	35
Budgetary Comparison Schedule for the Food Service Fund	36
Budgetary Comparison Schedule for the Special Reserve Fund	37
Notes to the Budgetary Comparison Schedules	38
Schedule of District's Proportionate Share of Net Pension Liability	39
Note to the Required Supplementary Information	41
INDEPENDENT AUDITOR'S 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	42
SCHEDULE OF FINDINGS AND RESPONSES	44

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
ROSTER OF SCHOOL OFFICIALS
AT JUNE 30, 2017

Erik Thorsgard	Board Member
Brian Twete	Board Member
Gary Bilden	Board Member
Nicole Korsmo	Board Member
Derek Lloyd	Board Member
Keith Arneson	Superintendent
Sandy Enger	Business Manager



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Northwood Public School District No. 129
Northwood, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Northwood Public School District No. 129 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 entity'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 entity'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 Northwood Public School District No. 129 as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's proportionate share of net pension liability and schedule of District's contributions to the TFFR pension plan on pages 4 through 9 and 35 through 41 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

The roster of school officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2017, on our consideration of Northwood Public School District No. 129's internal control over financial reporting and on our tests on its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwood Public School District No. 129's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 9, 2017

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

As management of the Northwood Public School District No. 129, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The ending cash balances for the District Funds were as follows:
 - General \$ 1,257,520
 - Capital Projects 399,089
 - Debt Service 262,785
 - Food Service 27,824
 - Special Reserve 116,645

- The General Fund had \$3,768,379 in revenue, which primarily consisted of the state and federal funding, property tax levies, state grants and federal grants. There was \$3,710,810 in expenditures, which primarily consisted of salaries, transportation, and material and supplies for instruction.

- The Capital Projects Fund had \$187,863 in revenue, which primarily consisted of property taxes and revenue from federal sources. There was \$181,311 in expenditures, which consisted of capital outlay for purchases of capital assets throughout the year.

- The Debt Service Fund had \$222,783 in revenue which consisted of property tax levies. There was \$211,876 in expenditures, which consisted of bond and state loan payments for the new construction project.

- The Food Service Fund had \$173,781 in revenue, which consisted of sales of meals, federal reimbursement, a federal grant, and interest income. There was \$125,672 in expenditures, which consisted of salaries, food, and supplies.

- The Special Reserve Fund had \$35,325 in revenue, which consisted of property tax levies. There were no expenditures in this fund during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

The statement of net position presents information on all of the District's assets, deferred inflows and outflows of resources, and liabilities, with the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in this report as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resource exceeded liabilities and deferred inflows of resources by \$10,260,404 as of June 30, 2017.

The largest portion of the District's net position reflects its funds reserved for its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Net Position

Below is a comparative statement of net position of the Northwood Public School District No. 129 for the years ended June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>
ASSETS		
Current Assets	\$ 2,242,349	\$ 2,003,037
Noncurrent Assets	12,927,410	13,177,189
TOTAL ASSETS	<u>15,169,759</u>	<u>15,180,226</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>933,409</u>	 <u>549,473</u>
 LIABILITIES		
Current Liabilities	343,031	297,590
Noncurrent Liabilities	5,483,346	5,197,290
TOTAL LIABILITIES	<u>5,826,377</u>	<u>5,494,880</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>16,387</u>	 <u>32,983</u>
 NET POSITION		
Net Investment in Capital Assets	10,655,060	10,665,217
Restricted for Capital Projects	405,955	399,403
Restricted for Debt Service	270,739	259,832
Restricted for Special Reserve	118,038	82,713
Unrestricted (Deficit)	(1,189,388)	(1,205,329)
TOTAL NET POSITION	<u>\$ 10,260,404</u>	<u>\$ 10,201,836</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

