BILLINGS COUNTY SCHOOL DISTRICT NO. 1

FINANCIAL STATEMENTS
JUNE 30, 2021

WITH INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

SCHOOL DISTRICT OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2021

School Board
Joseph G. Kessel, President
Eric Bock, Vice President
Anita Adams
Julie Reis
Kwirt Johnson

School Officials
Shae Peplinski, Principal
Danielle O'Brien, Assistant Principal
Tammy Simnioniw, Business Manager

SCHMITZ–HOLMSTROM
CERTIFIED PUBLIC ACCOUNTANTS

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Bismarck, ND 58503
701.221.2655

P.O. Box 385
Hazen, ND 58545
701.748.6213

Independent Auditor's Report

City Council
Billings County School District No. 1

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 Billings County School District No. 1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Billings County School District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Billings County School District No. 1's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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 for Billings County School District No. 1 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the employer's share of net OPEB liability and employer contributions, schedule of the employer's share of net pension liability and employer contributions, schedule of the employer's share of net pension liability TFFR and employer contributions, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual – general fund, statements of revenues, expenditures and changes in fund balances – comparison of budget to actual – special revenue fund, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual – building fund and notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Billings County School District No. 1's basic financial statements. The school district officials listing is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023 on our consideration of Billings County School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Billings County School District No. 1's internal control over financial reporting and compliance.

Schmitz Holmstrom, LLP

Bismarck, North Dakota
October 20, 2023 except for the Statement of Changes in Fiduciary Net position, as to which the date is March 15, 2024.

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 11,326,590
Taxes/assessments receivable	32,833
Total current assets	11,359,423
NONCURRENT ASSETS	
Capital assets, net of depreciation	
Construction in progress	1,722,179
Land	12,000
Capital assets being depreciated (net of accumulated depreciation)	1,815,571
Total noncurrent assets	3,549,750
Total assets	14,909,173
DEFERRED OUTFLOWS OF RESOURCES	
Pension	497,264
OPEB	9,243
TFFR	690,703
Total deferred outflows of resources	1,197,210
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	14,113
Total current liabilities	14,113
NONCURRENT LIABILITIES	
Due in more than one year	
Accrued compensated absences	78,496
Net pension liability - OPEB	26,057
Net pension liability - TFFR	2,027,514
Net pension liability - Pension	744,758
Total noncurrent liabilities	2,876,825
Total liabilities	2,890,938

See Notes to the Financial Statements

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF NET POSITION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

DEFERRED INFLOWS OF RESOURCES	
Deferred tax revenue	41,105
Deferred inflows related to pension	110,579
Deferred inflows related to OPEB	3,095
Deferred inflows related to TFFR	155,940
Total deferred inflows	310,719
NET POSITION	
Restricted for	
Special revenue	277,543
Buildings	7,555,512
Net investment in capital assets	3,549,750
Unrestricted net position	1,521,921
Total net position	$ 12,904,726

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenue: Charges for Services, Fines, Forfeitures, etc.	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue & Changes in Net Position: Governmental Activities
Primary government:				
Instructional services	$ 1,172,159	$ -	$ -	$ (1,172,159)
Supporting services:				
Students	20,331	-	-	(20,331)
Media Services	107,966	-	-	(107,966)
District administration	51,841	-	-	(51,841)
School administration	222,540	-	-	(222,540)
Business services	305,102	-	-	(305,102)
Operation & maintenance of facility	36,304	-	-	(36,304)
Transportation	286,203	-	-	(286,203)
Special education	150,133	-	-	(150,133)
Community service programs	159,641	-	-	(159,641)
Extracurricular programs	25,475	-	-	(25,475)
School lunch services	129,095	11,034	-	(118,061)
Total primary government	2,666,790	11,034	-	(2,655,756)
General revenue				
Property taxes				1,145,582
Oil and gas revenues				1,751,942
Unrestricted federal/state revenues				587,900
Unrestricted investment revenue				19,836
Miscellaneous				113,640
Total general revenues				3,618,900
Change in net position				963,144
Net position, beginning of year				11,941,582
Net position, end of year				$ 12,904,726

