

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2021 and 2020**

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

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**June 30, 2021 and 2020**

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**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**OFFICIAL DIRECTORY**  
**June 30, 2021**

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Mike Schwehr	President
Lee Guscette	Vice-President
Bret Fehr	Board Member
Michele Elston	Board Member
Cindy Christianson	Board Member
Brent Bruner	Board Member
Chad Bakken	Board Member
Eric Broten	Board Member
Robert Harstad	Board Member
Michael Severson	Superintendent
Lindsay Polk	Business Manager



## INDEPENDENT AUDITOR'S REPORT

School Board  
Barnes County North Public School District  
Wimbledon, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Barnes County North Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise Barnes County North Public School District's basic financial statements as listed in the table of contents.

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

The Barnes County North Public School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 modified cash basis financial position of the governmental activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Barnes County North Public School District, as of June 30, 2021 and 2020 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Emphasis of a Matter**

As discussed in Note 13 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barnes County North Public School District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023 on our consideration of Barnes County North Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Barnes County North Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, North Dakota  
January 27, 2023

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**STATEMENTS OF NET POSITION – MODIFIED CASH BASIS**  
**June 30, 2021 and 2020**

	2021		2020	
	Primary Government	BCN Education Foundation	Primary Government	BCN Education Foundation
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 3,463,172	\$ 299,984	\$ 3,080,985	\$ 282,668
Payroll Asset	-	-	13,963	-
Total Current Assets	3,463,172	299,984	3,094,948	282,668
Capital Assets				
Non-depreciable				
Land	126,020	-	126,020	-
Depreciable, net of accumulated depreciation				
Buildings and Improvements	12,708,544	-	13,018,218	-
Vehicles	408,624	-	435,471	-
Equipment	118,622	-	127,638	-
Total Capital Assets	13,361,810	-	13,707,347	-
Total Assets	16,824,982	299,984	16,802,295	282,668
<b>LIABILITIES</b>				
Current Liabilities				
Payroll Liabilities	2,218	-	-	-
Total Current Liabilities	2,218	-	-	-
Due After One Year				
General Obligation Bonds Payable	10,490,000	-	11,210,000	-
Total Long-term Liabilities	10,490,000	-	11,210,000	-
Total Liabilities	10,492,218	-	11,210,000	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,871,810	-	2,497,347	-
Restricted	1,331,272	299,984	1,246,105	282,668
Unrestricted	2,129,682	-	1,848,843	-
Total Net Position	\$ 6,332,764	\$ 299,984	\$ 5,592,295	\$ 282,668

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	BCN Education Foundation
<b>Governmental Activities</b>					
Regular Instruction	\$ 2,120,383	\$ -	\$ 381,478	\$ (1,738,905)	\$ -
Special Instruction	80,045	-	-	(80,045)	-
Vocational Instruction	85,838	-	-	(85,838)	-
Pupil Services	185,243	-	-	(185,243)	-
General Administration Services	178,849	-	-	(178,849)	-
School Administration Services	253,969	-	-	(253,969)	-
Operation and Maintenance	615,383	-	-	(615,383)	-
Pupil Transportation	426,149	-	139,631	(286,518)	-
Student Activities	240,721	-	54,074	(186,647)	-
School Food Services	298,387	9,702	237,909	(50,776)	-
Community Services	106,386	-	-	(106,386)	-
Interest and Other Charges	321,845	-	-	(321,845)	-
	<u>\$ 4,913,198</u>	<u>\$ 9,702</u>	<u>\$ 813,092</u>	(4,090,404)	-
<b>Component Unit</b>					
Regular Instruction	<u>\$ 3,048</u>	<u>\$ -</u>	<u>\$ 1,840</u>	-	(1,208)
<b>General Revenues</b>					
<b>Taxes</b>					
				2,419,199	-
				122,681	-
				2,233,401	-
				24,143	18,524
				31,449	-
				<u>4,830,873</u>	<u>18,524</u>
				740,469	17,316
				<u>5,592,295</u>	<u>282,668</u>
				<u>\$ 6,332,764</u>	<u>\$ 299,984</u>

