FINANCIAL STATEMENTS

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
CAVALIER, NORTH DAKOTA

For the Year Ended
JUNE 30, 2021

Hurtt, Mortenson & Rygh
Certified Public Accountants
1203 Park Street East
Park River, ND 58270

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Cavalier, North Dakota
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For the Year Ended June 30, 2021

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
SCHOOL OFFICIALS
For the Year Ended June 30, 2021

Kelli Vivatson	School Board President
Chris Burgess	School Board Member
Elizabeth Crowston	School Board Member
Justin Krieg	School Board Member
Rachel Ramsay	School Board Member
Jeff Manley	Superintendent
Melissa Gauthier	Business Manager

HMR Hurtt, Mortenson & Rygh
Certified Public Accountants

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Richard Mortenson, CPA
Patty Dahlen, Partner

INDEPENDENT AUDITOR'S REPORT

To the School Board
Cavalier Public School District No. 6
Cavalier, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cavalier Public School District No. 6, Cavalier, North Dakota as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

PARK RIVER	LANGDON	STEPHEN	CAVALIER	GRAFTON
1203 Park Street East P.O. BOX 287 Park River, ND 58270 (701) 284-7616	817 3rd Street FM Mall Langdon, ND 58249 (701) 256-2427	413 5th Street P.O. BOX 45 Stephen, MN 56757 (218) 478-2880	206 Dakota Street West P.O. BOX 33 Cavalier, ND 58220 (701) 265-8644	735 Hill Avenue, Ste 201 Grafton, ND 58237 (701) 352-2285

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cavalier Public School District No. 6, Cavalier, North Dakota, 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

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, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requires that the budgetary comparison information, Schedules of Employer's Share of Net Pension Liability, and Schedules of Employer's Contributions as listed on the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cavalier Public School District No. 6, Cavalier, North Dakota's basic financial statements. The statement of revenues, expenditures and changes in fund balance – General Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of revenues, expenditures and changes in fund balance – General Fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of Cavalier Public School District No. 6, Cavalier, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Cavalier Public School District No. 6, Cavalier, North Dakota's internal control over financial reporting and compliance.

Hurtt, Mortenson & Rygh

Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

January 31, 2022

BASIC FINANCIAL STATEMENTS

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6

Cavalier, North Dakota

Statement of Net Position

June 30, 2021

		Total Governmental
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	1,535,612
Cash Restricted for Debt Service		280,391
Intergovernmental Receivable		153,798
Taxes Receivable		76,119
Total Current Assets		2,045,920
NON-CURRENT ASSETS		
Capital Assets (not being depreciated)		12,919
Capital Assets (net of accumulated depreciation)		5,701,694
Total Non-Current Assets		5,714,613
Total Assets		7,760,533
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension		1,849,280
Total Deferred Outflows of Resources		1,849,280
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	9,609,813
LIABILITIES		
CURRENT LIABILITIES		
Payroll Liabilities	$	115,127
Interest Payable		21,758
Payable from Restricted Assets:		
Interest Payable		11,821
Current Portion of Non-Current Liabilities		290,000
Total Current Liabilities		456,074
NONCURRENT LIABILITIES		
Bonds Payable		3,435,000
Less: Amounts Due Within One Year		(290,000)
Compensated Absences Payable		34,328
Net Pension Liability		6,350,686
Total Non-Current Liabilities		9,530,014
Total Liabilities		9,986,088
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension		706,401
Total Deferred Inflows of Resources		706,401
TOTAL LIABILITIES AND DEFERRED INFLOWS		10,692,489
NET POSITION:		
Net Investment in Capital Assets		2,279,613
Restricted for:		
Capital Projects		256,825
Debt Service		276,067
Special Reserve		142,512
Scholarships		1,245
Unrestricted Net Position		(4,038,938)
Total Net Position		(1,082,676)
TOTAL LIABILITIES AND NET POSITION	$	9,609,813

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6

Cavalier, North Dakota

Statement of Activities

For the Year Ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Change in Net Assets
Functions:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**
Regular Instruction	$ 2,574,984	$ 5,850	$ -	$ -	$ (2,569,134)
Special Education	628,122	15,843	352,205	-	(260,075)
Career and Technical	264,086	-	13,905	-	(250,181)
Federal Programs	569,891	-	570,474	-	583
Extracurricular Activities	180,096	-	-	-	(180,096)
Student Support Services:					
Library	129,118	-	2,237	-	(126,881)
District Wide Services	74,698	-	-	-	(74,698)
Guidance Services	130,616	-	-	-	(130,616)
General Administration	260,142	-	-	-	(260,142)
School Administration	274,646	-	-	-	(274,646)
Business Office	167,882	-	-	-	(167,882)
Operation and Maintenance	660,598	-	-	-	(660,598)
Transportation	239,244	-	92,060	-	(147,184)
Other Programs and Services	72,344	28,289	74,604	-	30,549
School Lunch Services	311,424	42,181	292,488	-	23,245
Interest & Fees on Long Term Debt	128,597	-	-	-	(128,597)
Total District	$ 6,666,489	$ 92,163	$ 1,397,974	$ -	$ (5,176,352)

General Revenues:	
Taxes:	
Property taxes levied for general purposes	$ 1,356,615
Property taxes levied for debt service	147,332
Property taxes levied for building fund	145,452
Property taxes levied for special reserve	48,539
State Aid not restricted for special purposes	3,264,567
Unrestricted investment earnings	11,117
Miscellaneous	18,604
Total General Revenues	4,992,226
Change in Net Position	(184,126)
Net Position - July 1	(883,961)
Restatement	(14,588)
Net Position - July 1, as Restated	(898,549)
Net Position - June 30	$ (1,082,676)

