

NWABSD Board Retreat
Saturday, October 24, 2020 9:30 AM

Teleconference

Agenda

1. WELCOME AND BOARD COMMENTS
Presenter: Margaret Hansen, President
2. AUDIT REVIEW
Presenter: Altman, Rogers, & Co.
3. INVESTMENTS REVIEW
Presenter: Alaska Municipal League Investment Pool (AMLIP)
4. TOPS RESULTS
Presenter: Barbara Adams and Jerry Covey
5. WRAP-UP
Presenter: Margaret Hansen, President



Presentation of Financial Statements

June 30, 2020

Independent Auditor's Report - excerpt

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Northwest Arctic Borough School District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

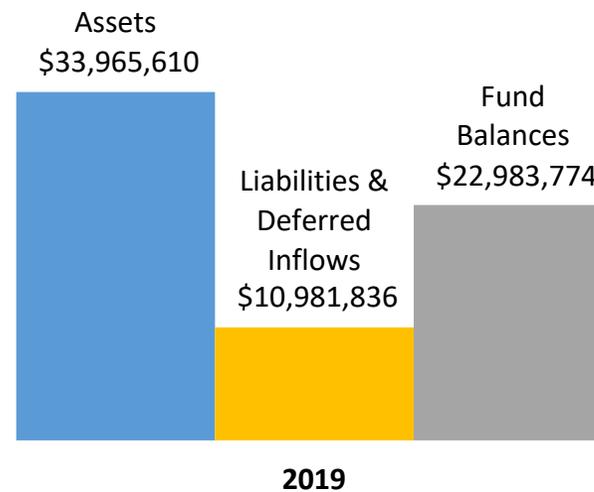
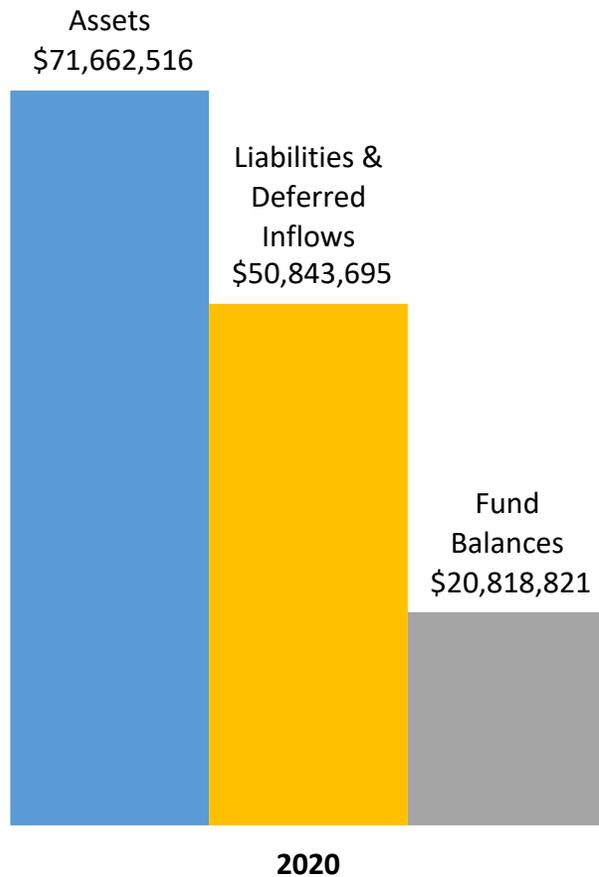
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Arctic Borough School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Governmental Funds – Fund Financials



Assets

Overall increase \$37,696,906
 -Total cash increased \$22.5 million
 -Net AR increased \$1.53 million
 -Due from increased \$23.9 million

