

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
ROSTER OF SCHOOL OFFICIALS
AT JUNE 30, 2023

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 PSD Addendum
Northwood, North Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwood PSD Addendum as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northwood Public School District No. 129 as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northwood Public School District No. 129 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwood Public School District No. 129's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northwood Public School District No. 129's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwood Public School District No. 129's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included on page 1. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of Northwood PSD Addendum'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

December 13, 2023

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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 \$ 1,576,517
 - Capital Projects 402,174
 - Debt Service 326,276
 - Food Service 62,213
 - Special Reserve 91,828
 - Student Activities 170,326
 - Northwood School Foundation 5,627
- The General Fund had \$4,871,346 in revenue, which primarily consisted of the state and federal funding, property tax levies, state grants and federal grants. There was \$4,780,149 in expenditures, which primarily consisted of salaries, transportation, and material and supplies for instruction.
- The Capital Projects Fund had \$128,172 in revenue, which primarily consisted of property taxes. There was \$74,944 in expenditures, which consisted primarily of capital outlay for purchases of capital assets throughout the year.
- The Debt Service Fund had \$590,767 in revenue which consisted of property tax levies. There was \$564,518 in expenditures, which consisted of bond and state loan payments.
- The Food Service Fund had \$279,841 in revenue, which consisted of sales of meals, federal reimbursement, federal grants, and interest income. There was \$340,073 in expenditures, which consisted of salaries, food, and supplies.
- The Special Reserve Fund had \$38,451 in revenue, which consisted of property tax levies. There was \$58,793 in expenditures.
- The student activity fund had \$406,428 in revenue and \$411,745 in expenditures, which related to student activity events and fundraisers.
- The Northwood School Foundation had \$27,175 in revenue, which consisted of private donations and investment income

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 required supplementary information in addition to the basic financial statements themselves.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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.

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.

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 \$11,544,531 as of June 30, 2023.

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, 2023

Net Position

Below is a comparative statement of net position of the Northwood Public School District No. 129 for the years ended June 30, 2023 and 2022:

	<u>6/30/2023</u>	<u>6/30/2022</u>
ASSETS		
Current Assets	\$ 2,856,041	\$ 2,771,480
Noncurrent Assets	17,467,216	17,779,964
TOTAL ASSETS	<u>20,323,257</u>	<u>20,551,444</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>902,848</u>	 <u>708,097</u>
 LIABILITIES		
Current Liabilities	658,125	655,250
Noncurrent Liabilities	8,913,113	8,359,111
TOTAL LIABILITIES	<u>9,571,238</u>	<u>9,014,361</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>110,336</u>	 <u>1,059,798</u>
 NET POSITION		
Net Investment in Capital Assets	11,610,968	11,433,751
Restricted for Capital Projects	410,106	355,888
Restricted for Debt Service	342,494	309,020
Restricted for Student Activities	173,602	178,919
Restricted for Special Reserve	94,208	114,253
Unrestricted (Deficit)	(1,086,847)	(1,206,449)
TOTAL NET POSITION	<u>\$ 11,544,531</u>	<u>\$ 11,185,382</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

The following presents comparative changes in net position for the years ended June 30, 2023 and 2022:

	<u>6/30/2023</u>	<u>6/30/2022</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 797,570	\$ 670,729
Operating Grants and Contributions	865,306	885,502
Capital Grants and Contributions	-	953
Total Program Revenues	<u>1,662,876</u>	<u>1,557,184</u>
General Revenues:		
Property Taxes	1,538,224	1,467,963
Federal and State Aid	3,066,720	2,966,339
Other Revenues	12,340	362,393
Total General Revenues	<u>4,617,284</u>	<u>4,796,695</u>
TOTAL REVENUES	<u>6,280,160</u>	<u>6,353,879</u>
EXPENSES		
Regular Programs	2,594,945	2,694,736
Special Education	128,662	117,065
Vocational Education	148,905	146,529
Federal Programs	571,408	365,708
Tuition	235,121	223,443
Transportation	972,666	876,282
Operations and Maintenance	25,564	825
Other Programs and Services	1,190,872	1,130,259
Interest on Long-Term Debt	125,950	123,361
Investment Losses	(73,082)	33,694
TOTAL EXPENSES	<u>5,921,011</u>	<u>5,711,902</u>
CHANGE IN NET POSITION	<u><u>\$ 359,149</u></u>	<u><u>\$ 641,977</u></u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

As of June 30, 2023, the District had \$17,137,887 invested in capital assets. Following are the balances as of June 30, 2023.