The following presents comparative changes in net position for the years ended June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 317,601	\$ 286,215
Operating Grants and Contributions	414,990	440,058
Capital Grants and Contributions	87,723	-
Total Program Revenues	<u>820,314</u>	<u>726,273</u>
General Revenues:		
Property Taxes	1,029,282	982,275
Other Taxes	6,085	20,208
Federal and State Aid	2,539,624	2,261,676
Interest Income	9,786	9,265
Other Revenues	17,422	17,455
Total General Revenues	<u>3,602,199</u>	<u>3,290,879</u>
TOTAL REVENUES	<u>4,422,513</u>	<u>4,017,152</u>
EXPENSES		
Regular Programs	2,451,131	2,258,955
Special Education	75,460	68,994
Vocational Education	129,795	121,653
Federal Programs	182,321	184,286
Tuition	179,997	142,406
Undistributed Expenses	729,109	762,399
Other Programs and Services	569,515	543,311
Interest on Long-Term Debt	46,617	59,354
TOTAL EXPENSES	<u>4,363,945</u>	<u>4,141,358</u>
CHANGE IN NET POSITION	<u>\$ 58,568</u>	<u>\$ (124,206)</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets

As of June 30, 2017, the District had \$12,927,410 invested in capital assets. Following are the balances as of June 30, 2017.

	Balance 6/30/16	Additions	Disposals	Balance 6/30/17
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 103,850	\$ -	\$ -	\$ 103,850
Construction in Progress	22,025	125,845	147,870	-
Total	<u>125,875</u>	<u>125,845</u>	<u>147,870</u>	<u>103,850</u>
Capital Assets Being Depreciated				
Buildings	14,876,179	154,500	-	15,030,679
Vehicles	514,997	-	-	514,997
Equipment	221,068	5,870	-	226,938
Total	<u>15,612,244</u>	<u>160,370</u>	<u>-</u>	<u>15,772,614</u>
Less Accumulated Depreciation				
Buildings	2,069,414	310,520	-	2,379,934
Vehicles	321,524	55,548	-	377,072
Equipment	169,992	22,056	-	192,048
Total	<u>2,560,930</u>	<u>388,124</u>	<u>-</u>	<u>2,949,054</u>
Net Capital Assets Being Depreciated	<u>13,051,314</u>	<u>(227,754)</u>	<u>-</u>	<u>12,823,560</u>
Net Capital Assets for Governmental Activities	<u>\$ 13,177,189</u>	<u>\$ (101,909)</u>	<u>\$ 147,870</u>	<u>\$ 12,927,410</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Debt Administration

As of June 30, 2017, the District had \$5,733,315 in outstanding long-term debt, of which \$249,969 is due within one year. The District had an overall increase in long-term debt by \$296,403 from June 30, 2016. See below and Note 4 for a description of the District's long-term debt.

Title	Interest Rate	Original Maturity	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 206,972	\$ -	\$ 24,622	\$ 182,350	\$ 24,969
General Obligation Bonds 2012B	1.00%	11/1/2024	685,000	-	70,000	615,000	75,000
Refunding Improvement Bonds	4.25%	5/1/2033	580,000	-	25,000	555,000	25,000
General Obligation Bonds	2.00%	8/1/2023	1,040,000	-	120,000	920,000	125,000
Net Pension Liability			2,924,940	957,295	421,270	3,460,965	-
			<u>\$ 5,436,912</u>	<u>\$ 957,295</u>	<u>\$ 660,892</u>	<u>\$ 5,733,315</u>	<u>\$ 249,969</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2017, were \$3,768,379.
- General fund budgeted revenues compared to actual revenue varied slightly from line item to line item with actual revenues exceeding budgeted by \$39,943.
- The District's total General Fund expenditures for the fiscal year ended June 30, 2017, were \$3,710,810.
- General fund budgeted expenditures to actual expenditures varied slightly from line item to line item with budgeted expenditures exceeding actual by \$83,433.

The majority of revenue was derived from local taxes and state funding. These two revenue sources make up about 88% of total revenue.

Regular instruction accounts for approximately 53% of the school level expenditures.

BUDGETARY IMPLICATIONS

In North Dakota, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District's overall budget. Significant Board action that impacts the finances include a pay raise for all employees, additional spending on facility repairs outside of bonded building and renovation projects.