See Notes to Financial Statements



**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	BCN Education Foundation
Governmental Activities					
Regular Instruction	\$ 1,899,687	\$ -	\$ 101,338	\$ (1,798,349)	\$ -
Special Instruction	69,074	-	-	(69,074)	-
Vocational Instruction	84,165	-	-	(84,165)	-
Pupil Services	192,308	-	-	(192,308)	-
General Administration Services	176,669	-	-	(176,669)	-
School Administration Services	265,656	-	-	(265,656)	-
Operation and Maintenance	644,345	-	2,199	(642,146)	-
Pupil Transportation	466,071	-	228,605	(237,466)	-
Student Activities	212,067	-	92,488	(119,579)	-
School Food Services	247,644	48,198	80,318	(119,128)	-
Community Services	62,982	-	-	(62,982)	-
Interest and Other Charges	1,059,542	-	-	(1,059,542)	-
	<u>\$ 5,380,210</u>	<u>\$ 48,198</u>	<u>\$ 504,948</u>	(4,827,064)	-
Component Unit					
Regular Instruction	<u>\$ 1,170</u>	<u>\$ -</u>	<u>\$ 360</u>	-	(810)
General Revenues					
Taxes					
Taxes Levied for General Purposes				2,164,721	-
Taxes Levied for Building Purposes				351,019	-
State Aid, not restricted for specific purpose				2,239,528	-
Interest and Investment Earnings				28,400	6,258
Miscellaneous				125,676	-
Total General Revenues				<u>4,909,344</u>	<u>6,258</u>
Change in Net Position				82,280	5,448
Net Position, Beginning of Year				<u>5,510,015</u>	<u>277,220</u>
Net Position, End of Year				<u>\$ 5,592,295</u>	<u>\$ 282,668</u>

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2021**

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Other Governmental Funds	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,160,589	\$ 1,252,720	\$ 49,863	\$ 3,463,172
Total Assets	2,160,589	1,252,720	49,863	3,463,172
<b>LIABILITIES</b>				
Payroll Liabilities	2,218	-	-	2,218
Total Liabilities	2,218	-	-	2,218
<b>FUND BALANCE</b>				
Restricted	78,552	1,252,720	-	1,331,272
Assigned	-	-	49,863	49,863
Unassigned	2,079,819	-	-	2,079,819
Fund Balance	2,158,371	1,252,720	49,863	3,460,954
Total Liabilities and Fund Balance	\$ 2,160,589	\$ 1,252,720	\$ 49,863	\$ 3,463,172

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2020**

	Major Funds			
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,868,201	\$ 1,155,445	\$ 57,339	\$ 3,080,985
Payroll Asset	13,963	-	-	13,963
Total Assets	1,882,164	1,155,445	57,339	3,094,948
<b>FUND BALANCE</b>				
Restricted	90,408	1,155,445	252	1,246,105
Assigned	-	-	57,087	57,087
Unassigned	1,791,756	-	-	1,791,756
Fund Balance	1,882,164	1,155,445	57,339	3,094,948
Total Liabilities and Fund Balance	\$ 1,882,164	\$ 1,155,445	\$ 57,339	\$ 3,094,948

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS**  
**TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS**  
**June 30, 2021 and 2020**

Total Fund Balance - Governmental Funds June 30, 2021		\$ 3,460,954
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	17,148,838	
Less Accumulated Depreciation	<u>(3,787,028)</u>	
Net Capital Assets		13,361,810
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable		<u>(10,490,000)</u>
Total Net Position of Governmental Activities June 30, 2021		<u>\$ 6,332,764</u>
Total Fund Balance - Governmental Funds June 30, 2020		\$ 3,094,948
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	17,078,140	
Less Accumulated Depreciation	<u>(3,370,793)</u>	
Net Capital Assets		13,707,347
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable		<u>(11,210,000)</u>
Total Net Position of Governmental Activities June 30, 2020		<u>\$ 5,592,295</u>

