



Financial Statements  
June 30, 2022

# Northern Cass Public School District

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Brad Bjerke	Board President
Sean Jalbert	Board Vice President
Penny Johnson	Board Member
Travis Moser	Board Member
Chris Murch	Board Member
Todd Olson	Board Member
Lori Steffes	Board Member
Dr. Cory Steiner	Superintendent
Paige Carlson	Business Manager



## Independent Auditor's Report

To the School Board  
Northern Cass Public School District  
Hunter, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the modified cash basis financial statements of the governmental activities and each major fund of Northern Cass Public School District ("the District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 of the District, as of June 30, 2022, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter – Basis of Accounting*

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

### ***Adoption of New Accounting Standard***

As discussed in Notes 1 and 8 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities right to use leased asset and lease liability as of July 1, 2021. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The general fund budgetary comparison schedule, schedule of employer’s share of net pension liability, schedule of employer contributions, schedule of employer’s share of net OPEB liability, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 general fund budgetary comparison schedule, schedule of employer’s share of net pension liability, schedule of employer contributions - pensions, schedule of employer’s share of net OPEB liability, schedule of employer contributions, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

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

Fargo, North Dakota  
January 6, 2023

Northern Cass Public School District  
Statement of Net Position - Modified Cash Basis  
June 30, 2022

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	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 3,957,952
Noncurrent Assets	
Capital assets, not being depreciated/amortized	
Land	80,000
Construction in progress	2,793,168
Capital assets, net of accumulated depreciation/amortization	
Buildings	9,405,432
Equipment	323,464
Vehicles	535,911
Right to use leased assets	49,237
Total noncurrent assets	13,187,212
Total assets	17,145,164
Liabilities	
Long-term Liabilities	
Due within one year - leases and bonds payable	308,213
Due in more than one year - leases and bonds payable	4,702,105
Total liabilities	5,010,318
Net Position	
Net investment in capital assets	8,176,894
Restricted	1,125,182
Unrestricted	2,832,770
Total net position	\$ 12,134,846



Northern Cass Public School District  
Statement of Activities - Modified Cash Basis  
Year Ended June 30, 2022

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 5,411,825	\$ -	\$ 688,653	\$ -	\$ (4,723,172)
<b>Support Services</b>					
Student	195,698	-	-	-	(195,698)
Instructional	340,445	-	-	-	(340,445)
Administration services	767,109	-	-	-	(767,109)
Operations and maintenance	721,090	-	21,000	-	(700,090)
Transportation services	724,045	-	328,934	-	(395,111)
Preschool	94,858	-	-	-	(94,858)
Extracurriculars	1,046,357	897,005	-	-	(149,352)
Food services	511,729	45,801	557,695	-	91,767
Debt service	132,870	-	-	-	(132,870)
<b>Total governmental activities</b>	<b>\$ 9,946,026</b>	<b>\$ 942,806</b>	<b>\$ 1,596,282</b>	<b>\$ -</b>	<b>(7,406,938)</b>
<b>General Revenues</b>					
Property taxes, levied for general purposes					2,459,797
Property taxes, levied for debt service					150,295
State aid not restricted for a specific purpose					5,656,122
Investment income					7,101
Miscellaneous					175,595
<b>Total general revenues</b>					<b>8,448,910</b>
<b>Changes in Net Position</b>					<b>1,041,972</b>
<b>Net Position, Beginning of Year, as adjusted (Note 8)</b>					<b>11,092,874</b>
<b>Net Position, End of Year</b>					<b>\$ 12,134,846</b>

Northern Cass Public School District  
Balance Sheet - Governmental Funds - Modified Cash Basis  
June 30, 2022

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
Assets						
Cash and investments	\$ 2,618,786	\$ 213,984	\$ 361,604	\$ 597,131	\$ 166,447	\$ 3,957,952
Fund Balances						
Restricted for:						
Special Reserve	\$ -	\$ -	\$ 361,604	\$ -	\$ -	\$ 361,604
Capital Projects	-	-	-	597,131	-	597,131
Debt Service	-	-	-	-	166,447	166,447
Committed for campus activities	494,298	-	-	-	-	494,298
Assigned for Food Service	-	213,984	-	-	-	213,984
Unassigned	2,124,488	-	-	-	-	2,124,488
Total fund balances	\$ 2,618,786	\$ 213,984	\$ 361,604	\$ 597,131	\$ 166,447	\$ 3,957,952

