



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Medina Public School District No.3

Medina, North Dakota

Audit Report for the Years Ended June 30, 2020 and June 30, 2019

*Client Code: PS47330*



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Office of the  
State Auditor

# MEDINA PUBLIC SCHOOL DISTRICT No. 3

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For the Years Ended June 30, 2020 and June 30, 2019

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## MEDINA PUBLIC SCHOOL DISTRICT No.3

School District Officials

For the Years Ended June 30, 2020 and June 30, 2019

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### SCHOOL DISTRICT OFFICIALS

#### At June 30, 2020

Rory Hoffmann	Chairman
Jason Carlson	Vice-Chairman
Jeremy Schmidt	Board Member
Melissia Kleven	Board Member
Emmy Hoffmann	Board Member
Shawn Gefroh	Board Member
Jacob Hofmann	Board Member
Damon Bosche	Superintendent
Dawn Moser	Business Manager

#### At June 30, 2019

Rory Hoffmann	Chairman
Jason Carlson	Vice-Chairman
Jeremy Schmidt	Board Member
Melissia Kleven	Board Member
Emmy Hoffmann	Board Member
Shawn Gefroh	Board Member
Jacob Hofmann	Board Member
Damon Bosche	Superintendent
Dawn Moser	Business Manager

STATE AUDITOR  
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## INDEPENDENT AUDITOR'S REPORT

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School Board of Directors  
Medina Public School District No.3  
Medina, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Public School District No. 3, Medina, North Dakota, as of and for the years ended June 30, 2020, and June 30, 2019, and the related notes to the financial statements, which collectively comprise the Medina Public School District No.3's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Public School District No.3, as of June 30, 2020, and June 30, 2019, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Medina Public School District No.3 prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina Public School District No.3's financial statements. The *Budgetary Comparison Schedule, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, and Notes to the Supplementary Information* are presented for purposes of additional analysis and are not a required part of the financial statements.

The *Budgetary Comparison Schedule, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, and Notes to the Supplementary Information*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Budgetary Comparison Schedule, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, and Notes to the Supplementary Information* are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1 to the financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2022 on our consideration of the Medina Public School District No.3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Medina Public School District No.3's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 11, 2022

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Statement of Net Position – Modified Cash Basis

June 30, 2020

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,035,831
Capital Assets	
Nondepreciable	24,279
Depreciable, Net	<u>1,078,156</u>
 Total Assets	 <u>\$ 2,138,266</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 1,102,435
Restricted	
Capital Projects	184,354
Special Purposes	8,361
Unrestricted	<u>843,116</u>
 Total Net Position	 <u><u>\$ 2,138,266</u></u>

The notes to the financial statements are an integral part of this statement.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Statement of Activities – Modified Cash Basis

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Changes in
		Charges for	Operating Grants and Contributions	Net Position
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Regular Instruction	\$ 1,113,040	\$ 6,755	\$ 6,816	\$ (1,099,469)
Special Education	217,576	-	127,530	(90,046)
Vocational Education	159,805	-	28,740	(131,065)
Federal Programs	88,956	-	171,289	82,333
District Wide Services	99,319	-	-	(99,319)
Administration	397,049	-	-	(397,049)
School Food Services	80,415	27,687	50,212	(2,516)
Operations and Maintenance	338,411	-	-	(338,411)
Transportation	253,062	3,000	183,929	(66,133)
Other Programs & Services	89,424	-	-	(89,424)
Total Governmental Activities	\$ 2,837,057	\$ 37,442	\$ 568,516	\$ (2,231,099)
<b>General Revenues</b>				
Property Taxes				\$ 752,969
Gain on Disposal of Capital Asset				1,500
State Grants/Aid - Unrestricted				1,533,080
Federal Grants - Unrestricted				14,317
Interest Income				13,884
Miscellaneous Revenue				49,039
Total General Revenues				\$ 2,364,789
Changes in Net Position				\$ 133,690
Net Position - July 1				\$ 2,004,576
Net Position - June 30				\$ 2,138,266

The notes to the financial statements are an integral part of this statement.



**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Balance Sheet – Governmental Funds – Modified Cash Basis

June 30, 2020

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	General Fund	Building Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 843,116	\$ 184,354	\$ 8,361	\$ 1,035,831
<b>FUND BALANCES</b>				
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ 184,354	\$ -	\$ 184,354
Assigned				
Food Service	-	-	8,361	8,361
Unassigned	843,116	-	-	843,116
Total Fund Balances	\$ 843,116	\$ 184,354	\$ 8,361	\$ 1,035,831
Total Liabilities and Fund Balances	\$ 843,116	\$ 184,354	\$ 8,361	\$ 1,035,831

The notes to the financial statements are an integral part of this statement.