Questions regarding this report should be directed to Keith Arneson, Superintendent (701) 587-5221 or to Sandy Enger, Business Manager (701) 587-5221 or by mail at 420 Trojan Road, Northwood, ND 58267-3001.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash	\$ 2,063,863
Accounts Receivable	90,493
Funds Held by the County	33,688
Taxes Receivable	54,305
Capital Assets:	
Non Depreciable:	
Land	103,850
Depreciable:	
Buildings	15,030,679
Vehicles	514,997
Equipment	226,938
Less: Accumulated Depreciation	(2,949,054)
TOTAL ASSETS	15,169,759
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan -TFFR	933,409
LIABILITIES	
Accounts Payable	77,586
Interest Payable	15,476
Bonds Payable-Due Within One Year	249,969
Long-Term Liabilities:	
Bonds Payable (Net of Current Maturities)	2,022,381
Net Pension Liability	3,460,965
TOTAL LIABILITIES	5,826,377
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan-TFFR	16,387
NET POSITION	
Net Investment in Capital Assets	10,655,060
Restricted for Capital Projects	405,955
Restricted for Debt Service	270,739
Restricted-Special Reserve	118,038
Unrestricted (Deficit)	(1,189,388)
TOTAL NET POSITION	\$ 10,260,404

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
GOVERNMENTAL ACTIVITIES					
Current					
Regular programs	\$ 2,451,131	\$ 161,064	\$ -	\$ -	\$ (2,290,067)
Special education	75,460	44,022	-	-	(31,438)
Vocational education	129,795	-	2,347	-	(127,448)
Federal programs	182,321	-	207,161	-	24,840
Tuition	179,997	-	-	-	(179,997)
Transportation	729,109	-	129,286	87,723	(512,100)
Other programs and services	569,515	112,515	76,196	-	(380,804)
Debt Service					
Interest on long-term debt	46,617	-	-	-	(46,617)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,363,945	\$ 317,601	\$ 414,990	\$ 87,723	(3,543,631)

GENERAL REVENUES

Property taxes, levied for general purposes	671,034
Property taxes, levied for capital projects	100,140
Property taxes, levied for debt service	222,783
Property taxes, levied for special reserve	35,325
Other taxes	6,085
Federal and state aid not restricted to a specific function	2,539,624
Interest income	9,786
Other revenues	17,422
TOTAL GENERAL REVENUES	3,602,199

Change in net position

58,568

Net position-beginning

10,201,836

Net position-ending

\$ 10,260,404

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Food Service Fund	Special Reserve Fund	Total Governmental Funds
ASSETS						
Cash	\$ 1,257,520	\$ 399,089	\$ 262,785	\$ 27,824	\$ 116,645	\$ 2,063,863
Accounts receivable	87,363	3,130	-	-	-	90,493
Funds held by the County	21,378	3,521	7,461	-	1,328	33,688
Taxes receivable	34,430	5,537	12,684	-	1,654	54,305
TOTAL ASSETS	<u>\$ 1,400,691</u>	<u>\$ 411,277</u>	<u>\$ 282,930</u>	<u>\$ 27,824</u>	<u>\$ 119,627</u>	<u>\$ 2,242,349</u>
LIABILITIES						
Accounts payable	\$ 77,586	\$ -	\$ -	\$ -	\$ -	\$ 77,586
TOTAL LIABILITIES	<u>77,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,586</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable property taxes	22,714	5,322	12,191	-	1,589	41,816
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,714</u>	<u>5,322</u>	<u>12,191</u>	<u>-</u>	<u>1,589</u>	<u>41,816</u>
FUND BALANCES						
Restricted:						
Restricted for capital projects	-	405,955	-	-	-	405,955
Restricted for debt service	-	-	270,739	-	-	270,739
Restricted for special reserve	-	-	-	-	118,038	118,038
Assigned:						
School Lunch	-	-	-	27,824	-	27,824
Unassigned	1,300,391	-	-	-	-	1,300,391
TOTAL FUND BALANCES	<u>1,300,391</u>	<u>405,955</u>	<u>270,739</u>	<u>27,824</u>	<u>118,038</u>	<u>2,122,947</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,400,691</u>	<u>\$ 411,277</u>	<u>\$ 282,930</u>	<u>\$ 27,824</u>	<u>\$ 119,627</u>	<u>\$ 2,242,349</u>