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Balance Sheet -Governmental Funds
June 30, 2021

	General	Building Fund	Sinking & Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$1,051,034	$ 260,290	$ -	$ 224,288	$ 1,535,612
Cash Restricted for Debt Service	-	-	280,391	-	280,391
Intergovernmental Receivable	152,200	649	733	216	153,798
Taxes Receivable	60,499	6,640	6,765	2,215	76,119
Total Assets	1,263,733	267,579	287,889	226,719	2,045,920
Total Assets	$1,263,733	$ 267,579	$ 287,889	$ 226,719	$ 2,045,920
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
LIABILITIES					
Interest Payable	$ 11,004	$ 10,754	$ 11,821	$ -	$ 33,579
Payroll Liabilities	109,042	-	-	6,084	115,127
Total Liabilities	120,047	10,754	11,821	23,453	166,074
DEFERRED INFLOWS OF RESOURCES					
Uncollected Taxes Receivable	58,298	6,398	6,508	2,135	73,338
Total Deferred Inflows of Resources	58,298	6,398	6,508	2,135	73,338
FUND BALANCE					
Nonspendable Fund Balance	-	-	-	-	-
Restricted for:					
Capital Projects	-	250,427	-	-	250,427
Debt Service	-	-	269,559	-	269,559
Special Reserve	-	-	-	140,377	140,377
Scholarships	1,245	-	-	-	1,245
Committed to:					
Food Service	-	-	-	60,755	60,755
Unassigned Fund Balance	1,084,144	-	-	-	1,084,144
Total Fund Balance	1,085,389	250,427	269,559	201,132	1,806,507
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$1,263,733	$ 267,579	$ 287,889	$ 226,719	$ 2,045,920

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total *Fund Balances* for Governmental Funds		$ 1,806,507
Total *net position* reported for governmental activities in the statement of net position is different because:		
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenues in the funds.		73,338
Capital assets used in governmental funds are not financial resources and are not reported in the funds.		
Cost of Capital Assets	$ 9,591,938	
Less Accumulated Depreciation	(3,877,325)	
Net Capital Assets		5,714,613
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.		
Bonds Payable	$ (3,435,000)	
Net Pension Liability	(6,350,686)	
Compensated Absences Payable	(34,328)	
Total Long-Term Liabilities		(9,820,014)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows related to pensions		1,849,280
Deferred inflows related to pensions		(706,401)
Total *Net Position* of Governmental Activities		$ (1,082,676)

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6

Cavalier, North Dakota

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2021

	General	Building Fund	Sinking & Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources	$ 1,523,193	$ 146,620	$ 148,927	$ 91,106	$ 1,909,846
State Sources	3,722,737	-	-	356	3,723,093
Federal Sources	570,474	-	-	292,132	862,607
Total Revenues	5,816,404	146,620	148,927	383,594	6,495,545
Expenditures:					
Regular Instruction Programs	2,359,276	-	-	-	2,359,276
Special Education	615,963	-	-	-	615,963
Career and Technical Education	240,180	-	-	-	240,180
Federal Programs	545,057	-	-	5,104	550,161
Extracurricular Activities	167,545	-	-	-	167,545
Student Support Services:					
Library	119,861	-	-	-	119,861
District Wide Services	74,698	-	-	-	74,698
Guidance Services	118,157	-	-	-	118,157
General Administration	243,527	-	-	-	243,527
School Administration	248,008	-	-	-	248,008
Business Office	162,191	-	-	-	162,191
Operation and Maintenance	341,959	15,948	-	-	357,907
Transportation	239,244	-	-	-	239,244
Other Programs & Services	72,344	-	-	-	72,344
Capital Outlay	10,995	29,848	-	-	40,843
Debt Service					
Principal Payments	100,000	60,000	120,000	-	280,000
Interest Payments	71,828	27,290	29,479	-	128,597
Food Service	-	-	-	306,897	306,897
Total Expenditures	5,730,833	133,086	149,479	312,002	6,325,400
Excess (Deficiency) of Revenues over Expenditures	85,571	13,533	(551)	71,593	170,146
Fund Balance - July 1	999,818	236,894	270,111	144,127	1,650,950
Restatement	-	-	-	(14,588)	(14,588)
Fund Balance - June 30	$ 1,085,389	$ 250,427	$ 269,559	$ 201,132	$ 1,806,507

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - All Governmental Fund Types
For the Year Ended June 30, 2021

Net change in *Fund Balance* - Total Governmental Funds		$ 170,146
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	40,843	
Current Year Depreciation Expense	(297,068)	(256,225)
Governmental funds expense compensated absences as incurred. However, in the statement of activities, compensated absences are expensed when the liability is deemed measurable. This is the amount the accrued compensated absences increased during the year.		
(Increase)/Decrease in compensated absences		(1,351)
Governmental funds record taxes as received, however in the statement of activities taxes are recorded as revenue in the year they are levied for. This is the amount that revenues differ on the Statement of Activities.		
Increase/(Decrease) in uncollected taxes receivable		(13,935)
Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal payments on debt		280,000
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	370,523	
Cost of benefits earned net of employee contributions	(733,282)	(362,759)
Change in *Net Position* of Governmental Activities		$ (184,126)