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Year Ended June 30, 2021**

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Other Governmental Funds	
<b>REVENUES</b>				
Local Sources	\$ 2,473,273	\$ 122,681	\$ 9,702	\$ 2,605,656
State Sources	2,377,482	-	1,214	2,378,696
Federal Sources	377,028	-	236,695	613,723
Interest Income	18,314	5,806	23	24,143
Miscellaneous Income	31,385	-	64	31,449
Total Revenues	5,277,482	128,487	247,698	5,653,667
<b>EXPENDITURES</b>				
Current				
Regular Instruction	2,112,705	-	-	2,112,705
Special Instruction	80,045	-	-	80,045
Vocational Instruction	85,838	-	-	85,838
Pupil Services	185,243	-	-	185,243
General Administration Services	178,849	-	-	178,849
School Administration Services	253,969	-	-	253,969
Operation and Maintenance	273,159	31,212	-	304,371
Pupil Transportation	399,302	-	-	399,302
Student Activities	240,721	-	-	240,721
School Food Services	131,465	-	166,922	298,387
Community Services	106,386	-	-	106,386
Debt Service				
Principal	720,000	-	-	720,000
Interest and Other Charges	321,845	-	-	321,845
Total Expenditures	5,089,527	31,212	166,922	5,287,661
Excess of Revenues over Expenditures	187,955	97,275	80,776	366,006
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfer In	88,252	-	-	88,252
Operating Transfer Out	-	-	(88,252)	(88,252)
Total Other Financing Sources (Uses)	88,252	-	(88,252)	-
NET CHANGE IN FUND BALANCE	276,207	97,275	(7,476)	366,006
FUND BALANCE, BEGINNING OF YEAR	1,882,164	1,155,445	57,339	3,094,948
FUND BALANCE, END OF YEAR	\$ 2,158,371	\$ 1,252,720	\$ 49,863	\$ 3,460,954

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Year Ended June 30, 2020**

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Other Governmental Funds	
<b>REVENUES</b>				
Local Sources	\$ 2,257,209	\$ 351,019	\$ 48,198	\$ 2,656,426
State Sources	2,471,904	-	1,573	2,473,477
Federal Sources	99,766	-	78,745	178,511
Interest Income	24,632	3,534	234	28,400
Miscellaneous Income	42,316	83,213	147	125,676
Total Revenues	4,895,827	437,766	128,897	5,462,490
<b>EXPENDITURES</b>				
Current				
Regular Instruction	1,892,009	-	-	1,892,009
Special Instruction	69,074	-	-	69,074
Vocational Instruction	84,165	-	-	84,165
Pupil Services	269,092	-	-	269,092
General Administration Services	176,669	-	-	176,669
School Administration Services	265,656	-	-	265,656
Operation and Maintenance	243,109	78,346	-	321,455
Pupil Transportation	471,273	-	-	471,273
Student Activities	212,067	-	-	212,067
School Food Services	115,370	-	132,274	247,644
Community Services	62,982	-	-	62,982
Debt Service				
Principal	11,914,000	-	-	11,914,000
Interest and Other Charges	733,633	82,947	242,962	1,059,542
Facilities Acquisition and Construction	-	19,150	-	19,150
Total Expenditures	16,509,099	180,443	375,236	17,064,778
Excess (Deficiency) of Revenues over Expenditures	(11,613,272)	257,323	(246,339)	(11,602,288)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Long-term Debt	11,805,000	-	-	11,805,000
Operating Transfer In	-	90,000	-	90,000
Operating Transfer Out	(90,000)	-	-	(90,000)
Total Other Financing Sources (Uses)	11,715,000	90,000	-	11,805,000
NET CHANGE IN FUND BALANCE	101,728	347,323	(246,339)	202,712
FUND BALANCE, BEGINNING OF YEAR	1,780,436	808,122	303,678	2,892,236
FUND BALANCE, END OF YEAR	<u>\$ 1,882,164</u>	<u>\$ 1,155,445</u>	<u>\$ 57,339</u>	<u>\$ 3,094,948</u>