See Notes to the Financial Statements

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Major Fund Special Revenue	Major Fund Building	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,493,534	$ 277,543	$ 7,555,512	$ 11,326,589
Taxes/assessments receivable	32,833	-	-	32,833
Total assets	3,526,367	277,543	7,555,512	11,359,422
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	14,118	-	-	14,118
Total liabilities	14,118	-	-	14,118
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	32,833	-	-	32,833
FUND BALANCES				
Restricted for				
Special revenue	-	277,543	-	277,543
Buildings	-	-	7,555,512	7,555,512
Unassigned	3,479,416	-	-	3,479,416
Total fund balances	3,479,416	277,543	7,555,512	11,312,471
Total liabilities, deferred inflows of resources, and fund balances	$ 3,526,367	$ 277,543	$ 7,555,512	$ 11,359,422

See Notes to the Financial Statements

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balance, governmental funds		$ 11,312,471
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		
Cost of capital assets	6,830,287	
Less accumulated depreciation	(3,280,533)	
Net capital assets		3,549,754
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds		(2,917,178)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds		(3,095)
Net TFFR liability and related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds		(155,940)
Noncurrent liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and concurrent, are reported in the Statement of Net Position. Balances at December 31, 2020 are:		
Accrued Compensated Absences		(78,496)
Deferred Outflows		1,197,210
Net position of governmental activities in the Statement of Net Position		$ 12,904,726

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Special Revenue	Building	Total Governmental Funds
Revenues				
Property taxes	$ 2,905,796	$ -	$ -	$ 2,905,796
Earnings on investments	5,595	-	127,880	133,475
School lunch sales	11,034	-	-	11,034
Other local sources	59,294	-	-	59,294
Federal aid	528,606	-	-	-
Total revenues	3,510,325	-	127,880	3,109,599
Expenditures				
Current				
Media Services	1,077,214	-	-	1,077,214
Supporting services:				
Support services	20,331	-	-	20,331
Instructional staff	119,891	-	-	119,891
District administration	51,841	-	-	51,841
School administration	222,540	-	-	222,540
Business services	294,635	-	-	294,635
Operation & maintenance of facilities	338,365	-	60,564	398,929
Transportation	286,203	-	-	286,203
Special education	213,946	-	-	213,946
Community service programs	159,641	-	-	159,641
Extracurricular programs	25,474	-	-	25,474
Food services	129,095	-	-	129,095
Total expenditures	2,939,176	-	60,564	2,999,740
Excess of revenues over expenditures	571,149	-	67,316	638,465
Net change in fund balance	571,149	-	67,316	638,465
Fund balance, beginning of year	2,908,267	277,543	7,488,196	10,674,006
Fund balance, end of year	$ 3,479,416	$ 277,543	$ 7,555,512	$ 11,312,471

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds		$ 638,465
Amounts reported for governmental activities in the statement of activities are 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.		
Capital asset additions	494,670	
Current year depreciation	(121,343)	
		373,327
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The change in compensated absences are as follows:		
Compensated absenses	(10,467)	
Pension Expenses	(29,929)	
		(40,396)
Some revenues reported on the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the change in taxes receivable and special assessments receivable.	(8,252)	
		(8,252)
Change in net position - governmental activities		$ 963,144

See Notes to the Financial Statements

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 25,234
Total assets	25,234
NET POSITION	
Restricted	25,234
Total net position	$ 25,234

See Notes to the Financial Statements

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Funds
ADDITIONS	
Contributions	$ 10,417
Total additions	10,417
DEDUCTIONS	
Recipient payments	8,576
Total deductions	8,576
Net increase in fiduciary net position	1,841
Net position, beginning of year	23,393
Net position, end of year	$ 25,234

Note 1 - Summary of Significant Accounting Policies

The Billings County School District No. 1, North Dakota (the "School District") operates under a School District Council form of government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The accompanying financial statements present the activities of the Billings County School District No. 1. The School District has is legally and fiscally independent of other state and local governments. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Billings County School District No. 1 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 Billings County School District No. 1. Based on these criteria, there are no component units to be included within the Billings County School District No. 1 as a reporting entity.

Measurement Focus and Basis of Accounting

In accordance with GASB Statement No. 34 (*Basic Financial Statements and Management's Discussion and analysis for State and Local Governments*), the basic financial statements include both government-wide and fund financial statements.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. Therefore, these financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers tax revenues to be available within 60 days of the end of the current fiscal year period. Other revenues are considered available if received one year after the fiscal year-end. Major revenues that are determined to be susceptible to the accrual include grant revenues. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, licenses, special assessments, grants, oil and gas production tax and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the reporting entity, except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, operating grants and contributions, and capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund financial statements are designated to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. A fund is considered major of it is the primary operating fund of the School District or meets the following criteria:

1) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Financial Statements

The fund financial statements provide information about the School District's funds including its fiduciary funds. Separate statements for each category-governmental and fiduciary are presented. 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.