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2021

	Custodial Fund	Private Purpose Trust Fund
Assets:		
Cash and Investments	$ 62,913	$ 44,845
Net Position		
Restricted for:		
Individuals and Organizations: Student Groups	$ 62,913	
Individuals and Organizations: Scholarships		$ 44,845

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
June 30, 2021

	Custodial Funds	Private Purpose Trust Fund
Additions		
Student Related Activities	$ 122,208	$ -
Total Revenues	122,208	-
Deductions		
Student Related Activities	131,956	-
Scholarships	-	630
Net Increase (Decrease) in Fiduciary Net Position	$ (9,748)	$ (630)
Net Position - July 1	$ 72,661	$ 45,475
Net Position - June 30	$ 62,913	$ 44,845

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school district have been prepared in conformity with generally accepted accounting principles *(GAAP)* as applied to government units in the United States of America. The *Governmental Accounting Standards Board (GASB)* is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of Cavalier Public School District No. 6. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. Financial accountability is defined in GASB Statement No. 14 "The Financial Reporting Entity". The criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Cavalier Public School District No. 6. 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 Cavalier Public School District No. 6.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed defining the government's reporting entity:

Included within the reporting entity:
BLENDED COMPONENT UNIT: Blended component units, although legally separate entities, are in substance part of the government's operations and so data from this unit is combined with data from the primary government.

> Cavalier Public School District Building Authority – the school board as a legally separate entity created the building authority. Its purpose is to promote the educational system of the school district by providing financing for use by the school in altering, repairing, maintaining or constructing building and making any improvements connected to school buildings. The school board is the governing board of the building authority.

Financial information of the Cavalier Public School District Building Authority, including records of revenues and expenditures, may be obtained by submitting a written request to Jeff Manley, 300 Main Street East, PO Box 410, Cavalier, North Dakota 58220.

The District's basic financial statements include all of the District's operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Cavalier Public School District No. 6.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

Governmental Fund Financial Statements: Separate financial statements are provided for governmental funds including fiduciary funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements.

The school district reports the following governmental funds:

GOVERNMENTAL FUND TYPES

General Fund (a major governmental fund) – The general fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Building Fund (a major governmental fund) –This fund has its own mill levy dedicated to major construction projects. Levy funds can also be used for property insurance premiums covering school district property.

Debt Service Fund (a major governmental fund) – Debt service funds are used to accumulate revenues dedicated to debt service and to retire corresponding debt issues as the interest and principal come due.

Special Reserve Fund – The district may levy a tax sufficient to establish, maintain or replenish the special revenue fund for the use and benefit of the school district.

Food Service Fund – This fund is used to record financial transactions related to food service operations. The fund is financed by user charges and grants.

FIDUCIARY FUND TYPE

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide statements. The District's fiduciary funds include the following:

Agency Funds - Agency funds are used to account for assets held by the school district in a custodial capacity as an agent for student body groups.

Private Purpose Trust Funds – These funds account for assets held by the school district used for scholarships.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is federal and state grants collected on a reimbursement basis, which are recognized as revenue when reimbursable expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented following the fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. State law requires district funds to be deposited in a financial institution situated and doing business within this state.

E. Capital Assets

Capital assets, which include land, buildings and improvements and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects and constructed. Buildings & improvements and furniture & equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	40
Buses	10
Furniture & Equipment	10
Vehicles	5
Computer & Electronic Equipment	5

F. Compensated Absences

Unused personal leave and accumulated sick time for qualified employees is reported in the government – wide statement of Net Position. Each teacher is granted three days of personal leave each year and may accumulated up to 5 days of personal leave. Teachers are granted ten days of sick leave each year and personnel hired after May 30, 1997 may accumulate up to 90 days of sick leave. Personnel hired *before* May 30, 1997 are entitled to unlimited accumulation of sick leave.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as compensated absences, are reported in the governmental activities statement of Net Position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. If amounts are not material, they are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Deferred Outflows/Inflows of Resources

Deferred Outflows of resources on the Statement of Net Position represent consumption of resources applicable to future periods and so will not be recognized as an expense until then. The District's deferred outflows of resources reported on the statement of net position are related to defined benefit pension plans (TFFR and NDPERS) and other post-employment benefits (RHIC). The amount represents actuarial differences within the pension plans as well as contributions to the plans made after the measurement date.

Deferred Inflows of resources on the Statement of Net Position represent acquisition of resources applicable to future periods and so will not be recognized as revenue until that time. The District's deferred inflow of resources on the Statement of Net Position are related to defined benefit pension plans

(TFFR and NDPERS) and other post-employment benefits (RHIC). The amount represents actuarial differences within the pension plans.

Deferred inflows of resources on the governmental funds balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

I. Net Position/Fund Balance

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statement

Beginning with fiscal year 2011, the school district implemented GASB Statement 54, Fund Balance Reporting in Governmental Fund Types Definitions. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the school district is bound to honor them. The school district first determines and reports non-spendable balances, then restricted, then committed, and so forth. The school district's governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the school district. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the school district intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the school district's administration comprised of the school district's governing board.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

J. Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned resources are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Use of Estimates in Preparing Financial Statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Memorandum Only - Total Columns

Total columns to the financial statements are captioned *"memorandum only"* to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The District's governing board did not amend the budget during the fiscal year.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota Statutes, the school district maintains deposits in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the school district to invest in:

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

The School District's deposits at June 30, 2021, were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the District's name. For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage.