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**  
**Years Ended June 30, 2021 and 2020**

Net Change in Fund Balances - Total Government Funds June 30, 2021	\$ 366,006
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(345,537)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	720,000
Change in Net Position of Governmental Activities June 30, 2021	<u>\$ 740,469</u>
Net Change in Fund Balances - Total Government Funds June 30, 2020	\$ 202,712
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(229,432)
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.	(11,805,000)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	11,914,000
Change in Net Position of Governmental Activities June 30, 2020	<u>\$ 82,280</u>

See Notes to Financial Statements

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Barnes County North Public School District, Wimbledon, North Dakota (the District) are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The accompanying financial statements present the activities of the Barnes County North Public School District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Barnes County North Public School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on Barnes County North Public School District.

Based on these criteria, there two component units to be included within the Barnes County North Public School District as a reporting entity.

*Barnes County North Public School District Education Foundation (BCN Foundation)* – The BCN Foundation was formed to complement the Barnes County North Public School District's efforts to provide quality education. Board members of the District sit on the nominating committee of the BCN Foundation that nominates board members. Thus, the entity was included as a discretely presented component unit of the District.

*Barnes County North Public School District Building Authority (Building Authority)* – The Building Authority was formed to aid, assist and foster the planning, development, construction, renovation and improvement of school buildings, furnishings, fixtures, equipment and related facilities for the Barnes County North Public School District, all for the purpose of securing adequate schools and related facilities for the education of the children of the Barnes County North Public School District and the general welfare of the District. The Building Authority's board members are the District's board members, and they make the operating and financial decisions of the Building Authority. The Building Authority's only activity is a lease of real property to one tenant, the District. Thus, the entity was included as a blended component unit of the District in a separate fund.

**B. Basis of Presentation, Basis of Accounting**

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Barnes County North Public School District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.



**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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The District reports the following major governmental funds:

1. *General Fund* – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. *Capital Projects Fund* – Used to account for financial resources related to capital outlays made by the District.

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds
  - a. *Food Service Fund* – Used to account for food service revenues and expenditures.
  - b. *Barnes County North Public School District Building Authority* – Used to account and report the proceeds of specific revenue resources that are restricted or committed to expenditure for specific purpose.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**D. Cash and Investments**

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

**E. Capital Assets**

Capital assets include land, buildings, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

**F. Vacation Pay and Sick Pay**

The expenditures for vacation and sick pay are recognized when payment is made. Full time employees are allowed up to 40 hours of sick leave per year that accumulates to a maximum 400 hours. Full time employees between 1-9 years of service are allowed 80 hours per year accumulative to 160 hours, 10-19 years of service are allowed 120 hours per year accumulative to 240 hours, 20 or more years of service are allowed 160 hours per year accumulative to 320 hours.

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**H. Fund Balance Classifications**

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amount in those funds can be spent. These classifications are as follows:

1. Nonspendable
  - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
  - a. Fund balance is reported as restricted when constraints are placed on the use of resources 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.
3. Committed
  - a. A 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, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
  - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
5. Unassigned
  - a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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**I. Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District’s financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**J. Interfund Transactions**

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2021 and 2020.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designed by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. For the years ended June 30, 2021 and 2020, the District’s carrying amounts of deposits were \$3,463,172 and \$3,080,985. The bank balances were \$3,572,717 and \$3,942,358. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by pledging financial institution’s agents in the government’s name.

*Credit Risk:*

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

4. Obligations of the state.

*Interest Rate Risk:*

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

*Concentration of Credit Risk:*

The District does not have a limit on the amount it may invest in any one issuer.

