

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**ROSTER OF SCHOOL OFFICIALS**  
**AT JUNE 30, 2018**

Erik Thorsgard	Board Member
Brian Twete	Board Member
Gary Bilden	Board Member
Nicole Korsmo	Board Member
Derek Lloyd	Board Member
Shane Azure	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, 2018, 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, 2018, 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 our report dated October 10, 2018, 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 solely 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 effectiveness of Northwood Public School District No. 129's 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**

October 10, 2018

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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                                 \$ 1,305,276
  - Capital Projects                         406,622
  - Debt Service                             281,108
  - Food Service                             29,322
  - Special Reserve                         101,455
  
- The General Fund had \$3,755,306 in revenue, which primarily consisted of the state and federal funding, property tax levies, state grants and federal grants. There was \$3,771,930 in expenditures, which primarily consisted of salaries, transportation, and material and supplies for instruction.
  
- The Capital Projects Fund had \$105,168 in revenue, which primarily consisted of property taxes and revenue from federal sources. There was \$104,031 in expenditures, which consisted of capital outlay for purchases of capital assets throughout the year.
  
- The Debt Service Fund had \$229,479 in revenue which consisted of property tax levies. There was \$218,064 in expenditures, which consisted of bond and state loan payments for the new construction project.
  
- The Food Service Fund had \$194,799 in revenue, which consisted of sales of meals, federal reimbursement, a federal grant, and interest income. There was \$133,301 in expenditures, which consisted of salaries, food, and supplies.
  
- The Special Reserve Fund had \$32,518 in revenue, which consisted of property tax levies. There was \$48,960 in expenditures, which consisted of the purchase of two vehicles.

**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, 2018**

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 \$10,097,115 as of June 30, 2018.

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, 2018**

**Net Position**

Below is a comparative statement of net position of the Northwood Public School District No. 129 for the years ended June 30, 2018 and 2017:

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>ASSETS</b>		
Current Assets	\$ 2,316,491	\$ 2,242,349
Noncurrent Assets	12,606,435	12,927,410
<b>TOTAL ASSETS</b>	<u>14,922,926</u>	<u>15,169,759</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>686,554</u>	 <u>933,409</u>
 <b>LIABILITIES</b>		
Current Liabilities	365,603	343,031
Noncurrent Liabilities	5,110,320	5,483,346
<b>TOTAL LIABILITIES</b>	<u>5,475,923</u>	<u>5,826,377</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>36,442</u>	 <u>16,387</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	10,584,055	10,655,060
Restricted for Capital Projects	413,719	405,955
Restricted for Debt Service	296,666	270,739
Restricted for Special Reserve	103,583	118,038
Unrestricted (Deficit)	(1,300,908)	(1,189,388)
<b>TOTAL NET POSITION</b>	<u>\$ 10,097,115</u>	<u>\$ 10,260,404</u>



**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The following presents comparative changes in net position for the years ended June 30, 2018 and 2017:

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 346,581	\$ 317,601
Operating Grants and Contributions	391,877	414,990
Capital Grants and Contributions	-	87,723
Total Program Revenues	<u>738,458</u>	<u>820,314</u>
General Revenues:		
Property Taxes	1,027,065	1,029,282
Other Taxes	12,785	6,085
Federal and State Aid	2,528,116	2,539,624
Interest Income	12,088	9,786
Other Revenues	8,136	17,422
Total General Revenues	<u>3,588,190</u>	<u>3,602,199</u>
<b>TOTAL REVENUES</b>	<u>4,326,648</u>	<u>4,422,513</u>
<b>EXPENSES</b>		
Regular Programs	2,393,324	2,451,131
Special Education	116,886	75,460
Vocational Education	132,781	129,795
Federal Programs	198,619	182,321
Tuition	179,734	179,997
Transportation	722,131	729,109
Operations and Maintenance	51,781	-
Other Programs and Services	640,863	569,515
Interest on Long-Term Debt	53,818	46,617
<b>TOTAL EXPENSES</b>	<u>4,489,937</u>	<u>4,363,945</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (163,289)</u>	<u>\$ 58,568</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Capital Assets**