B. Investments

Concentration of Credit Risk - The risk that the counterparty of an investment will not fulfill its obligations. The School District's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

At year ended June 30, 2021, the School District's carrying amount of deposits and CDs totaled \$1,922,711 and the bank balances totaled \$2,004,925. Of the bank balances, \$903,001 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,101,924 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Intergovernmental receivable consists of the following as of June 30, 2021:

Intergovernmental Receivable	June 30, 2021
Pembina County	$ 7,502
ND Department of Public Instruction	
Title II A	34,181
Title IV A	19,310
Elementary and Secondary School Relief (ESSR) Fund	73,529
ND Department of Career and Technical Education	$ 13,905
ND Department of Commerce	
Early Childhood Development Grant	4,500
Other Miscellaneous Receivables	871
Total Intergovernmental Receivable	$ 153,798

NOTE 5 CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2021 was as follows:

Governmental Activities:	**Balance July 1, 2020**	**Additions**	**(Deletions)**	**Balance June 30, 2021**
Capital assets, not being depreciated				
Land	$ 12,919	$ -	$ -	$ 12,919
Total capital assets, not being depreciated:	12,919	-	-	12,919
Capital assets, being depreciated				
Buildings	8,599,587	29,848	-	8,629,435
Equipment	795,840	10,995	-	806,835
Vehicles	142,749	-	-	142,749
Total capital assets, being depreciated:	9,538,176	40,843	-	9,579,019
Less: accumulated depreciation for:				
Buildings	(2,879,062)	(220,658)	-	(3,099,720)
Equipment	(558,446)	(76,410)	-	(634,856)
Vehicles	(142,749)	-	-	(142,749)
Total accumulated depreciation	(3,580,257)	(297,068)	-	(3,877,325)
Total capital assets being depreciated, net	5,957,919	(256,225)	-	5,701,694
Governmental activities capital assets, net	$ 5,970,838	$ (256,225)	$ -	$ 5,714,613

Depreciation expense was charged to the following functions:

Operation and Maintenance	$ 297,068
Total Depreciation Expense	$ 297,068

NOTE 6 DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

The District recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources. Below is a summary of the District's property tax receivables and deferred inflows of resources:

	Receivable	Deferred
General Fund	$ 60,499	$ 58,298
Special Reserve Fund	2,215	2,135
Building Fund	6,640	6,398
Sinking & Interest	6,765	6,508
	$ 76,119	$ 73,338

Deferred inflows and outflows of resources in the Statement of Net Position represent the changes of assumptions, net difference between projected and actual investment earnings on pension plan investments and changes in proportion and differences between District contributions and the proportionate share of contributions, as discussed in notes 9 and 10.

NOTE 7 LONG TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Due Within One Year
Long-Term Debt					
Limited Tax Bonds Payable	$ 2,015,000	$ -	$ (180,000)	$ 1,835,000	$ 185,000
Lease Revenue Bonds Payable	1,700,000	-	(100,000)	1,600,000	105,000
Total Long-Term Debt	$ 3,715,000	$ -	$ (280,000)	$ 3,435,000	$ 290,000
Other Long-Term Obligations					
Compensated Absences Payable	$ 32,977	$ 1,351	-	$ 34,328	$ -
Net Pension Liability TFFR	4,532,861	315,623	-	4,848,484	-
Net Pension Liability NDPERS	575,640	892,545	-	1,468,185	-
Net Other Post Employment Benefit Liability	36,771	-	(2,754)	34,017	-
Total Long-Term Obligations	$ 8,893,249	$ 1,209,519	$ (282,754)	$ 9,820,014	$ 290,000

BONDS PAYABLE

$1,890,000 Limited Tax Bonds, Series 2013A
The Limited Tax Bonds, Series 2013A were issued on June 27, 2013 in the amount of $1,890,000. Proceeds are for the purpose of improvements and renovation of the school's ventilation system. Principal and interest payments are to be paid using proceeds from the HVAC Fund Levy. The issue matures over a period of fifteen (15) years and is due annually through 2029. Interest is paid semi-annually and varies from 2.0% to 3.10%. As of June 30, 2021, the district held $280,391 in debt service reserves for this bond issue.

Outstanding June 30, 2021	$1,065,000

$345,000 Limited Tax Bonds, Series 2013B
The Limited Tax Bonds, Series 2013B were issued on October 3, 2013 in the amount of $345,000. Proceeds are for the purpose of improvements and renovation of the school's kitchen, bathrooms, office and ventilation system. The issue matures over a period of fifteen (15) years and is due annually through 2029. Interest is paid semi-annually and varies from 3.0% to 4.25%.

Outstanding June 30, 2021	205,000

$2,370,000 Lease Revenue Bonds, Series 2013C
The Lease Revenue Bonds, Series 2013C were issued on October 3, 2013 in the amount of $2,370,000. The proceeds of the bonds are to be used for construction and remodeling of the School District's kitchen, bathrooms, and office. The issue matures over a period of twenty (20) years and is due annually through 2033. Interest is paid semi-annually and varies from 1.0% to 4.75%.

Outstanding June 30, 2021	1,600,000

$750,000 Limited Tax Bonds, Series 2014
The Limited Tax Bonds, Series 2014, were issued on August 7, 2014 in the amount of $750,000. The proceeds of the bonds are to be used for renovation, remodeling, repair, and improvement of school buildings, as well as install technology upgrades. The issue matures over a period of twenty (20) years and is due annually through 2034. Interest is paid semi-annually and varies from 0.80 % to 3.50%.

