

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

## TABLE OF CONTENTS

	<b>Page</b>
<b>ROSTER OF SCHOOL OFFICIALS</b>	<b>1</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>2</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Assets and Liabilities-Fiduciary Funds	17
Notes to the Financial Statements	18
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule for the General Fund	38
Budgetary Comparison Schedule for the Food Service Fund	39
Budgetary Comparison Schedule for the Special Reserve Fund	40
Notes to the Budgetary Comparison Schedules	41
Schedule of District's Proportionate Share of Net Pension Liability	42
Schedule of District's Contributions to the TFFR Pension Plan	43
Note to the Required Supplementary Information	44
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>45</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>47</b>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**ROSTER OF SCHOOL OFFICIALS**  
**AT JUNE 30, 2020**

Erik Thorsgard	Board Member
Brian Twete	Board Member
Gary Bilden	Board Member
Nicole Korsmo	Board Member
Adam Naastad	Board Member
Shane Azure	Superintendent
Sandy Enger	Business Manager

## 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, 2020, 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 remaining fund information of Northwood Public School District No. 129 as of June 30, 2020, 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 10 and 38 through 44 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 13, 2020, 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 13, 2020

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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 \$ 1,380,797
  - Capital Projects 621,250
  - Debt Service 284,557
  - Food Service 54,902
  - Special Reserve 99,483
  
- The General Fund had \$4,121,613 in revenue, which primarily consisted of the state and federal funding, property tax levies, state grants and federal grants. There was \$4,105,848 in expenditures, which primarily consisted of salaries, transportation, and material and supplies for instruction.
  
- The Capital Projects Fund had \$113,933 in revenue, which primarily consisted of property taxes. There was \$4,737,036 in expenditures, which consisted primarily of capital outlay for purchases of capital assets throughout the year.
  
- The Debt Service Fund had \$553,668 in revenue which consisted of property tax levies. There was \$571,976 in expenditures, which consisted of bond and state loan payments for the new construction project.
  
- The Food Service Fund had \$220,964 in revenue, which consisted of sales of meals, federal reimbursement, a federal grant, and interest income. There was \$143,704 in expenditures, which consisted of salaries, food, and supplies.
  
- The Special Reserve Fund had \$53,918 in revenue, which consisted of property tax levies. There was \$87,100 in expenditures.

**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, 2020**

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 \$10,431,279 as of June 30, 2020.

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, 2020**

**Net Position**

Below is a comparative statement of net position of the Northwood Public School District No. 129 for the years ended June 30, 2020 and 2019:

	<u>6/30/2020</u>	<u>6/30/2019</u>
<b>ASSETS</b>		
Current Assets	\$ 2,705,934	\$ 1,831,325
Noncurrent Assets	18,038,180	13,624,672
<b>TOTAL ASSETS</b>	<u>20,744,114</u>	<u>15,455,997</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>626,346</u>	 <u>556,198</u>
 <b>LIABILITIES</b>		
Current Liabilities	938,188	975,829
Noncurrent Liabilities	9,863,031	4,755,665
<b>TOTAL LIABILITIES</b>	<u>10,801,219</u>	<u>5,731,494</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>137,962</u>	 <u>115,087</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	11,113,713	11,184,749
Restricted for Capital Projects	269,893	6,725
Restricted for Debt Service	308,580	309,585
Restricted for Special Reserve	102,412	134,973
Unrestricted (Deficit)	(1,363,319)	(1,470,418)
<b>TOTAL NET POSITION</b>	<u>\$ 10,431,279</u>	<u>\$ 10,165,614</u>



**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

The following presents comparative changes in net position for the years ended June 30, 2020 and 2019:

	<u>6/30/2020</u>	<u>6/30/2019</u>
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 353,678	\$ 376,572
Operating Grants and Contributions	450,274	397,983
Total Program Revenues	<u>803,952</u>	<u>774,555</u>
General Revenues:		
Property Taxes	1,457,337	1,062,690
Other Taxes	12,785	12,785
Federal and State Aid	2,796,570	2,703,320
Interest Income	11,819	10,833
Other Revenues	36,440	30,489
Total General Revenues	<u>4,314,951</u>	<u>3,820,117</u>
<b>TOTAL REVENUES</b>	<u>5,118,903</u>	<u>4,594,672</u>
<b>EXPENSES</b>		
Regular Programs	2,720,149	2,475,094
Special Education	128,307	150,954
Vocational Education	129,666	132,964
Federal Programs	181,061	180,935
Tuition	177,101	182,555
Transportation	767,884	735,076
Other Programs and Services	652,445	630,232
Interest on Long-Term Debt	96,625	38,363
<b>TOTAL EXPENSES</b>	<u>4,853,238</u>	<u>4,526,173</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 265,665</u>	<u>\$ 68,499</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Capital Assets**

As of June 30, 2020, the District had \$18,038,180 invested in capital assets. Following are the balances as of June 30, 2020.

	Balance 6/30/19	Additions	Disposals	Balance 6/30/20
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 103,850	\$ -	\$ -	\$ 103,850
Construction in Progress	1,379,269	4,664,516	-	6,043,785
Total	<u>1,483,119</u>	<u>4,664,516</u>	<u>-</u>	<u>6,147,635</u>
Capital Assets Being Depreciated				
Buildings	15,030,679	5,750	-	15,036,429
Vehicles	467,432	87,100	-	554,532
Equipment	226,938	17,651	18,365	226,224
Total	<u>15,725,049</u>	<u>110,501</u>	<u>18,365</u>	<u>15,817,185</u>
Less Accumulated Depreciation				
Buildings	3,004,018	312,282	-	3,316,300
Vehicles	372,838	36,015	-	408,853
Equipment	206,640	5,561	10,714	201,487
Total	<u>3,583,496</u>	<u>353,858</u>	<u>10,714</u>	<u>3,926,640</u>
Net Capital Assets Being Depreciated	<u>12,141,553</u>	<u>(243,357)</u>	<u>7,651</u>	<u>11,890,545</u>
Net Capital Assets for Governmental Activities	<u>\$ 13,624,672</u>	<u>\$ 4,421,159</u>	<u>\$ 7,651</u>	<u>\$ 18,038,180</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Debt Administration**

As of June 30, 2020, the District had \$10,368,449 in outstanding long-term debt, of which \$505,418 is due within one year. The District had an overall increase in long-term debt by \$5,352,106 from June 30, 2019. See below and Note 4 for a description of the District's long-term debt.

Title	Interest Rate	Original Maturity	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 132,059	\$ -	\$ 25,678	\$ 106,381	\$ 26,040
General Obligation Bonds 2012B	1.00%	11/1/2024	465,000	-	75,000	390,000	75,000
Refunding Improvement Bonds	4.25%	5/1/2033	530,000	-	30,000	500,000	30,000
General Obligation Bonds	2.00%	8/1/2023	670,000	-	130,000	540,000	130,000
General Obligation Bonds, Series 2019	2.00%	5/1/2039	-	5,691,468	303,382	5,388,086	244,378
Net Pension Liability			3,219,284	1,056,123	831,425	3,443,982	-
			<u>\$ 5,016,343</u>	<u>\$ 6,747,591</u>	<u>\$ 1,395,485</u>	<u>\$ 10,368,449</u>	<u>\$ 505,418</u>

**Comments on Budget Comparisons**

- The District's total General Fund revenues for the fiscal year ended June 30, 2020, were \$4,121,613.
- General fund budgeted revenues compared to actual revenue varied slightly from line item to line item with budgeted revenues exceeding actual by \$4,367.
- The District's total General Fund expenditures for the fiscal year ended June 30, 2020, were \$4,105,848.
- General fund budgeted expenditures to actual expenditures varied slightly from line item to line item with budgeted expenditures exceeding actual by \$211,197.

