



Financial Statements  
June 30, 2021

## Alexander Public School District No. 2

School District Officials (Unaudited) .....	1
Independent Auditor's Report .....	2
Financial Statements	
Statement of Net Position – Modified Cash Basis .....	5
Statement of Activities – Modified Cash Basis .....	6
Balance Sheet – Governmental Funds – Modified Cash Basis .....	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis .....	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash Basis .....	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis .....	10
Notes to Financial Statements .....	11
Supplementary Information	
Schedule of Employer's Share of TFFR Net Pension Liability and Schedule of Employer's Contributions .....	27
Notes to Supplementary Information .....	28
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	29
Schedule of Findings and Responses .....	31

Alexander Public School District No. 2  
School District Officials (Unaudited)  
June 30, 2021

---

<u>Elected</u>	<u>Position</u>
Lashell Tjelde	President
Cameron Wahlstrom	Vice President
Darcy Delaney	Board Member
Chris Cloud	Board Member
Chris Link	Board Member
<u>Administration</u>	
Leslie Bieber	Superintendent
Shannon Faller	Principal
Aaron Allard	Assistant Principal
Mike Falcon	Business Manager



## Independent Auditor's Report

To the School Board  
Alexander Public School District No. 2  
Alexander, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund information of Alexander Public School District No. 2, Alexander, ND (School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School 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 the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund information of Alexander Public School District No. 2, as of June 30, 2021, and the respective changes in modified cash basis financial position for the year then ended in accordance with the basis of accounting as described in Note 1 to the financial statements.

### **Basis of Accounting**

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

### **Adoption of Accounting Principle and Correction of Error**

As discussed in Notes 1 and 8 to the financial statements, the school district has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of fund balance and net position as of July 1, 2020. As discussed in Note 8 to the financial statements, the school district has recorded and presented capital asset activity which was not previously recorded and presented for the years ending June 30, 2020 and 2019 in its previously issued audited financial statements. Accordingly, net position as of July 1, 2020 has been restated. Our opinions are not modified with respect to these matters.

### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alexander Public School District No. 2, Alexander, North Dakota's financial statements. The School District Officials listing and Schedule of Employer's Share of TFFR Net Pension Liability and Schedule of Employer's Contributions are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Employer's Share of TFFR Net Pension Liability and Schedule of Employer's Contributions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Employer's Share of TFFR Net Pension Liability and Schedule of Employer's Contributions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The School District Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2022, on our consideration of Alexander Public School District No. 2, Alexander, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota  
August 23, 2022

Alexander Public School District No. 2  
Statement of Net Position – Modified Cash Basis  
June 30, 2021

---

Assets	
Cash	\$ 5,191,543
Investments	<u>250,000</u>
Current assets	5,441,543
Capital assets not being depreciated	
Construction in progress	60,939
Capital assets (net of accumulated depreciation)	
Buildings	18,884,018
Furniture and equipment	226,026
Vehicles	<u>362,842</u>
Total capital assets	<u>19,533,825</u>
Total assets	<u>24,975,368</u>
Liabilities	
Long-term liabilities	
Due within one year	
Bonds payable	752,999
Due after one year	
Bonds payable	<u>11,506,585</u>
Total liabilities	<u>12,259,584</u>
Net Position	
Net investment in capital assets	7,274,241
Restricted for debt service	518,033
Restricted for food service	128,671
Restricted for capital projects	559,786
Unrestricted	<u>4,235,053</u>
Total net position	<u><u>\$ 12,715,784</u></u>

# Alexander Public School District No. 2

Statement of Activities – Modified Cash Basis

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Regular programs	\$ 2,087,957	\$ -	\$ -	\$ -	\$ (2,087,957)
Special education	332,171	-	111,511	-	(220,660)
Administration	460,364	-	-	-	(460,364)
Operation and maintenance	978,142	-	1,000	-	(977,142)
Transportation services	242,350	-	86,586	-	(155,764)
Student activities	121,112	-	116,747	-	(4,365)
Other programs and services	236,549	-	-	-	(236,549)
Food services	272,452	30,523	173,796	-	(68,133)
Interest and fees	1,215,845	-	-	-	(1,215,845)
Total governmental activities	<u>\$ 5,946,942</u>	<u>\$ 30,523</u>	<u>\$ 489,640</u>	<u>\$ -</u>	<u>(5,426,779)</u>
General Revenues					
Property taxes					5,763,460
State aid not restricted to specific program					1,185,275
Federal aid not restricted to a specific program					249,310
Earnings on investments					5,954
Miscellaneous revenue					157,539
Total general revenues					<u>7,361,538</u>
Change in net position					1,934,759
Net position - July 1, as restated, see Note 8					<u>10,781,025</u>
Net position - June 30					<u>\$ 12,715,784</u>