Outstanding June 30, 2021	565,000
Total Bonds Payable June 30, 2021	$3,435,000

The annual debt service requirement for bonds payable is as follows:

Year Ended 30-Jun	Principal	Interest
2022	$ 290,000	$ 119,936
2023	295,000	112,486
2024	305,000	104,362
2025	310,000	94,302
2026	315,000	83,414
2027 - 2031	1,405,000	248,692
2032 - 2036	515,000	36,963
Total	$3,435,000	$ 800,152

NOTE 8 PROPERTY TAXES

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

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

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

NOTE 9 PENSION PLANS

Summary of Significant Accounting Policies

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 positions of the North Dakota Public Employees Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS' and TFFR's fiduciary net positions have been determined on the same basis as they are reported by NDPERS and 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.

General Information about the Pension Plans

A. 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 will 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 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 $1,468,185 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 0.046668 percent, which was a decrease of 0.002445 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of $218,964. 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 experiences	$ 5,713	$ 74,394
Changes of assumptions	787,040	130,117
Net difference between projected and actual earnings on pension plan investments	47,386	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	80,033	56,123
*Employer contributions subsequent to the measurement date of July 1, 2020	44,756	-
Total	$ 964,928	$ 260,634

*$44,756 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:		
2022	$	193,256
2023		168,277
2024		147,163
2025		150,842
2026		-
Thereafter		-
Total	$	659,538

Actuarial Assumption

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	Service at Beginning of Year	State Employee	Non-State Employee
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	Age*		
	Under 30	7.25%	10.00%
	30 - 39	6.50%	7.50%
	40 - 49	6.25%	6.75%
	50 - 59	5.75%	6.50%
	60+	5.00%	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service		
Investment rate of return	7.00%, net of investment expenses		
Cost-of-living adjustments	None		

*Aged-based salary increase rates apply for employees with three or more years of service.

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%
Global Real Estate	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	1,904,860	1,468,185	1,110,879

Pension Plan Fiduciary Net Position

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

B. 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 $4,848,484 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 0.316790 percent, which was a decrease of 0.012333 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the employer recognized pension expense of $464,463. 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 experiences	$ 1,000	$ 181,953
Net difference between projected and actual earnings on pension plan investments	299,304	-
Changes of assumptions	218,224	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	28,346	258,541
*Employer contributions subsequent to the measurement date of July 1, 2020	320,333	-
Total	$ 867,207	$ 440,494

*$320,333 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:	
2022	$ 42,022
2023	14,595
2024	46,442
2025	30,819
2026	(17,663)
Thereafter	(9,835)
Total	$ 106,380

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 pension plan investment expenses, including inflation
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%	6.86%
Global Fixed Income	23%	1.25%
Global Real Assets	18%	5.02%
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	6,457,921	4,848,484	3,510,960

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.

Payables to the Pension Plan

As of June 30, 2021, the district had no accrued payable to the pension plan.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Summary of Significant Accounting Policies

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

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 $34,017 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 0.040349 percent, which was a decrease of 0.005342 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the employer recognized OPEB expense of $5,000. 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 experiences	$	755	$	816
Changes of assumptions		4,561		-
Net difference between projected and actual earnings on pension plan investments		1,170		-
Changes in proportion and differences between Employer contributions and proportionate share of contributions		5,226		4,457
*Employer contributions subsequent to the measurement date of July 1, 2020		5,433		
Total	$	17,145	$	5,273

*$5,433 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, 2020.

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:		
2022		1,198
2023		1,500
2024		1,445
2025		1,081
2026		956
2027		259
Thereafter		-
Total	$	6,439

Actuarial assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	n/a
Investment rate of return	6.50%
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%
International Equities	21%	1.15%
Domestic Fixed Income	40%	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 pension liability	$44,614	$34,017	$25,056

NOTE 11 RISK MANAGEMENT

The Cavalier Public School District No. 6 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The Cavalier Public School District No. 6 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of $1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The school district also participates in North Dakota Workforce Safety and Insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 13 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program and its market value is recognized as revenue from federal sources. The market value of commodities received for the year ended June 30, 2021 was $25,265.

NOTE 14 JOINT VENTURE

The school district participates in a joint venture with several other districts in the area, The Upper Valley Special Education District. The purpose of this joint venture is to provide special education services to the member districts. Each participating school district is obligated to pay an assessed fee. In the event of an emergency funding deficit, additional fees may be assessed against member school districts upon 2/3 approval of UVSE board members. No emergency funding needs have been identified as of June 30, 2021.

Financial Statements for the Upper Valley Special Education District may be obtained by submitting a written request to Linda Jenkins, Director, PO Box 272, Grafton, North Dakota 58237.

NOTE 15 COMMITMENTS

The District has contracted with a private entity to provide transportation for its students. The contractor is responsible for maintenance, insurance, and wages relating to bus operations. The length is for five years and continues through June 30, 2022. Contract price is based on an agreed upon cost per mile. After year one, costs increase 2%. Yearly increases beyond year two will be negotiated between the District and contractor.

NOTE 16 TAX ABATEMENTS

Pembina County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various businesses. Pembina County have the following types of tax abatement and tax exemption agreements with various individuals and commercial entities at June 30, 2021.