Northern Cass Public School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis

June 30, 2022

Total Governmental Fund Balances		\$ 3,957,952
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position.		
Those assets consist of:		
Cost of capital assets	\$ 20,273,717	
Less accumulated depreciation/amortization	<u>(7,086,505)</u>	
		13,187,212
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds payable	(4,981,033)	
Leases payable	<u>(29,285)</u>	
		<u>(5,010,318)</u>
Net position of governmental activities		<u><u>\$ 12,134,846</u></u>

Northern Cass Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds - Modified Cash Basis  
Year Ended June 30, 2022

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 2,130,185	\$ -	\$ 76,066	\$ 253,546	\$ 150,295	\$ 2,610,092
Other local sources	1,081,436	45,990	-	1,676	-	1,129,102
State sources	6,000,038	936	-	-	-	6,000,974
Federal sources	673,671	556,759	-	21,000	-	1,251,430
<b>Total revenues</b>	<b>9,885,330</b>	<b>603,685</b>	<b>76,066</b>	<b>276,222</b>	<b>150,295</b>	<b>10,991,598</b>
<b>Expenditures</b>						
<b>Current</b>						
Instruction	5,288,272	-	-	-	-	5,288,272
Support services						
Student	195,698	-	-	-	-	195,698
Instructional	290,155	-	-	-	-	290,155
Administration services	767,109	-	-	-	-	767,109
Operations and maintenance	325,101	-	-	-	-	325,101
Transportation services	459,574	-	-	-	-	459,574
Preschool	94,858	-	-	-	-	94,858
Extracurriculars	1,046,357	-	-	-	-	1,046,357
Food services	890	510,839	-	-	-	511,729
Debt service						
Principal	56,317	-	-	170,000	118,368	344,685
Interest	2,044	-	-	64,693	35,297	102,034
Capital outlay	402,585	-	-	2,761,651	-	3,164,236
<b>Total expenditures</b>	<b>8,928,960</b>	<b>510,839</b>	<b>-</b>	<b>2,996,344</b>	<b>153,665</b>	<b>12,589,808</b>
Excess (deficiency) of revenues over (under) expenditures	956,370	92,846	76,066	(2,720,122)	(3,370)	(1,598,210)
<b>Other Financing Sources (Uses)</b>						
Transfers in	31,203	-	-	411,000	-	442,203
Transfers out	(411,000)	-	(31,203)	-	-	(442,203)
Lease proceeds	3,288	-	-	-	-	3,288
<b>Total other financing sources (uses)</b>	<b>(376,509)</b>	<b>-</b>	<b>(31,203)</b>	<b>411,000</b>	<b>-</b>	<b>3,288</b>
<b>Net Change in Fund Balance</b>	<b>579,861</b>	<b>92,846</b>	<b>44,863</b>	<b>(2,309,122)</b>	<b>(3,370)</b>	<b>(1,594,922)</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,038,925</b>	<b>121,138</b>	<b>316,741</b>	<b>2,906,253</b>	<b>169,817</b>	<b>5,552,874</b>
<b>Fund Balance, End of Year</b>	<b>\$ 2,618,786</b>	<b>\$ 213,984</b>	<b>\$ 361,604</b>	<b>\$ 597,131</b>	<b>\$ 166,447</b>	<b>\$ 3,957,952</b>

Northern Cass Public School District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Modified Cash Basis  
Year Ended June 30, 2022

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Net Change in Fund Balances - Total Governmental Funds		\$ (1,594,922)
The Change in Net Position reported for Governmental Activities in the Statement of Activities is Different Because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 2,810,250	
Depreciation expense	<u>(511,153)</u>	
		2,299,097
The net effect of the disposal of capital assets is to decrease net position.		
		(3,600)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:		
Debt issued	(3,288)	
Principal retirement	<u>344,685</u>	
		<u>341,397</u>
Change in net position of governmental activities		<u>\$ 1,041,972</u>

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

### **Organization**

Northern Cass Public School District (the District) was formed and operates pursuant to the applicable North Dakota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### **Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

### **Government-Wide Statements**

The statement of net position and statement of activities display information about the District as a whole. These statements include all the financial activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

## Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide 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. Only capital assets and long-term debt are recorded under the basis of accounting described above and are included 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

## Description of Funds

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

Food Service Fund - The food service fund is used to account for the activities of the hot lunch program.