### **MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
June 30, 2020

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<b>Total Fund Balances for Governmental Funds</b>	\$ 1,035,831
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	<u>1,102,435</u>
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<b>Total Net Position of Governmental Activities</b>	<u><u>\$ 2,138,266</u></u>
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The notes to the financial statements are an integral part of this statement.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended June 30, 2020

	General Fund	Building Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 620,981	\$ 166,748	\$ 30,029	\$ 817,758
State Sources	1,880,975	-	185	1,881,160
Federal Sources	185,606	-	50,028	235,634
Other Sources	31,687	3,008	-	34,695
Total Revenues	\$ 2,719,249	\$ 169,756	\$ 80,242	\$ 2,969,247
<b>EXPENDITURES</b>				
Current				
Regular Instruction	\$ 1,115,211	\$ -	\$ -	\$ 1,115,211
Special Education	217,576	-	-	217,576
Vocational Education	159,805	-	-	159,805
Federal Programs	88,956	-	-	88,956
District Wide Services	70,204	-	-	70,204
Administration	397,049	-	-	397,049
School Food Services	-	-	80,415	80,415
Operations and Maintenance of Plant	187,334	165,320	-	352,654
Transportation	268,939	-	-	268,939
Other Programs and Services	89,424	-	-	89,424
Total Expenditures	\$ 2,594,498	\$ 165,320	\$ 80,415	\$ 2,840,233
Excess (Deficiency) of Revenues Over Expenditures	\$ 124,751	\$ 4,436	\$ (173)	\$ 129,014
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Sale of Capital Asset	\$ 1,500	\$ -	\$ -	\$ 1,500
Total Other Financing Sources and Uses	\$ 1,500	\$ -	\$ -	\$ 1,500
Net Change in Fund Balances	\$ 126,251	\$ 4,436	\$ (173)	\$ 130,514
Fund Balances - July 1	\$ 716,865	\$ 179,918	\$ 8,534	\$ 905,317
Fund Balances - June 30	\$ 843,116	\$ 184,354	\$ 8,361	\$ 1,035,831

The notes to the financial statements are an integral part of this statement.

### MEDINA PUBLIC SCHOOL DISTRICT No. 3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities – Modified Cash Basis  
For the Year Ended June 30, 2020

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 130,514</b>
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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.

Current Year Capital Additions	\$ 103,798	
Current Year Depreciation Expense	<u>(100,622)</u>	3,176

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets	\$ 1,500	
Proceeds from Sale of Capital Assets	<u>(1,500)</u>	<u>-</u>

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 133,690</u></b>
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The notes to the financial statements are an integral part of this statement.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Statement of Net Position – Modified Cash Basis

June 30, 2019

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 905,317
Capital Assets	
Nondepreciable	1,450
Depreciable, Net	<u>1,097,809</u>
 Total Assets	 <u>\$ 2,004,576</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 1,099,259
Restricted	
Capital Projects	179,918
Special Purposes	8,534
Unrestricted	<u>716,865</u>
 Total Net Position	 <u><u>\$ 2,004,576</u></u>

The notes to the financial statements are an integral part of this statement.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Statement of Activities – Modified Cash Basis

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Regular Instruction	\$ 1,034,339	\$ 10,294	\$ -	\$ (1,024,045)
Special Education	190,672	-	101,145	(89,527)
Vocational Education	143,710	-	24,882	(118,828)
Federal Programs	82,333	-	72,417	(9,916)
District Wide Services	110,647	-	-	(110,647)
Administration	371,418	-	-	(371,418)
School Food Services	88,494	35,123	55,472	2,101
Operations and Maintenance	238,171	-	-	(238,171)
Transportation	216,231	2,850	167,444	(45,937)
Other Programs & Services	87,996	-	-	(87,996)
<b>Total Governmental Activities</b>	<b>\$ 2,564,011</b>	<b>\$ 48,267</b>	<b>\$ 421,360</b>	<b>\$ (2,094,384)</b>
<b>General Revenues</b>				
Property Taxes				\$ 720,288
Gain on Disposal of Capital Asset				270
State Grants - Unrestricted				1,457,889
Federal Grants - Unrestricted				6,882
Interest Income				11,477
Miscellaneous Revenue				50,306
<b>Total General Revenues</b>				<b>\$ 2,247,112</b>
<b>Changes in Net Position</b>				<b>\$ 152,728</b>
<b>Net Position - July 1</b>				<b>\$ 1,847,693</b>
<b>Prior Period Adjustment</b>				<b>\$ 4,155</b>
<b>Net Position - July 1, as restated</b>				<b>\$ 1,851,848</b>
<b>Net Position - June 30</b>				<b>\$ 2,004,576</b>

The notes to the financial statements are an integral part of this statement.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Balance Sheet – Governmental Funds – Modified Cash Basis

June 30, 2019

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	General Fund	Building Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 716,865	\$ 179,918	\$ 8,534	\$ 905,317
<b>FUND BALANCES</b>				
Restricted				
Capital Projects	\$ -	\$ 179,918	\$ -	\$ 179,918
Assigned				
Food Service	-	-	8,534	8,534
Unassigned	716,865	-	-	716,865
Total Fund Balances	\$ 716,865	\$ 179,918	\$ 8,534	\$ 905,317
Total Liabilities and Fund Balances	\$ 716,865	\$ 179,918	\$ 8,534	\$ 905,317

The notes to the financial statements are an integral part of this statement.