Alexander Public School District No. 2  
Balance Sheet – Governmental Funds – Modified Cash Basis  
June 30, 2021

	General Fund	Special Revenue	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash	\$ 3,985,053	\$ 128,671	\$ 559,786	\$ 518,033	\$ 5,191,543
Investments	250,000	-	-	-	250,000
Total assets	<u>\$ 4,235,053</u>	<u>\$ 128,671</u>	<u>\$ 559,786</u>	<u>\$ 518,033</u>	<u>\$ 5,441,543</u>
Fund Balances					
Restricted for building fund	\$ -	\$ -	\$ 559,786	\$ -	\$ 559,786
Restricted for food service	-	128,671	-	-	128,671
Restricted for debt service	-	-	-	518,033	518,033
Unassigned	4,235,053	-	-	-	4,235,053
Total fund balances	<u>4,235,053</u>	<u>128,671</u>	<u>559,786</u>	<u>518,033</u>	<u>5,441,543</u>
Total liabilities and fund balances	<u>\$ 4,235,053</u>	<u>\$ 128,671</u>	<u>\$ 559,786</u>	<u>\$ 518,033</u>	<u>\$ 5,441,543</u>

See Notes to Financial Statements

## Alexander Public School District No. 2

### Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis June 30, 2021

---

Total fund balances for governmental funds	\$ 5,441,543
--	--------------

Total net position reported for government activities in the statement of net position is different because

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds

Cost of capital assets	\$ 22,844,676
Less accumulated depreciation	<u>(3,310,851)</u>

Net capital assets	19,533,825
--------------------	------------

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Balances at June 30, 2021 are:

Bonds payable	<u>(12,259,584)</u>
---------------	---------------------

Total long-term liabilities	<u>(12,259,584)</u>
-----------------------------	---------------------

Total net position of governmental activities	<u><u>\$ 12,715,784</u></u>
---	-----------------------------

# Alexander Public School District No. 2

## Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash Basis Year Ended June 30, 2021

	General Fund	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
Revenues					
Local sources	\$4,634,277	\$ 41,379	\$ 475,893	\$ 816,783	\$ 5,968,332
State sources	1,272,861	-	-	-	1,272,861
Federal sources	349,965	173,796	-	-	523,761
Other sources	116,747	-	-	-	116,747
Total revenues	<u>6,373,850</u>	<u>215,175</u>	<u>475,893</u>	<u>816,783</u>	<u>7,881,701</u>
Expenditures					
Current					
Regular programs	2,087,957	-	-	-	2,087,957
Special Education	332,171	-	-	-	332,171
Administration services	460,364	-	-	-	460,364
Operations and maintenance	363,404	-	160,047	-	523,451
Transportation services	169,846	-	-	-	169,846
Student activities	121,112	-	-	-	121,112
Other programs and services	236,549	-	-	-	236,549
Food services	153,014	119,438	-	-	272,452
Capital outlay	-	-	1,803,922	-	1,803,922
Debt service					
Principal	-	-	-	1,138,459	1,138,459
Interest	-	-	-	302,822	302,822
Fees	-	-	-	63,023	63,023
Total expenditures	<u>3,924,417</u>	<u>119,438</u>	<u>1,963,969</u>	<u>1,504,304</u>	<u>7,512,128</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,449,433</u>	<u>95,737</u>	<u>(1,488,076)</u>	<u>(687,521)</u>	<u>369,573</u>
Other Financing Sources (Uses)					
Refunding bonds	-	-	-	6,030,000	6,030,000
Payment to refunded bond escrow agent	-	-	-	(6,030,000)	(6,030,000)
Transfers In	-	-	-	454,485	454,485
Transfers Out	(454,485)	-	-	-	(454,485)
Total other financing sources and (uses)	<u>(454,485)</u>	<u>-</u>	<u>-</u>	<u>454,485</u>	<u>-</u>
Net change in fund balances	1,994,948	95,737	(1,488,076)	(233,036)	369,573
Fund Balance - July 1, as restated, see Note 8	<u>2,240,105</u>	<u>32,934</u>	<u>2,047,862</u>	<u>751,069</u>	<u>5,071,970</u>
Fund Balance - June 30	<u>\$4,235,053</u>	<u>\$ 128,671</u>	<u>\$ 559,786</u>	<u>\$ 518,033</u>	<u>\$ 5,441,543</u>

## Alexander Public School District No. 2

### Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis Year Ended June 30, 2021

---

Net change in fund balances - total governmental funds	\$	369,573
--	----	---------

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures and proceeds from the sale of assets increase financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and only the gain or loss on the disposal of assets is reported.