As of June 30, 2018, the District had \$12,606,435 invested in capital assets. Following are the balances as of June 30, 2018.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/18</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 103,850	\$ -	\$ -	\$ 103,850
Total	<u>103,850</u>	<u>-</u>	<u>-</u>	<u>103,850</u>
Capital Assets Being Depreciated				
Buildings	15,030,679	-	-	15,030,679
Vehicles	514,997	48,960	15,205	548,752
Equipment	226,938	-	-	226,938
Total	<u>15,772,614</u>	<u>48,960</u>	<u>15,205</u>	<u>15,806,369</u>
Less Accumulated Depreciation				
Buildings	2,379,934	312,042	-	2,691,976
Vehicles	377,072	50,121	15,205	411,988
Equipment	192,048	7,772	-	199,820
Total	<u>2,949,054</u>	<u>369,935</u>	<u>15,205</u>	<u>3,303,784</u>
Net Capital Assets Being Depreciated	<u>12,823,560</u>	<u>(320,975)</u>	<u>-</u>	<u>12,502,585</u>
Net Capital Assets for Governmental Activities	<u>\$ 12,927,410</u>	<u>\$ (320,975)</u>	<u>\$ -</u>	<u>\$ 12,606,435</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Debt Administration**

As of June 30, 2018, the District had \$5,360,641 in outstanding long-term debt, of which \$250,321 is due within one year. The District had an overall decrease in long-term debt by \$372,674 from June 30, 2017. See below and Note 4 for a description of the District's long-term debt.

Title	Interest Rate	Original Maturity	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 182,350	\$ -	\$ 24,970	\$ 157,380	\$ 25,321
General Obligation Bonds 2012B	1.00%	11/1/2024	615,000	-	75,000	540,000	75,000
Refunding Improvement Bonds	4.25%	5/1/2033	555,000	-	25,000	530,000	25,000
General Obligation Bonds	2.00%	8/1/2023	920,000	-	125,000	795,000	125,000
Net Pension Liability			3,460,965	960,284	1,082,988	3,338,261	-
			<u>\$ 5,733,315</u>	<u>\$ 960,284</u>	<u>\$ 1,332,958</u>	<u>\$ 5,360,641</u>	<u>\$ 250,321</u>

**Comments on Budget Comparisons**

- The District's total General Fund revenues for the fiscal year ended June 30, 2018, were \$3,755,306.
- General fund budgeted revenues compared to actual revenue varied slightly from line item to line item with budgeted revenues exceeding actual by \$30,950.
- The District's total General Fund expenditures for the fiscal year ended June 30, 2018, were \$3,771,930.
- General fund budgeted expenditures to actual expenditures varied slightly from line item to line item with budgeted expenditures exceeding actual by \$64,601.

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 51% 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 Shane Azure, 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, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 2,123,783
Accounts Receivable	124,735
Funds Held by the County	4,533
Taxes Receivable	63,440
Capital Assets:	
Non Depreciable:	
Land	103,850
Depreciable:	
Buildings	15,030,679
Vehicles	548,752
Equipment	226,938
Less: Accumulated Depreciation	(3,303,784)
<b>TOTAL ASSETS</b>	<b>14,922,926</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan -TFFR	686,554
<b>LIABILITIES</b>	
Accounts Payable	70,566
Payroll and Payroll Withholdings	30,801
Interest Payable	13,915
Bonds Payable-Due Within One Year	250,321
Long-Term Liabilities:	
Bonds Payable (Net of Current Maturities)	1,772,059
Net Pension Liability	3,338,261
<b>TOTAL LIABILITIES</b>	<b>5,475,923</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan-TFFR	36,442
<b>NET POSITION</b>	
Net Investment in Capital Assets	10,584,055
Restricted for Capital Projects	413,719
Restricted for Debt Service	296,666
Restricted-Special Reserve	103,583
Unrestricted (Deficit)	(1,300,908)
<b>TOTAL NET POSITION</b>	<b>\$ 10,097,115</b>

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<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>
<b>GOVERNMENTAL ACTIVITIES</b>					
Current					
Regular programs	\$ 2,393,324	\$ 163,018	\$ -	\$ -	\$ (2,230,306)
Special education	116,886	55,644	-	-	(61,242)
Vocational education	132,781	-	4,530	-	(128,251)
Federal programs	198,619	-	196,066	-	(2,553)
Tuition	179,734	-	-	-	(179,734)
Transportation	722,131	-	108,232	-	(613,899)
Operations and maintenance	51,781	-	-	-	(51,781)
Other programs and services	640,863	127,919	83,049	-	(429,895)
Debt Service					
Interest on long-term debt	53,818	-	-	-	(53,818)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,489,937</b>	<b>\$ 346,581</b>	<b>\$ 391,877</b>	<b>\$ -</b>	<b>(3,751,479)</b>