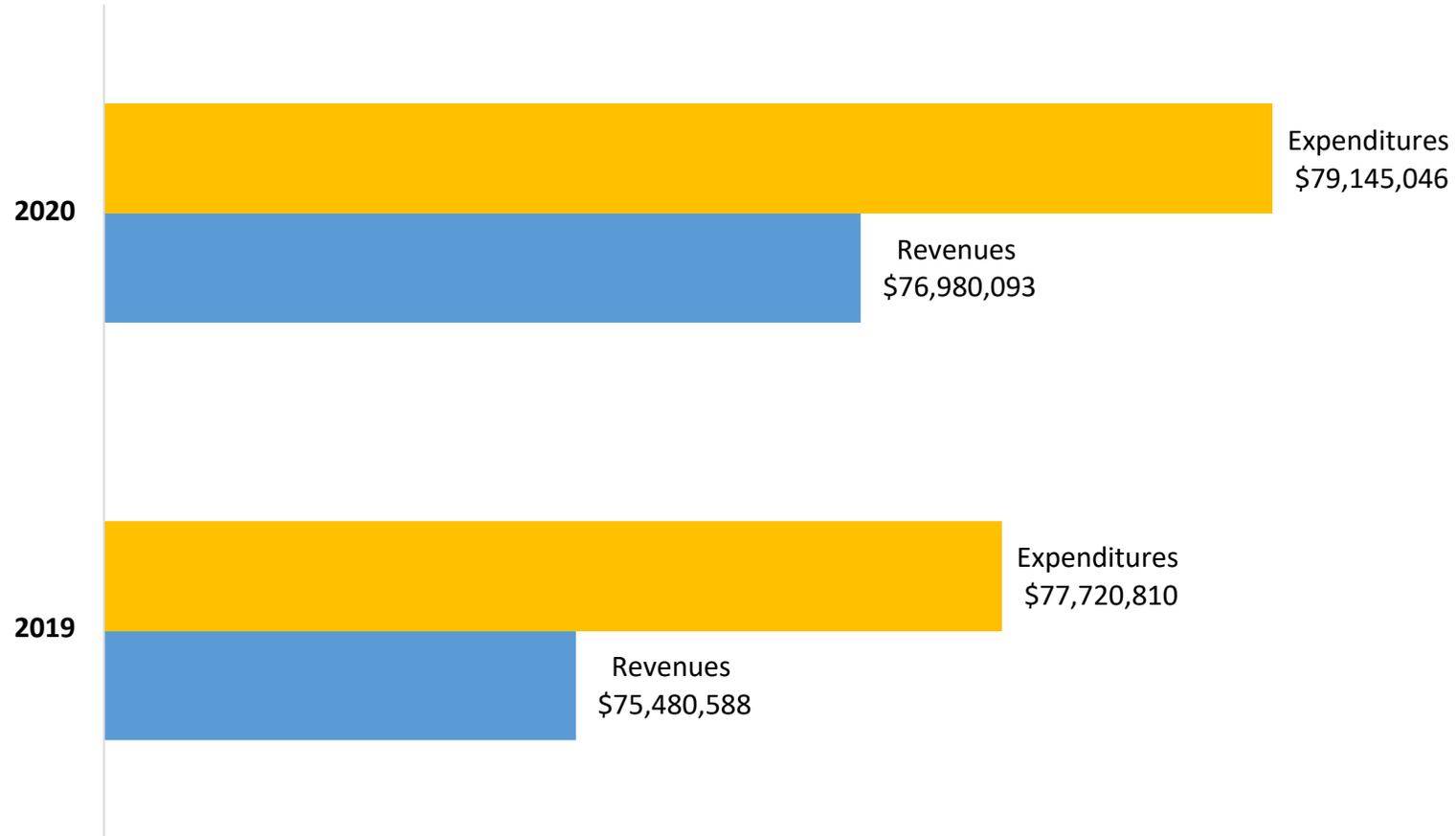
Liabilities & Deferred Inflows

Overall increase \$39,861,859
 -Accounts and payroll payable decreased \$338k
 -Unearned revenue increased \$16.2 million (Mainly in CPF)
 -Due to increased \$23.9 million

Fund Balances

Overall decrease of \$(2,164,953)
 -Unassigned decreased \$857k- this is your spendable monies.