Special Reserve Fund - This fund is used to account for the accumulation of resources from the special reserve levy. The special reserve is designed to provide cash flow to the District when general fund reserves are spent. This traditionally happens at the end of December, before the next year taxes are collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to half of the balance to the general fund to be used for any allowable purpose. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District.

Building Fund - The building fund is used to account for building construction and repairs.

Debt Service Fund - The debt service fund is used to account for the financial resources to be used for payment of long-term debt principal, interest, and related costs.

**Budgets**

The District budget is prepared on the modified cash basis of accounting and the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent and Business Manager prepare the District budget under the cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund.
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.

For budgetary purposes, appropriations lapse at fiscal year-end.

**Program Revenues**

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into two categories, as follows:

1. Charges for services - these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

**Cash and Investments**

The District's cash consists of cash on hand or demand deposits. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

The District's investments consist of certificates of deposits with maturity of 12 months or less and valued at cost.

**Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Land and construction in progress are not depreciated. Useful lives vary as follows:

Permanent buildings	50 years
Temporary or wood structures	20 years
Equipment	10 years
Vehicles	10 years

Right to use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 2 to 5 years.

### **Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. 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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are not reported under the modified cash basis of accounting, but the information disclosed in Note 6 - Pension Plans is included as additional information to the users of the financial statements.

**Postemployment Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are not reported under the modified cash basis of accounting, but the information disclosed in Note 7 - Other Postemployment Benefit (OPEB) is included as additional information to the users of the financial statements.

**Net Position**

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

**Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The District’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable Fund Balance - comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

Restricted Fund Balance - comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board, the District’s highest level of decision-making authority, and that remain binding unless removed by the school board by subsequent formal action. The District requires a majority vote by the school board to approve a commitment and a two-thirds majority vote to remove a commitment. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

Assigned Fund Balance - comprised of unrestricted funds constrained by the school district’s intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. The superintendent or his/her designee (such as the business manager) has the authority to assign amounts to be used for specific purposes. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those resources. The action to assign fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

Unassigned Fund Balance - residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

The District has not adopted a minimum fund balance policy.

### **Implementation of GASB Statement No. 87**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 8 and the additional disclosures required by this standard are included in Note 4.

### **Note 2 - Cash and Investments**

#### **Deposits**

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

The following is considered the most significant risk associated with deposits.

*Custodial Credit Risk* - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

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 of 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.

The bank balance of the pooled District deposits at June 30, 2022, was \$4,037,004 and the carrying amount of the deposits was \$3,957,952. The bank balances were fully covered by a combination of Federal Depository Insurance and collateralization with securities held by the pledging financial institutions' agents in the government's name.

**Note 3 - Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance July 1, 2021, as restated	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated or amortized				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Construction in progress	372,652	2,420,516	-	2,793,168
Total capital assets, not being depreciated or amortized	452,652	2,420,516	-	2,873,168
Capital assets, being depreciated or amortized				
Buildings	14,703,431	151,885	-	14,855,316
Equipment	890,280	73,840	10,800	953,320
Vehicles	1,378,315	160,721	32,725	1,506,311
Right-to-use leased assets	82,314	3,288	-	85,602
Total capital assets, being depreciated or amortized	17,054,340	389,734	43,525	17,400,549
Accumulated depreciation and amortization				
Buildings	5,125,794	324,090	-	5,449,884
Equipment	590,108	46,948	7,200	629,856
Vehicles	899,375	103,750	32,725	970,400
Right-to-use leased assets	-	36,365	-	36,365
Total accumulated depreciation and amortization	6,615,277	511,153	39,925	7,086,505
Governmental activities capital assets, net	\$ 10,891,715	\$ 2,299,097	\$ 3,600	\$ 13,187,212

Depreciation/amortization expense for the year ended June 30, 2022 was charged to functions/programs of the District as follows:

Governmental Activities	
Operation and maintenance	\$ 407,403
Transportation services	103,750
Total depreciation/amortization expense - governmental activities	\$ 511,153