### **MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
June 30, 2019

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<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 905,317</b>
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Total net position reported for governmental activities in the statement of net position is different because:

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

<u>1,099,259</u>
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<b>Total Net Position of Governmental Activities</b>
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<u><u>\$2,004,576</u></u>
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The notes to the financial statements are an integral part of this statement.



**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended June 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 587,675	\$ 157,229	\$ 38,542	\$ 783,446
State Sources	1,763,339	-	318	1,763,657
Federal Sources	79,299	-	55,154	134,453
Other Sources	16,409	18,504	-	34,913
Total Revenues	\$ 2,446,722	\$ 175,733	\$ 94,014	\$ 2,716,469
<b>EXPENDITURES</b>				
Current				
Regular Instruction	\$ 1,039,964	\$ -	\$ -	\$ 1,039,964
Special Education	190,672	-	-	190,672
Vocational Education	143,710	-	-	143,710
Federal Programs	82,333	-	-	82,333
District Wide Services	81,532	-	-	81,532
Administration	371,418	-	-	371,418
School Food Services	-	-	88,494	88,494
Operations and Maintenance of Plant	171,545	65,900	-	237,445
Transportation	296,595	-	-	296,595
Other Programs and Services	87,996	-	-	87,996
Total Expenditures	\$ 2,465,765	\$ 65,900	\$ 88,494	\$ 2,620,159
Excess (Deficiency) of Revenues Over Expenditures	\$ (19,043)	\$ 109,833	\$ 5,520	\$ 96,310
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Sale of Capital Asset	\$ 750	\$ -	\$ -	\$ 750
Total Other Financing Sources and Uses	\$ 750	\$ -	\$ -	\$ 750
Net Change in Fund Balances	\$ (18,293)	\$ 109,833	\$ 5,520	\$ 97,060
Fund Balances - July 1	\$ 807,966	\$ 70,085	\$ 3,014	\$ 881,065
Prior Period Adjustment	\$ (72,808)	\$ -	\$ -	\$ (72,808)
Fund Balances - July 1 Restated	\$ 735,158	\$ 70,085	\$ 3,014	\$ 808,257
Fund Balances - June 30	\$ 716,865	\$ 179,918	\$ 8,534	\$ 905,317

The notes to the financial statements are an integral part of this statement.

### **MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis

For the Year Ended June 30, 2019

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 97,060</b>
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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.

Current Year Capital Additions	\$ 140,553	
Current Year Depreciation Expense	<u>(84,405)</u>	56,148

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets	\$ 270	
Proceeds from Sale of Capital Assets	<u>(750)</u>	<u>(480)</u>

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 152,728</u></b>
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The notes to the financial statements are an integral part of this statement.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Statement of Fiduciary Assets & Liabilities – Agency Funds – Modified Cash Basis  
June 30, 2020 and June 30, 2019

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	<u>2020</u>	<u>2019</u>
	<u>Agency Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	<u>\$ 102,685</u>	<u>\$ 61,153</u>
<b>LIABILITIES</b>		
Due to Student Activities Groups	<u>\$ 102,685</u>	<u>\$ 61,153</u>

The notes to the financial statements are an integral part of this statement.

## MEDINA PUBLIC SCHOOL DISTRICT No. 3

Notes to the Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Medina Public School District ("School District") have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### Reporting Entity

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

Based on these criteria, there are no component units to be included within the School District as a reporting entity.

#### Basis of Presentation

*Government-wide statements:* The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

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

The School District reports the following major governmental funds:

*General Fund.* This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Building Fund.* This fund accounts for the acquisition and construction of the School District's capital facilities.

The School District reports the following fund type:

*Agency Funds.* These funds account for assets by the School District in a custodial capacity as an agent on behalf of others. The agency fund accounts for the financial transactions related to the student activity program.

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

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

### **Cash and Investments**

Cash includes amounts in demand deposits, money market accounts, and highly liquid short-term investments with original maturities of three months or less.

### **Capital Assets**

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

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

<b>Asset</b>	<b>Years</b>
Buildings	50 - 100
Land	Indefinite
Vehicles	5 - 15
Equipment	5 - 15

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR), and of the North Dakota Public Employee's System (NDPERS), and additions to/deductions from TFFR's/NDPERS' fiduciary net position have been determined on the same basis as they are reported by TFFR/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. The net pension liability is not reported under the modified cash basis of accounting, but the information is disclosed in the pension note disclosure. Note 7, is shown as additional information to the users of the financial statements.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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 is not reported under the modified cash basis of accounting, but the information is disclosed in the OPEB note disclosure. Note 8, is shown as additional information to the users of the financial statements.