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2021 and 2020:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 126,020	\$ -	\$ -	\$ 126,020
Total Capital Assets, not being depreciated	126,020	-	-	126,020
Capital Assets, being depreciated				
Buildings and Improvements	15,464,591	-	-	15,464,591
Vehicles	1,265,736	57,500	-	1,323,236
Equipment	221,793	13,198	-	234,991
Total Capital Assets, being depreciated	16,952,120	70,698	-	17,022,818
Less Accumulated Depreciation for				
Buildings and Improvements	2,446,373	309,674	-	2,756,047
Vehicles	830,265	84,347	-	914,612
Equipment	94,155	22,214	-	116,369
Total Accumulated Depreciation	3,370,793	416,235	-	3,787,028
Total Capital Assets Being Depreciated, net	13,581,327	(345,537)	-	13,235,790
Governmental Activities Capital Assets, net	\$ 13,707,347	\$ (345,537)	\$ -	\$ 13,361,810

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 126,020	\$ -	\$ -	\$ 126,020
Total Capital Assets, not being depreciated	126,020	-	-	126,020
Capital Assets, being depreciated				
Buildings and Improvements	15,445,441	19,150	-	15,464,591
Vehicles	1,181,936	83,800	-	1,265,736
Equipment	145,009	76,784	-	221,793
Total Capital Assets, being depreciated	16,772,386	179,734	-	16,952,120
Less Accumulated Depreciation for				
Buildings and Improvements	2,136,699	309,674	-	2,446,373
Vehicles	751,667	78,598	-	830,265
Equipment	73,261	20,894	-	94,155
Total Accumulated Depreciation	2,961,627	409,166	-	3,370,793
Total Capital Assets Being Depreciated, net	13,810,759	(229,432)	-	13,581,327
Governmental Activities Capital Assets, net	\$ 13,936,779	\$ (229,432)	\$ -	\$ 13,707,347

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

	2021	2020
Governmental Activities		
Regular Instruction	\$ 7,678	\$ 7,678
Operation and Maintenance	324,210	322,890
Pupil Transportation	84,347	78,598
Total Depreciation Expense - Governmental Activities	\$ 416,235	\$ 409,166

**NOTE 5 – LONG-TERM LIABILITIES**

During the years ended June 30, 2021 and 2020, the following changes occurred in long-term liabilities:

	Long-term Liabilities at July 1, 2020	Increases	Decreases	Long-term Liabilities at June 30, 2021	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 11,210,000	\$ -	\$ (720,000)	\$ 10,490,000	\$ -
Total - Governmental Activities	\$ 11,210,000	\$ -	\$ (720,000)	\$ 10,490,000	\$ -

	Long-term Liabilities at July 1, 2019	Increases	Decreases	Long-term Liabilities at June 30, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 11,295,000	\$ 11,805,000	\$(11,890,000)	\$ 11,210,000	\$ -
Capital Leases Payable	24,000	-	(24,000)	-	-
Total - Governmental Activities	\$ 11,319,000	\$ 11,805,000	\$(11,914,000)	\$ 11,210,000	\$ -

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

Outstanding debt at June 30, 2021 and 2020 are comprised of the following individual issue:

1. Taxable State Aid Refunding Certificates of Indebtedness, Series 2019 – From an original issuance of \$11,805,000 at interest rates of 4.00%-4.50%. The interest and principal are payable through August 1, 2033.

The debt service requirements are as follows:

\$11,805,000 Taxable State Aid Refunding Certificates of Indebtedness, Series 2019  
(Dated December 4, 2019, Due annually to August 1, 2033)  
(Interest paid semi-annually on February 1st and August 1st)

Year Ending June 30,	Rate	Principal	Interest	Payment
2022	3.00%	\$ -	\$ 311,044	\$ 311,044
2023	3.00%	745,000	289,069	1,034,069
2024	3.00%	765,000	266,419	1,031,419
2025	3.00%	790,000	243,094	1,033,094
2026	3.00%	815,000	219,019	1,034,019
2027-2031	2.50-2.85%	4,420,000	750,212	5,170,212
2032-2034	2.90-3.00%	2,955,000	134,297	3,089,297
Totals		\$ 10,490,000	\$ 2,213,154	\$ 12,703,154

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage.