**Note 4 - Leases**

During a prior year, the District entered into a lease agreement for the acquisition and use of copier machines. An initial lease liability was recorded in the amount of \$82,314 upon implementation of GASB Statement No. 87 at July 1, 2021. During the current year, the District entered into a lease agreement for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$3,288 upon inception of the lease. At June 30, 2022, the District's lease liabilities totaled \$29,285. The lease liabilities were valued using a discount rate of 1.98%, based on the District's incremental borrowing rate at the inception of the leases. The District is required to make principal and interest payments through April 2027. The right to use leased assets have remaining useful lives of one to five years. The carrying value of right to use leased assets, and the related accumulated amortization on right to use leased assets was \$85,602 and \$36,365, as of June 30, 2022, respectively. During the year ended June 30, 2022, the District recognized interest expense of \$811 and amortization expense of \$36,365 related to leases.

The future principal and interest payments related to leases as of June 30, 2022, were as follows:

<u>Years Ending June 30,</u>	<u>Leases Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 26,901	\$ 331
2024	617	43
2025	630	30
2026	642	18
2027	495	5
	<u>\$ 29,285</u>	<u>\$ 427</u>

**Note 5 - Long-Term Debt**

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2022:

	<u>Beginning Balance, as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 5,269,401	\$ -	\$ 288,368	\$ 4,981,033	\$ 281,312
Leases Payable	82,314	3,288	56,317	29,285	26,901
Total	<u>\$ 5,351,715</u>	<u>\$ 3,288</u>	<u>\$ 344,685</u>	<u>\$ 5,010,318</u>	<u>\$ 308,213</u>

*Bonds Payable*

Details of the outstanding bonds payable as of June 30, 2022, is as follows:

Bond Description	Final	Interest Rate	Original	Outstanding Balance
G.O. School Building Bonds, Series 2013A	8/1/2033	1.30%-3.00%	\$ 750,000	\$ 430,000
G.O. Refunding Bonds, Series 2013B	6/1/2033	1.75%	1,765,000	1,081,033
State Aid Refunding Certificates of Indebtedness, Series 2020	8/1/2040	1.20%-2.00%	3,640,000	<u>3,470,000</u>
				<u>\$ 4,981,033</u>

Bonds payable consists of various bond instruments issued by the District to finance operations and construction of new facilities. These expenditures are paid out of the Building and Debt Service funds.

The annual requirements to amortize bonds payable as of June 30, 2022, are as follows:

Years Ending June 30,	Bonds Payable	
	Principal	Interest
2023	\$ 281,312	\$ 91,970
2024	287,822	86,430
2025	289,359	80,813
2026	295,923	75,119
2027	297,514	69,188
2028-2032	1,646,440	255,911
2033-2037	1,052,663	129,180
2038-2041	<u>830,000</u>	<u>33,700</u>
	<u>\$ 4,981,033</u>	<u>\$ 822,311</u>

*Leases Payable*

Leases payable consists of leases as discussed in Note 4 and payments are made from the general fund.

**Note 6 - Pension Plans**

***North Dakota Public Employees Retirement System (Main System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.



### **Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

### **Pension Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the District's proportionate share of the net pension liability was \$782,882. Under the modified cash basis of accounting, the District's proportionate share of the net pension liability is not reported in the financial statements. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2021, the District's proportion was 0.075111 percent, which was an increase of 0.002599 percent from its proportion measured as of July 1, 2020.

At June 30, 2022, the District's deferred outflows of resources related to pensions totaled \$1,099,089, and deferred inflows of resources related to pensions totaled \$1,791,889. Under the modified cash basis of accounting, the District's deferred inflows of resources related to pensions and deferred outflows related to pensions are not reported in financial statements.

**Actuarial Assumptions**

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.25%
Salary Increases	3.5% to 17.75%, including inflation
Investment Rate of Return	7.00%, net of investment expenses
Cost of Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	7.30%
Global Real Assets	19%	4.77%

**Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

**Sensitivity of the 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's Proportionate Share of the Net Pension Liability	\$ 1,245,046	\$ 782,882	\$ 398,058

**Pension Plan Fiduciary Net Position**

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

***North Dakota Teachers' Fund for Retirement***

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

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

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

## Pension Benefits

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

### *Tier 1 Grandfathered*

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

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.

### **Pension Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the District's proportionate share of the net pension liability was \$4,876,467. Under the modified cash basis of accounting, the District's proportionate share of the net pension liability is not reported in the financial statements. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2021, the District's proportion was 0.462814 percent, which was an increase of 0.002600 percent from its proportion measured as of June 30, 2020.