Financial Statement Presentation

The School District reports the following major governmental funds:

General Fund – This is the general operating fund of the School District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – This fund is used as a contingency fund for the District. The maximum amount allowed in this fund is equivalent to 15 mills.

Building Fund – This fund is used to accumulate money for building or construction projects.

The School District does not have any enterprise funds.

The School District has an agency fund that accounts for assets held on behalf of other parties.

Budgets and Budgetary Accounting

The School District Council follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year.

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or before October 7, a public hearing is held for taxpayers to discuss any budgeted items. The governing body reviews the preliminary budget at the hearing and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget must be filed with the county auditor by October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 except as provided by North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The School District prepares its budget and reports it governmental funds on the same basis of accounting.

Cash and Cash Equivalents

The School District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for certificates of deposit which are considered cash equivalents regardless of their term since there is no loss of principal for early withdrawal.

Capital Assets

Capital assets are reported in the governmental activities columns in the government-wide financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the School District's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at acquisition value. The School District's capitalization policy is $5,000 and an estimated useful life in excess of one year or more.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed, not capitalized.

All capital assets are depreciated over their estimated useful lives on a straight-line basis. The School District has established the following useful lives:

Buildings and infrastructure	15-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

The School District reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

Compensated Absences

Full-time nine-month classified employees may receive nine paid sick leave days per year, cumulative to 90 days. Full-time twelve-month classified employees may receive 12 paid sick leave days per year, cumulative to 90 days. Amounts are reported as a liability in the governmental activity in the government-wide statements. Expenditure for unpaid vacation and sick leave benefits are recorded when paid in the governmental funds on the modified accrual basis of accounting and expenses for vacation and sick leave benefits are recorded when accrued in the proprietary funds on the full accrual basis of accounting.

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.

Pensions

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

Teachers' Fund for Retirement (TFFR)

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position and Fund Balance

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is "net position" on government-wide and fiduciary financial statements and "fund balance" on the governmental fund financial statements.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid expenses and inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the School District Council – the School

District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the School District Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the School District's "intent" to be used for specific purposes but are neither restricted nor committed. The School District council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it. When committed, assigned, and unassigned funds are available for expenditures, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts unless the governing board has provided otherwise in its commitment or assignment actions.

Property Taxes

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date.

A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes is not paid. Additional penalty and interest are added on a quarterly basis to those taxes that are not paid. Taxes are collected by the county and remitted monthly to the School District.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

The School District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the School District's cash and cash equivalents. These amounts must be deposited in a financial institution situated and doing business within this State. The School District has no formal investment policy.

Custodial Credit Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution. The School District does not have a formal policy regarding deposits. In accordance with state statutes, the fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds.

At year end June 30, 2021, the School District’s carrying amount of deposits was $1,673,803 and the bank balance was $1,749,365. Of the bank balances $500,000 was covered by Federal Depository Insurance or coverage substantially the same as that provided by federal deposit insurance. The remaining balance of $1,249,365 was collateralized with securities held by the pledging financial institution’s agent in the government’s name.

Note 3 - Accounts Receivable

Accounts receivable consists of billings for December and accounts delinquent at June 30, 2021.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

Governmental Activities	Balance 7/1/20	Additions	Transfers	Reductions	Balance 06/30/21
Capital assets not being depreciated					
Land	$ 12,000	$ -	$ -	$ -	$ 12,000
Construction in progress	1,238,212	483,967	-	-	1,722,179
Total capital assets not being depreciated	1,250,212	483,967	-	-	1,734,179
Capital assets being depreciated					
Buildings and improvements	4,486,157	-	-	-	4,486,157
Furniture and equipment	599,246	10,703	-	-	609,949
Total capital assets being depreciated	5,085,403	10,703	-	-	5,096,106
Less accumulated depreciation					
Buildings and improvements	(2,748,904)	(89,723)	-	-	(2,838,627)
Furniture and equipment	(410,288)	(31,620)	-	-	(441,908)
Total accumulated depreciation	(3,159,192)	(121,343)	-	-	(3,280,535)
Total capital assets being depreciated	1,926,211	(110,640)	-	-	1,815,571
Governmental capital assets, net	$ 3,176,423	$ 373,327	$ -	$ -	$ 3,549,750