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 54% 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.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**REQUEST FOR INFORMATION**

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**  
**JUNE 30, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 2,440,989
Accounts Receivable	151,234
Funds Held by the County	4,844
Taxes Receivable	108,867
Capital Assets:	
Non Depreciable:	
Land	103,850
Construction in Process	6,043,785
Depreciable:	
Buildings	15,036,429
Vehicles	554,532
Equipment	226,224
Less: Accumulated Depreciation	(3,926,640)
<b>TOTAL ASSETS</b>	<b>20,744,114</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan -TFFR	626,346
<b>LIABILITIES</b>	
Accounts Payable	373,835
Payroll and Payroll Withholdings	40,518
Interest Payable	18,417
Bonds Payable-Due Within One Year	505,418
Long-Term Liabilities:	
Bonds Payable (Net of Current Maturities)	6,419,049
Net Pension Liability	3,443,982
<b>TOTAL LIABILITIES</b>	<b>10,801,219</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan-TFFR	137,962
<b>NET POSITION</b>	
Net Investment in Capital Assets	11,113,713
Restricted for Capital Projects	269,893
Restricted for Debt Service	308,580
Restricted-Special Reserve	102,412
Unrestricted (Deficit)	(1,363,319)
<b>TOTAL NET POSITION</b>	<b>\$ 10,431,279</b>

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<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	\$ 2,720,149	\$ 190,039	\$ 2,464	\$ -	\$ (2,527,646)
Special education	128,307	54,942	-	-	(73,365)
Vocational education	129,666	-	3,438	-	(126,228)
Federal programs	181,061	-	199,703	-	18,642
Tuition	177,101	-	-	-	(177,101)
Transportation	767,884	-	118,619	-	(649,265)
Other programs and services	652,445	108,697	126,050	-	(417,698)
Debt Service					
Interest on long-term debt	96,625	-	-	-	(96,625)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,853,238</b>	<b>\$ 353,678</b>	<b>\$ 450,274</b>	<b>\$ -</b>	<b>(4,049,286)</b>

**GENERAL REVENUES**

Property taxes, levied for general purposes	757,593
Property taxes, levied for capital projects	113,933
Property taxes, levied for debt service	553,668
Property taxes, levied for special reserve	32,143
Other taxes	12,785
Federal and state aid not restricted to a specific function	2,796,570
Interest income	11,819
Other revenues	36,440
<b>TOTAL GENERAL REVENUES</b>	<b>4,314,951</b>
<b>Change in net position</b>	<b>265,665</b>
<b>Net position-beginning</b>	<b>10,165,614</b>
<b>Net position-ending</b>	<b>\$ 10,431,279</b>

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<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	\$ 1,380,797	\$ 621,250	\$ 284,557	\$ 54,902	\$ 99,483	\$ 2,440,989
Accounts receivable	151,234	-	-	-	-	151,234
Funds held by the County	2,848	473	1,381	-	142	4,844
Taxes receivable	55,735	9,286	41,059	-	2,787	108,867
<b>TOTAL ASSETS</b>	<b>\$ 1,590,614</b>	<b>\$ 631,009</b>	<b>\$ 326,997</b>	<b>\$ 54,902</b>	<b>\$ 102,412</b>	<b>\$ 2,705,934</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 21,521	\$ 352,316	\$ -	\$ -	\$ -	\$ 373,837
Payroll and payroll withholdings	40,518	-	-	-	-	40,518
<b>TOTAL LIABILITIES</b>	<b>62,039</b>	<b>352,316</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>414,355</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable property taxes	52,807	8,800	39,535	-	2,641	103,783
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>52,807</b>	<b>8,800</b>	<b>39,535</b>	<b>-</b>	<b>2,641</b>	<b>103,783</b>
<b>FUND BALANCES</b>						
Restricted:						
Restricted for debt service	-	-	287,462	-	-	287,462
Restricted for special reserve	-	-	-	-	99,771	99,771
Assigned:						
School lunch	-	-	-	54,902	-	54,902
Unassigned	1,475,768	269,893	-	-	-	1,745,661
<b>TOTAL FUND BALANCES</b>	<b>1,475,768</b>	<b>269,893</b>	<b>287,462</b>	<b>54,902</b>	<b>99,771</b>	<b>2,187,796</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,590,614</b>	<b>\$ 631,009</b>	<b>\$ 326,997</b>	<b>\$ 54,902</b>	<b>\$ 102,412</b>	<b>\$ 2,705,934</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**  
**JUNE 30, 2020**

Total fund balances - governmental funds \$ 2,187,796

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	15,036,429	
Vehicles	554,532	
Equipment	226,224	
Construction in Progress	6,043,785	
Less: accumulated depreciation	<u>(3,926,640)</u>	18,038,180