**GENERAL REVENUES**

Property taxes, levied for general purposes	662,385
Property taxes, levied for capital projects	105,168
Property taxes, levied for debt service	229,479
Property taxes, levied for special reserve	30,033
Other taxes	12,785
Federal and state aid not restricted to a specific function	2,528,116
Interest income	12,088
Other revenues	8,136
<b>TOTAL GENERAL REVENUES</b>	<b>3,588,190</b>

<b>Change in net position</b>	<b>(163,289)</b>
<b>Net position-beginning</b>	<b>10,260,404</b>
<b>Net position-ending</b>	<b>\$ 10,097,115</b>

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Food Service Fund</b>	<b>Special Reserve Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash	\$ 1,305,276	\$ 406,622	\$ 281,108	\$ 29,322	\$ 101,455	\$ 2,123,783
Accounts receivable	124,735	-	-	-	-	124,735
Funds held by the County	2,877	469	1,046	-	141	4,533
Taxes receivable	40,313	6,628	14,512	-	1,987	63,440
<b>TOTAL ASSETS</b>	<b><u>\$ 1,473,201</u></b>	<b><u>\$ 413,719</u></b>	<b><u>\$ 296,666</u></b>	<b><u>\$ 29,322</u></b>	<b><u>\$ 103,583</u></b>	<b><u>\$ 2,316,491</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 70,566	\$ -	\$ -	\$ -	\$ -	\$ 70,566
Payroll and payroll withholdings	30,801	-	-	-	-	30,801
<b>TOTAL LIABILITIES</b>	<b><u>101,367</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>101,367</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable property taxes	28,067	6,627	14,512	-	1,987	51,193
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>28,067</u></b>	<b><u>6,627</u></b>	<b><u>14,512</u></b>	<b><u>-</u></b>	<b><u>1,987</u></b>	<b><u>51,193</u></b>
<b>FUND BALANCES</b>						
Restricted:						
Restricted for capital projects	-	407,092	-	-	-	407,092
Restricted for debt service	-	-	282,154	-	-	282,154
Restricted for special reserve	-	-	-	-	101,596	101,596
Assigned:						
School lunch	-	-	-	29,322	-	29,322
Unassigned	1,343,767	-	-	-	-	1,343,767
<b>TOTAL FUND BALANCES</b>	<b><u>1,343,767</u></b>	<b><u>407,092</u></b>	<b><u>282,154</u></b>	<b><u>29,322</u></b>	<b><u>101,596</u></b>	<b><u>2,163,931</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 1,473,201</u></b>	<b><u>\$ 413,719</u></b>	<b><u>\$ 296,666</u></b>	<b><u>\$ 29,322</u></b>	<b><u>\$ 103,583</u></b>	<b><u>\$ 2,316,491</u></b>

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, 2018**

Total fund balances - governmental funds \$ 2,163,931

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	548,752	
Equipment	226,938	
Less: accumulated depreciation	<u>(3,303,784)</u>	12,606,435

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. 650,112

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	(2,022,380)
Net Pension Liability	(3,338,261)

Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental fund. (13,915)