New or Expanding Business Exemption under NDCC Ch. 40-57.1, provides property tax abatements by assisting in establishing industrial plants, expanding, and retaining existing businesses. A property tax exemption allows for the property to be excluded for up to five years. The property must have prior certification as a primary sector business by the ND Commerce Department. A partial or complete exemption from ad valorem taxation under this section for retail sector projects may receive a partial or complete exemption from the governing body of the city or county.

Public Charity Exemption: Public charities are eligible for property tax exemption if they meet state requirements at NDCC-57-02-08 (8). All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property Tax Exemption of Improvements to Buildings: Improvements to commercial and residential buildings and structures as defined in NDCC 57-02.2-03 may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits.

Property Tax Exemption for Builders of Certain New Single-Family Residential Properties. N.D.C.C. § 57-02-08(35) provides a discretionary exemption for certain new single-family residential properties from property taxes for the taxable year in which construction began and the next two taxable years, if the property remains owned and occupied for the first time, and other conditions are met. Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated is eligible for consideration.

Various businesses and individuals located in Pembina County have received property tax abatements and/or exemptions under the above programs. The value of these abatements and exemptions are currently not calculated by the county, so the resulting reduction to the District's property tax revenues could not be determined.

NOTE 17 RESTATEMENT

The District made a prior period adjustment to payroll liabilities in the food service fund. The adjustment resulted in the following restatement to the fund balance.

Fund Balance at June 30, 2020, as previously reported	$ 52,675
Prior Period Adjustment to student deposits payable at July 1, 2020	(14,588)
Fund Balance July 1, 2020, as restated	$ 60,755

NOTE 18 SUBSEQUENT EVENTS

As of January 31, 2022, the date the financial statements were available to be issued, the District was not aware of any subsequent events that need to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	General Fund		
	Original & Final Budget	Actual	Variance
Revenues:			
Local Sources	$ 1,531,211	$1,523,193	$ (8,018)
State Sources	3,780,085	3,722,737	(57,348)
Federal Sources	259,206	570,474	311,268
Total Revenues	5,570,502	5,816,404	245,902
Expenditures:			
Regular Instruction Programs	2,475,055	2,359,276	115,779
Special Education	618,119	615,963	2,156
Career and Technical Education	245,351	240,180	5,171
Federal Programs	237,334	545,057	(307,723)
Extracurricular Activities	173,836	167,545	6,291
Student Support Services:			
Library	123,826	119,861	3,964
District wide Services	79,305	74,698	4,607
Guidance Services	119,505	118,157	1,348
General Administration	212,152	243,527	(31,375)
School Administration	249,342	248,008	1,334
Business Office	168,372	162,191	6,181
Operation and Maintenance	404,047	352,954	51,092
Transportation	297,100	239,244	57,856
Other Programs & Services	111,048	72,344	38,704
Debt Service			
Principal Payments	98,000	100,000	(2,000)
Interest Payments	73,793	71,828	1,965
Total Expenditures	5,686,184	5,730,833	(44,649)
Excess Revenues over (under) Expenditures	(115,682)	85,571	201,253
Fund Balance - July 1	999,818	999,818	
Fund Balance - June 30	$ 884,135	$1,085,389	

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.340543%	3,568,287	1,975,331	180.6%	66.60%
2016	0.349180%	4,566,769	2,147,821	212.6%	62.10%
2017	0.343680%	5,035,108	2,232,972	225.5%	59.20%
2018	0.333935%	4,586,683	2,253,966	203.5%	63.20%
2019	0.327607%	4,366,532	2,227,101	196.1%	65.50%
2020	0.329123%	4,532,861	2,308,894	196.3%	65.50%
2021	0.316790%	4,848,484	2,311,493	209.8%	63.40%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	212,346	212,346	0	1,975,331	10.75%
2016	273,834	273,834	0	2,147,821	12.75%
2017	284,704	284,704	0	2,232,972	12.75%
2018	287,381	287,381	0	2,253,966	12.75%
2019	283,955	283,955	0	2,227,101	12.75%
2020	294,384	294,384	0	2,308,894	12.75%
2021	294,718	294,718	0	2,311,493	12.75%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.048440%	307,459	408,041	75.4%	77.70%
2016	0.046356%	315,213	412,980	76.3%	77.15%
2017	0.049963%	486,938	503,509	96.7%	70.46%
2018	0.040992%	698,239	443,467	157.5%	61.98%
2019	0.038523%	650,118	395,754	164.3%	62.80%
2020	0.049113%	575,640	510,854	112.7%	71.66%
2021	0.046668%	1,468,185	514,805	285.2%	48.91%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	29,053	29,053	0	408,041	7.12%
2016	31,369	32,098	(729)	412,980	7.77%
2017	36,453	34,862	1,591	503,509	6.92%
2018	32,157	34,052	(1,895)	443,467	7.68%
2019	29,149	31,827	(2,678)	395,754	8.04%
2020	37,193	37,086	107	510,854	7.26%
2021	36,453	39,849	(3,396)	514,805	7.74%

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

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2018	0.040992%	$32,425	$443,467	7.3%	59.78%
2019	0.036168%	$28,485	$395,754	7.2%	61.89%
2020	0.045781%	$36,771	$510,854	7.2%	63.13%
2021	0.040439%	$34,017	$460,998	7.4%	63.38%