Current year capital outlay	\$	1,803,922	
Current year depreciation expense		(527,195)	
Net amount			1,276,727

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments		6,318,459
--------------------	--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net position.

Other financing source - refunding bonds		(6,030,000)
--	--	-------------

Change in net position of governmental activities	\$	1,934,759
---	----	-----------

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of Alexander Public School District No. 2, Alexander, North Dakota (School District), have been prepared in conformity with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**Reporting Entity**

The accompanying financial statements present the activities of Alexander Public School District No. 2. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district is such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Alexander Public School District No. 2 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Alexander Public School District No. 2.

Based on these criteria, there are no component units to be included with Alexander Public School District No. 2 as a reporting entity.

**Government-wide and Fund Financial Statements**

Government-wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements – The fund financial statements provide information about the School’s funds. Governmental fund statements are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, accrued liabilities, deferred inflows of resources, and deferred outflows of resources are not included in the financial statements.

Only investments, capital assets, and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund – This is the school district’s hot lunch operating fund. It accounts for all financial resources related to food service.

Capital Projects Fund – This is the school district’s financial resources fund. It accounts for the acquisition, construction, maintenance, and insurance of major facilities.

Debt Service Fund – The debt service fund is used to account for financial resources to be used for the repayment of principal and interest on long-term debt.

The school district follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the school district follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

### **Net Position Classifications**

#### Government-wide Statements

Net position and is displayed in three components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

### **Fund Balance Classification Policies and Procedures**

The school district classifies governmental fund balances as follows:

- Non-spendable 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 non-spendable 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 ordinance or resolution.
- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. Fund balance may be assigned by the Business Manager.
- 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.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available and then from less-restrictive classifications unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. The School District has not established a policy for its use of unrestricted fund balance amounts. As such, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

### **Cash and Investments**

Cash include amounts in demand deposits and money market accounts. These amounts must be deposited with the Bank of North Dakota or in a financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the school district to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured 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 by the state.
- d) Obligations of the state.

Investments during the year ended June 30, 2021 consisted of certificates of deposit at cost.



**Capital Assets**

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

Buildings and Improvements	20-50 years
Furniture and equipment	5-10 years
Vehicles	7-10 years

**Long-Term Obligations**

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums or discounts and bond issuance costs are recorded as expenditures when paid.

With respect to the presentation of governmental funds in the governmental fund financial statements, the face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Interfund Transactions**

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

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

**Tax Revenues**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

## Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the North Dakota 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. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 6, is shown as additional information to the users of the financial statements.

## Implementation of GASB Statement No. 84

As of July 1, 2020, the school district adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the school district resulted in the student activity funds being changed from reporting as a fiduciary fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 8.

## Note 2 - Cash and Investments

In accordance with North Dakota Statutes, the school district maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

**Custodial Credit Risk**

Custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. At June 30, 2021, the school district's carrying amount of deposits was \$5,191,543, and the bank balance was \$5,317,050. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name. At June 30, 2021 the school district's carrying balance and bank balance of certificates of deposit was \$250,000 and matures in April 2023. The entire balance was covered by Federal Depository Insurance.

**Interest Rate Risk**

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

**Credit Risk**

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

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- d) Obligations of the state.