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. 51,193

Total net position - governmental activities \$ 10,097,115

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, 2018**

	<b>Governmental Fund Types</b>					<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Food Service Fund</b>	<b>Special Reserve Fund</b>	
<b>REVENUES</b>						
Property Taxes	\$ 653,008	\$ 105,168	\$ 229,479	\$ -	\$ 30,033	\$ 1,017,688
Revenue from State Sources	2,654,667	-	-	-	-	2,654,667
Revenue from Federal Sources	197,788	-	-	69,259	-	267,047
Interest Income	10,509	-	-	1,579	-	12,088
Other Local Sources	239,334	-	-	123,961	2,485	365,780
<b>TOTAL REVENUES</b>	<b>3,755,306</b>	<b>105,168</b>	<b>229,479</b>	<b>194,799</b>	<b>32,518</b>	<b>4,317,270</b>
<b>EXPENDITURES</b>						
Current						
Regular Programs	1,929,304	-	-	-	-	1,929,304
Special Education	116,886	-	-	-	-	116,886
Vocational Education	132,781	-	-	-	-	132,781
Federal Programs	198,619	-	-	-	-	198,619
Tuition	179,734	-	-	-	-	179,734
Transportation	672,010	-	-	-	-	672,010
Operation and Maintenance	-	51,781	-	-	-	51,781
Other Programs and Services	507,562	-	-	133,301	-	640,863
Capital Outlay	-	-	-	-	48,960	48,960
Debt Service						
Principal and Interest Charges	31,250	25,000	193,720	-	-	249,970
Interest and Fiscal Charges	3,784	27,250	24,344	-	-	55,378
<b>TOTAL EXPENDITURES</b>	<b>3,771,930</b>	<b>104,031</b>	<b>218,064</b>	<b>133,301</b>	<b>48,960</b>	<b>4,276,286</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(16,624)</b>	<b>1,137</b>	<b>11,415</b>	<b>61,498</b>	<b>(16,442)</b>	<b>40,984</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer to Other Funds	-	-	-	(60,000)	-	(60,000)
Transfer from Other Funds	60,000	-	-	-	-	60,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>60,000</b>	<b>-</b>	<b>-</b>	<b>(60,000)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>43,376</b>	<b>1,137</b>	<b>11,415</b>	<b>1,498</b>	<b>(16,442)</b>	<b>40,984</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>1,300,391</b>	<b>405,955</b>	<b>270,739</b>	<b>27,824</b>	<b>118,038</b>	<b>2,122,947</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,343,767</b>	<b>\$ 407,092</b>	<b>\$ 282,154</b>	<b>\$ 29,322</b>	<b>\$ 101,596</b>	<b>\$ 2,163,931</b>

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, 2018**

Total net change in fund balances - governmental funds \$ 40,984

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	\$ 48,960	
Depreciation expense	<u>(369,935)</u>	(320,975)

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. 249,970

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. 1,561

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 9,377

Changes in deferred outflows and inflows of resources related to net pension liability (266,910)

Changes in net pension liability 122,704

Change in net position - governmental activities \$ (163,289)

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**STATEMENT OF ASSETS AND LIABILITIES-FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2018**

	<b>Student Activities Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 89,442
Accounts Receivable	9,387
<b>TOTAL ASSETS</b>	<b>\$ 98,829</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,474
Due to Student Groups	97,355
<b>TOTAL LIABILITIES</b>	<b>\$ 98,829</b>

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018**

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 inflows 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, 2018**

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, 2018**

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, 2018**

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 10. The final budget must be filed with the county auditor by August 10 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 acquisition 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, 2018**

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, 2018**

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, 2018**

- 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, 2018 was as follows:

	Balance 6/30/17	Additions	Disposals	Balance 6/30/18
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 103,850	\$ -	\$ -	\$ 103,850
Total	<u>103,850</u>	<u>-</u>	<u>-</u>	<u>103,850</u>
Capital Assets Being Depreciated				
Buildings	15,030,679	-	-	15,030,679
Vehicles	514,997	48,960	15,205	548,752
Equipment	226,938	-	-	226,938
Total	<u>15,772,614</u>	<u>48,960</u>	<u>15,205</u>	<u>15,806,369</u>
Less Accumulated Depreciation				
Buildings	2,379,934	312,042	-	2,691,976
Vehicles	377,072	50,121	15,205	411,988
Equipment	192,048	7,772	-	199,820
Total	<u>2,949,054</u>	<u>369,935</u>	<u>15,205</u>	<u>3,303,784</u>
Net Capital Assets Being Depreciated	<u>12,823,560</u>	<u>(320,975)</u>	<u>-</u>	<u>12,502,585</u>
Net Capital Assets for Governmental Activities	<u>\$ 12,927,410</u>	<u>\$ (320,975)</u>	<u>\$ -</u>	<u>\$ 12,606,435</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

	Depreciation
Transportation	\$ 50,121
Regular Instruction	319,814
	\$ 369,935

**NOTE 4 - LONG-TERM DEBT**

A summary of long-term debt is as follows:

Title	Interest Rate	Original Maturity	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 182,350	\$ -	\$ 24,970	\$ 157,380	\$ 25,321
General Obligation Bonds 2012B	1.00%	11/1/2024	615,000	-	75,000	540,000	75,000
Refunding Improvement Bonds	4.25%	5/1/2033	555,000	-	25,000	530,000	25,000
General Obligation Bonds	2.00%	8/1/2023	920,000	-	125,000	795,000	125,000
Net Pension Liability			3,460,965	960,284	1,082,988	3,338,261	-
			\$ 5,733,315	\$ 960,284	\$ 1,332,958	\$ 5,360,641	\$ 250,321

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:

Bank of North Dakota - Refinance Construction Loan

Years Ending

June 30,

	Principal	Interest	Total
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	26,779	761	27,540
2024	27,155	383	27,538
Totals	\$ 157,380	\$ 7,858	\$ 165,238

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

General Obligation Building Bonds 2012B

Years Ending

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 75,000	\$ 8,258	\$ 83,258
2020	75,000	7,133	82,133
2021	75,000	6,008	81,008
2022	75,000	4,883	79,883
2023	75,000	3,645	78,645
2024-2027	165,000	3,015	168,015
Totals	<u>\$ 540,000</u>	<u>\$ 32,942</u>	<u>\$ 572,942</u>

Refunding Improvement Bonds

Years Ending

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	30,000	20,750	50,750
2024-2028	170,000	81,663	251,663
2029-2033	225,000	35,250	260,250
Totals	<u>\$ 530,000</u>	<u>\$ 233,364</u>	<u>\$ 763,364</u>

General Obligation Bonds  
Refunding of School Construction Loan

Years Ending

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	135,000	3,631	138,631
2024	140,000	1,225	141,225
Totals	<u>\$ 795,000</u>	<u>\$ 41,220</u>	<u>\$ 836,220</u>

Total of all Debt

Years Ending

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	266,779	28,787	295,566
2024-2028	502,155	86,286	588,441
2029-2033	225,000	35,250	260,250
Totals	<u>\$ 2,022,380</u>	<u>\$ 315,384</u>	<u>\$ 2,337,764</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018**

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, 2018**

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, 2018, the District reported a liability of \$3,338,261 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, 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, 2017, the District's proportion was 0.243043 percent which was an increase of 0.006809 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$353,560. At June 30, 2018, 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	\$ 12,805	\$ 36,442
Changes in actuarial assumptions	237,939	-
Difference between projected and actual investment earnings	46,111	-
Changes in proportion	180,349	-
Contributions paid to TFFR subsequent to the measurement date	209,350	-
<b>Total</b>	<u>\$ 686,554</u>	<u>\$ 36,442</u>

\$209,350 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>
2019	\$ 89,833
2020	162,157
2021	116,873
2022	37,431
2023	26,325
Thereafter	8,143

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Actuarial Assumptions**

The total pension liability in the July 1, 2017 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, 2017, funding actuarial valuation for TFFR.

As a result of the April 30, 2017 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 as of June 30, 2017 is summarized in the following table:



**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equities	58.00%	6.70%
Global Fixed Income	23.00%	0.80%
Global Real Assets	18.00%	5.20%
Cash Equivalents	1.00%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2017. 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, 2017, 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, 2017. 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, 2017. 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, 2017 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	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
District's proportionate share of the TFFR net pension liability:	\$ 4,438,277	\$ 3,338,261	\$ 2,422,531

**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.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018, 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.

**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, 2018.

Transfers

Transfer to	
General Fund	<u>\$60,000</u>
Transfer from	
Food Service	<u>\$60,000</u>

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

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018 was \$13,805.

**NOTE 12 - NEW PRONOUNCEMENTS**

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. 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. 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 2017 financial statements in order to conform with the 2018 presentation.

**NOTE 14 - SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through October 10, 2018, 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, 2018**

	<b>General Fund</b>			<b>Variance Favorable (Unfavorable)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property Taxes	\$ 664,444	\$ 664,444	\$ 653,008	\$ (11,436)
Revenue from State Sources	2,664,832	2,664,832	2,654,667	(10,165)
Revenue from Federal Sources	192,020	198,315	197,788	(527)
Interest Income	8,000	8,000	10,509	2,509
Other Local Sources	250,665	250,665	239,334	(11,331)
<b>TOTAL REVENUES</b>	<b>3,779,961</b>	<b>3,786,256</b>	<b>3,755,306</b>	<b>(30,950)</b>
<b>EXPENDITURES</b>				
Regular Programs	1,946,792	1,946,792	1,929,304	17,488
Special Education	107,426	107,426	116,886	(9,460)
Vocational Education	125,711	125,711	132,781	(7,070)
Federal Programs	194,115	219,509	198,619	20,890
Tuition	179,734	179,734	179,734	-
Undistributed Expenses	729,807	730,607	672,010	58,597
Other Programs and Services	491,718	491,718	507,562	(15,844)
Capital Outlay	-	-	-	-
Principal, Interest, and Fiscal Charges	35,034	35,034	35,034	-
<b>TOTAL EXPENDITURES</b>	<b>3,810,337</b>	<b>3,836,531</b>	<b>3,771,930</b>	<b>64,601</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(30,376)</b>	<b>(50,275)</b>	<b>(16,624)</b>	<b>33,651</b>
<b>OTHER SOURCES (USES)</b>				
Transfer from Other Funds	50,000	50,000	60,000	10,000
<b>TOTAL OTHER SOURCES (USES)</b>	<b>50,000</b>	<b>50,000</b>	<b>60,000</b>	<b>10,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>19,624</b>	<b>(275)</b>	<b>43,376</b>	<b>43,651</b>
<b>FUND BALANCE - JULY 1</b>	<b>1,300,391</b>	<b>1,300,391</b>	<b>1,300,391</b>	<b>-</b>
<b>FUND BALANCE - JUNE 30</b>	<b>\$ 1,320,015</b>	<b>\$ 1,300,116</b>	<b>\$ 1,343,767</b>	<b>\$ 43,651</b>