## **Fund Balances**

*Restricted Fund Balances.* Restricted fund balance is shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

*Assigned Fund Balances.* Assigned fund balance consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School District's intended use and are established by the School Board and management.

*Unassigned Fund Balances.* Unassigned fund balance is reported in the general fund and for negative fund balances at year-end.

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

## **Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

## **Interfund Transactions**

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

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

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

## **NOTE 2 PRIOR PERIOD ADJUSTMENTS**

### **Prior Period Errors**

The July 1, 2018, general fund beginning balance of the School District has been restated for a cash error. The net position of the School District as of July 1, 2018 has also been restated for an adjustment to cash and capital assets. The adjustments decreased the general fund balance and increased the government wide net position.

Adjustments to beginning fund balance/net position are as follows:

	General Fund	Governmental Activities
Beginning Fund Balance/Net Position, as previously reported	\$ 807,966	\$ 1,847,693
Adjustments to restate the July 1, 2018 Fund Balance/Net Position		
Cash Adjustment	(72,808)	(72,808)
Capital Asset, Net	-	76,963
Fund Balance/Net Position July 1, as restated	\$ 735,158	\$ 1,851,848

**NOTE 3      PROPERTY TAXES**

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

**NOTE 4      NONMONETARY TRANSACTIONS**

The School District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the years ended June 30, 2020 and June 30, 2019 was \$8,154 and \$8,592.

**NOTE 5      DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk**

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

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

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

At year ended June 30, 2020, the School District's carrying amount of deposits was \$1,138,516 and the bank balances totaled \$1,300,740. Of the bank balances, \$412,795 was covered by Federal Depository Insurance, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2019, the School District's carrying amount of deposits was \$1,048,803 and the bank balances totaled \$1,289,406. Of the bank balances, \$409,677 was covered by Federal Depository Insurance, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 6 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2020 and June 30, 2019:

<b>2020</b>	<b>Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
<i>Capital assets not being depreciated</i>				
Land	\$ 1,450	\$ -	\$ -	\$ 1,450
Construction in Progress	-	22,829	-	22,829
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,450</b>	<b>\$ 22,829</b>	<b>\$ -</b>	<b>\$ 24,279</b>
<i>Capital assets being depreciated</i>				
Buildings	\$ 1,638,533	\$ -	\$ -	\$ 1,638,533
Equipment	281,003	16,070	-	297,073
Vehicles	532,404	64,900	70,330	526,974
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 2,451,940</b>	<b>\$ 80,970</b>	<b>\$ 70,330</b>	<b>\$ 2,462,580</b>
<i>Less Accumulated Depreciation for</i>				
Buildings	\$ 1,042,564	\$ 27,097	\$ -	\$ 1,069,661
Equipment	96,311	27,319	-	123,630
Vehicles	215,256	46,207	70,330	191,133
<b>Total Accumulated Depreciation</b>	<b>\$ 1,354,131</b>	<b>\$ 100,623</b>	<b>\$ 70,330</b>	<b>\$ 1,384,424</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,097,809</b>	<b>\$ (19,653)</b>	<b>\$ -</b>	<b>\$ 1,078,156</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,099,259</b>	<b>\$ 3,176</b>	<b>\$ -</b>	<b>\$ 1,102,435</b>

<b>2019</b>	<b>Restated Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
<i>Capital assets not being depreciated</i>				
Land	\$ 1,450	\$ -	\$ -	\$ 1,450
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,450</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,450</b>
<i>Capital assets being depreciated</i>				
Buildings	\$ 1,638,533	\$ -	\$ -	\$ 1,638,533
Equipment	258,184	22,819	-	281,003
Vehicles	415,871	117,733	1,200	532,404
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 2,312,588</b>	<b>\$ 140,552</b>	<b>\$ 1,200</b>	<b>\$ 2,451,940</b>
<i>Less Accumulated Depreciation for</i>				
Buildings	\$ 1,015,468	\$ 27,096	\$ -	\$ 1,042,564
Equipment	73,556	22,755	-	96,311
Vehicles	181,422	34,554	720	215,256
<b>Total Accumulated Depreciation</b>	<b>\$ 1,270,446</b>	<b>\$ 84,405</b>	<b>\$ 720</b>	<b>\$ 1,354,131</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,042,142</b>	<b>\$ 56,147</b>	<b>\$ 480</b>	<b>\$ 1,097,809</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,043,592</b>	<b>\$ 56,147</b>	<b>\$ 480</b>	<b>\$ 1,099,259</b>

Depreciation expense was charged to functions of the School District for 2020 and 2019 respectively as follows:

<b>Depreciation by Function</b>	<b>2020</b>	<b>2019</b>
Transportation	\$ 49,024	\$ 37,370
Regular Instruction	13,898	10,644
Operations & Maintenance	8,586	7,276
District Wide	29,115	29,115
<b>Total</b>	<b>\$ 100,623</b>	<b>\$ 84,405</b>