*Complete data for this schedule is not available prior to 2018.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer's OPEB Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	$5,155	$5,452	($297)	$443,467	1.23%
2019	$4,642	$5,096	($454)	$395,754	1.29%
2020	$5,941	$5,938	$3	$510,854	1.16%
2021	$5,416	$6,113	($697)	$460,998	1.33%

*Complete data for this schedule is not available prior to 2018.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

NOTE 1 BUDGETS

The District's board follows the procedures established by North Dakota law for the budgetary process. The business manager prepares an annual school district budget and property tax levy. The budget is prepared by funds, function and activity, and includes information on the past year, current year and requested appropriations for the next year.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Administration prepares the District's budget using a modified accrual basis of accounting. The board reviews the budget and makes any necessary revisions. On or before July 31, the board adopts the final budget. The final budget and property tax levy request is sent to the county auditor by August 15.
- The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
- At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

The District's expenses exceed budgeted amounts for the following funds during the year ended June 30, 2021.

	Budget	Actual	Variance
General Fund	$ 5,686,184	$ 5,730,833	$ (44,649)
Food Service	284,967	312,002	(27,035)

No corrective action by the governing board is planned.

NOTE 2 PENSION PLANS

A. North Dakota Teachers' Fund for Retirement

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2020, the most recent measurement date.

Changes of Assumptions

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

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

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

B. North Dakota Public Employees' Retirement System

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 20210 (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, 2019 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.

C. Other Post Employment Benefit

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.

SUPPLEMENTARY INFORMATION

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2021

REVENUES	General Fund
LOCAL SOURCES	
General Property Taxes	1,140,438.51
Miscellaneous Levy	195,408.72
Other Tax Revenue	31,227.98
ITV Teacher Reimbursement	74,603.68
Preschool Revenue	15,842.52
ESP Revenue	23,939.48
Donations	5,000.00
Interest Income	10,690.39
Other Local Sources	26,041.55
Total Local Sources	1,523,192.83
STATE SOURCES	
Per Pupil Aid	3,264,566.92
Transportation Aid	92,059.56
Special Education Aid	340,000.00
Vocational Aid	13,905.47
Special Education Coop Reimb	3,204.95
Other State Sources	9,000.00
Total State Sources	3,722,736.90
FEDERAL SOURCES	
Title I	98,776.93
REAP	53,491.42
Voc Programs C Perkins	4,990.00
REAP Small Rural School Program	23,875.00
Covid Relief	389,341.03
Total Federal Sources	570,474.38
Total Revenues	$ 5,816,404.11

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)
For the Year ended June 30, 2021

EXPENDITURES	General Fund
REGULAR INSTRUCTION	
Kindergarden Instruction	$ 112,676.88
Elementary Instruction	1,172,682.76
Junior High Instruction	388,089.47
Senior High Instruction	680,467.56
Total Regular Instruction	2,353,916.67
TUITION	
Tuition	5,359.00
Total Tuition	5,359.00
SPECIAL EDUCATION PROGRAMS	
Special Education Teacher Reimbursement	1,842.25
Special Education Tuition	511,975.12
Special Education Support Services	4,943.29
Preschool	97,202.35
Total Special Education Programs	615,963.01
CAREER AND TECHNICAL EDUCATION PROGRAMS	
Home Economics	63,731.32
Industrial Arts	101,811.80
Office Occupations	74,637.36
Total Career and Technical Education	240,180.48
FEDERAL PROGRAMS	
Title 1 Programs	98,776.93
Title II Programs	53,491.42
Title III English Language Acquisition	1,000.00
Perkins Equipment	4,990.00
Cares Act	386,798.73
Total Federal Programs	545,057.08

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)
For the Year ended June 30, 2021

EXPENDITURES CONTINUED:	General Fund
STUDENT SUPPORT SERVICES	
Improvement of Instruction	34,550.75
Library Services	119,861.31
District wide Services	74,697.85
Interactive Television Services	1,391.22
Extended School Program	36,401.86
Guidance Services	118,157.31
General Admin - Board of Education	94,411.50
General Admin - Superintendent	149,115.94
School Administration - Principal	248,007.94
Business Office	162,191.08
Operation and Maintenance	341,959.16
Transportation	239,243.69
Total Student Support Services	1,619,989.61
EXTRACURRICULAR ACTIVITIES	
Student Transportation	3,563.56
Student Activities	163,981.04
Total Extra Curricular	167,544.60
Capital Outlay	10,995.00
DEBT SERVICE	
Principal Payments	100,000.00
Interest Payments	71,827.66
Total Debt Service	171,827.66
Total Expenditures	5,730,833.11
Excess (deficiency) of revenues over expenditures	85,571.00
Fund balance - July 1	999,817.61
Fund balance - June 30	1,085,388.61