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

Total fund balances - governmental funds \$ 2,122,947

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Land	\$ 103,850	
Buildings	15,030,679	
Vehicles	514,997	
Equipment	226,938	
Less: accumulated depreciation	<u>(2,949,054)</u>	12,927,410

Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds. 917,022

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Bond payable - principal		(2,272,350)
Net Pension Liability		(3,460,965)

Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental fund. (15,476)

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 deferred in the funds. 41,816

Total net position - governmental activities \$ 10,260,404

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Fund Types					Total
	General Fund	Capital Projects Fund	Debt Service Fund	Food Service Fund	Special Reserve Fund	
REVENUES						
Property Taxes	\$ 636,653	\$ 100,140	\$ 222,783	\$ -	\$ 35,325	\$ 994,901
Revenue from State Sources	2,683,859	-	-	-	-	2,683,859
Revenue from Federal Sources	184,289	87,723	-	63,594	-	335,606
Interest Income	9,742	-	-	44	-	9,786
Other Local Sources	253,836	-	-	110,143	-	363,979
TOTAL REVENUES	3,768,379	187,863	222,783	173,781	35,325	4,388,131
EXPENDITURES						
Current						
Regular Programs	1,983,062	-	-	-	-	1,983,062
Special Education	75,460	-	-	-	-	75,460
Vocational Education	129,795	-	-	-	-	129,795
Federal Programs	182,321	-	-	-	-	182,321
Tuition	179,997	-	-	-	-	179,997
Transportation	673,561	-	-	-	-	673,561
Other Programs and Services	443,843	-	-	125,672	-	569,515
Capital Outlay	8,374	129,971	-	-	-	138,345
Debt Service						
Principal	30,000	25,000	184,622	-	-	239,622
Interest and Fiscal Charges	4,397	26,340	27,254	-	-	57,991
TOTAL EXPENDITURES	3,710,810	181,311	211,876	125,672	-	4,229,669
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	57,569	6,552	10,907	48,109	35,325	158,462
OTHER FINANCING SOURCES (USES)						
Transfer to Other Funds	-	-	-	(40,000)	-	(40,000)
Transfer from Other Funds	40,000	-	-	-	-	40,000
TOTAL OTHER FINANCING SOURCES (USES)	40,000	-	-	(40,000)	-	-
NET CHANGE IN FUND BALANCE	97,569	6,552	10,907	8,109	35,325	158,462
FUND BALANCE, BEGINNING OF YEAR	1,202,822	399,403	259,832	19,715	82,713	1,964,485
FUND BALANCE, END OF YEAR	\$ 1,300,391	\$ 405,955	\$ 270,739	\$ 27,824	\$ 118,038	\$ 2,122,947

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds		\$ 158,462
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay	\$ 138,345	
Depreciation expense	<u>(388,124)</u>	(249,779)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		239,622
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		11,374
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 deferred in the funds.		
Net change in unavailable taxes		34,382
Changes in deferred outflows and inflows of resources related to net pension liability		400,532
Changes in net pension liability		<u>(536,025)</u>
Change in net position - governmental activities		<u><u>\$ 58,568</u></u>

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
STATEMENT OF ASSETS AND LIABILITIES-FIDUCIARY FUNDS
AS OF JUNE 30, 2017

	Student Activities Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 36,485</u>
TOTAL ASSETS	<u><u>\$ 36,485</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 36,485</u>
TOTAL LIABILITIES	<u><u>\$ 36,485</u></u>

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District has developed criteria to determine whether outside agencies with activities benefiting the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District 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. Reporting of the internal activities has been eliminated to avoid duplication on the statements.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

Fund Financial Statements

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

The current financial resources measurement focus differs from the manner that the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the remaining non major governmental funds is reported in a single column in the fund financial statements; currently, however, all funds of the District are considered major in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide financial statements.