	Balance 6/30/22	Additions	Disposals	Tansfers	Balance 6/30/23
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	\$ 103,850	\$ -	\$ -	\$ -	\$ 103,850
Construction in Progress	10,000	-	-	(10,000)	-
Total	<u>113,850</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>103,850</u>
Capital Assets Being Depreciated					
Buildings	21,110,745	-	-	-	21,110,745
Vehicles	644,432	70,293	36,400	-	678,325
Equipment	274,209	86,485	-	10,000	370,694
Total	<u>22,029,386</u>	<u>156,778</u>	<u>36,400</u>	<u>10,000</u>	<u>22,159,764</u>
Less Accumulated Depreciation					
Buildings	3,964,816	436,572	-	-	4,401,388
Vehicles	482,255	45,144	36,400	-	490,999
Equipment	216,273	17,067	-	-	233,340
Total	<u>4,663,344</u>	<u>498,783</u>	<u>36,400</u>	<u>-</u>	<u>5,125,727</u>
Net Capital Assets Being Depreciated	<u>17,366,042</u>	<u>(342,005)</u>	<u>-</u>	<u>-</u>	<u>17,034,037</u>
Net Capital Assets for Governmental Activities	<u>\$ 17,479,892</u>	<u>\$ (342,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,137,887</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Debt Administration

As of June 30, 2023, the District had \$9,454,604 in outstanding long-term debt, of which \$541,491 is due within one year. The District had an overall increase in long-term debt by \$569,463 from June 30, 2022. See below and Note 4 for a description of the District's long-term debt.

Title	Interest Rate	Original Maturity	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 53,933	\$ -	\$ 26,778	\$ 27,155	\$ 27,155
General Obligation Bonds 2012B	1.00%	11/1/2024	240,000	-	75,000	165,000	80,000
Refunding Improvement Bonds	4.25%	5/1/2033	435,000	-	35,000	400,000	35,000
General Obligation Bonds	2.00%	8/1/2023	275,000	-	135,000	140,000	140,000
General Obligation Bonds, Series 2019	2.00%	5/1/2039	5,042,208	-	247,444	4,794,764	259,336
Net Pension Liability			2,839,000	1,637,194	548,509	3,927,685	-
			<u>\$ 8,885,141</u>	<u>\$ 1,637,194</u>	<u>\$ 1,067,731</u>	<u>\$ 9,454,604</u>	<u>\$ 541,491</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2023, were \$4,871,346.
- General fund budgeted revenues compared to actual revenue varied slightly from line item to line item with actual revenues exceeding budgeted by \$123.
- The District's total General Fund expenditures for the fiscal year ended June 30, 2023, were \$4,780,149.
- General fund budgeted expenditures to actual expenditures varied slightly from line item to line item with budgeted expenditures exceeding actual by \$196,099.

The majority of revenue was derived from local taxes and state funding. These two revenue sources make up about 82% of total revenue.

Regular instruction accounts for approximately 46% 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, 2023

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, 2023

	Governmental Activities
ASSETS	
Cash	\$ 2,634,961
Investments	329,329
Accounts Receivable	126,558
Funds Held by the County	6,629
Taxes Receivable	87,893
Capital Assets:	
Non Depreciable:	
Land	103,850
Depreciable:	
Buildings	21,110,745
Vehicles	678,325
Equipment	370,694
Less: Accumulated Depreciation	(5,125,727)
TOTAL ASSETS	20,323,257
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan -TFFR	902,848
LIABILITIES	
Accounts Payable	61,348
Payroll and Payroll Withholdings	34,882
Interest Payable	20,404
Bonds Payable-Due Within One Year	541,491
Long-Term Liabilities:	
Bonds Payable (Net of Current Maturities)	4,985,428
Net Pension Liability	3,927,685
TOTAL LIABILITIES	9,571,238
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan-TFFR	110,336
NET POSITION	
Net Investment in Capital Assets	11,610,968
Restricted for Capital Projects	410,106
Restricted for Debt Service	342,494
Restricted for Student Activities	173,602
Restricted-Special Reserve	94,208
Unrestricted (Deficit)	(1,086,847)
TOTAL NET POSITION	\$ 11,544,531

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Current					
Regular programs	\$ 2,594,945	\$ 167,341	\$ -	\$ -	\$ (2,427,604)
Special education	128,662	73,926	-	-	(54,736)
Vocational education	148,905	-	5,477	-	(143,428)
Federal programs	571,408	-	550,877	-	(20,531)
Tuition	235,121	-	-	-	(235,121)
Transportation	972,666	-	117,127	-	(855,539)
Operations and maintenance	25,564	-	-	-	(25,564)
Other programs and services	1,190,872	556,303	191,825	-	(442,744)
Gain on investments	(73,082)	-	-	-	73,082
Debt Service					
Interest on long-term debt	125,950	-	-	-	(125,950)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,921,011	\$ 797,570	\$ 865,306	\$ -	(4,258,135)

GENERAL REVENUES

Property taxes, levied for general purposes	780,834
Property taxes, levied for capital projects	128,172
Property taxes, levied for debt service	590,767
Property taxes, levied for special reserve	38,451
State aid not restricted to a specific function	3,066,720
Other revenues	12,340
TOTAL GENERAL REVENUES	4,617,284

Change in net position	359,149
Net position-beginning	11,185,382
Net position-ending	\$ 11,544,531

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Food Service Fund	Special Reserve Fund	Student Activity Fund	Northwood School Foundation	Total Governmental Funds
ASSETS								
Cash	\$ 1,576,517	\$ 402,174	\$ 326,276	\$ 62,213	\$ 91,828	\$ 170,326	\$ 5,627	\$ 2,634,961
Investments	-	-	-	-	-	-	329,329	329,329
Accounts receivable	123,058	-	-	-	-	3,500	-	126,558
Funds held by the County	3,334	556	2,572	-	167	-	-	6,629
Taxes receivable	44,254	7,376	34,050	-	2,213	-	-	87,893
TOTAL ASSETS	<u>\$ 1,747,163</u>	<u>\$ 410,106</u>	<u>\$ 362,898</u>	<u>\$ 62,213</u>	<u>\$ 94,208</u>	<u>\$ 173,826</u>	<u>\$ 334,956</u>	<u>\$ 3,185,370</u>
LIABILITIES								
Accounts payable	\$ 61,124	\$ -	\$ -	\$ -	\$ -	\$ 224	\$ -	\$ 61,348
Payroll and payroll withholdings	34,882	-	-	-	-	-	-	34,882
TOTAL LIABILITIES	<u>96,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224</u>	<u>-</u>	<u>96,230</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable property taxes	44,254	7,376	34,050	-	2,213	-	-	87,893
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>44,254</u>	<u>7,376</u>	<u>34,050</u>	<u>-</u>	<u>2,213</u>	<u>-</u>	<u>-</u>	<u>87,893</u>
FUND BALANCES								
Restricted:								
Restricted for capital projects	-	402,730	-	-	-	-	-	402,730
Restricted for debt service	-	-	328,848	-	-	-	-	328,848
Restricted for student activities	-	-	-	-	-	173,602	-	173,602
Restricted for special reserve	-	-	-	-	91,995	-	-	91,995
Assigned:								
School lunch	-	-	-	62,213	-	-	-	62,213
Scholarships	-	-	-	-	-	-	334,956	334,956
Unassigned	1,606,903	-	-	-	-	-	-	1,606,903
TOTAL FUND BALANCES	<u>1,606,903</u>	<u>402,730</u>	<u>328,848</u>	<u>62,213</u>	<u>91,995</u>	<u>173,602</u>	<u>334,956</u>	<u>3,001,247</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,747,163</u>	<u>\$ 410,106</u>	<u>\$ 362,898</u>	<u>\$ 62,213</u>	<u>\$ 94,208</u>	<u>\$ 173,826</u>	<u>\$ 334,956</u>	<u>\$ 3,185,370</u>

See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds	\$ 3,001,247
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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	21,110,745	
Vehicles	678,325	
Equipment	370,694	
Construction in Progress	-	
Less: accumulated depreciation	<u>(5,125,727)</u>	17,137,887

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.	792,512
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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	(5,526,919)	
Net Pension Liability	(3,927,685)	

Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental fund.	(20,404)
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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.	<u>87,893</u>
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Total net position - governmental activities	<u><u>\$ 11,544,531</u></u>
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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, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Food Service Fund	Special Reserve Fund	Student Activity Fund	Northwood School Foundation	Total Governmental Funds
REVENUES								
Property Taxes	\$ 769,772	\$ 128,172	\$ 590,767	\$ -	\$ 38,451	\$ -	\$ -	\$ 1,527,162
Revenue from State Sources	3,202,807	-	-	440	-	-	-	3,203,247
Revenue from Federal Sources	572,293	-	-	144,514	-	-	-	716,807
Investment Income (Loss)	45,215	-	-	692	-	-	27,175	73,082
Other Local Sources	281,259	-	-	134,195	-	406,428	-	821,882
TOTAL REVENUES	<u>4,871,346</u>	<u>128,172</u>	<u>590,767</u>	<u>279,841</u>	<u>38,451</u>	<u>406,428</u>	<u>27,175</u>	<u>6,342,180</u>
EXPENDITURES								
Current								
Regular Programs	2,196,834	-	-	-	-	-	-	2,196,834
Special Education	128,662	-	-	-	-	-	-	128,662
Vocational Education	148,905	-	-	-	-	-	-	148,905
Federal Programs	571,408	-	-	-	-	-	-	571,408
Tuition	235,121	-	-	-	-	-	-	235,121
Transportation	927,522	-	-	-	-	-	-	927,522
Operation and Maintenance	-	25,564	-	-	-	-	-	25,564
Other Programs and Services	439,054	-	-	340,073	-	411,745	-	1,190,872
Capital Outlay	97,985	-	-	-	58,793	-	-	156,778
Debt Service								
Principal	33,750	35,000	450,472	-	-	-	-	519,222
Interest and Fiscal Charges	908	14,380	114,046	-	-	-	-	129,334
TOTAL EXPENDITURES	<u>4,780,149</u>	<u>74,944</u>	<u>564,518</u>	<u>340,073</u>	<u>58,793</u>	<u>411,745</u>	<u>-</u>	<u>6,230,222</u>
NET CHANGE IN FUND BALANCE	91,197	53,228	26,249	(60,232)	(20,342)	(5,317)	27,175	111,958
FUND BALANCE, BEGINNING OF YEAR	<u>1,515,706</u>	<u>349,502</u>	<u>302,599</u>	<u>122,445</u>	<u>112,337</u>	<u>178,919</u>	<u>307,781</u>	<u>2,889,289</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,606,903</u>	<u>\$ 402,730</u>	<u>\$ 328,848</u>	<u>\$ 62,213</u>	<u>\$ 91,995</u>	<u>\$ 173,602</u>	<u>\$ 334,956</u>	<u>\$ 3,001,247</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, 2023

Total net change in fund balances - governmental funds	\$ 111,958
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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	\$ 156,778	
Depreciation expense	<u>(498,783)</u>	(342,005)

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.	519,222
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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.	3,384
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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	11,062

Changes in deferred outflows and inflows of resources related to net pension liability	1,144,213
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Changes in net pension liability	<u>(1,088,685)</u>
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Change in net position - governmental activities	<u><u>\$ 359,149</u></u>
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See Notes to the Financial Statements

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 the Northwood School Foundation meets the above criteria and, therefore, has included the Foundation as a blended 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.

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, 2023

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 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.

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, 2023

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 Fund

This fund accounts for the financial resources associated with the District's food programs.

Special Reserve Fund

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

Student Activity Fund

This fund accounts for monies used to support co-curricular and extra-curricular student activities.

Northwood School Foundation

This fund accounts for private contributions used to advance the cause of education through scholarships.

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.

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.

Investments

Investments are recorded at fair value determined by the reported market value of securities and mutual funds trading on national exchanges.

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

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

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 Revenue

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 revenue.

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, 2023

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, 2023

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, 2023

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. The entire bank balance was covered by Federal Depository Insurance or collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

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, 2023

- 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.

As of June 30, 2023, the District's investments consisted of mutual funds purchased by the Northwood School Foundation with nonpublic funds.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level or any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As of June 30, 2023, the fair value of the District's investments is valued as a level 1 instrument under GAAP as described above.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance 6/30/22	Additions	Disposals	Transfers	Balance 6/30/23
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	\$ 103,850	\$ -	\$ -	\$ -	\$ 103,850
Construction in Progress	10,000	-	-	(10,000)	-
Total	<u>113,850</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>103,850</u>
Capital Assets Being Depreciated					
Buildings	21,110,745	-	-	-	21,110,745
Vehicles	644,432	70,293	36,400	-	678,325
Equipment	274,209	86,485	-	10,000	370,694
Total	<u>22,029,386</u>	<u>156,778</u>	<u>36,400</u>	<u>10,000</u>	<u>22,159,764</u>
Less Accumulated Depreciation					
Buildings	3,964,816	436,572	-	-	4,401,388
Vehicles	482,255	45,144	36,400	-	490,999
Equipment	216,273	17,067	-	-	233,340
Total	<u>4,663,344</u>	<u>498,783</u>	<u>36,400</u>	<u>-</u>	<u>5,125,727</u>
Net Capital Assets Being Depreciated	<u>17,366,042</u>	<u>(342,005)</u>	<u>-</u>	<u>-</u>	<u>17,034,037</u>
Net Capital Assets for Governmental Activities	<u>\$ 17,479,892</u>	<u>\$ (342,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,137,887</u>

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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

	<u>Depreciation</u>
Transportation	\$ 45,144
Regular Instruction	453,639
	<u>\$ 498,783</u>

NOTE 4 - LONG-TERM DEBT

A summary of long-term debt is as follows:

Title	Interest Rate	Original Maturity	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due within One Year
Refinance Construction Loan Bonds	1.41%	6/1/2024	\$ 53,933	\$ -	\$ 26,778	\$ 27,155	\$ 27,155
General Obligation Bonds 2012B	1.00%	11/1/2024	240,000	-	75,000	165,000	80,000
Refunding Improvement Bonds	4.25%	5/1/2033	435,000	-	35,000	400,000	35,000
General Obligation Bonds	2.00%	8/1/2023	275,000	-	135,000	140,000	140,000
General Obligation Bonds, Series 2019	2.00%	5/1/2039	5,042,208	-	247,444	4,794,764	259,336
Net Pension Liability			<u>2,839,000</u>	<u>1,637,194</u>	<u>548,509</u>	<u>3,927,685</u>	<u>-</u>
			<u>\$ 8,885,141</u>	<u>\$ 1,637,194</u>	<u>\$ 1,067,731</u>	<u>\$ 9,454,604</u>	<u>\$ 541,491</u>

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,
2024

Principal	Interest	Total
\$ 27,155	\$ 383	\$ 27,538

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

General Obligation Building Bonds 2012B

Years Ending

June 30,

2024

2025

Totals

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 80,000	\$ 2,250	\$ 82,250
85,000	765	85,765
<u>\$ 165,000</u>	<u>\$ 3,015</u>	<u>\$ 168,015</u>

Refunding Improvement Bonds

Years Ending

June 30,

2024

2025

2026

2027

2028

2029-2033

Totals

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 35,000	\$ 12,780	\$ 47,780
35,000	11,730	46,730
40,000	10,680	50,680
40,000	9,480	49,480
40,000	8,280	48,280
210,000	21,960	231,960
<u>\$ 400,000</u>	<u>\$ 74,910</u>	<u>\$ 474,910</u>

General Obligation Bonds
Refunding of School Construction Loan

Years Ending

June 30,

2024

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 140,000	\$ 1,225	\$ 141,225

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

General Obligation Bonds,
Series 2019
Years Ending

<u>June 30,</u>	Principal	Interest	Total
2024	\$ 259,336	\$ 96,677	\$ 356,013
2025	264,523	91,490	356,013
2026	269,813	86,200	356,013
2027	275,210	80,803	356,013
2028	280,714	75,299	356,013
2029-2033	1,490,063	290,002	1,780,065
2034-2038	1,645,150	134,915	1,780,065
2039-2042	309,956	6,981	316,937
Totals	<u>\$ 4,794,764</u>	<u>\$ 862,367</u>	<u>\$ 5,657,131</u>

Total of all Debt
Years Ending

<u>June 30,</u>	Principal	Interest	Total
2024	\$ 541,491	\$ 113,315	\$ 654,806
2025	384,523	103,985	488,508
2026	309,813	96,880	406,693
2027	315,210	90,283	405,493
2028	320,714	83,579	404,293
2029-2033	1,700,063	311,962	2,012,025
2034-2038	1,645,150	134,915	1,780,065
2039-2042	309,956	6,981	316,937
Totals	<u>\$ 5,526,919</u>	<u>\$ 941,900</u>	<u>\$ 6,468,819</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.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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

Death and Disability Benefits

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

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

Contributions

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

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, 2023, the District reported a liability of \$3,927,685 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, 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, 2022, the District's proportion was 0.269749 percent which was an increase of 0.000306 from its proportion measured as of June 30, 2021.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$319,644. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 16,926	\$ 104,867
Changes in actuarial assumptions	79,866	-
Difference between projected and actual investment earnings	294,189	-
Changes in proportion	236,687	5,469
Contributions paid to TFFR subsequent to the measurement date	275,180	-
Total	<u>\$ 902,848</u>	<u>\$ 110,336</u>

\$275,180 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, 2024.

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>
2024	\$ 111,494
2025	71,840
2026	23,552
2027	283,264
2028	14,766
Thereafter	12,416

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the 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, including inflation
Cost-of-living adjustments	None

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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, 2022, funding actuarial valuation for TFFR.

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 TFFR 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 TFFR's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real
		Rate of Return
Global Equities	55.00%	6.60%
Global Fixed Income	26.00%	0.40%
Global Real Assets	18.00%	4.60%
Cash Equivalents	1.00%	-1.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. 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, 2022, 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.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Based on those assumptions, the TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the TFFR Employers calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the Employers' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
District's proportionate share of the TFFR net pension liability:	\$ 5,396,279	\$ 3,927,685	\$ 2,709,671

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>.

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, 2023, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years. The District's property insurance is through the North Dakota State Fire and Tornado Fund, the

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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. Funds received from the Trust have been assigned for scholarships.

NOTE 10 - 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, 2023 was \$28,008.

NOTE 11 - NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 12 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 13, 2023, 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, 2023

	General Fund		
	Original & Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Property Taxes	\$ 789,275	\$ 769,772	\$ (19,503)
Revenue from State Sources	3,198,720	3,202,807	4,087
Revenue from Federal Sources	601,007	572,293	(28,714)
Interest Income	11,000	45,215	34,215
Other Local Sources	271,221	281,259	10,038
TOTAL REVENUES	<u>4,871,223</u>	<u>4,871,346</u>	<u>123</u>
EXPENDITURES			
Regular Programs	2,252,054	2,196,834	(55,220)
Special Education	128,130	128,662	532
Vocational Education	152,569	148,905	(3,664)
Federal Programs	601,046	571,408	(29,638)
Tuition	237,508	235,121	(2,387)
Undistributed Expenses	952,596	927,522	(25,074)
Other Programs and Services	617,687	439,054	(178,633)
Capital Outlay	-	97,985	97,985
Principal, Interest, and Fiscal Charges	34,658	34,658	-
TOTAL EXPENDITURES	<u>4,976,248</u>	<u>4,780,149</u>	<u>(196,099)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,025)	91,197	196,222
OTHER SOURCES (USES)			
Transfer from Other Funds	70,000	-	(70,000)
TOTAL OTHER SOURCES (USES)	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
NET CHANGE IN FUND BALANCES	(35,025)	91,197	126,222
FUND BALANCE - JULY 1	<u>1,515,706</u>	<u>1,515,706</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 1,480,681</u>	<u>\$ 1,606,903</u>	<u>\$ 126,222</u>

See Notes to the Required Supplementary Information

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund		
	Original & Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Revenue from State Sources	\$ -	\$ 440	\$ 440
Revenue from Federal Sources	65,000	144,514	79,514
Interest Income	30	692	662
Other Local Sources	142,000	134,195	(7,805)
TOTAL REVENUES	<u>207,030</u>	<u>279,841</u>	<u>72,811</u>
EXPENDITURES			
Other Programs and Services	270,700	340,073	69,373
TOTAL EXPENDITURES	<u>270,700</u>	<u>340,073</u>	<u>69,373</u>
NET CHANGE IN FUND BALANCES	(63,670)	(60,232)	3,438
FUND BALANCE - JULY 1	<u>122,445</u>	<u>122,445</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 58,775</u>	<u>\$ 62,213</u>	<u>\$ 3,438</u>

See Notes to the Required Supplementary Information

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Special Reserve Fund		
	Original & Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Property Taxes	\$ 39,464	\$ 38,451	\$ (1,013)
TOTAL REVENUES	<u>39,464</u>	<u>38,451</u>	<u>(1,013)</u>
EXPENDITURES			
Capital Outlay	70,293	58,793	(11,500)
TOTAL EXPENDITURES	<u>70,293</u>	<u>58,793</u>	<u>(11,500)</u>
NET CHANGE IN FUND BALANCES	(30,829)	(20,342)	10,487
FUND BALANCE - JULY 1	<u>112,337</u>	<u>112,337</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 81,508</u>	<u>\$ 91,995</u>	<u>\$ 10,487</u>

See Notes to the Required Supplementary Information

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
2023	0.269749%	\$ 3,927,685	\$ 2,122,687	185.03%	67.50%
2022	0.269443%	2,839,000	2,076,596	136.71%	75.70%
2021	0.261415%	4,000,964	1,907,443	209.76%	63.40%
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	1,640,272	203.52%	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 Notes 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

<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2023	\$ 275,180	\$ (275,180)	-	\$ 2,158,274	12.75%
2022	270,643	(270,643)	-	2,122,688	12.75%
2021	264,766	(264,766)	-	2,076,596	12.75%
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 Notes to the Required Supplementary Information

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

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

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
Special Education	\$ 128,130	\$ 128,662	\$ 532
Capital Outlay	-	97,985	97,985
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Food Service			
Other Programs and Services	\$ 270,700	\$ 340,073	\$ 69,373

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

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- 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.

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 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 PSD Addendum
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 and each major fund of Northwood PSD Addendum as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Northwood PSD Addendum's basic financial statements and have issued our report thereon dated December 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwood PSD Addendum's internal control over financial reporting (internal control) as a basis for designing auditing 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 PSD Addendum's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwood PSD Addendum'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 2023-002 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 2023-001 described in the accompanying schedule of findings and responses to be a significant deficiency

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwood PSD Addendum'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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the Northwood Public School District No. 129's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Northwood Public School District No. 129's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

December 13, 2023

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-001 – Significant Deficiency

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

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

NORTHWOOD PUBLIC SCHOOL DISTRICT NO. 129
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-002 – Material Weakness

Criteria

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

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The organization has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

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

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.

Views of Responsible Officials and Planned Corrective Actions

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.