**NOTE 7 PENSION PLANS**

**General Information about the TFFR Pension Plan**

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

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

If reporting on the full accrual basis of accounting, at June 30, 2020 and June 30, 2019 the School District would report the following net pension liabilities:

	<b>TFFR Liability</b>
School District - 2020	\$ 2,039,245
School District - 2019	2,091,213

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**  
Notes to the Financial Statements – Continued

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The net pension liability was measured on July 1, 2019 and July 1, 2018 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019 and July 1, 2018, the entity had the following proportions and change in proportions:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from July 1 Measurement Date</b>
School District - 2020	0.148066%	-0.008831%
School District - 2019	0.156897%	-0.005752%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses, including inflation
Cost-of-Living Adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2019, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**  
Notes to the Financial Statements – Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	2.1%
Global Real Assets	18%	5.4%
Cash Equivalents	1%	0.0%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 2,754,021	\$ 2,039,245	\$ 1,445,248

**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/teachers-fund-retirement-employers>

**General Information about the NDPERS Pension Plan**

**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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

If reporting on the full accrual basis of accounting, at June 30, 2020 and June 30, 2019 the School District would report the following net pension liabilities:

	<b>Net Pension Liability</b>
School District - 2020	\$ 289,889
School District - 2019	412,705

The net pension liability was measured as of June 30, 2019 and June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019 and June 30, 2018, the School District had the following proportions and change in proportion.

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30 Measurement Date</b>
School District - 2020	0.024733%	0.000278%
School District - 2019	0.024455%	0.003453%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	<div> <div>Service at Beginning of year:</div> <div> <div>Increase Rate:</div> <div>0 15.00%</div> <div>1 10.00%</div> <div>2 8.00%</div> </div> </div> <div> <div>Age*</div> <div> <div>Under 30 10.00%</div> <div>30 – 39 7.50%</div> <div>40 – 49 6.75%</div> <div>50 – 59 6.50%</div> <div>60+ 5.25%</div> </div> </div> <div>* Age-based salary increase rates apply for employees with three or more years of service</div>
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long -Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

### 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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%..

### Sensitivity of the Employer'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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
School District's Proportionate Share of the Net Pension Liability	\$ 415,638	\$ 289,889	\$ 184,237

### Pension Plan Fiduciary Net Position

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

**NOTE 8            OPEB PLAN**

**General Information about the OPEB Plan**

***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, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

If reporting on the full accrual basis of accounting, at June 30, 2020 and June 30, 2019 the School District would report the following net OPEB liabilities:

	<b>Net OPEB Liability</b>
School District - 2020	\$ 18,517
School District - 2019	18,083

The net OPEB liability was measured as of June 30, 2019 and June 30, 2018 respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019 and June 30, 2018 respectively, the School District had the following proportion and change in proportion:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30 Measurement Date</b>
School District - 2020	0.023055%	0.000095%
School District - 2019	0.022960%	0.003142%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

**Actuarial assumptions**

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.25%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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, 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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 School District'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, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
School District's Proportionate Share of the Net OPEB Liability	\$ 23,635	\$ 18,517	\$ 14,137

**NOTE 9 RISK MANAGEMENT**

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

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

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School 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 Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$985,012 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 10 OPERATING LEASES**

The School District leases copiers through an operating lease. Total cost for such lease were \$3,816 for FY2020 and FY2019.

The future minimum lease payments for the lease are as follows:

<b>Year Ending June 30, 2020</b>	<b>Operating Lease</b>
2021	\$ 3,816
2022	3,816
2023	636
Total	<u>\$ 8,268</u>

**NOTE 11 CONSTRUCTION COMMITMENTS**

Medina Public School District No.3 had an open construction commitment as of June 30, 2020 as follows:

<b>Project</b>	<b>Contract Amount</b>	<b>Change Orders</b>	<b>Total Contract</b>	<b>Total Completed</b>	<b>Retainages</b>	<b>Remaining Balance</b>
Bathroom Remodel	\$ 45,662	\$ -	\$ 45,662	\$ 22,829	\$ -	\$ 22,833

**NOTE 12 SUBSEQUENT EVENTS**

Medina Public School District No.3 approved the purchase of a 59 passenger bus and a 14 passenger bus totaling \$158,225 in November of 2021.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