At June 30, 2022, the District's deferred outflows of resources related to pensions totaled \$898,958 and deferred inflows of resources related to pensions totaled \$1,522,048. Under the modified cash basis of accounting, the District's deferred inflows of resources related to pensions and deferred outflows related to pensions are not reported in financial statements.

### Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	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, 2021, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2021, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equities	55%	6.9%
Global fixed income	26%	0.7%
Global real assets	18%	4.8%
Cash equivalents	1%	-1.0%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2021, 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, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Employer's Proportionate Share of the Net Pension Liability	\$ 7,322,196	\$ 4,876,467	\$ 2,845,537

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf>.

## **Note 7 - Other Post-Employment Benefits (OPEB)**

### ***North Dakota Public Employees Retirement System***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

### **OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.



Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

#### **OPEB Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2022, the District's proportionate share of the net OPEB liability was \$35,460. Under the modified cash basis of accounting, the District's proportionate share of the net OPEB liability is not reported in the financial statements. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Employer's proportion was 0.063757 percent, which was a decrease of 0.006411 percent from its proportion measured as of June 30, 2020.

At June 30, 2022, the District's deferred outflows of resources related to OPEB totaled \$24,319, and deferred inflows of resources related to OPEB totaled \$18,050. Under the modified cash basis of accounting, the District's deferred inflows of resources related to OPEB and deferred outflows related to OPEB are not reported in financial statements.

#### **Actuarial Assumptions**

The total OPEB liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	26%	6.25%
Core-Plus Fixed Income	35%	0.50%

#### Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2021, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's Proportionate Share of the Net Pension Liability	\$ 52,592	\$ 35,460	\$ 20,964

**Note 8 - Adoption of New Standard**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Net position at June 30, 2021, as previously reported	\$ 11,092,874
Add right-to-use lease asset under GASB Statement No. 87 at July 1, 2021	82,314
Add lease liability under GASB Statement No. 87 at July 1, 2021	<u>(82,314)</u>
Net position at July 1, 2021, as adjusted	<u><u>\$ 11,092,874</u></u>

**Note 9 - Interfund Transfers**

The District transfers funds to cover operating deficits and to support general operations of the District. A summary of the District's interfund transfers as of June 30, 2022 are as follows:

	Transfer In	Transfer Out
General Fund	\$ 31,203	\$ 411,000
Special Reserve Fund	-	31,203
Building Fund	<u>411,000</u>	<u>-</u>
Total transfers	<u><u>\$ 442,203</u></u>	<u><u>\$ 442,203</u></u>

**Note 10 - Risk Management**

The District is exposed to various risks of loss relating to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance through the following funds/pools established by the State:

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public asset insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence. There is no additional liability for the District related to the risk pool as of June 30, 2022.

The District also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding fund provides political subdivisions with blanket employee fidelity bond coverage in the amount of \$2,000,000. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety and Insurance Fund, an Enterprise Fund of the State of North Dakota. The Fund is a state insurance fund and a “no fault” insurance system covering the State’s employers and employees financed by premiums assessed to the employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **Note 11 - Construction Commitment**

As of June 30, 2022, the District had an ongoing construction project to expand and improve school facilities, with estimated total costs of approximately \$3,500,000. As of June 30, 2022, the District has incurred costs of \$2,793,168. The estimated completion date for the building projects is January 2023.