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2021

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	TOTAL FEDERAL EXPENDITURES
U. S. Department of Agriculture:			
Passed through the North Dakota Department of Public Instruction			
Child Nutrition Cluster:			
National School Lunch Program - Cash	10.555	F10555	$ 120
National School Lunch Program - Commodities *	10.555	F10555	25,265
Summer Food Service Program for Children	10.559	F10559	257,099
Total Child Nutrition Cluster			282,483
Child and Adult Care Food Program (CACFP)	10.558	F10558	4,249
State Administrative Expense (SAE) Funds	10.560	F10560	2,828
Total U. S. Department of Agriculture			289,560
U.S. Department of the Treasury:			
Passed through the North Dakota Department of Public Instruction			
Coronavirus Relief Fund	21.019	F21019	255,613
Total U. S. Department of the Treasury			255,613
U.S. Department of Education:			
Direct Assistance			
Rural Education Achievement Program (REAP)	84.358	N/A	23,875
Passed through the North Dakota Department of Public Instruction			
Title 1 Grants to LEA	84.010	F84010	98,777
Supporting Effective Instruction State Grants	84.367	F84367	34,181
State Support and Academic Enrichment Program	84.424A	F84424A	19,310
Elementary and Secondary School Emergency Relief	84.425D	F84425D	136,300
Passed Through North Valley Career & Tech Center:			
Vocational Education (Carl Perkins Grant)	84.048	NONE	4,990
Total U. S. Department of Education			317,433
Total Expenditures of Federal Awards			$ 862,607

* Noncash Assistance

See notes to the Schedule of Expenditures of Federal Awards

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Notes to the Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Cavalier Public School District No. 6, Cavalier, North Dakota for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Cavalier Public School District No. 6, it is not intended to and does not present the financial position or changes in net position of the Cavalier Public School District No. 6. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked “N/A”, the Cavalier Public School District No. 6 was unable to obtain a pass-through grant number.

NOTE 5 INDIRECT COST RATE

Cavalier Public School District No. 6 has not elected to use the 10 percent de minimis cost rate as allowed under Uniform Guidance

HMR Hurtt, Mortenson & Rygh
Certified Public Accountants

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Richard Mortenson, CPA
Patty Dahlen, Partner

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMANCE IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARD*

To the School Board
Cavalier Public School District No. 6
Cavalier, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Cavalier Public School District No. 6, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cavalier Public School District No. 6, North Dakota's basic financial statements and have issued our report thereon dated January 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cavalier Public School District No. 6, North Dakota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cavalier Public School District No. 6, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cavalier Public School District No. 6, North Dakota's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-1 that we consider to be material weaknesses.

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. We consider 2021-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cavalier Public School District No. 6, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cavalier Public School District No. 6, North Dakota's Response to Findings

Cavalier Public School District No. 6, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cavalier Public School District No. 6, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hurtt, Mortenson & Rygh

Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
January 31, 2022

HMR Hurtt, Mortenson & Rygh
Certified Public Accountants

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Richard Mortenson, CPA
Patty Dahlen, Partner

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Cavalier Public School District No. 6
Cavalier, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Cavalier Public School District No. 6, North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cavalier Public School District No. 6, North Dakota's major federal programs for the year ended June 30, 2021. Cavalier Public School District No. 6, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cavalier Public School District No. 6, North Dakota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cavalier Public School District No. 6, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Cavalier Public School District No. 6, North Dakota's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cavalier Public School District No. 6, North Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Cavalier Public School District No. 6, North Dakota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cavalier Public School District No. 6, North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cavalier Public School District No. 6, North Dakota's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Cavalier Public School District No. 6, North Dakota's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cavalier Public School District No. 6, North Dakota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Hurtt, Mortenson & Rygh

Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
January 31, 2022

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Summary of Auditor's Results
For the Year ended June 30, 2021

Financial Statements

Type of auditor's report issued:

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified? __X__ Yes ____No

Significant deficiencies identified not considered to be material weaknesses? __X__ Yes ____No

Noncompliance material to financial statements noted? _____ Yes __X_No

Federal Awards

Internal control over major programs:

Material weakness identified? ______Yes__X__No

Significant deficiencies identified that are not considered to be material weakness? ______Yes__X__No

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

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516 (Uniform Guidance) requirements? ____Yes __X__ No

Identification of Major Programs:

21.019	COVID-19 Coronavirus Relief Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Funds

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

Auditee qualified as low-risk auditee? ______ Yes __X__No

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2021-1 Segregation of Duties

Condition:
The Cavalier Public School District No. 6, North Dakota has a lack of segregation of duties due to the limited number of administrative personnel. The District has one business manager who is responsible for most accounting functions and general ledger maintenance.

Effect:
Without adequate fraud risk programs and controls the Cavalier Public School District No. 6 exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:
There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the Cavalier Public School District No. 6 financial condition.

Criteria:
The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Cavalier Public School District No. 6.

Recommendation:
When there is a lack of segregation of duties, COSO primarily points to additional management review and/or reconciliations. Rotation of job duties may also help reduce risk when there is a lack of segregation of duties. We recommend the School Board increase oversight by applying periodic reviews and/or reconciliations. This may include the School Board reviewing transactions for supporting documentation, reviewing cash reconciliations or preforming cash reconciliations independently, and actively reviewing the financial reports and corresponding schedules.

School administration should consider requiring the bank reconciliation be reviewed and approved by someone separate from the individual preparing the reconciliation. Individuals responsible for authorizing and signing checks should be separate from the individuals responsible for printing and mailing checks. Two people should be responsible for counting cash and both should sign off on the cash counts. Monthly financial statements should be reviewed and approved by a responsible school board member.

Client Response:
The District will consider the recommendations and implement those they deem appropriate.

2021-2 Financial Statement Preparation

Condition:

Hurtt Mortenson & Rygh assists the District's management in preparing financial statements and disclosures that are presented in accordance with the modified accrual basis of accounting. The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect:

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Cause:

The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria:

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Recommendation:

We recommend that management be aware of this condition and be prepare and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

The School Board is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. The District will continue to request that Hurtt Mortenson & Rygh assist with preparation of financial statements.