**Concentration of Credit Risk**

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

**Note 3 - Capital Assets**

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

Governmental Activities	Balance July 1, 2020 (as restated)	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Construction in progress	\$ 381,067	\$ 60,939	\$ (381,067)	\$ 60,939
Capital assets, being depreciated				
Buildings	18,932,263	2,124,050	-	21,056,313
Furniture and equipment	551,521	-	-	551,521
Vehicles	1,175,903	-	-	1,175,903
Total capital assets, being depreciated	20,659,687	2,124,050	-	22,783,737
Less accumulated depreciation for				
Buildings	1,774,042	398,253	-	2,172,295
Furniture and equipment	269,056	56,439	-	325,495
Vehicles	740,558	72,503	-	813,061
Total accumulated depreciation	2,783,656	527,195	-	3,310,851
Capital assets being depreciated, net	17,876,031	1,596,855	-	19,472,886
Governmental activities capital assets, net	<u>\$ 18,257,098</u>	<u>\$ 1,657,794</u>	<u>\$ (381,067)</u>	<u>\$ 19,533,825</u>
Governmental activities				
Operation and maintenance of plant				\$ 454,691
Student transportation				72,504
Total depreciation expense - governmental activities				<u>\$ 527,195</u>

Construction in progress relates to construction of an athletic field. As of June 30, 2021, the project was in the design phase and bidding phase. There were no construction commitments as of June 30, 2021 and the estimated completion date of the project was unknown.

**Note 4 - Long-Term Liabilities****Changes in Long-Term Liabilities**

The following is a summary of long-term liability activity for the year ended June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Bonds payable	\$ 12,548,043	\$ 6,030,000	\$ (6,318,459)	\$ 12,259,584	\$ 752,999
Total	<u>\$ 12,548,043</u>	<u>\$ 6,030,000</u>	<u>\$ (6,318,459)</u>	<u>\$ 12,259,584</u>	<u>\$ 752,999</u>

Outstanding debt at June 30, 2021 consisted of the following issues:

\$10,000,000 General Obligation School Building Bond, Series 2015B due in semi-annual payments of \$392,376.13 including interest at 5% with an interest buy-down to the rate of 2%	\$ 6,229,584
\$6,030,000 General Obligation School Building Refunding Bonds Taxable Series 2021, due in annual payments of \$390,000 to \$460,000 including interest payments at 0.20% to 1.55% per annum	<u>6,030,000</u>
	<u>\$ 12,259,584</u>

The Series 2015B bonds were issued for the purposes of providing funds for constructing, remodeling, improving and equipping school buildings. The bonds are dated March 1, 2016, with an interest of 2% per annum. The bonds are payable through July 1, 2025. The Series 2015B bonds are obligations of the School District payable from the proceeds of the School District's tax levy. The debt service fund was used to make the debt service payments on the bonds in the current year and will be used to make the debt service payments in future years.

During the year ended June 30, 2021, the school district issued \$6,030,000 of General Obligation School Building Refunding Bonds Taxable Series 2021 to refund the Series 2015 bonds. The refunding resulted in an in-substance defeasance of the Series 2015 bonds. The school district used existing resources of the \$6,030,000 refunding bond proceeds to refund the Series 2015 bonds in the amount of \$5,923,555. \$106,445 of the bond proceeds were used for costs of issuance of the bond. As of June 30, 2021, \$5,923,555 in U.S. Treasury Securities is held by an escrow agent.

The Series 2021 bonds are dated February 24, 2021, with an interest ranging from 0.2% to 1.55% per annum. The bonds are payable through August 1, 2034. The Series 2021 bonds are obligations of the School District payable from the proceeds of the School District's tax levy. The debt service fund will be used to make the debt service payments on the bonds in future years.

The School advance refunded the 2015 Series bonds to reduce its total debt service payments over the next 25 years by almost \$411,000.

## Alexander Public School District No. 2

Notes to Financial Statements

June 30, 2021

Debt service requirements on long-term debt at June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 752,999	\$ 216,446
2023	811,376	191,652
2024	825,683	202,725
2025	845,968	193,536
2026	862,279	183,218
2027-2031	4,715,800	721,596
2032-2035	3,445,479	297,788
	<u>\$ 12,259,584</u>	<u>\$ 2,006,961</u>

The school district participated in the Bank of North Dakota (BND) Interest Buydown program. Under this program BND paid \$209,168 for the year ending June 30, 2021 in order to buydown the school's interest rate on the \$10,000,000 General Obligation Building Bonds described approximately 3%. This amount was recorded as a reduction to interest expense.

### **Note 5 - Risk Management**

Alexander Public School District No. 2 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The school district also participates in the North Dakota State Fire and Tornado fund for public assets, buildings and property damage. The limit of coverage for this policy differs by the value for each asset.