The District also participates in the State Bonding Fund. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the years ended June 30, 2021 and 2020, no claims were filed for unemployment benefits.

**NOTE 7 – PENSION PLANS**

**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.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-Grandfathered*

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer 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. Re-funded 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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021 and 2020, if the District were to report on the full accrual basis, a liability of \$3,524,984 and \$3,107,155 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District’s proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2021 and 2020 the District’s proportion was .230315% and .225605%. The District’s pension contributions for the years ended June 30, 2021 and 2020 was \$219,587 and \$214,266.

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living-adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.



**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 7.75% to 7.25%.
- Inflation assumption lowered from 2.75% to 2.30%.
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

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 pension plan’s target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.90%
Global Fixed Income	23%	1.30%
Global Real Assets	18%	5.00%
Cash Equivalents	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. 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, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the 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 July 1, 2020. 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, 2020.

**Pension Plan Fiduciary Net Position**

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

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

**NOTE 8 – RETIREMENT PLAN**

The District sponsors a 403(b) plan for employees, total contributions for the years ended June 30, 2021 and 2020 were \$13,777 and \$12,845.

**NOTE 9 – JOINT VENTURE**

The District participates in the following joint ventures:

**Sheyenne Valley Special Education Unit**

Formed for the purpose of providing special education services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Sheyenne Valley Special Education Unit.

**Sheyenne Valley Area Career and Tech Center**

Formed for the purpose of providing vocational services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are school board members. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from the Sheyenne Valley Area Career and Tech Center.

**NOTE 10 – NONMONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2021 and 2020 was \$15,855 and \$13,996.

**NOTE 11 – CONCENTRATIONS**

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

**NOTE 12 – TRANSFERS**

The following is a list of transfers that occurred during the years ended June 30, 2021 and 2020:

Fund	2021		2020	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ 88,252	\$ -	\$ -	\$ 90,000
Capital Projects	-	-	90,000	-
Food Service	-	88,000	-	-
BCN Building Authority	-	252	-	-
Totals	<u>\$ 88,252</u>	<u>\$ 88,252</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>

Transfers from the food service fund to the general fund were for food service expenditures in the general fund and transfers from the BCN Building Authority to the general fund were to close out the fund. Transfers from the general fund to the capital projects fund were for expenditures related to debt refinancing.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Notes to Financial Statements – Continued**

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**NOTE 13 – ADOPTION OF NEW STANDARD**

As of July 1, 2019, the District adopted GASB Statement No. 84, Fiduciary Activities. Due to the new standard, the District’s student activity accounts will now be held and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net position and fund balance.

Net Position, July 1, 2019 as previously reported	\$ 5,444,357
Restatement for fiduciary accounting	
Student Activity Fund Balance	<u>65,658</u>
Net Position July 1, 2019 as restated	<u>\$ 5,510,015</u>
General Fund Balance July 1, 2019 as previously reported	\$ 1,714,778
Restatement for fiduciary accounting	
Student Activity Fund Balance	<u>65,658</u>
General Fund Balance July 1, 2019 as restated	<u>\$ 1,780,436</u>