When fund balance resources are available for use, it is the government's policy to use restricted, committed, assigned, and unassigned resources as they are needed in that order.

Governmental Funds

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid.

Fund balance represents the difference between the governmental fund assets, deferred outflows of resources, and liabilities. The District's major governmental funds consist of the following:

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

General Fund

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund

This fund is used to account for the accumulation of resources for the payment of long-term debt principal and interest.

Food Service

This fund accounts for the financial resources associated with the District's hot lunch program.

Special Reserve Fund

This fund accounts for property taxes levied for the special reserve fund in accordance with North Dakota State Statutes.

Non-major Governmental Funds

Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements; currently, however, all funds of the District are considered major in the fund financial statements so there are no non major funds in the District's financial statements.

Fiduciary Funds

The reporting focus of fiduciary funds is on net position and changes in net position. The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

Student Activity Fund

This fund accounts for the financial transactions related to the District's student activity programs.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include property taxes, special assessments and intergovernmental revenue.

Unearned Revenues

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan. See Note 5 for more details.

In addition to liabilities, the statement of net position 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 of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan as well as amounts paid to the plans after the measurement date. See Note 5 for more details.

Budgets and Budgetary Accounting

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund, Special Reserve Fund, Capital Projects Fund, and Food Service Fund.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information:

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

1. The superintendent prepares the School District budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on a modified accrual basis.
2. The School Board reviews the budget, makes any necessary revisions, and approves the final budget on or before August 15. The final budget must be filed with the county auditor by August 25 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the schedule are the final authorized amounts as revised.
4. The balance of each appropriation becomes a part of the unappropriated balance at year end.

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 has established a capitalization threshold of \$5,000. 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 District-wide financial statements, 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 typically 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 20 years for equipment and vehicles.

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.

Property Taxes

Property tax levies are set by the School Board each year and are certified to Grand Forks, Nelson and Steele counties for collection in the following year. In North Dakota, counties act as collection agents for all property taxes.

The counties spread all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due January 1 of the year following the assessment date. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. All other taxes are fully offset by deferred revenue because they are not known to be available to finance current expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position/Fund Balance

The difference between (a) assets and deferred outflows and (b) liabilities and deferred inflows is "Net Position" on the government wide financial statements and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the School Board through a resolution.

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the School Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

Minimum Fund Balance Policy

The Board of Education has not formally adopted a fund balance policy for the General Fund.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities are eliminated in the statement of activities.

NOTE 2 - CASH AND INVESTMENTS

The District's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond, or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds.

Interest Rate Risk

The District does not have a formal deposit policy that limits deposit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Rate Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. North Dakota law authorizes political subdivisions including school districts to invest surplus funds in:

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.
- d) Obligations of the state.

NOTE 3 - CAPITAL ASSETS

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

	Balance 6/30/16	Additions	Disposals	Balance 6/30/17
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 103,850	\$ -	\$ -	\$ 103,850
Construction in Progress	22,025	125,845	147,870	-
Total	<u>125,875</u>	<u>125,845</u>	<u>147,870</u>	<u>103,850</u>
Capital Assets Being Depreciated				
Buildings	14,876,179	154,500	-	15,030,679
Vehicles	514,997	-	-	514,997
Equipment	221,068	5,870	-	226,938
Total	<u>15,612,244</u>	<u>160,370</u>	<u>-</u>	<u>15,772,614</u>
Less Accumulated Depreciation				
Buildings	2,069,414	310,520	-	2,379,934
Vehicles	321,524	55,548	-	377,072
Equipment	169,992	22,056	-	192,048
Total	<u>2,560,930</u>	<u>388,124</u>	<u>-</u>	<u>2,949,054</u>
Net Capital Assets Being Depreciated	<u>13,051,314</u>	<u>(227,754)</u>	<u>-</u>	<u>12,823,560</u>
Net Capital Assets for Governmental Activities	<u>\$ 13,177,189</u>	<u>\$ (101,909)</u>	<u>\$ 147,870</u>	<u>\$ 12,927,410</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Depreciation expense charged to the various functions in the Statement of Activities is as follows:

	Depreciation	Additions
Transportation	\$ 55,548	\$ -
Regular Instruction	332,576	160,370
	\$ 388,124	\$ 160,370

NOTE 4 - LONG-TERM DEBT

A summary of long-term debt is as follows:

Title	Interest Rate	Original Maturity	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 206,972	\$ -	\$ 24,622	\$ 182,350	\$ 24,969
General Obligation Bonds 2012B	1.00%	11/1/2024	685,000	-	70,000	615,000	75,000
Refunding Improvement Bonds	4.25%	5/1/2033	580,000	-	25,000	555,000	25,000
General Obligation Bonds	2.00%	8/1/2023	1,040,000	-	120,000	920,000	125,000
Net Pension Liability			2,924,940	957,295	421,270	3,460,965	-
			\$ 5,436,912	\$ 957,295	\$ 660,892	\$ 5,733,315	\$ 249,969

The net pension liability will generally be liquidated out of the general fund.

The aggregate amount of future payments on long-term debt is as follows:

General Obligation Building Bonds 2012B

Years Ending

June 30,

2018

2019

2020

2021

2022

2023-2026

Totals

Principal	Interest	Total
\$ 75,000	\$ 9,195	\$ 84,195
75,000	8,258	83,258
75,000	7,133	82,133
75,000	6,008	81,008
75,000	4,883	79,883
240,000	6,660	246,660
\$ 615,000	\$ 42,137	\$ 657,137

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Refunding Improvement Bonds
Years Ending

<u>June 30,</u>	Principal	Interest	Total
2018	\$ 25,000	\$ 26,675	\$ 51,675
2019	25,000	25,613	50,613
2020	25,000	24,550	49,550
2021	25,000	23,363	48,363
2022	30,000	22,175	52,175
2023-2027	160,000	89,263	249,263
2028-2032	215,000	45,900	260,900
2033	50,000	2,500	52,500
Totals	<u>\$ 555,000</u>	<u>\$ 260,039</u>	<u>\$ 815,039</u>

Bank of North Dakota - Refinance Construction Loan
Years Ending

<u>June 30,</u>	Principal	Interest	Total
2018	\$ 24,969	\$ 2,571	\$ 27,540
2019	25,321	2,219	27,540
2020	25,678	1,862	27,540
2021	26,040	1,500	27,540
2022	26,407	1,133	27,540
2023-2024	53,935	1,143	55,079
Totals	<u>\$ 182,350</u>	<u>\$ 10,428</u>	<u>\$ 192,779</u>

General Obligation Bonds
Refunding of School Construction Loan
Years Ending

<u>June 30,</u>	Principal	Interest	Total
2018	\$ 125,000	\$ 15,138	\$ 140,138
2019	125,000	12,638	137,638
2020	130,000	10,088	140,088
2021	130,000	7,813	137,813
2022	135,000	5,825	140,825
2023-2024	275,000	4,856	279,856
Totals	<u>\$ 920,000</u>	<u>\$ 56,358</u>	<u>\$ 976,358</u>

Total of all Debt
Years Ending

<u>June 30,</u>	Principal	Interest	Total
2018	\$ 249,969	\$ 53,579	\$ 303,548
2019	250,321	48,728	299,049
2020	255,678	43,633	299,311
2021	256,040	38,684	294,724
2022	266,407	34,016	300,423
2023-2027	728,935	101,923	830,858
2028-2032	215,000	45,900	260,900
2033	50,000	2,500	52,500
Totals	<u>\$ 2,272,350</u>	<u>\$ 368,963</u>	<u>\$ 2,641,313</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - PENSION PLAN

North Dakota Teacher's Fund For Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Costs

At June 30, 2017, the District reported a liability of \$3,460,965 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016, the District's proportion was 0.236234 percent which was an increase of 0.012590 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$344,653. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 16,346	\$ 16,387
Changes in actuarial assumptions	287,700	-
Difference between projected and actual investment earnings	289,091	-
Changes in proportion	131,112	-
Contributions paid to TFFR subsequent to the measurement date	<u>209,160</u>	<u>-</u>
Total	<u>\$ 933,409</u>	<u>\$ 16,387</u>

\$209,160 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 128,791
2019	128,790
2020	199,090
2021	155,075
2022	77,859
Thereafter	18,257

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58.00%	7.30%
Global Fixed Income	23.00%	0.88%
Global Real Assets	18.00%	5.32%
Cash Equivalents	1.00%	0.00%

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. 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 as of June 30, 2016. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2016 actuarial experience study.