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. 488,384

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	(6,924,467)
Net Pension Liability	(3,443,982)

Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental fund. (18,417)

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. 103,785

Total net position - governmental activities \$ 10,431,279

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, 2020**

	Governmental Fund Types					Total
	General Fund	Capital Projects Fund	Debt Service Fund	Food Service Fund	Special Reserve Fund	
<b>REVENUES</b>						
Property Taxes	\$ 702,782	\$ 113,933	\$ 553,668	\$ -	\$ 32,143	\$ 1,402,526
Revenue from State Sources	2,933,713	-	-	-	-	2,933,713
Revenue from Federal Sources	188,529	-	-	113,427	-	301,956
Interest Income	11,757	-	-	62	-	11,819
Other Local Sources	284,832	-	-	107,475	21,775	414,082
<b>TOTAL REVENUES</b>	<u>4,121,613</u>	<u>113,933</u>	<u>553,668</u>	<u>220,964</u>	<u>53,918</u>	<u>5,064,096</u>
<b>EXPENDITURES</b>						
Current						
Regular Programs	2,199,981	-	-	-	-	2,199,981
Special Education	128,307	-	-	-	-	128,307
Vocational Education	129,666	-	-	-	-	129,666
Federal Programs	181,061	-	-	-	-	181,061
Tuition	177,101	-	-	-	-	177,101
Transportation	724,218	-	-	-	-	724,218
Other Programs and Services	508,741	-	-	143,704	-	652,445
Capital Outlay	21,751	4,691,071	-	-	87,100	4,799,922
Debt Service						
Principal	32,500	45,965	485,595	-	-	564,060
Interest and Fiscal Charges	2,522	-	86,381	-	-	88,903
<b>TOTAL EXPENDITURES</b>	<u>4,105,848</u>	<u>4,737,036</u>	<u>571,976</u>	<u>143,704</u>	<u>87,100</u>	<u>9,645,664</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>15,765</u>	<u>(4,623,103)</u>	<u>(18,308)</u>	<u>77,260</u>	<u>(33,182)</u>	<u>(4,581,568)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer to Other Funds	(5,000)	-	-	(60,000)	-	(65,000)
Loan Proceeds	-	5,691,468	-	-	-	5,691,468
Transfer from Other Funds	60,000	5,000	-	-	-	65,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>55,000</u>	<u>5,696,468</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>	<u>5,691,468</u>
<b>NET CHANGE IN FUND BALANCE</b>	70,765	1,073,365	(18,308)	17,260	(33,182)	1,109,900
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,405,003</u>	<u>(803,472)</u>	<u>305,770</u>	<u>37,642</u>	<u>132,953</u>	<u>1,077,896</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,475,768</u>	<u>\$ 269,893</u>	<u>\$ 287,462</u>	<u>\$ 54,902</u>	<u>\$ 99,771</u>	<u>\$ 2,187,796</u>

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, 2020**

Total net change in fund balances - governmental funds \$ 1,109,900

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	\$ 4,775,017	
Depreciation expense	<u>(353,858)</u>	4,421,159

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. 564,060

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. (7,721)

In the statement of activities, the loss on disposition of capital assets is reported. The cost basis of the property is not a use of current resources and thus is not reported in the funds. (7,651)

Proceeds from Bond Issuance (5,691,468)

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		54,811
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Changes in deferred outflows and inflows of resources related to net pension liability 47,273

Changes in net pension liability (224,698)

Change in net position - governmental activities \$ 265,665

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**STATEMENT OF ASSETS AND LIABILITIES-FIDUCIARY FUNDS**  
**JUNE 30, 2020**

	<b>Student Activities Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 137,154
Accounts Receivable	<u>4,245</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 141,399</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,022
Due to Student Groups	<u>140,377</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 141,399</u></u>

See Notes to the Financial Statements

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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 Net Assets and Liabilities – Fiduciary Funds 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, 2020**

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, 2020**

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, 2020

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 as well as amounts paid to the plans after the measurement date. 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. 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, 2020**

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, 2020**

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, 2020**

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.