## Budgetary Comparison Schedule - General Fund

For the Years Ended June 30, 2020 and June 30, 2019

	FY2020				FY2019			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>								
Local Sources	\$ 610,133	\$ 610,133	\$ 620,981	\$ 10,848	\$ 580,205	\$ 580,205	\$ 587,675	\$ 7,470
State Sources	1,833,088	1,833,088	1,880,975	47,887	1,621,300	1,621,300	1,763,339	142,039
Federal Sources	96,113	96,113	185,606	89,493	89,764	89,764	79,299	(10,465)
Other Sources	10,000	10,000	31,687	21,687	10,000	10,000	16,409	6,409
Total Revenues	<u>\$2,549,334</u>	<u>\$ 2,549,334</u>	<u>\$ 2,719,249</u>	<u>\$ 169,915</u>	<u>\$2,301,269</u>	<u>\$2,301,269</u>	<u>\$2,446,722</u>	<u>\$ 145,453</u>
<b>EXPENDITURES</b>								
Current								
Regular Instruction	\$1,139,968	\$ 1,139,968	\$ 1,115,211	\$ 24,757	\$1,107,750	\$1,107,750	\$ 1,039,964	\$ 67,786
Special Education	199,625	199,625	217,576	(17,951)	77,600	77,600	190,672	(113,072)
Vocational Education	157,654	157,654	159,805	(2,151)	145,750	145,750	143,710	2,040
Federal Programs	85,524	85,524	88,956	(3,432)	82,764	82,764	82,333	431
District Wide Services	72,250	72,250	70,204	2,046	62,250	62,250	81,532	(19,282)
Administration	398,860	398,860	397,049	1,811	390,000	390,000	371,418	18,582
Operations and Maintenance	176,400	176,400	187,334	(10,934)	173,250	173,250	171,545	1,705
Transportation	268,150	268,150	268,939	(789)	192,600	192,600	296,595	(103,995)
Other Programs & Services	90,000	90,000	89,424	576	88,375	88,375	87,996	379
Total Expenditures	<u>\$2,588,431</u>	<u>\$ 2,588,431</u>	<u>\$ 2,594,498</u>	<u>\$ (6,067)</u>	<u>\$2,320,339</u>	<u>\$2,320,339</u>	<u>\$2,465,765</u>	<u>\$ (145,426)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (39,097)</u>	<u>\$ (39,097)</u>	<u>\$ 124,751</u>	<u>\$ 163,848</u>	<u>\$ (19,070)</u>	<u>\$ (19,070)</u>	<u>\$ (19,043)</u>	<u>\$ 27</u>
<b>OTHER FINANCING SOURCES</b>								
Sale of Capital Asset	\$ -	\$ -	\$ 1,500	\$ 1,500	\$ -	\$ -	\$ 750	\$ 750
Net Changes in Fund Balances	<u>\$ (39,097)</u>	<u>\$ (39,097)</u>	<u>\$ 126,251</u>	<u>\$ 165,348</u>	<u>\$ (19,070)</u>	<u>\$ (19,070)</u>	<u>\$ (18,293)</u>	<u>\$ 777</u>
Fund Balances - July 1	<u>\$ 788,896</u>	<u>\$ 788,896</u>	<u>\$ 716,865</u>	<u>\$ (72,031)</u>	<u>\$ 807,966</u>	<u>\$ 807,966</u>	<u>\$ 807,966</u>	<u>\$ -</u>
Prior Period Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72,808)</u>	<u>\$ (72,808)</u>
Fund Balances - July 1 Restated	<u>\$ 788,896</u>	<u>\$ 788,896</u>	<u>\$ 716,865</u>	<u>\$ (72,031)</u>	<u>\$ 807,966</u>	<u>\$ 807,966</u>	<u>\$ 735,158</u>	<u>\$ (72,808)</u>
Fund Balances - June 30	<u>\$ 749,799</u>	<u>\$ 749,799</u>	<u>\$ 843,116</u>	<u>\$ 93,317</u>	<u>\$ 788,896</u>	<u>\$ 788,896</u>	<u>\$ 716,865</u>	<u>\$ (72,031)</u>

The accompanying supplementary information notes are an integral part of this schedule.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
For the Years Ended June 30, 2020 and June 30, 2019

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.148066%	2,039,245	1,038,726	196.32%	65.51%
2019	0.156897%	2,091,213	1,066,599	164.27%	65.50%
2018	0.162649%	2,234,019	1,097,831	203.49%	63.20%
2017	0.159426%	2,335,682	1,035,829	225.49%	59.20%
2016	0.148756%	1,945,513	915,003	212.62%	62.10%
2015	0.157763%	1,653,077	915,109	180.64%	66.60%

**Schedule of Employer Contributions  
North Dakota Teachers Fund for Retirement  
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	132,438	132,438	-	1,108,864	11.94%
2019	135,991	135,991	-	1,038,726	13.09%
2018	139,973	139,973	-	1,066,599	13.12%
2017	132,068	132,068	-	1,097,831	12.03%
2016	116,658	116,658	-	1,035,829	11.26%
2015	98,373	98,373	-	915,003	10.75%

The accompanying supplementary notes are an integral part of this schedule.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3****Schedule of Employer's Share of Net Pension Liability and Employer Contributions – Continued**

**Schedule of Employer's Share of Net Pension Liability  
North Dakota Public Employees Retirement System  
Last 10 Fiscal Years**

<b>PSD</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.024733%	\$ 289,889	\$ 257,265	112.68%	71.66%
2019	0.024455%	412,705	251,231	164.27%	62.80%
2018	0.021002%	337,571	214,401	157.45%	61.98%
2017	0.020332%	198,155	204,898	96.71%	70.46%
2016	0.021156%	143,857	188,475	76.33%	77.15%
2015	0.022013%	139,721	185,440	75.35%	77.70%

**Schedule of Employer Contributions  
North Dakota Public Employees Retirement System  
Last 10 Fiscal Years**

<b>PSD</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 18,730	\$ 18,151	\$ 579	\$ 268,571	6.76%
2019	18,504	17,609	895	255,159	6.90%
2018	15,546	15,070	476	251,231	6.00%
2017	14,834	15,219	(385)	214,401	7.10%
2016	14,316	13,419	897	204,898	7.60%
2015	13,203	13,203	-	188,475	7.60%

The accompanying supplementary notes are an integral part of this schedule.

**MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
For the Years Ended June 30, 2020 and June 30, 2019

**Schedule of Employer Contributions  
North Dakota Public Employees Retirement System  
Last 10 Fiscal Years**

<b>PSD</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.030550%	\$ 18,517	\$ 257,265	7.20%	63.13%
2019	0.022960%	18,083	251,231	7.20%	61.89%
2018	0.019818%	15,676	214,401	7.31%	59.78%

**Schedule of Employer Contributions  
North Dakota Public Employees Retirement System  
Last 10 Fiscal Years**

<b>PSD</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 2,992	\$ 2,906	\$ 86	\$ 268,571	1.08%
2019	2,947	2,819	128	255,159	1.10%
2018	2,492	2,378	114	251,231	0.95%

The accompanying supplementary notes are an integral part of this schedule.

## **MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Notes to the Supplementary Information

For the Years Ended June 30, 2020 and June 30, 2019

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### **NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

The School District adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared, and school district taxes must be levied on or before the tenth day of August of each year.
- The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year, but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed.
- The operating budget includes proposed expenditures and means of financing them.
- The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.
- No taxing district may certify any taxes or amend its current budget and no county auditor may accept a certification of taxes or amended budget after the tenth day of October of each year if such certification or amendment results in a change in the amount of tax levied.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

### **NOTE 2 CHANGES OF BENEFIT TERMS**

#### **Pension**

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (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 will increase 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, 2018.

#### **OPEB**

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, 2018.



**NOTE 3 CHANGES OF ASSUMPTIONS**

**North Dakota Teachers Fund for Retirement**

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**OPEB**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**NOTE 4 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

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## 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*

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### Independent Auditor's Report

School Board of Directors  
Medina Public School District No.3  
Medina, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Public School District No.3, as of and for the years ended June 30, 2020, and June 30, 2019 and the related notes to the financial statements, which collectively comprise the Medina Public School District No.3's basic financial statements, and have issued our report thereon dated July 11, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Medina Public School District No.3's internal control over financial reporting (internal control) to determine the 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 Medina Public School District No.3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medina Public School District No.3'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 did identify a certain deficiency in internal control, described in the accompanying *schedule of audit findings* as item 2020-001, 2020-002, 2020-003, and 2020-004 that we consider to be a material weakness.

## **MEDINA PUBLIC SCHOOL DISTRICT No. 3**

### **Report on Internal control over Compliance Required by the Uniform Guidance - Continued**

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#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Medina Public School District No.3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings as item 2020-001.

#### **Medina Public School District No.3's Response to Findings**

Medina Public School District No.3's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Medina Public School District No.3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **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.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 11, 2022

## MEDINA PUBLIC SCHOOL DISTRICT No. 3

Summary of Auditor's Results

For the Years Ended June 30, 2020 and June 30, 2019

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### Financial Statements

Type of Report Issued:

Governmental Activities – Modified Cash Basis

Unmodified

Major Funds – Modified Cash Basis

Unmodified

Aggregate Remaining Fund Information – Modified Cash Basis

Unmodified

### Internal control over financial reporting

Material weaknesses identified?

  X   Yes        None Noted

Significant deficiencies identified not considered to be material weaknesses?

       Yes   X   None Noted

Noncompliance material to financial statements noted?

  X   Yes        None Noted

## **MEDINA PUBLIC SCHOOL DISTRICT No. 3**

Schedule of Audit Findings

For the Years Ended June 30, 2020 and June 30, 2019

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### **2020-001 IMPROPER BIDDING OF SCHOOL TRANSPORTATION – MATERIAL NONCOMPLIANCE – MATERIAL WEAKNESS**

#### **Condition**

Medina Public School District No.3 purchased a school bus at a cost of \$77,750 in FY2019. The School District did not advertise for bids for the school bus in accordance with N.D.C.C §15.1-09-34.

#### **Effect**

Medina Public School District No.3 is not in compliance with N.D.C.C §15.1-09-34.

#### **Cause**

Medina Public School District No.3 may have been unaware of the requirements of N.D.C.C §15.1-09-34.

#### **Criteria**

N.D.C.C §15.1-09-34 states, “the board of a school district may not enter a contract involving the expenditure of an aggregate amount greater than fifty thousand dollars unless the school district has given ten days’ notice by publication in the official newspaper of the district, received sealed bids, and accepted the bid of the lowest responsible bidder.”