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, 2018**

	<b>Food Service Fund</b>			<b>Variance Favorable (Unfavorable)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
Revenue from Federal Sources	\$ 60,000	\$ 60,000	\$ 69,259	\$ 9,259
Interest Income	45	45	1,579	1,534
Other Local Sources	118,500	118,500	123,961	5,461
<b>TOTAL REVENUES</b>	<u>178,545</u>	<u>178,545</u>	<u>194,799</u>	<u>16,254</u>
<b>EXPENDITURES</b>				
Other Programs and Services	191,250	191,250	133,301	57,949
<b>TOTAL EXPENDITURES</b>	<u>191,250</u>	<u>191,250</u>	<u>133,301</u>	<u>57,949</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(12,705)	(12,705)	61,498	74,203
<b>OTHER SOURCES (USES)</b>				
Transfer to Other Funds	-	-	(60,000)	(60,000)
<b>TOTAL OTHER SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(12,705)	(12,705)	1,498	14,203
<b>FUND BALANCE - JULY 1</b>	<u>27,824</u>	<u>27,824</u>	<u>27,824</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30</b>	<u><u>\$ 15,119</u></u>	<u><u>\$ 15,119</u></u>	<u><u>\$ 29,322</u></u>	<u><u>\$ 14,203</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, 2018**

	<b>Special Reserve Fund</b>			<b>Variance Favorable (Unfavorable)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property Taxes	\$ 33,222	\$ 33,222	\$ 30,033	\$ (3,189)
Other Local Sources	-	-	2,485	2,485
<b>TOTAL REVENUES</b>	<u>33,222</u>	<u>33,222</u>	<u>32,518</u>	<u>(704)</u>
<b>EXPENDITURES</b>				
Capital Outlay	24,975	24,975	48,960	(23,985)
<b>TOTAL EXPENDITURES</b>	<u>24,975</u>	<u>24,975</u>	<u>48,960</u>	<u>(23,985)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	8,247	8,247	(16,442)	(24,689)
<b>NET CHANGE IN FUND BALANCES</b>	8,247	8,247	(16,442)	(24,689)
<b>FUND BALANCE - JULY 1</b>	<u>118,038</u>	<u>118,038</u>	<u>118,038</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30</b>	<u><u>\$ 126,285</u></u>	<u><u>\$ 126,285</u></u>	<u><u>\$ 101,596</u></u>	<u><u>\$ (24,689)</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, 2018**

**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 10. The final budget must be filed with the county auditor by August 10 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**

	Budget	Actual	Excess
General Fund:			
Special Education	\$ 107,426	\$ 116,886	\$ 9,460
Vocational Education	125,711	132,781	7,070
Other Programs and Services	491,718	507,562	15,844
	Budget	Actual	Excess
Special Reserve:			
Capital Outlay	\$ 24,975	\$ 48,960	\$ 23,985

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)	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
2018	0.243043%	\$ 3,338,261	\$ 1,640,472	203.49%	63.20%
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
2018	\$ 209,350	\$ (209,350)	-	\$ 1,641,961	12.75%
2017	209,160	(209,160)	-	1,640,272	12.75%
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, 2018**

**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, 2018, 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 October 10, 2018.

**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 2018-001 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 2018-002 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**

October 10, 2018

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**2018-001**

**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 District it is not feasible to obtain proper separation of duties.

**2018-002**

**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.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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 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 auditor's finding and will consider the risks and costs associated with the financial statement preparation.