**NOTE 14 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 27, 2023, the date on which the financial statements were available to be issued.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local Sources	\$ 2,233,269	\$ 2,233,269	\$ 2,473,273	\$ 240,004
State Sources	2,402,452	2,402,452	2,377,482	(24,970)
Federal Sources	125,309	125,309	377,028	251,719
Interest Income	-	-	18,314	18,314
Miscellaneous Income	-	-	31,385	31,385
<b>Total Revenues</b>	<b>4,761,030</b>	<b>4,761,030</b>	<b>5,277,482</b>	<b>516,452</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Regular Instruction	1,989,250	1,989,250	2,112,705	(123,455)
Special Instruction	78,473	78,473	80,045	(1,572)
Vocational Instruction	89,606	89,606	85,838	3,768
Pupil Services	236,458	236,458	185,243	51,215
General Administration Services	181,200	181,200	178,849	2,351
School Administration Services	277,654	277,654	253,969	23,685
Operation and Maintenance	257,038	257,038	273,159	(16,121)
Pupil Transportation	529,436	529,436	399,302	130,134
Student Activities	262,234	262,234	240,721	21,513
School Food Services	143,939	143,939	131,465	12,474
Community Services	105,568	105,568	106,386	(818)
Principal	720,000	720,000	720,000	-
Interest and Other Charges	321,845	321,845	321,845	-
<b>Total Expenditures</b>	<b>5,192,701</b>	<b>5,192,701</b>	<b>5,089,527</b>	<b>103,174</b>
Excess (Deficiency) of Revenues over Expenditures	(431,671)	(431,671)	187,955	619,626
<b>OTHER FINANCING SOURCES</b>				
Operating Transfer In	-	-	88,252	88,252
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>88,252</b>	<b>88,252</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(431,671)</b>	<b>(431,671)</b>	<b>276,207</b>	<b>707,878</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<b>1,882,164</b>	
<b>FUND BALANCE, END OF YEAR</b>			<b>\$ 2,158,371</b>	

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local Sources	\$ 2,282,614	\$ 2,282,614	\$ 2,257,209	\$ (25,405)
State Sources	2,770,803	2,770,803	2,471,904	(298,899)
Federal Sources	112,357	112,357	99,766	(12,591)
Interest Income	-	-	24,632	24,632
Miscellaneous Income	-	-	42,316	42,316
<b>Total Revenues</b>	<b>5,165,774</b>	<b>5,165,774</b>	<b>4,895,827</b>	<b>(269,947)</b>
<b>EXPENDITURES</b>				
Current				
Regular Instruction	2,065,062	2,065,062	1,892,009	173,053
Special Instruction	76,000	76,000	69,074	6,926
Vocational Instruction	93,400	93,400	84,165	9,235
Pupil Services	242,850	242,850	269,092	(26,242)
General Administration Services	185,100	185,100	176,669	8,431
School Administration Services	295,580	295,580	265,656	29,924
Operation and Maintenance	265,150	265,150	243,109	22,041
Pupil Transportation	563,900	563,900	471,273	92,627
Student Activities	277,850	277,850	212,067	65,783
School Food Services	135,750	135,750	115,370	20,380
Community Services	58,550	58,550	62,982	(4,432)
Principal	11,914,000	11,914,000	11,914,000	-
Interest and Other Charges	735,000	735,000	733,633	1,367
<b>Total Expenditures</b>	<b>16,908,192</b>	<b>16,908,192</b>	<b>16,509,099</b>	<b>399,093</b>
Excess (Deficiency) of Revenues over Expenditures	(11,742,418)	(11,742,418)	(11,613,272)	129,146
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Long-term Debt	11,805,000	11,805,000	11,805,000	-
Operating Transfer Out	-	-	(90,000)	(90,000)
<b>Total Other Financing Sources (Uses)</b>	<b>11,805,000</b>	<b>11,805,000</b>	<b>11,715,000</b>	<b>(90,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>62,582</b>	<b>62,582</b>	<b>101,728</b>	<b>39,146</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<b>1,780,436</b>	
<b>FUND BALANCE, END OF YEAR</b>			<b>\$ 1,882,164</b>	

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS**  
**June 30, 2021**

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	<u>Food Service</u>	<u>BCN Building Authority</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 49,863	\$ -	\$ 49,863
Total Assets	49,863	-	49,863
FUND BALANCE			
Assigned	49,863	-	49,863
Fund Balance	49,863	-	49,863
Total Liabilities and Fund Balance	<u>\$ 49,863</u>	<u>\$ -</u>	<u>\$ 49,863</u>