Supplementary Information  
June 30, 2022

# Northern Cass Public School District

Northern Cass Public School District  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 2,053,108	\$ 2,097,678	\$ 2,130,185	\$ 32,507
Other local sources	206,300	899,200	1,081,436	182,236
State sources	5,931,340	5,932,045	6,000,038	67,993
Federal sources	323,747	720,951	673,671	(47,280)
Total revenues	<u>8,514,495</u>	<u>9,649,874</u>	<u>9,885,330</u>	<u>235,456</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	5,334,182	5,584,041	5,288,272	295,769
Support services				
Student	242,965	339,622	195,698	143,924
Instructional	277,117	300,201	290,155	10,046
Administration services	889,485	967,561	767,109	200,452
Operations and maintenance	571,090	571,090	325,101	245,989
Transportation services	513,145	551,120	459,574	91,546
Preschool	139,870	135,020	94,858	40,162
Extracurriculars	332,207	1,074,107	1,046,357	27,750
Food services	55,400	55,400	890	54,510
Debt service				
Principal	-	-	56,317	(56,317)
Interest	-	-	2,044	(2,044)
Capital outlay	256,480	375,443	402,585	(27,142)
Total expenditures	<u>8,611,941</u>	<u>9,953,605</u>	<u>8,928,960</u>	<u>1,024,645</u>
Excess (deficiency) of revenues over (under) expenditures	(97,446)	(303,731)	956,370	1,260,101
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	31,203	31,203
Transfers out	(220,000)	(411,000)	(411,000)	-
Lease proceeds	-	-	3,288	3,288
Total other financing sources (uses)	<u>(220,000)</u>	<u>(411,000)</u>	<u>(376,509)</u>	<u>34,491</u>
Net Change in Fund Balance	<u>\$ (317,446)</u>	<u>\$ (714,731)</u>	579,861	<u>\$ 1,294,592</u>
Fund Balance, Beginning of Year			<u>2,038,925</u>	
Fund Balance, End of Year			<u>\$ 2,618,786</u>	

Northern Cass Public School District  
Schedule of Employer's Share of Net Pension Liability  
Year Ended June 30, 2022

**North Dakota Public Employees Retirement System\***

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.075111%	0.072512%	0.061599%	0.065007%	0.054920%	0.063925%	0.065070%	0.062030%
Employer's Proportionate Share of the Net Pension Liability	\$ 782,882	\$ 2,281,243	\$ 721,985	\$ 1,097,064	\$ 882,745	\$ 623,011	\$ 442,465	\$ 393,718
Employer's Covered Payroll	\$ 850,553	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217	\$ 579,695	\$ 522,535
Employer's Proportionate Share of the Net Pension Liability as A Percentage of Its Covered Payroll	92.0%	285.2%	112.7%	164.3%	157.5%	96.7%	76.3%	75.3%
Plan Fiduciary Net Position as A Percentage of the Total Pension Liability	78.3%	48.9%	71.7%	62.8%	62.0%	70.5%	77.2%	77.7%

**North Dakota Teachers' Fund for Retirement\***

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.462814%	0.460214%	0.476453%	0.471994%	0.471610%	0.428614%	0.413713%	0.409839%
Employer's Proportionate Share of the Net Pension Liability	\$ 4,876,467	\$ 7,043,588	\$ 6,561,961	\$ 6,291,009	\$ 6,477,682	\$ 6,279,446	\$ 4,097,860	\$ 4,294,386
Employer's Covered Payroll	\$ 3,566,907	\$ 3,357,999	\$ 3,342,452	\$ 3,208,659	\$ 3,183,231	\$ 2,784,812	\$ 2,544,771	\$ 2,377,286
Employer's Proportionate Share of the Net Pension Liability as A Percentage of Its Covered Payroll	136.7%	209.8%	196.3%	196.1%	203.5%	225.5%	161.0%	180.6%
Plan Fiduciary Net Position as A Percentage of the Total Pension Liability	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

\*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date.

Northern Cass Public School District  
Schedule of Employer Contributions  
Year Ended June 30, 2022

**North Dakota Public Employees Retirement System\***

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 62,724	\$ 56,640	\$ 46,649	\$ 49,188	\$ 40,654	\$ 46,640	\$ 44,032	\$ 37,204
Contributions in Relation to the Statutorily Required Contribution	\$ (61,961)	\$ (59,217)	\$ (49,010)	\$ (49,760)	\$ (47,314)	\$ (44,621)	\$ (42,329)	\$ (37,204)
Contribution Deficiency (Excess)	\$ 763	\$ (2,577)	\$ (2,361)	\$ (572)	\$ (6,660)	\$ 2,019	\$ 1,703	\$ -
Employer's Covered Payroll	\$ 850,553	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217	\$ 579,695	\$ 522,535
Contributions as A Percentage of Covered Payroll	7.28%	7.40%	7.65%	7.45%	8.44%	6.93%	7.30%	7.12%

**North Dakota Teachers' Fund for Retirement\***

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 454,781	\$ 428,148	\$ 426,163	\$ 409,104	\$ 405,862	\$ 355,064	\$ 324,458	\$ 303,104
Contributions in Relation to the Statutorily Required Contribution	\$ (454,781)	\$ (428,148)	\$ (426,163)	\$ (409,104)	\$ (405,862)	\$ (355,064)	\$ (324,458)	\$ (303,104)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Payroll	\$ 3,566,907	\$ 3,357,999	\$ 3,342,452	\$ 3,208,659	\$ 3,183,231	\$ 2,784,812	\$ 2,544,771	\$ 2,377,286
Contributions as A Percentage of Covered Payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

\*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Date presented is as of the District's fiscal year-end.