Pension Liability Sensitivity

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease in Discount Rate 6.75%	Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
District's proportionate share of the TFFR net pension liability:	\$ 4,489,131	\$ 3,460,965	\$ 2,604,599

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report.

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the District.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 - 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; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years. The District's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

NOTE 9 - CHARITABLE TRUST

The District has been named as a beneficiary of the Conrad Heskin Charitable Trust. Each year, Alerus Financial, the Trustee, will forward the earnings of the trust to the District. The amounts received are restricted to providing scholarships to graduating seniors from the District.

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no interfund receivables or payables during the year ended June 30, 2017.

Transfers

Transfer to	
General Fund	<u>\$40,000</u>
Transfer from	
Food Service	<u>\$40,000</u>

The purpose of the transfer is for labor costs associated with the food service program.

NOTE 11 - NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2017 was \$11,065.

NOTE 12 - NEW PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 13 - RECLASSIFICATION

Certain reclassifications have been made to the 2016 financial statements in order to conform with the 2017 presentation.

NOTE 14 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through November 9, 2017, which is the date these financial statements were available to be issued.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property Taxes	\$ 637,909	\$ 637,909	\$ 636,653	\$ (1,256)
Revenue from State Sources	2,662,599	2,662,599	2,683,859	21,260
Revenue from Federal Sources	178,650	178,650	184,289	5,639
Interest Income	6,000	6,000	9,742	3,742
Other Local Sources	243,278	243,278	253,836	10,558
TOTAL REVENUES	3,728,436	3,728,436	3,768,379	39,943
EXPENDITURES				
Regular Programs	1,988,803	1,988,803	1,983,062	5,741
Special Education	70,451	70,451	75,460	(5,009)
Vocational Education	144,478	144,478	129,795	14,683
Federal Programs	179,945	179,945	182,321	(2,376)
Tuition	190,000	190,000	179,997	10,003
Undistributed Expenses	727,813	727,813	673,561	54,252
Other Programs and Services	458,419	458,419	443,843	14,576
Capital Outlay	-	-	8,374	(8,374)
Principal	28,750	28,750	30,000	(1,250)
Interest and Fiscal Charges	5,584	5,584	4,397	1,187
TOTAL EXPENDITURES	3,794,243	3,794,243	3,710,810	83,433
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(65,807)	(65,807)	57,569	123,376
OTHER SOURCES (USES)				
Transfer from Other Funds	-	40,000	40,000	-
TOTAL OTHER SOURCES (USES)	-	40,000	40,000	-
NET CHANGE IN FUND BALANCES	(65,807)	(25,807)	97,569	123,376
FUND BALANCE - JULY 1	1,202,822	1,202,822	1,202,822	-
FUND BALANCE - JUNE 30	\$ 1,137,015	\$ 1,177,015	\$ 1,300,391	\$ 123,376

See Notes to the Budgetary Comparison Schedules

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Food Service Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from Federal Sources	\$ 70,000	\$ 70,000	\$ 63,594	\$ (6,406)
Interest Income	30	30	44	14
Other Local Sources	115,000	115,000	110,143	(4,857)
TOTAL REVENUES	<u>185,030</u>	<u>185,030</u>	<u>173,781</u>	<u>(11,249)</u>
EXPENDITURES				
Other Programs and Services	<u>208,833</u>	<u>208,833</u>	<u>125,672</u>	<u>83,161</u>
TOTAL EXPENDITURES	<u>208,833</u>	<u>208,833</u>	<u>125,672</u>	<u>83,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,803)	(23,803)	48,109	71,912
OTHER SOURCES (USES)				
Transfer to Other Funds	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
NET CHANGE IN FUND BALANCES	(23,803)	(23,803)	8,109	31,912
FUND BALANCE - JULY 1	<u>19,715</u>	<u>19,715</u>	<u>19,715</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u><u>\$ (4,088)</u></u>	<u><u>\$ (4,088)</u></u>	<u><u>\$ 27,824</u></u>	<u><u>\$ 31,912</u></u>