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS**  
**June 30, 2020**

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	<u>Food Service</u>	<u>BCN Building Authority</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 57,087	\$ 252	\$ 57,339
Total Assets	57,087	252	57,339
FUND BALANCE			
Restricted	-	252	252
Assigned	57,087	-	57,087
Fund Balance	57,087	252	57,339
Total Liabilities and Fund Balance	<u>\$ 57,087</u>	<u>\$ 252</u>	<u>\$ 57,339</u>

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**  
**Year Ended June 30, 2021**

	Food Service	BCN Building Authority	Total Other Governmental Funds
<b>REVENUES</b>			
Local Sources	\$ 9,702	\$ -	\$ 9,702
State Sources	1,214	-	1,214
Federal Sources	236,695	-	236,695
Interest Income	23	-	23
Miscellaneous Income	64	-	64
Total Revenues	247,698	-	247,698
<b>EXPENDITURES</b>			
Current			
School Food Services	166,922	-	166,922
Total Expenditures	166,922	-	166,922
Excess of Revenues over Expenditures	80,776	-	80,776
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfer Out	(88,000)	(252)	(88,252)
Total Other Financing Sources (Uses)	(88,000)	(252)	(88,252)
<b>NET CHANGE IN FUND BALANCE</b>	(7,224)	(252)	(7,476)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	57,087	252	57,339
<b>FUND BALANCE, END OF YEAR</b>	\$ 49,863	\$ -	\$ 49,863



**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**  
**Year Ended June 30, 2020**

	Food Service	BCN Building Authority	Total Other Governmental Funds
<b>REVENUES</b>			
Local Sources	\$ 48,198	\$ -	\$ 48,198
State Sources	1,573	-	1,573
Federal Sources	78,745	-	78,745
Interest Income	29	205	234
Miscellaneous Income	147	-	147
Total Revenues	<u>128,692</u>	<u>205</u>	<u>128,897</u>
<b>EXPENDITURES</b>			
Current			
School Food Services	132,274	-	132,274
Debt Service			
Interest and Other Charges	-	242,962	242,962
Total Expenditures	<u>132,274</u>	<u>242,962</u>	<u>375,236</u>
Excess (Deficiency) of Revenues over Expenditures	(3,582)	(242,757)	(246,339)
FUND BALANCE, BEGINNING OF YEAR	<u>60,669</u>	<u>243,009</u>	<u>303,678</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 57,087</u></u>	<u><u>\$ 252</u></u>	<u><u>\$ 57,339</u></u>



**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***

School Board  
Barnes County North Public School District  
Wimbledon, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate discreetly presented component unit, and the aggregate remaining fund information of Barnes County North Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Barnes County North Public School District's basic financial statements, and have issued our report thereon dated January 27, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Barnes County North Public School District's internal control over financial reporting (internal control) as a basis for designing 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 Barnes County North Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2021-001 and 2021-002).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Barnes County North Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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*.

## **District's Response to Findings**

Government Auditing Standards require the auditor to perform limited procedures on the Barnes County North Public School District's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The Barnes County North Public School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
January 27, 2023

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**SCHEDULE OF CURRENT YEAR FINDINGS**  
**Years ended June 30, 2021 and 2020**

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*2021-001 INADEQUATE SEGREGATION OF DUTIES*

**Criteria**

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

**Condition**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

**Effect or Potential Effect**

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

**Cause**

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

**Views of Responsible Officials**

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Schedule of Current Year Findings – Continued**

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*2021-002 FINANCIAL STATEMENT PREPARATION*

**Criteria**

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected.

**Condition**

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

**Effect of Potential Effect**

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

**Recommendation**

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

**Views of Responsible Officials**

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

**BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT**  
**Wimbledon, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Years ended June 30, 2021 and 2020**

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**Prior Financial Statement Findings**

*2019-001*

A material weakness was reported for inadequate segregation of duties.

**Corrective Action Plan**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-001.

*2019-002*

A material weakness was reported for financial statement preparation.

**Corrective Action Plan**

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit finding 2021-002.