Note 5 – Fund Balance

The following is a list of transfers for the year ending June 30, 2021:

	General Fund	Special Revenue Fund	Building Fund	Total Governmental Funds
Restricted for				
Cash	$ -	$ 277,543	$ -	$ 277,543
Investment	-	-	7,555,512	7,555,512
Unassigned	3,479,416	-	-	3,479,416
Total fund balance	$ 3,479,416	$ 277,543	$ 7,555,512	$ 11,312,471

Note 6 – 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

At June 30, 2021, the Employer reported a liability of $26,057 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.030976 percent, which was a decrease of 0.000256 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized OPEB expense of $3,368. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 578	$ 625
Changes of assumptions	3,494	-
Net difference between projected and actual earnings on pension plan investments	896	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	650	2,470
Employer contributions subsequent to the measurement date (see below)	3,625	-
Total	$ 9,243	$ 3,095

$3,625 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	$ 455
2022	686
2023	643
2024	378
2025	301
Thereafter	60

Actuarial assumptions. The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.25%
Salary Increases:	Not applicable including inflation and productivity
Investment rate of return:	6.50% net of investment expenses
Cost-of-living adjustments:	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

Discount rate. The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/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 Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's proportionate share of the net OPEB liability	$ 34,174	$ 26,057	$ 19,193

Note 7 – Pension Plan

General Information about the 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 be 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 (employee) 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

At June 30, 2021, the Employer reported a liability of $1,007,073 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Employer's proportion was 0.032011 percent, which was a decrease of 0.001493 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Employer recognized pension expense of $133,590. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,918	$ 51,029
Changes of assumptions	539,855	89,251
Net difference between projected and actual earnings on pension plan investments	32,503	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,362	50,038
Employer contributions subsequent to the measurement date (see below)	60,188	-
Total	$ 646,826	$ 190,318

$60,188 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$ 109,583
2022	100,841
2023	85,768
2024	100,128
2025	-
Thereafter	-

Actuarial assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	3.5% to 17.75, including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience.

Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Employer's proportionate share of the net pension liability	$ 1,306,602	$ 1,007,073	$ 761,986

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

Note 8 – North Dakota Teachers' Fund for Retirement

General Information about the Pension Plan

North Dakota Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary.

Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

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

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

At June 30, 2021, the Employer reported a liability of $2,027,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2020, the Employer's proportion was 0.13247364 percent, which was a increase of 0.01149686 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of $227,070. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 418	$ 76,088
Changes of assumptions	91,256	-
Net difference between projected and actual earnings on pension plan investments	125,161	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	230,325	79,852
Employer contributions subsequent to the measurement date (see below)	243,543	-
Total	$ 690,703	$ 155,940

$243,543 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	$ 50,416
2021	83,324
2022	69,578
2023	44,309
2024	15,430
Thereafter	28,164

Actuarial assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.30%
Salary Increases:	3.80% to 14.80% varying by service, including inflation and productivity
Investment rate of return:	7.25%, net of investment expenses
Cost-of-living adjustments:	None

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.90%
Global Fixed Income	23%	1.30%
Global Real Assets	18%	5.00%
Cash Equivalents	1%	0.00%

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	$ 2,700,539	$ 2,027,514	$ 1,468,195

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 www.nd.gov/rio/sib/publications/cafr/default.htm.

Note 10 – Subsequent Events

The School District has evaluated subsequent events through the date of this report and the following are the required disclosure: the School District is currently under contract with architects to design an expansion for our DeMores Elementary School building. The School District is in the design phase. The Billings County Commission has pledged $3 million for the project and the school board has dedicated $4 million from the building fund for this project.