#### **Repeat Finding**

No.

#### **Recommendation**

We recommend Medina Public School District No.3 carefully review upcoming transportation purchases to ensure compliance with N.D.C.C §15.1-09-34.

#### **Medina Public School District No. 3’s Response**

Agree. Medina Public School District No.3 will review future transportation purchases to ensure they comply with N.D.C.C §15.1-09-34.

**2020-002 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

Medina Public School District No.3 has limited staff responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

**Effect**

The lack of segregation of duties increases the risk of material misstatements to Medina Public School District No.3's financial condition, whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of the School District.

**Criteria**

Proper internal controls according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of Medina Public School District No.3.

**Repeat Finding**

Yes.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial Statements, credit memos, and payroll registers should be reviewed, analyzed, and spot checked by a responsible official
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**Medina Public School District No. 3's Response**

Agree. Medina Public School District No.3 agrees and will segregate duties as it becomes feasible.

**2020-003    AUDIT ADJUSTMENTS – REVENUE CUTOFF – MATERIAL WEAKNESS**

**Condition**

Medina Public School District No. 3 inappropriately included \$82,333 of revenues in fiscal year 2018, which were applicable for fiscal year 2019. Additionally, Medina Public School District No. 3 inappropriately included \$72,417 of revenues in fiscal year 2019 which were applicable for fiscal year 2020.

**Effect**

The financial statements may have been materially misstated if the reclassifications had not been adjusted during the audit.

**Cause**

Management wanted to report revenues intended for a specific school year that were reported in the school year rather than when cash was received.

**Criteria**

Medina Public School District No.3 is responsible for ensuring its annual financial statements, including revenues, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Repeat Finding**

No.

**Recommendation**

We recommend that Medina Public School District No.3 review all revenue journal entries to ensure its financial statements are accurately presented and in accordance with the modified cash basis of accounting.

**Medina Public School District No. 3's Response**

Agree. Medina Public School District No.3 agrees to review revenue entries to determine if revenues are accurately presented.

**2020-004 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS**

**Condition**

Auditor-identified adjusting entries for capital assets and accumulated depreciation in the net amount of \$210,351 that were not previously reported prior to June 30, 2019. The adjustments were proposed and accepted by Medina Public School District No.3 to properly reflect the financial statements in accordance with the modified cash basis of accounting.

**Effect**

The financial statements may have been misstated if the capital assets had not been adjusted during the audit.

**Cause**

Medina Public School District No.3 did not maintain a current listing of capital assets.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the capital assets, management is responsible for adequate internal controls surrounding the review process and subsidiary ledger reconciliations.

**Repeat Finding**

No.

**Recommendation**

We recommend Medina Public School District No.3 review the capital assets and deletions list at the end of the year to ensure that the capital asset listing is accurate and free of material misstatement.

**Medina Public School District No. 3's Response**

Agree. Medina Public School District No.3 will review the capital asset additions and deletions list at the end of the year to ensure that the capital asset listing is accurate.



STATE AUDITOR  
Joshua C. Gallion



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## GOVERNANCE COMMUNICATION

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School Board of Directors  
Medina Public School District  
Medina, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Public School District No.3, North Dakota, as of and for the years ended June 30, 2020, and June 30, 2019, which collectively comprise the Medina Public School District No.3's basic financial statements and have issued our report thereon dated July 11, 2022. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated November 18, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Medina Public School District No.3, North Dakota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Medina Public School District No.3, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Medina Public School District No. 3 are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended June 30, 2020 and June 30, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule below lists all misstatements detected as a result of audit procedures and were corrected by management.

2020 Adjustments	Audit Adjustments	
<b>Governmental Funds</b>		
<i>To record construction in progress</i>		
Capital Assets, Net	22,830	-
Net Position	-	22,830
<i>To carryforward missing 2019 Capital Assets to 2020</i>		
Capital Assets, Net	163,045	-
Net Position	-	163,045
<i>To record additional depreciation</i>		
Depreciation Expense	23,653	-
Capital Assets, Net	-	23,653
<b>General Fund</b>		
<i>To record revenue in correct period</i>		
Cash	82,333	-
Revenue	-	82,333

  

2019 Adjustments	Audit Adjustments	
<b>Governmental Funds</b>		
<i>To record missing capital assets</i>		
Capital Assets, Net	210,351	-
Net Position	-	210,351
<i>To record additional depreciation</i>		
Depreciation Expense	23,653	-
Capital Assets, Net	-	23,653
<b>General Fund</b>		
<i>To record revenue in correct period</i>		
Revenue	82,333	-
Cash	-	82,333
<i>To record revenue in correct period</i>		
Beginning Fund Balance	72,417	-
Cash	-	72,417

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 11, 2022.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Medina Public School District No.3, North Dakota and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Medina Public School District No.3 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Medina Public School District No.3.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 11, 2022



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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