See Notes to the Budgetary Comparison Schedules

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Special Reserve Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property Taxes	\$ 30,532	\$ 30,532	\$ 35,325	\$ 4,793
TOTAL REVENUES	<u>30,532</u>	<u>30,532</u>	<u>35,325</u>	<u>4,793</u>
NET CHANGE IN FUND BALANCES	30,532	30,532	35,325	4,793
FUND BALANCE - JULY 1	<u>82,713</u>	<u>82,713</u>	<u>82,713</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u><u>\$ 113,245</u></u>	<u><u>\$ 113,245</u></u>	<u><u>\$ 118,038</u></u>	<u><u>\$ 4,793</u></u>

See Notes to the Budgetary Comparison Schedules

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Information

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for this fund.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. The business manager prepares the School District budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on a modified accrual basis.
2. The School Board reviews the budget, makes any necessary revisions, and approves the final budget on or before August 15. The final budget must be filed with the county auditor by August 25 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the schedule are the final authorized amounts as revised.
4. The balance of each appropriation becomes a part of the unappropriated balance at year end.

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
Special Education	\$ 70,451	\$ 75,460	\$ 5,009
Federal Programs	179,945	182,321	2,376
Capital Outlay	-	8,374	8,374
Principal	28,750	30,000	1,250

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the District.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability
2017	0.236234%	\$ 3,460,965	\$ 1,534,507	225.54%	59.20%
2016	0.223644%	2,924,940	1,375,647	212.62%	62.10%
2015	0.223021%	2,336,865	1,293,641	180.64%	66.60%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLAN
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 209,160	\$ (209,160)	\$ -	\$ 1,634,255	12.80%
2016	195,696	(195,696)	-	1,534,507	12.75%
2015	175,395	(175,395)	-	1,375,647	12.75%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S 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**

To the Board of Education
Northwood Public School District No. 129
Northwood, North Dakota

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 remaining fund information of Northwood Public School District No. 129 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Northwood Public School District No. 129's basic financial statements and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwood Public School District No. 129'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 Northwood Public School District No. 129's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwood Public School District No. 129's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2017-001 described in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiency 2017-002 described in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwood Public School District No. 129's financial statements are free of 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*.

Northwood Public School District No. 129's Responses to Findings

Northwood Public School District No. 129's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Northwood Public School District No. 129's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

November 9, 2017

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

2017-001

Condition:

A proper separation of duties for internal control does not exist.

Criteria:

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the District.

Effect:

The Northwood Public School District No. 129 has one office employee, the business manager, responsible for all accounting functions involved. The business manager handles all incoming monies, prepares the receipts therefore, prepares the checks, and does the bank reconciliations. The business manager also records the receipts and disbursements to the journals and maintains the general ledger. This increases the risk of misstatement of the district's financial condition.

Recommendation:

Proper separation of duties should be obtained where feasible.

Response:

We concur with the auditor's recommendation; however, considering the size of the entity it is not feasible to obtain proper separation of duties.

2017-002

Criteria:

The District's management is required to identify all journal entries required to maintain a general ledger and prepare the financial statements and accompanying notes to the financial statements to be audited in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition:

The District's internal control system is not designed to identify all journal entries required to maintain a general ledger and provide for the preparation of the financial statements and accompanying notes to the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Effect:

As auditors, we were requested to identify journal entries required to maintain a general ledger and draft the financial statements and accompanying notes to the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). This circumstance is not unusual in an organization of your size.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Management and those charged with governance should consider the design of its internal control system and the changes required to permit the

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

identification of journal entries required to maintain a general ledger and preparation of the financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America (GAAP).

Response:

We concur with the auditors finding and will consider the risks and costs associated with the financial statement preparation.