BILLINGS COUNTY SCHOOL DISTRICT
NO. 1

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

SCHEDULE OF THE EMPLOYER'S SHARE OF NET OPEB LIABILITY AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule of Employer's Share of Net OPEB Liability
Other Post Employment Benefits
Last 10 Fiscal Years*

	2018	2019	2020	2021
Employer's proportion of the net OPEB liability (asset)	0.036929%	0.030447%	0.031232%	0.030976%
Employer's proportionate share of the net OPEB liability (asset)	25,085	23,979.00	25,085	26,057
Employer's covered-employee payroll	348,503	333,152.00	348,503	353,115
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%	7.20%	7.38%
Plan fiduciary net position as a percentage of the total OPEB liability	7.20%	7.20%	7.20%	7.38%

**Complete data for this schedule is not available prior to 2017.*

Schedule of Employer Contributions
Other Post Employment Benefits
Last 10 Fiscal Years*

	2018	2019	2020	2021
Statutorily required contribution	7,937	3,908	4,053	4,148
Contributions in relation to the statutory required contribution	(4,358)	(4,852)	(4,358)	(4,195)
Contribution deficiency (excess)	(308)	(944)	(308)	(47)
Employer's covered-employee payroll	399,509	333,152	348,503	353,115
Contributions as a percentage of covered-employee payroll	1.17%	1.46%	1.25%	1.19%

**Complete data for this schedule is not available prior to 2017.*

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

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

	2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.041716%	0.047367%	0.03849600%	0.03135000%	0.0324290%	0.033504%	0.032011%
Employer's proportionate share of the net pension liability (asset)	264,780	322,088	375,181	629,028	547,275	392,691	1,007,073
Employer's covered-employee payroll	351,405	421,983	387,951	399,509	333,152	348,503	353,115
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.35%	76.33%	96.70%	157.45%	164.27%	112.68%	285.20%
Plan fiduciary net position as a percentage of the total pension liability	72.12%	77.15%	71.10%	152.96%	158.50%	104.84%	65.83%

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

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

	2015	2016	2017	2018	2019	2020	2021
Statutorily required contribution	25,020	32,053	28,087	28,969	24,538	25,373	25,004
Contributions in relation to the statutory required contribution	(30,788)	(30,815)	29,161	29,216	30,303	(27,218)	(26,204)
Contribution deficiency (excess)	(5,768)	1,238	57,248	58,185	54,841	(1,845)	(1,200)
Employer's covered-employee payroll	351,405	421,983	387,951	399,509	333,152	348,503	353,115
Contributions as a percentage of covered-employee payroll	7.20%	7.60%	7.52%	7.31%	9.10%	7.81%	7.42%

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

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY TFFR AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

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

	2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.125937%	0.102741%	0.11166732%	0.12333776%	0.1245235%	0.120977%	0.132474%
Employer's proportionate share of the net pension liability (asset)	1,319,596	1,343,703	1,709,330	1,694,076	1,672,102	1,666,156	2,027,514
Employer's covered-employee payroll	730,500	631,967	758,055	832,495	852,837	848,687	966,608
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.64%	212.62%	225.49%	203.49%	196.06%	196.32%	209.76%
Plan fiduciary net position as a percentage of the total pension liability	66.60%	62.10%	59.20%	63.20%	65.50%	65.50%	63.40%

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

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

	2015	2016	2017	2018	2019	2020	2021
Statutorily required contribution	80,572	96,652	106,143	108,737	108,737	108,208	123,243
Contributions in relation to the statutory required contribution	(80,572)	(96,652)	(106,143)	(108,737)	(108,737)	(108,208)	(123,243)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered-employee payroll	631,967	758,055	832,495	852,837	852,837	848,687	966,608
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

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

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

	Original Budgeted	Final Budgeted	Actual	Variance with Final Budget
Revenues:				
Property taxes	$ 2,905,796	$ 2,905,796	$ 2,905,796	$ -
Earnings on investments	5,595	5,595	5,595	-
School lunch sales	-	-	11,034	(11,034)
Other local sources	59,294	59,294	59,294	-
Federal aid	528,606	528,606	528,606	-
Total revenues	3,499,291	3,499,291	3,510,325	(11,034)
Expenditures:				
Current				
Media Services	118,669	118,669	1,077,214	(958,545)
Supporting services:				
Support Services	20,331	20,331	20,331	-
Instructional staff	1,077,236	1,077,236	119,891	957,345
District administration	51,841	51,841	51,841	-
School administration	222,540	222,540	222,540	-
Business services	294,635	294,635	294,635	-
Operation & maintenance of facilities	338,365	338,365	338,365	-
Transportation	286,203	286,203	286,203	-
Special education	213,946	213,946	213,946	-
Community service programs	159,641	159,641	159,641	-
Extracurricular programs	25,474	25,474	25,474	-
Food services	129,095	129,095	129,095	-
Total expenditures	2,937,976	2,937,976	2,939,176	(1,200)
Excess of revenues over expenditures	561,315	561,315	571,149	752,961
Other Financing Sources (Uses):				
Transfers in	7,215	7,215	-	7,215
Transfers out	(7,194)	(7,194)	-	(7,194)
Total other financing sources (uses)	21	21	-	21
Net change in fund balances	$ 561,336	$ 561,336	571,149	$ 750,961
Fund balances - beginning			2,908,267	
Fund balances - ending			$ 3,479,416	