Northern Cass Public School District  
Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer Contributions  
- ND Public Employees Retirement System  
Year Ended June 30, 2022

**Schedule of Employer's Share of Net OPEB Liability - ND Public Employees Retirement System\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net OPEB Liability	0.063757%	0.070168%	0.057421%	0.061033%	0.051824%	0.063925%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	\$ 35,460	\$ 59,025	\$ 46,120	\$ 48,068	\$ 40,993	\$ 45,868
Employer's Covered Payroll	\$ 695,121	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217
Employer's Proportionate Share of the Net OPEB Liability (Asset) as A Percentage of Its Covered Payroll	5.1%	7.4%	7.2%	7.2%	7.3%	7.1%
Plan Fiduciary Net Position as A Percentage of the Total OPEB Liability	76.6%	63.4%	63.1%	61.9%	59.8%	59.2%

**Schedule of Employer Contributions - ND Public Employees Retirement System\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily Required Contribution	\$ 8,359	\$ 9,397	\$ 7,452	\$ 7,833	\$ 6,517	\$ 7,344
Contributions in Relation to the Statutorily Required Contribution	\$ (8,399)	\$ (9,481)	\$ (7,846)	\$ (7,967)	\$ (7,576)	\$ (7,344)
Contribution Deficiency (Excess)	\$ (40)	\$ (84)	\$ (394)	\$ (134)	\$ (1,059)	\$ -
Employer's Covered Payroll	\$ 695,121	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217
Contributions as A Percentage of Covered Payroll	1.21%	1.19%	1.22%	1.19%	1.35%	1.14%

\*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Date presented is as of the District's fiscal year-end.

**Note 1 - Changes of Benefit Terms and Assumptions - Net Pension Liability**

**North Dakota Public Employees Retirement System**

**For the year ended June 30, 2022:**

*Changes of Benefit Terms*

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

*Changes of Assumptions*

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**North Dakota Teachers' Fund for Retirement**

**For the year ended June 30, 2022:**

There were no changes of benefit terms.

*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.

**Note 2 - Changes of Benefit Terms and Assumptions - Net OPEB Liability**

**For the year ended June 30, 2022:**

*Changes of Benefit Terms*

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

There were no changes of actuarial assumptions.



Other Supplementary Information  
June 30, 2022

## Northern Cass Public School District

Northern Cass Public School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Number	Expenditures	Amounts Passed-Through to Subrecipients
<b>Department of Agriculture</b>				
<i>Passed through North Dakota Department of Public Instruction</i>				
Child Nutrition Cluster				
School Breakfast Program	10.553	unknown	\$ 140,331	
National School Lunch Program	10.555	unknown	392,455	
COVID-19 National School Lunch Program	10.555C	unknown	749	
COVID-19 National School Lunch Program Supply Chain Assistance	10.555S	unknown	7,130	
Summer Food Service Program for Children	10.559	unknown	<u>2,824</u>	
Total Child Nutrition Cluster			\$ 543,489	
State Administrative Expenses for Child Nutrition	10.560	unknown	3,965	
NSLP Equipment Grant	10.649	unknown	<u>614</u>	
Total Department of Agriculture				\$ 548,068
<b>Federal Communications Commission</b>				
<i>Direct Aid</i>				
COVID-19 Emergency Connectivity Fund Program	32.009	N/A		21,696
<b>Department of Education</b>				
<i>Direct Aid</i>				
Rural Education Achievement Program	84.358A	N/A	24,880	
<i>Passed through North Dakota Department of Career and Technical Education</i>				
Career and Technical Education - Basic Grants to States	84.048	unknown	32,920	\$ 23,199
<i>Passed through North Dakota Department of Public Instruction</i>				
Title I Grants to Local Educational Agencies	84.010A	S010A210034	63,803	
Special Education Grants to States	84.027A	unknown	642	
Supporting Effective Instruction State Grants	84.367A	S367A210033	20,166	
Grants for State Assessments and Related Activities	84.369	S369A190035	19,882	
Comprehensive Literacy Development	84.371C	S371C190005	164,528	28,693
Student Support and Academic Enrichment Program	84.424A	S424A210035	10,000	
COVID-19 Education Stabilization Fund - ESSER II	84.425D	S425D210007	43,666	
COVID-19 Education Stabilization Fund - ESSER III	84.425U	S425U210007	238,199	
COVID-19 Education Stabilization Fund	84.425W	S425W210035	<u>4,229</u>	
Total 84.425			<u>286,094</u>	
Total Department of Education				622,915
<b>Department of Health and Human Services</b>				
<i>Passed through North Dakota Department of Health</i>				
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000514		<u>12,141</u>
Total Federal Financial Assistance			<u>\$ 1,204,820</u>	<u>\$ 51,892</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position/fund balance of the District.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified cash basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported in the schedule are reported on the modified cash basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis.