**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, 2020**

- 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, 2020 was as follows:

	Balance 6/30/19	Additions	Disposals	Balance 6/30/20
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 103,850	\$ -	\$ -	\$ 103,850
Construction in Progress	1,379,269	4,664,516	-	6,043,785
Total	<u>1,483,119</u>	<u>4,664,516</u>	<u>-</u>	<u>6,147,635</u>
Capital Assets Being Depreciated				
Buildings	15,030,679	5,750	-	15,036,429
Vehicles	467,432	87,100	-	554,532
Equipment	226,938	17,651	18,365	226,224
Total	<u>15,725,049</u>	<u>110,501</u>	<u>18,365</u>	<u>15,817,185</u>
Less Accumulated Depreciation				
Buildings	3,004,018	312,282	-	3,316,300
Vehicles	372,838	36,015	-	408,853
Equipment	206,640	5,561	10,714	201,487
Total	<u>3,583,496</u>	<u>353,858</u>	<u>10,714</u>	<u>3,926,640</u>
Net Capital Assets Being Depreciated	<u>12,141,553</u>	<u>(243,357)</u>	<u>7,651</u>	<u>11,890,545</u>
Net Capital Assets for Governmental Activities	<u>\$ 13,624,672</u>	<u>\$ 4,421,159</u>	<u>\$ 7,651</u>	<u>\$ 18,038,180</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

	Depreciation
Transportation	\$ 36,015
Regular Instruction	317,843
	\$ 353,858

**NOTE 4 - LONG-TERM DEBT**

A summary of long-term debt is as follows:

Title	Interest Rate	Original Maturity	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 132,059	\$ -	\$ 25,678	\$ 106,381	\$ 26,040
General Obligation Bonds 2012B	1.00%	11/1/2024	465,000	-	75,000	390,000	75,000
Refunding Improvement Bonds	4.25%	5/1/2033	530,000	-	30,000	500,000	30,000
General Obligation Bonds	2.00%	8/1/2023	670,000	-	130,000	540,000	130,000
General Obligation Bonds, Series 2019	2.00%	5/1/2039	-	5,691,468	303,382	5,388,086	244,378
Net Pension Liability			3,219,284	1,056,123	831,425	3,443,982	-
			\$ 5,016,343	\$ 6,747,591	\$ 1,395,485	\$ 10,368,449	\$ 505,418

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
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	\$ 106,381	\$ 3,777	\$ 110,158

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

General Obligation Building Bonds 2012B

Years Ending

June 30,

2021

2022

2023

2024

2025

Totals

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 75,000	\$ 6,008	\$ 81,008
75,000	4,883	79,883
75,000	3,645	78,645
80,000	2,250	82,250
85,000	765	85,765
<u>\$ 390,000</u>	<u>\$ 17,551</u>	<u>\$ 407,551</u>

Refunding Improvement Bonds

Years Ending

June 30,

2021

2022

2023

2024

2025

2026-2030

2031-2035

Totals

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 30,000	\$ 15,000	\$ 45,000
35,000	14,460	49,460
35,000	13,830	48,830
35,000	12,780	47,780
35,000	11,730	46,730
200,000	41,400	241,400
130,000	9,000	139,000
<u>\$ 500,000</u>	<u>\$ 118,200</u>	<u>\$ 618,200</u>

General Obligation Bonds  
Refunding of School Construction Loan

Years Ending

June 30,

2021

2022

2023

2024

Totals

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 130,000	\$ 7,813	\$ 137,813
135,000	5,825	140,825
135,000	3,631	138,631
140,000	1,225	141,225
<u>\$ 540,000</u>	<u>\$ 18,494</u>	<u>\$ 558,494</u>

General Obligation Bonds,  
Series 2019

Years Ending

June 30,

2021

2022

2023

2024

2025

2026-2030

2031-2035

2036-2039

Totals

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 244,378	\$ 111,635	\$ 356,013
249,266	106,747	356,013
254,251	101,762	356,013
259,336	96,677	356,013
264,523	91,490	356,013
1,404,120	375,945	1,780,065
1,550,262	229,804	1,780,065
1,161,950	68,451	1,230,401
<u>\$ 5,388,086</u>	<u>\$ 1,182,511</u>	<u>\$ 6,570,597</u>

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Total of all Debt Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 505,418	\$ 141,956	\$ 647,374
2022	520,673	133,048	653,721
2023	526,030	123,629	649,659
2024	541,491	113,315	654,806
2025	384,523	103,985	488,508
2026-2030	1,604,120	417,345	2,021,465
2031-2035	1,680,262	238,804	1,919,065
2036-2039	1,161,950	68,451	1,230,401
Totals	<u>\$ 6,924,467</u>	<u>\$ 1,340,533</u>	<u>\$ 8,265,000</u>

**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.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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 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.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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.