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	$ -	$ -	$ -	$ -
Earnings on investments	-	-	-	-
School lunch sales	-	-	-	-
Other local sources	-	-	-	-
State aid	-	-	-	-
Federal aid	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Current				
Media Services	-	-	-	-
Supporting services:				
Support Services	-	-	-	-
Instructional staff	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Operation & maintenance of fa	-	-	-	-
Transportation	-	-	-	-
Special education	-	-	-	-
Community service programs	-	-	-	-
Extracurricular programs	-	-	-	-
Food services	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other income / expenses				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
Fund Balance - Beginning			277,543	
Fund Balance - Ending			$ 277,543	

BILLINGS COUNTY SCHOOL DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – BUILDING FUND FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	$ -	$ -	$ -	$ -
Earnings on investments	14,240	14,240	127,880	(113,640)
School lunch sales	-	-	-	-
Other local sources	113,640	113,640	-	113,640
State aid	-	-	-	-
Federal aid	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	127,880	127,880	127,880	-
Expenditures				
Current				
Media Services	-	-	-	-
Supporting services:			-	-
Support Services	-	-	-	-
Instructional staff	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Operation & maintenance of facilities	60,564	60,564	60,564	-
Transportation	-	-	-	-
Special education	-	-	-	-
Community service programs	-	-	-	-
Extracurricular programs	-	-	-	-
Food services	-	-	-	-
Total expenditures	60,564	60,564	60,564	-
Excess (deficiency) of revenues over expenditures	67,316	67,316	67,316	-
Other income / expenses				-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balance	$ 67,316	$ 67,316	67,316	$ 729,819
Fund Balance - Beginning			7,488,196	
Fund Balance - Ending			$ 7,555,512	

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 – OPEB:

***Changes of benefit terms**:* Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

Note 2 - Pension:

Changes of benefit terms: The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System 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, 2019.

***Changes of assumptions**:* The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

Note 3 - TFFR:

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

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future

experience;

- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results and 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%.
- Today salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The City Council
Billings County School District No. 1

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Billings County School District No. 1 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Billings County School District No. 1's basic financial statements, and have issued our report thereon dated October 20, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Billings County School District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Billings County School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Billings County School District No. 1'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Billings County School District No. 1'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items.

Billings County School District No. 1's Response to Findings

Billings County School District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Billings County School District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schmitz Holmstrom, LLP

Bismarck, ND
October 20, 2023

BILLINGS COUNTY SCHOOL DISTRICT NO.1

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

2021-001 Preparation of Annual GAAP Financial Statements

Material Weakness in Internal Control over Financial Reporting

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements and accompanying notes to the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

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

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

Effect – Inadequate control over financial reporting of the school district could result in the more than a remote likelihood that the school district would not be able to draft the financial statements and accompanying notes to the financial statements without material errors.

Recommendation – The school board should keep this weakness in mind and continue fulfill its governance responsibilities by closely monitoring financial activity.

Views of Responsible Officials – The school district concurs with the finding. The school district does not believe it would be cost effective to hire additional personnel to prepare annual financial statements.

2021-002 Segregation of Duties

Material Weakness in Internal Control over Financial Reporting

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

Condition – The school district has a lack of segregation of duties in certain areas, specifically the cash receipt process and the review and approval process of manual journal entries due to limited staff.

Cause – The school district has not implemented internal control procedures to ensure there is adequate segregation of duties related to all transactions handled in the accounting office and there are a limited number of employees to segregate all of the duties.

Effect – Inadequate segregation of duties could adversely affect the school district's ability to detect potential material misstatements to the financial statements or fraudulent activity in a timely manner.

Recommendation – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible.

Views of Responsible Officials – The school district school concurs with the finding. The school district does not believe it would be cost effective to hire additional personnel to properly segregate duties. To help mitigate this weakness the school board will continue to be involved with and monitor the financial activities of the school district.