**Note 3 - Indirect Cost Rate**

The District has not elected to use the 10% de minimis cost rate.

**Note 4 - Noncash Assistance**

As the District reports its financial statements under the modified cash basis of accounting, noncash assistance is not included in the schedule. The District has received noncash assistance as follows:

Program Title	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Fresh Fruit and Vegetable Program	10.582	\$ 5,000



Additional Reports  
June 30, 2022

# Northern Cass Public School District



**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  
Northern Cass Public School District  
Hunter, 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 of Northern Cass Public School District (“the District”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota

January 6, 2023



**Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the School Board  
Northern Cass Public School District  
Hunter, North Dakota

**Report on Compliance for the Major Federal Program**

***Qualified Opinion***

We have audited Northern Cass Public School District’s (“the District”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District’s major federal program for the year ended June 30, 2022. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

***Basis for Qualified Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

### ***Matter Giving Rise to Qualified Opinion on the Child Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Child Nutrition Cluster, Federal Financial Assistance Numbers 10.553, 10.555, 10.555C, 10.555S, and 10.559, as described in finding number 2022-003 for Procurement, Suspension, and Debarment.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fargo, North Dakota  
January 6, 2023

**Section I - Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

**Identification of major programs:**

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Child Nutrition Cluster	10.553/10.555/10.555C/10.555S/10.559

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II - Financial Statement Findings**

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**2022-001      Segregation of Duties  
Material Weakness**

*Criteria* - A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

*Condition* - The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation.

*Cause* - There is a limited amount of office employees involved in the internal control process.

*Effect* - Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

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

*View of Responsible Officials* - There is no disagreement with the audit finding.

**2022-002      Preparation of Financial Statements**  
**Material Weakness**

*Criteria* - A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

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

*Cause* - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Effect* - The disclosures in the financial statements could be incomplete.

*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* - There is no disagreement with the audit finding.

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**Section III -Federal Award Findings and Questioned Costs**

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**2022-003      Department of Agriculture, Passed through North Dakota Department of Public Instruction  
Federal Financial Assistance Listing/CFDA Number 10.553/10.555/10.555C/10.555S/10.559  
Child Nutrition Cluster  
Procurement, Suspension, and Debarment  
Material Noncompliance and Material Weakness in Internal Control over Compliance**

*Criteria* - Uniform Guidance and 2 CFR 200.317 through 200.327 set forth the standards non-federal entities other than states must follow when operating federal programs.

*Condition* - In our testing of procurement, suspension, and debarment, it was identified that the District did not satisfy the requirements of 2 CFR 200.317 through 200.327. The District did not comply with requirements of the grant for procurement of food service related services.

*Cause* - Lack of oversight, awareness, or understanding of all of the specific requirements under Uniform Guidance and applicable CFR sections, and controls were not adequately designed to ensure compliance with all of these requirements.

*Effect* - Lack of noncompliance to federal requirements increases overall risk on non-compliance.

*Questioned Costs* - None reported.

*Context/Sampling* - All food service contracts were selected for testing.

*Repeat Finding from Prior Years* - Yes

*Recommendation* - We recommend that management establish controls to follow all applicable requirements under Uniform Guidance and applicable CFR sections.

*View of Responsible Officials* - There is no disagreement with the audit finding.