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, 2020, the District reported a liability of \$3,443,982 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, 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, 2019, the District's proportion was 0.250062 percent which was an increase of 0.008529 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$420,625. At June 30, 2020, 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	\$ 4,918	\$ 124,295
Changes in actuarial assumptions	122,405	-
Difference between projected and actual investment earnings	48,478	-
Changes in proportion	207,346	13,667
Contributions paid to TFFR subsequent to the measurement date	243,199	-
<b>Total</b>	<b>\$ 626,346</b>	<b>\$ 137,962</b>



**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

\$243,199 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, 2020.

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>
2021	\$ 128,545
2022	46,809
2023	35,412
2024	32,316
2025	(5,306)
Thereafter	7,409

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 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, 2018, funding actuarial valuation for TFFR.

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

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

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

<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%	1.50%
Global Real Assets	18.00%	5.10%
Cash Equivalents	1.00%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2019. 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, 2019, 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, 2019. 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, 2019.

**Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate 6.75%	Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
District's proportionate share of the TFFR net pension liability:	\$ 4,651,132	\$ 3,443,982	\$ 2,440,809

**Pension Plan Fiduciary Net Position**

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

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET**

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

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020, 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.

**Construction**

The District is in the process of construction and renovation of the school building and has entered into a contract with a general contractor for the completion of the project. As of June 30, 2020, the contract amount was \$6,004,717. The total amount remaining on the contract as of June 30, 2020 to be paid by the District in the subsequent year was \$38,071. The project is expected to be completed during the year ending June 30, 2021. The project is being financed with general obligation construction bonds.

**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.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Transfers

Transfer to:	
General Fund	\$ 60,000
Capital Projects Fund	5,000
	\$ 65,000
Transfer from:	
Food Service	\$ 60,000
General Fund	5,000
	\$ 65,000

The purpose of the transfer is for labor costs associated with the food service program and to fund capital project costs.

**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, 2020 was \$16,761.

**NOTE 12 - NEW PRONOUNCEMENTS**

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, 2019. 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 June 15, 2021. Earlier application is encouraged.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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 2019 financial statements in order to conform with the 2020 presentation.

**NOTE 14 - SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through October 13, 2020, 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, 2020**

	<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	\$ 718,558	\$ 718,558	\$ 702,782	\$ (15,776)
Revenue from State Sources	2,916,581	2,916,581	2,933,713	17,132
Revenue from Federal Sources	203,988	203,988	188,529	(15,459)
Interest Income	9,000	9,000	11,757	2,757
Other Local Sources	277,853	277,853	284,832	6,979
<b>TOTAL REVENUES</b>	<b>4,125,980</b>	<b>4,125,980</b>	<b>4,121,613</b>	<b>(4,367)</b>
<b>EXPENDITURES</b>				
Regular Programs	2,228,578	2,228,578	2,199,981	28,597
Special Education	108,244	108,244	128,307	(20,063)
Vocational Education	136,709	136,709	129,666	7,043
Federal Programs	195,541	195,541	181,061	14,480
Tuition	176,948	176,948	177,101	(153)
Undistributed Expenses	812,887	812,887	724,218	88,669
Other Programs and Services	535,821	535,821	508,741	27,080
Capital Outlay	87,295	87,295	21,751	65,544
Principal, Interest, and Fiscal Charges	35,022	35,022	35,022	-
<b>TOTAL EXPENDITURES</b>	<b>4,317,045</b>	<b>4,317,045</b>	<b>4,105,848</b>	<b>211,197</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(191,065)</b>	<b>(191,065)</b>	<b>15,765</b>	<b>206,830</b>
<b>OTHER SOURCES (USES)</b>				
Transfer from Other Funds	60,000	60,000	60,000	-
Transfer to Other Funds	-	-	(5,000)	(5,000)
<b>TOTAL OTHER SOURCES (USES)</b>	<b>60,000</b>	<b>60,000</b>	<b>55,000</b>	<b>(5,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(131,065)</b>	<b>(131,065)</b>	<b>70,765</b>	<b>201,830</b>
<b>FUND BALANCE - JULY 1</b>	<b>1,405,003</b>	<b>1,405,003</b>	<b>1,405,003</b>	<b>-</b>
<b>FUND BALANCE - JUNE 30</b>	<b>\$ 1,273,938</b>	<b>\$ 1,273,938</b>	<b>\$ 1,475,768</b>	<b>\$ 201,830</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, 2020**