Revenues & Expenditures – Fund Financials



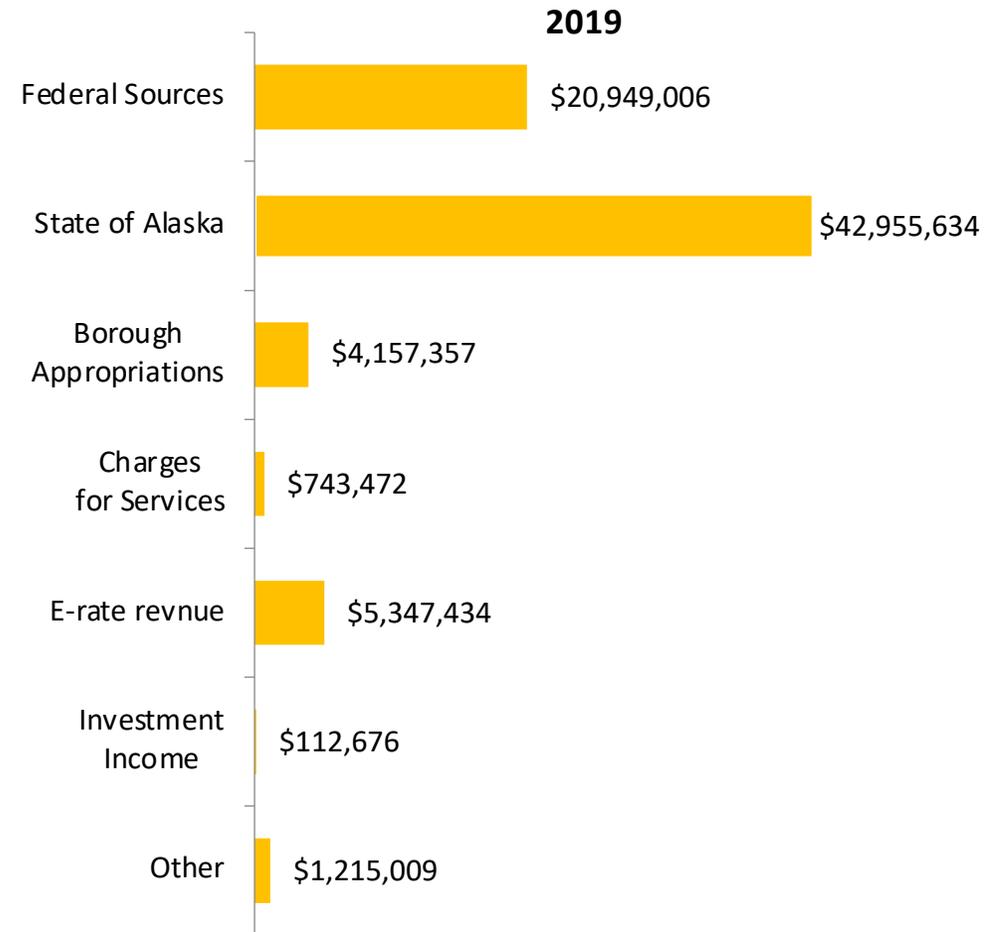
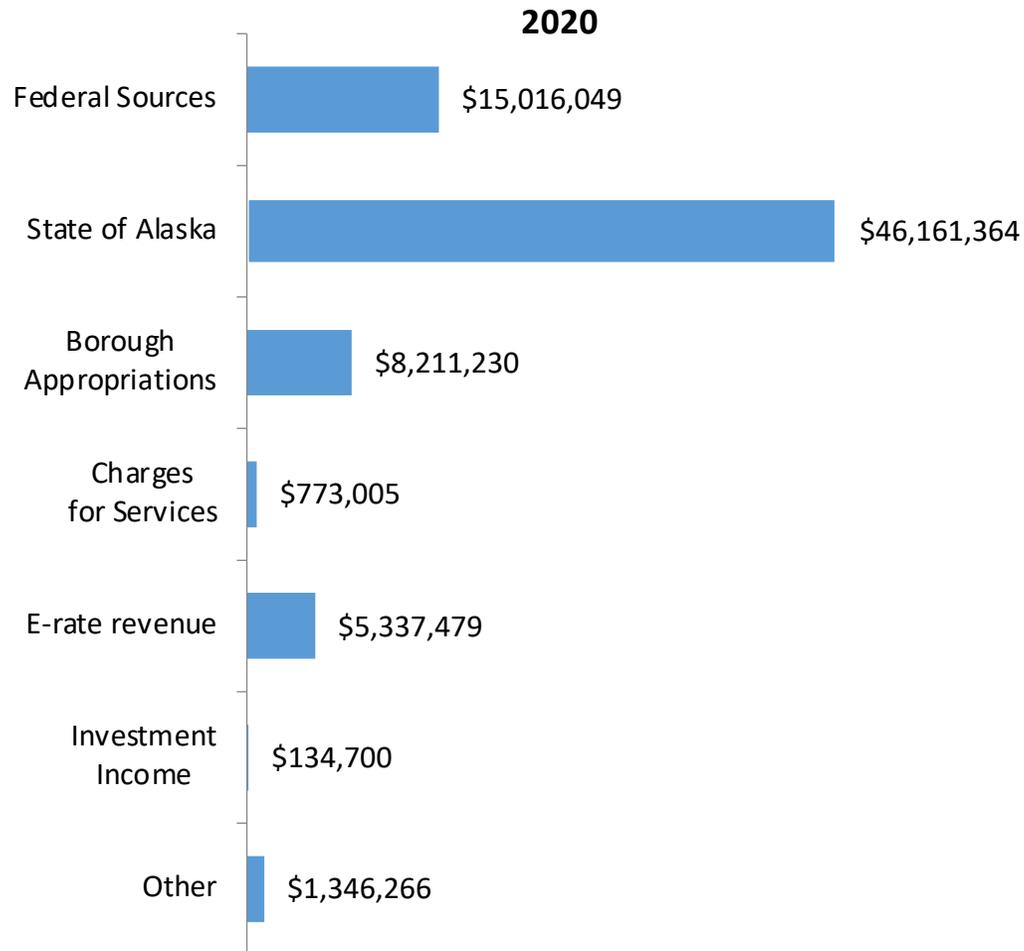
Revenues

Revenues increased \$1,499,505

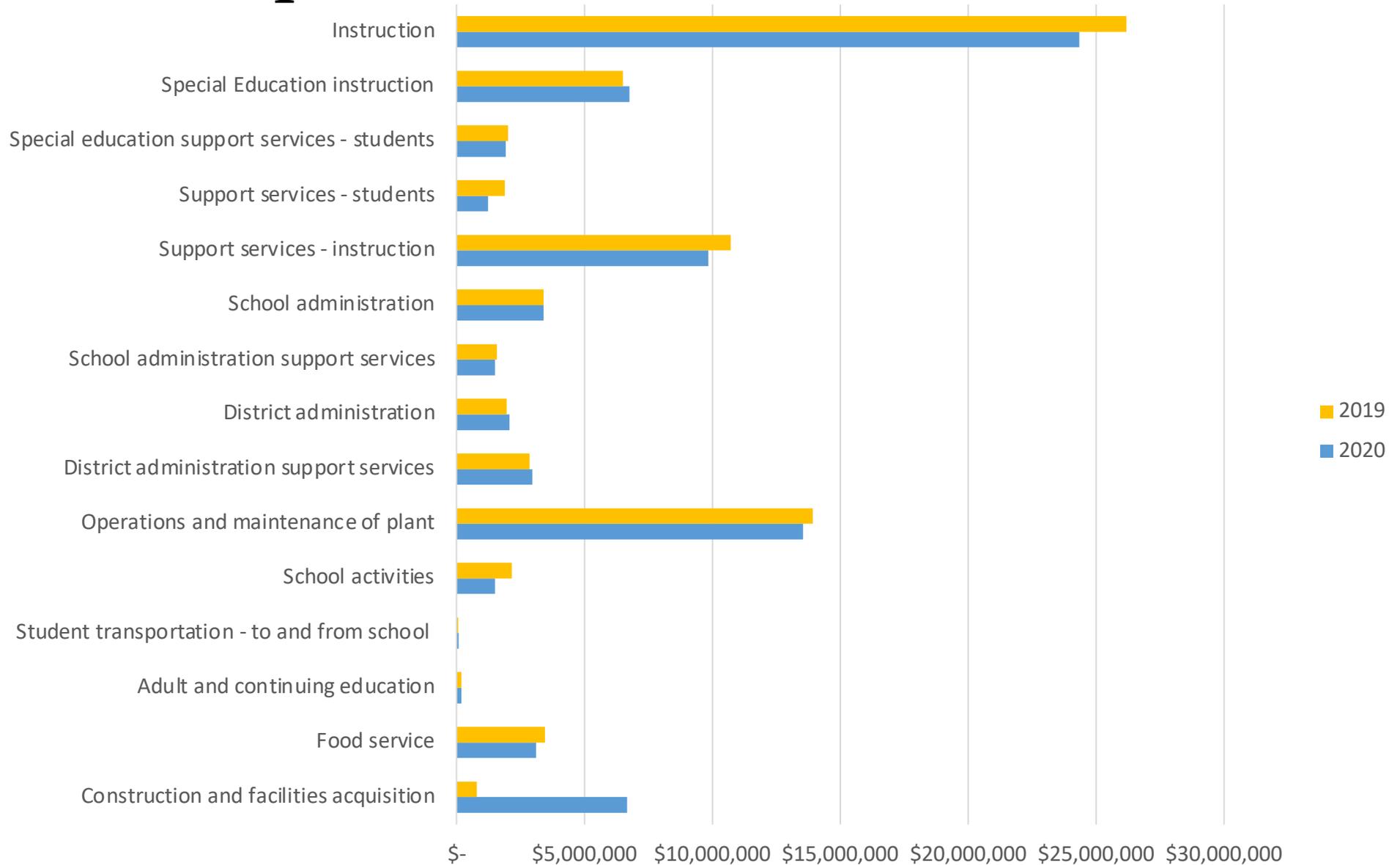
Expenses

Expenses increased by \$1,424,236

Revenue Detail – Fund Financial



Expenditures Detail – Fund Financial



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 - excerpt

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northwest Arctic Borough School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Arctic Borough School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Arctic Borough School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Arctic Borough School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statement audited were prepared in accordance with GAAP: Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report Yes No

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified (2 CFR 200.516 (a) (1))? Yes No
 Significant deficiency(ies) identified (2 CFR 200.516 (a) (1))? Yes None reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a) (2))? Yes No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516 (a) (3) or (4)? Yes No

Identification of major programs:

<u>CFDA Number(s)/Cluster</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
84.060	Indian Education Grant
84.367	Title IIA

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance as Required by the *Uniform Guidance*– excerpt,

Report on Compliance for Each Major Federal Program

We have audited the Northwest Arctic Borough School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Northwest Arctic Borough School District’s major federal programs for the year ended June 30, 2020. Northwest Arctic Borough School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying federal schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Northwest Arctic Borough School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Northwest Arctic Borough School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Northwest Arctic Borough School District’s compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Arctic Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

___ Yes X No

Significant deficiency identified?

___ Yes X None reported

Noncompliance material to the financial statements noted?

___ Yes X No

State Awards

Internal control over major programs:

Material weakness identified?

___ Yes X No

Significant deficiency identified?

___ Yes X None reported

Type of auditor’s report issued on compliance
for major programs:

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 500,000

Section II – Financial Statement Findings

See Federal Schedule of Findings and Questioned Costs.

Section III – State Award Findings and Questioned Costs

The Northwest Arctic Borough School District did not have any findings related to state awards.

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance as Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits - excerpt*

Report on Compliance for Each Major State Program

We have audited Northwest Arctic Borough School District's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Northwest Arctic Borough School District's major state programs for the year ended June 30, 2020. Northwest Arctic Borough School District's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Arctic Borough School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Northwest Arctic Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Northwest Arctic Borough School District's compliance.

Opinion on Each Major State Program

In our opinion, Northwest Arctic Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

NORTHWEST ARCTIC BOROUGH SCHOOL DISTRICT
(A Component Unit of the Northwest Arctic Borough)

Statement of Compliance AS 14.17.505

Year Ended June 30, 2020

Total fund balance - School Operating Fund	\$	<u>13,899,827</u>
Less exemptions per 4 AAC 09.160(a):		
Inventory		861,383
Prepaid items		1,177,235
Federal impact aid received		<u>6,858,607</u>
		<u>8,897,225</u>
Fund balance subject to 10% limitation	\$	<u>5,002,602</u>

Unreserved fund balance as a percentage of
current year expenditures:

$$\frac{\text{Fund balance subject to limitation}}{\text{Current year expenditures}} = \frac{5,002,602}{58,522,694} = \underline{\underline{8.55\%}}$$

AMLIP Presentation

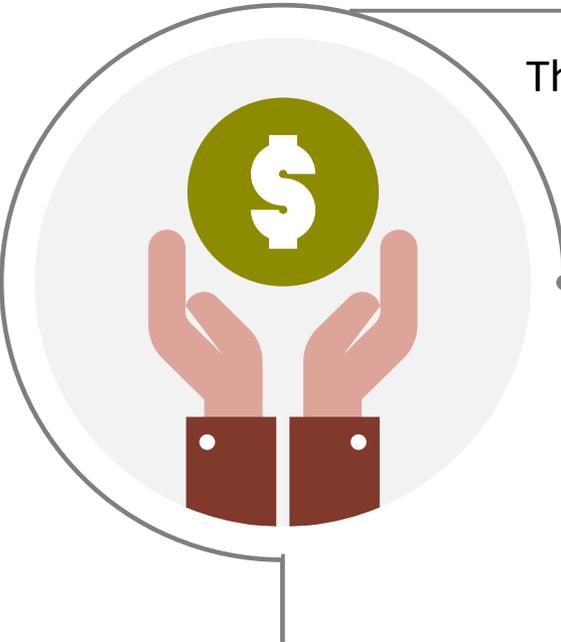
October 2020



ABOUT AMLIP

What is AMLIP?

A Secure, Short-term Investment vehicle for Alaska Public Entities

An icon showing two hands in brown sleeves holding a green circle with a white dollar sign inside. The icon is enclosed in a white circle with a grey border.

The purpose of AMLIP is to provide a **safe, high-yield, short-term** investment option to **maximize revenue** for boroughs, cities, school districts and other state government entities.

- › *Reserve Accounts*
- › *CARES Act Funds*
- › *Building Projects*
- › *Bond Proceeds*
- › *Operating Cash*
- › *Tax Deposits*

Safeguarding public investments for over **20 years**
Investing in **Your Community**

How does AMLIP work?



Investors

Government entities, such as school districts, municipalities, boroughs

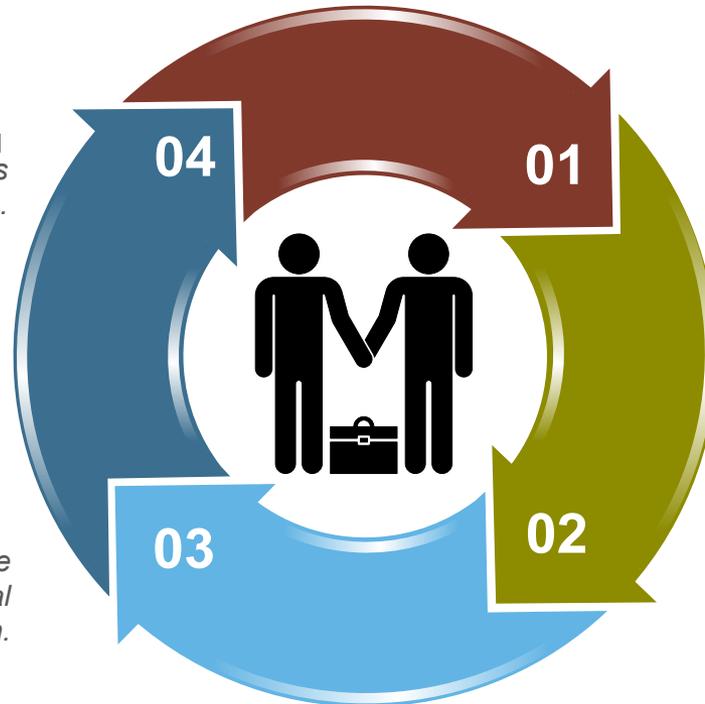
Pool Their Money

Access to a large commingled portfolio at lower transaction costs



Fund Manager

This is an investment tool managed and monitored by investment professionals.



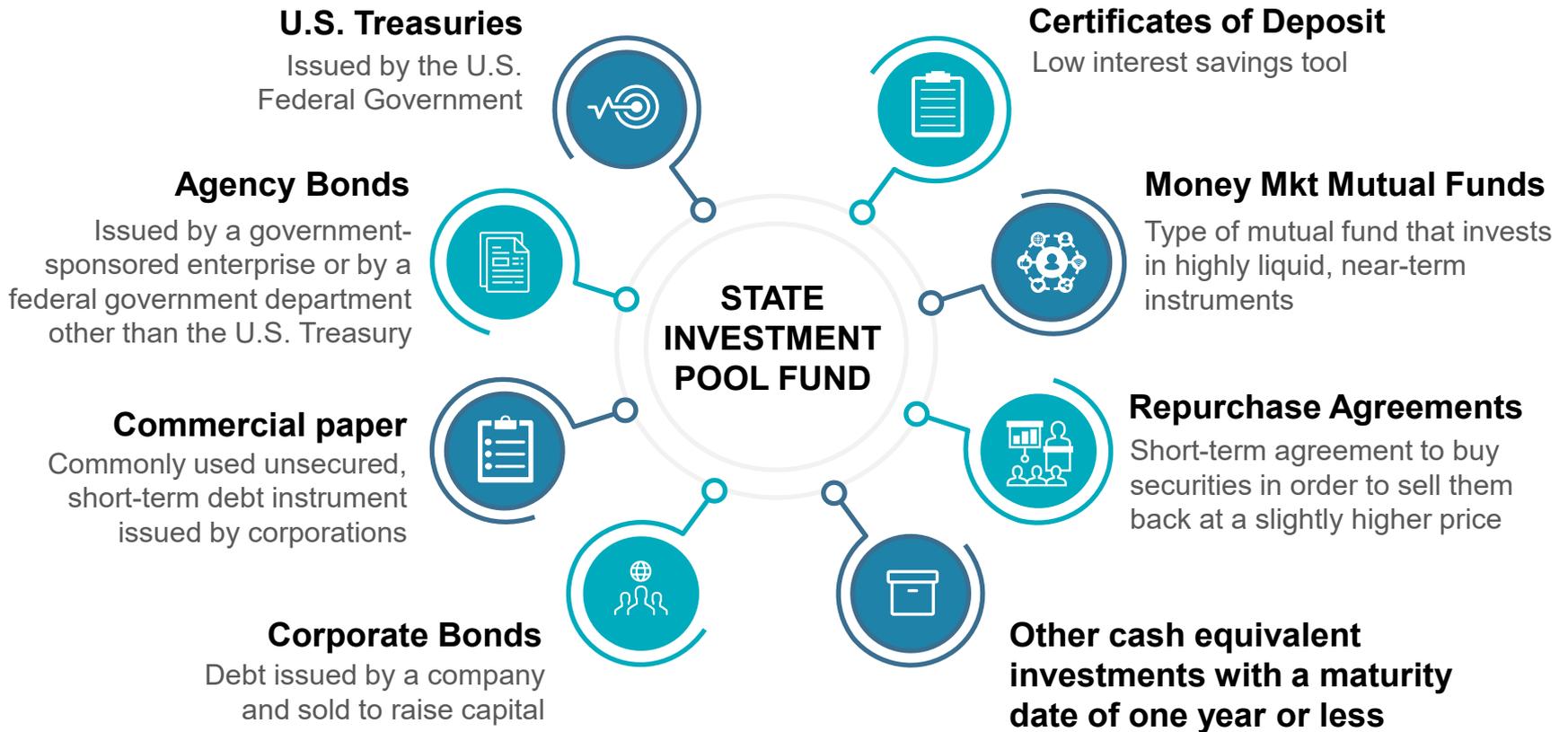
Passed Back To You
Highly liquid investments with funds available for same day withdrawals.

Returns \$

Return goals vary, but the fund can be used as a low risk way to preserve capital while earning a competitive rate of return.

Low Risk Investments

What is AMLIP invested in?



BENEFITS OF AMLIP

Why AMLIP?

LIQUID

Same day access to funds providing cash flexibility

PROFESSIONAL

Allows governments to increase investment earnings with professional fund management

SECURE

Increased diversification, as the pool holds many securities and therefore decreases risk

AUDIT TRAIL

Smooth tracking and reporting

SCALE

Investment into your community but in a larger capacity (economy of scale)

GENERATIONAL

Preservation of Capital

Liquid Investment Opportunity

Same Day Access To Funds

No Minimum Investment

No Membership Fees

No Transaction Costs

DEPOSITS

- Request transition to KeyBank by **11:00am AKST**
- Same day income

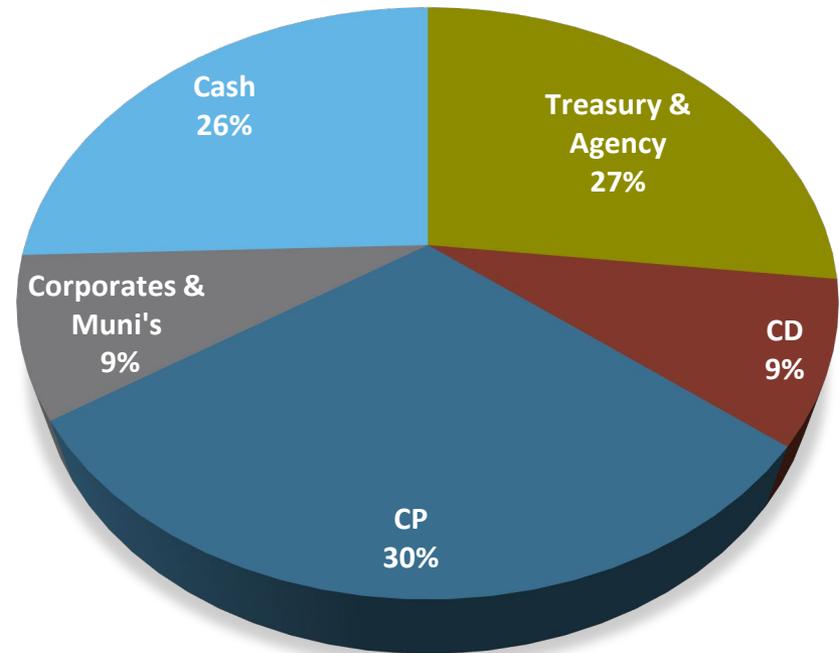
WITHDRAWALS

- Request made to KeyBank by **12:00pm AKST**
- Funds transferred on day of request
- Minimum Withdrawal: \$1,000

For transaction request \$5 million or greater please contact KeyBank via Kris Nedwick (Anchorage Office) or Brian Cros

Advantage Due to Money Market Regulation

- **Maintain Stable NAV**
- Sweep Funds can only be government money market funds.
- Prime MMF's use credit and are not subject to NAV stability requirements.



As of: September 2020

Can have an investment vehicle that invests in credit securities, which generally are higher yielding securities than maturity matched government securities.

Current Outlook

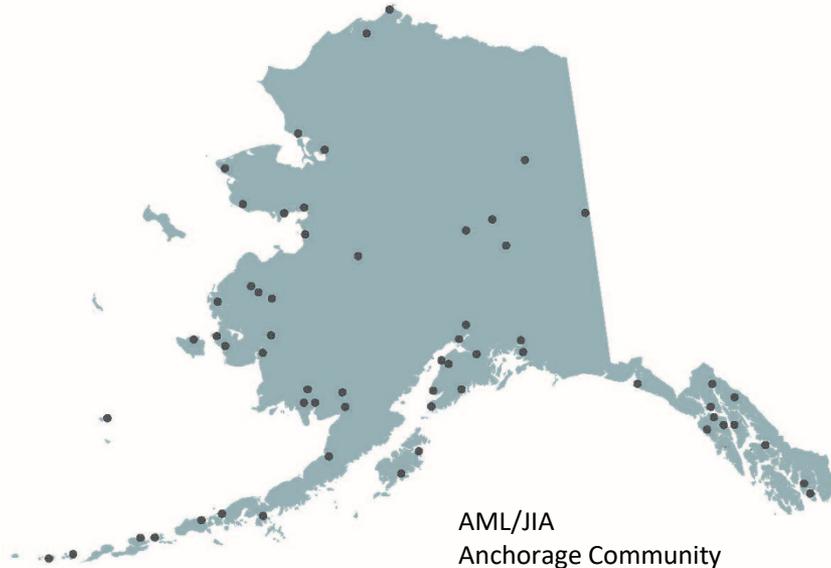
- Federal Reserve is expected to keep the federal funds rate low, near zero percent, for the intermediate future. This will make AMLIP yields trend extremely low for the next few years until we begin a rate increase cycle again. AMLIP adjusts to market rates quickly and AMLIP rates will increase quickly as rates rise in the future.
- AMLIP will continue to grow as an attractive alternative for funds held by public entities, the CARES act funding was a good example of the benefit of utilizing AMLIP for a variety of funds. AMLIP comprised \$676 million invested for public entities, up from \$277 million in September of 2010.
- Continue as an attractive alternative to funds that would otherwise be in a checking account or other money market. Agreement in place with investment manager and supervisor to waive fees if needed to ensure a positive rate of return.

HISTORY, DETAILS & OUTLOOK

AMLIP Facts

- Non-profit corporation
- Formed by the Alaska Municipal League to provide investment services under the Alaska Investment Pool Act of 1992.
- \$676 Million: Balance as of September 30, 2020
- S&P Global Rating: AAAm
 - Signifies our forward-looking opinion about a fixed income fund's ability to maintain principal value (i.e., stable net asset value, or 'NAV')

88 Members Represent 204 Accounts



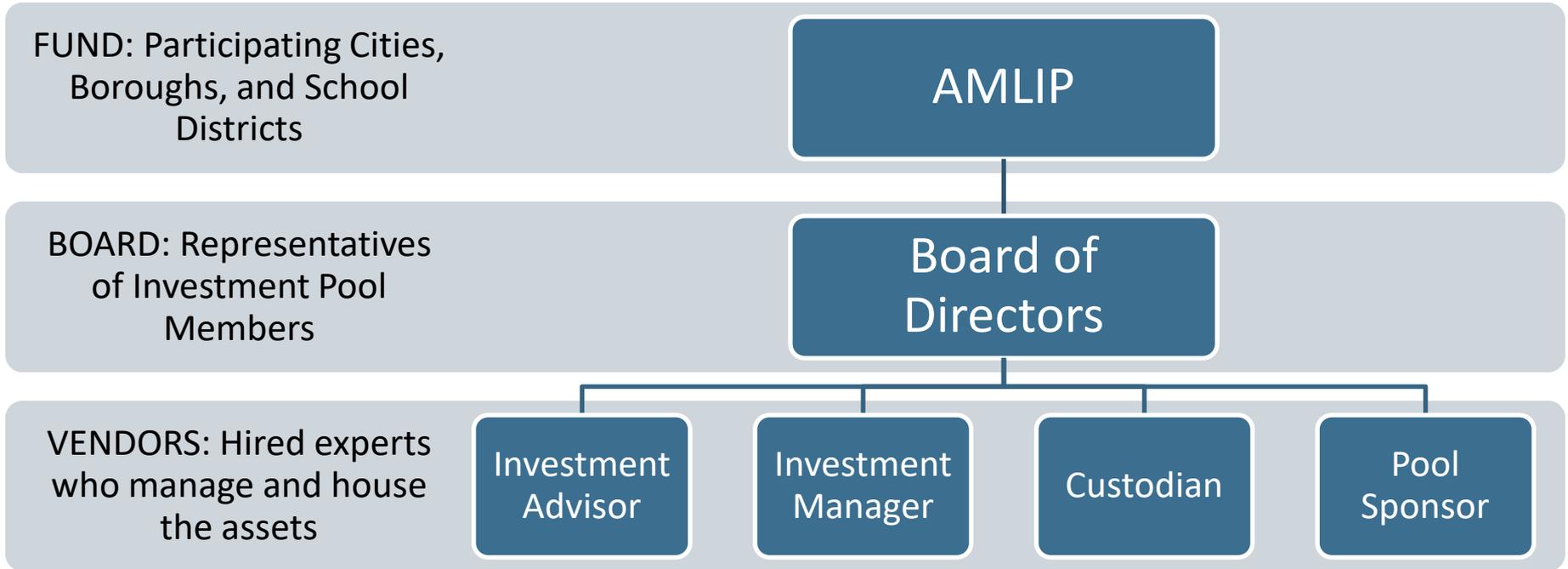
AML/JIA
 Anchorage Community Development
 Anchorage, Municipality of
 Annette Islands School District
 Angoon, City of
 Atka, City of
 Atkasuk, City of
 Barrow, City of
 Bethel, City of
 Brevig Mission, City of
 Bristol Bay, Borough of
 Chevak, City of
 Chuathbaluk, City of
 Cold Bay, City of
 Cordova, City of
 Delta Junction, City of

Adak, City of
 Alaska Association of Municipal Clerks
 Alaska Government Finance Officers Association (AGFOA)
 Alaska Industrial Development Export Authority
 Alaska Municipal League
 Alaska Municipal Management Association
 Akutan, City of
 Aleknagik, City of
 Aleutians East Borough

Denali Borough
 Elim, City of
 Fairbanks, City of
 Fairbanks North Star Borough
 False Pass, City of
 Fort Yukon, City of
 Gustavus, City of
 Haines Borough
 Homer, City of
 Hoonah, City of
 Huslia, City of
 Juneau, City and Borough of
 Kake City School District
 Kenai, City of
 Kenai Peninsula Borough
 Ketchikan Gateway Borough
 King Cove, City of
 Kodiak, City of
 Kodiak Island Borough
 Kotzebue, City of
 Koyuk, City of
 Manokotak, City of
 Marshall, City of
 Matanuska-Susitna Borough
 Mekoryuk, Village of
 McGrath, City of
 Nenana, City of
 New Stuyahok, City of
 Nightmute, City of
 Nome, City of
 North Slope Borough School District
 Northwest Arctic Borough

Northwest Arctic School District
 Nulato, City of
 Old Harbor, City of
 Palmer, City of
 Pelican, City of
 Pelican City School District
 Petersburg, City of
 Pilot Station, City of
 Pribilof School District
 Quinhagak, City of
 Sand Point, City of
 Selawik, City of
 Seldovia, City of
 Seward, City of
 Sitka, City and Borough of
 Soldotna, City of
 Southeast Conference
 Southwest Alaska Municipal Conference
 St. Paul, City of
 Tenakee Springs, City of
 Toksook Bay
 Unalakleet, City of
 Unalaska, City of
 Upper Kalskag
 Valdez, City of
 Wasilla, City of
 Whittier, City of
 Wrangell, City and Borough of
 Yakutat, City and Borough of

AMLIP Organization



Investment Advisor: Alaska Permanent Capital Management

Investment Manager & Custodian: KeyBank

Sponsor: Alaska Municipal League

Disclosures

Important Assumptions

IMPORTANT: The projections or other information generated by Alaska Permanent Capital Management Company (APCM) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained. The charts and data only present a range of possible outcomes. Actual results will vary over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than that demonstrated in the simulations. Please note that the analysis does not take into consideration all asset classes, and other asset classes not considered may have characteristics similar or superior to those being analyzed.

Important Legal Information

These calculations are designed to be informational and educational only, and when used alone, do not constitute investment advice. APCM encourages investors to review their investment strategy periodically as financial circumstances do change.

Model results are provided as a rough approximation of future financial performance. Actual results could produce different outcomes (either better or worse) than those illustrated by the model, since it is not possible to anticipate every possible combination of financial market returns. APCM is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by the results of the model.

Other Influences on Rates of Return

Investment management fees: Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

Taxes: Unless noted otherwise, model results have not been adjusted for any state or federal taxes or penalties.

Inflation: Unless noted otherwise, model results do not adjust any inputs or outcomes for inflation. Inflation is assumed to be constant over the investment horizon.

Limitations Inherent in Model Results

Limitations include but are not restricted to the following:

Model results do not represent actual trading and may not reflect the impact that material economic and market factors might have had on APCM's decision making if the actual client money were being managed.

Extreme market movements may occur more frequently than represented in the model.

Some asset classes have relatively limited histories. While future results for all asset classes in the model may materially differ from those assumed in APCM's calculations, the future results for asset classes with limited histories may diverge to a greater extent than the future results of asset classes with longer track records.

Market crises can cause asset classes to perform similarly over time; reducing the accuracy of the projected portfolio volatility and returns. The model is based on the long-term behavior of the asset classes and therefore is less reliable for short-term periods. This means that the model does not reflect the average periods of "bull" and "bear" markets, which can be longer than those modeled.

The model represent APCM's best view of the next 7-10 years, but is unlikely to reflect actual investment returns worldwide over this period.



ALASKA
MUNICIPAL
LEAGUE

INVESTMENT POOL, INC.



*Investing in
Your Community*

A Secure Short-term Investment
Vehicle for Alaska Public Entities

*Safeguarding public
investments for over
20 years*

- Reserves Accounts
- Building projects
- Bond proceeds
- Tax deposits
- Operating cash

Same day access to funds
No minimum deposit

ALL ALASKAN
Member Governance

ALASKAN
Audited and Advised

ALASKA
MUNICIPAL LEAGUE
Sponsored