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

**Note 6 - Pension Plans****Plan Descriptions**

The School District participates in the following defined benefit pension plan:

***North Dakota Teachers' Fund for Retirement (TFFR)***

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

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

**Pension Benefits**

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

***Tier 1 Grandfathered***

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

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

***Tier 1 Non-Grandfathered***

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

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

***Tier 2***

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

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

**Death and Disability Benefits**

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

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



**Member and Employer Contributions**

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. 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.

**Net Pension Liability**

At June 30, 2021, the School District's proportionate share of the net pension liability is \$3,180,579. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the School District's proportion was 0.20781258 percent which was an increase of 0.00526255 percent from its proportion measured as of July 1, 2019.

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in 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
Cost-of-living adjustments	None

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.0%	6.89%
Global Fixed Income	23.0%	1.25%
Global Real Assets	18.0%	5.02%
Cash Equivalents	1.0%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the TFFR net pension liability	\$ 4,236,360	\$ 3,180,579	\$ 2,303,170

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial reports. TFFR's Comprehensive Annual Financial Report (CAFR) is located at [www.nd.gov/rio/sib/publications/cafr/default.htm](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

**Note 7 - Transfers**

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2021:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 454,485
Debt Service Fund	454,485	-
	<u>\$ 454,485</u>	<u>\$ 454,485</u>

The transfers were made to move funds to the debt service fund for long-term debt payments.

**Note 8 - Restatements**

As of July 1, 2020, the school district adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). Due to the new standard the school district's student activity accounts will now be held in and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net position/fund balance.

The school district did not record and present changes in capital asset activity for the years ended June 30, 2020 and 2019 in their previously issued audited financial statements. As of July 1, 2020, the school district recorded the impact of the capital asset activity and accordingly, net position as of July 1, 2020 has been restated. The following table describes the effects of the restatement on net position as of July 1, 2020.

	Governmental Activities	General Fund
Fund balance/net position, July 1, as previously reported	\$ 11,258,218	\$ 2,068,371
Reclassification of student activity funds from agency funds to the general fund	171,734	171,734
Restatement to present capital asset activity	(648,927)	-
Fund balance/net position, July 1, as restated	<u>\$ 10,781,025</u>	<u>\$ 2,240,105</u>

**Note 9 - Contingency**

During the current fiscal year, the school district became aware of under-reported and under-remitted payroll taxes and employee benefit pension contributions spanning the fiscal years 2010-2019. The calculated amount of the contingent liability is approximately \$54,000 prior to assessing potential penalties and interest. The penalties and interest to assess are unknown as of June 30, 2021.



Supplementary Information  
June 30, 2021

## Alexander Public School District No. 2

**Schedule of Employer's Share of Net Pension Liability**  
**ND Teachers' Fund for Retirement**  
**Last 10 Fiscal Years\***

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.207813%	0.202550%	0.180568%	0.178064%	0.180823%	0.153171%	0.143245%
Employer's proportionate share of the net pension liability	\$3,180,579	\$2,789,627	\$2,406,712	\$2,445,756	\$2,649,158	\$2,003,255	\$1,500,954
Employer's covered payroll	1,516,327	1,420,946	1,227,517	1,201,881	1,174,850	942,165	830,899
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.76%	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.40%	65.50%	65.50%	63.20%	59.20%	62.10%	66.60%

\* Complete data for this schedule is not available prior to 2015.

\* Amounts presented for each fiscal year have a measurement date as of June 30, 2021.

**Schedule of Employer's Contributions**  
**ND Teachers' Fund for Retirement**  
**Last 10 Fiscal Years \***

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 193,333	\$ 181,171	\$ 156,509	\$ 153,240	\$ 149,793	\$ 120,120	\$ 89,321
Contributions in relation to the statutorily required contribution	(193,333)	(181,171)	(156,509)	(153,240)	(149,793)	(120,120)	(89,321)
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered payroll	1,516,327	1,420,946	1,227,517	1,201,881	1,174,850	942,165	830,899
Contributions as a percentage of covered employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

\* Complete data for this schedule is not available prior to 2015.

\* Amounts presented for each fiscal year have a measurement date as of June 30, 2021.

### Changes of Assumptions

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 School Board  
Alexander Public School District No. 2  
Alexander, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities and each major fund information of Alexander Public School District No. 2 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Alexander Public School District No. 2's basic financial statements, and have issued our report thereon dated August 23, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Alexander Public School District No. 2'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 Alexander Public School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Alexander Public School District No. 2'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, 2021-003, and 2021-004 that we consider to be material weaknesses.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Alexander Public School District No. 2'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-005 and 2021-006.

**Responses to Findings**

Alexander Public School District No. 2's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Alexander Public School District No. 2's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
August 23, 2022

**2021-001 Preparation of Financial Statements**  
**Material Weakness**

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria – Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Cause – The District does not have staff trained in all modified cash basis of accounting reporting standards.

Effect – The control deficiency could result in a misstatement to the presentation of the financial statements.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials – No action is planned on the finding. The School District will continue to have the auditors prepare the financial statements; however, the School District has established an internal control policy to document the annual review of the financial statements by the School Board and management.

**2021-002 Recording of Transactions and Audit Adjustments including Restatement Adjustments**  
**Material Weakness**

Condition – We identified misstatements in the District's financial statements causing us to propose material audit adjustments including restatement audit adjustments.

Criteria - A good system of internal accounting control contemplates proper reconciliations of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause – The District has a lack of internal controls over the recording of certain transactions.

Effect - Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation – We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted.

View of responsible officials – The School District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.

**2021-003 Segregation of Duties**  
**Material Weakness**

Condition - The District has a lack of segregation of duties in certain areas due to a limited staff.

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause – The District has limited staff to be able to adequately segregate duties.

Effect - Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that could be material in relation to the financial statements and increase the risk of potential misappropriation of assets.

Recommendation – We recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control. All accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

View of responsible officials – The School District feels that the costs for hiring additional staff would not be significantly beneficial. The School District will continue to look for further opportunities to segregate duties.

**2021-004 Lack of Review Processes**  
**Material Weakness**

Condition - The District does not reconcile debt and capital asset activity. The District does not have a review process over reconciliation of cash, revenue and expenditure accounts. The District does not have a review process over manual journal entries.

Criteria - A good system of internal accounting control contemplates an adequate review process over all account reconciliations and transactions being processed.

Cause – The District has limited staff to be able to adequately perform review processes over account reconciliations and transactions being processed.

Effect – Lack of review processes could adversely affect the District's ability to detect misstatements in amounts that could be material in relation to the financial statements and increase the risk of potential misappropriation of assets.

Recommendation –All accounting functions include formal review and approval processes.

View of responsible officials – The School District feels that the costs for hiring additional staff would not be significantly beneficial. The School District will continue to look for further opportunities to implement review and approval processes.

**State Compliance Item**

**2021-005 Uncashed Checks**

Condition - The District has failed to remit uncashed checks greater than two years from the date of issuance to the administrator of the state treasury.

Criteria – According to North Dakota Century Code 47-30.1-02.1(1), any checks held, issued or owing in the ordinary course of business which remain uncashed by the owner for more than two years after becoming payable are presumed abandoned. These uncashed checks should be remitted to the administrator of the state treasury.

Cause – The District has not fully implemented the policy of remitting uncashed checks greater than two years outstanding from the issuance date.

Effect – The District is not in compliance with North Dakota Century Code 47-30.1-02.1(1), stating that any checks held, issued, or owing in the ordinary course of business which remain uncashed by the owner for more than two years after becoming payable are abandoned and should be remitted to the administrator of the state treasury.

Recommendation – The District should continually be aware of the North Dakota Century Code requirements.

View of responsible officials – The School District agrees with the finding. The School District will focus on remitting uncashed checks greater than two years outstanding from their issuance date to the administrator of the treasury.

**Compliance Item for Continuing Disclosure**

**2021-006 Failure to Provide Continuing Disclosure**

Condition - The District did not complete the required continuing disclosures within 12 months of each of its year-end which was by June 30, 2022 for the year ended June 30, 2021 and by June 30, 2020.

Criteria – The District’s General Obligation School Building Bond, Series 2015 includes continuing disclosure requirements that the District is required to submit to comply with SEC rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934.

Cause – The District was aware of the continuing disclosure requirements but the audit report for the year ended June 30, 2021 was not finalized until August 2022.

Effect – The failure to comply with the continuing disclosure requirements do not constitute an event of default on the bond, but the bond holders will have any available remedy at law or in equity and the failure to provide the continuing disclosures must be reported and may adversely affect the transferability and liquidity of the bond and its market price.

Recommendation – We recommend that the District continue providing the completed audit reports immediately after they are finalized.

View of responsible officials – The School District agrees with the finding. The School District will have its audit completed in future years to meet the continuing disclosure requirements.