	<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	\$ 70,000	\$ 70,000	\$ 113,427	\$ 43,427
Interest Income	50	50	62	12
Other Local Sources	127,500	127,500	107,475	(20,025)
<b>TOTAL REVENUES</b>	<u>197,550</u>	<u>197,550</u>	<u>220,964</u>	<u>23,414</u>
<b>EXPENDITURES</b>				
Other Programs and Services	<u>206,250</u>	<u>206,250</u>	143,704	62,546
<b>TOTAL EXPENDITURES</b>	<u>206,250</u>	<u>206,250</u>	<u>143,704</u>	<u>62,546</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8,700)	(8,700)	77,260	85,960
<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>	(8,700)	(8,700)	17,260	25,960
<b>FUND BALANCE - JULY 1</b>	<u>29,322</u>	<u>29,322</u>	<u>37,642</u>	<u>8,320</u>
<b>FUND BALANCE - JUNE 30</b>	<u><u>\$ 20,622</u></u>	<u><u>\$ 20,622</u></u>	<u><u>\$ 54,902</u></u>	<u><u>\$ 34,280</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, 2020**

	<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	\$ 35,928	\$ 35,928	\$ 32,143	\$ (3,785)
<b>TOTAL REVENUES</b>	<u>57,703</u>	<u>57,703</u>	<u>53,918</u>	<u>(3,785)</u>
<b>EXPENDITURES</b>				
Capital Outlay	87,100	87,100	87,100	-
<b>TOTAL EXPENDITURES</b>	<u>87,100</u>	<u>87,100</u>	<u>87,100</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(29,397)	(29,397)	(33,182)	(3,785)
<b>NET CHANGE IN FUND BALANCES</b>	(29,397)	(29,397)	(33,182)	(3,785)
<b>FUND BALANCE - JULY 1</b>	<u>101,596</u>	<u>101,596</u>	<u>132,953</u>	<u>31,357</u>
<b>FUND BALANCE - JUNE 30</b>	<u><u>\$ 72,199</u></u>	<u><u>\$ 72,199</u></u>	<u><u>\$ 99,771</u></u>	<u><u>\$ 27,572</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, 2020**

**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	\$ 108,244	\$ 128,307	\$ 20,063
Tuition	176,948	177,101	153

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
2020	0.250062%	\$ 3,443,981	\$ 1,754,254	196.32%	65.50%
2019	0.241532%	3,219,284	1,641,961	196.06%	65.50%
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
2020	\$ 243,199	\$ (243,199)	-	\$ 1,907,443	12.75%
2019	223,667	(223,667)	-	1,754,254	12.75%
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, 2020**

**NOTE 1 CHANGES OF ASSUMPTIONS**

**TFFR**

Amounts reported in 2016 and later reflect actuarial assumption 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.

**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, 2020, 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 13, 2020.

### **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 2020-002 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 2020-001 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 13, 2020



**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-001 – Significant Deficiency**

**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.

**2020-002 – Material Weakness**

**Criteria:**

An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

**Condition:**

The District's Business Manager prepares periodic financial information for internal use that meets the needs of the Board. However, the District currently does not prepare financial statements, including accompanying disclosures, as required with accounting principles generally accepted in the United States of America (GAAP). The District has elected to have the auditors assist in the preparation of the financial statements and notes.

**Effect:**

There is an increased risk of material misstatement to the District's financial statements.

**NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Recommendation:**

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

**Response:**

Due to financial, efficiency and time constraints, it has been determined by the District's management that it is in the best interest of the District to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit.