

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
BUXTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
ROSTER OF SCHOOL OFFICIALS – UNAUDITED
JUNE 30, 2021

David Seyfried	President
Gregg Troftgruben	Vice President
Carrie Knutson	Board Member
Eric Gunderson	Board Member
Gregory Saure, Jr.	Board Member
David Knudsvig	Board Member
Ronald Sondrol	Board Member
Lenita Larson	Business Manager
Jeremy Brandt	Superintendent

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Central Valley Public School District No. 3
Buxton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Valley Public School District No. 3, which comprise the governmental activities, each major fund, and the aggregate remaining fund information 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.

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 Central Valley Public School District No. 3, 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.

Emphasis of Matter

As described in Note 12 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As discussed in Note 12 to the financial statements, the District has restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's contributions to TFFR pension plan, and schedule of District's proportionate share of net pension liability as listed in 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 the District's basic financial statements. The non-major fund statements, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major fund statements 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 non-major fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 13, 2021

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The discussion and analysis of Central Valley Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- Net position of the District decreased by \$69,937 as a result of the current year's operations.
- Governmental net position totaled \$1,378,549.
- Total revenues from all sources were \$3,515,151.
- Total expenses were \$3,585,088.
- The District's general fund had \$3,208,144 in total revenues and \$3,201,076 in expenditures and other financing uses. Overall, the general fund balance for the year ended June 30, 2021 was \$1,180,232.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Central Valley Public School District No. 3 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2021?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General and Capital Project Funds.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2021 and 2020.

As indicated in the financial highlights, the District's net position decreased by \$69,937 the year ended June 30, 2021. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$1,378,549 is segregated into three separate categories. Net investment in capital assets (net of related debt) represents of the District's entire net position. It should be noted that this position is not available for future spending. Restricted net position represents of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents 16% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations. Table 1 shows the District's net position.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Table 1	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 1,721,523	\$ 1,600,365
Capital Assets (Net of Depreciation)	<u>2,355,110</u>	<u>2,332,572</u>
Total Assets	<u>4,076,633</u>	<u>3,932,937</u>
Deferred Outflows of Resources	<u>504,793</u>	<u>329,376</u>
Liabilities		
Current Liabilities	72,339	62,231
Long-Term Liabilities	<u>2,920,204</u>	<u>2,636,283</u>
Total Liabilities	<u>2,992,543</u>	<u>2,698,514</u>
Deferred Inflows of Resources	<u>210,334</u>	<u>189,423</u>
Net Position		
Net Investment in Capital Assets	2,355,110	2,332,572
Restricted	451,708	397,130
Unrestricted	<u>(1,428,269)</u>	<u>(1,355,326)</u>
Total Net Position	<u>\$ 1,378,549</u>	<u>\$ 1,374,376</u>

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Table 2 shows the changes in net position for the fiscal year ended June 30, 2021.

Table 2	<u>2021</u>	<u>2020</u>
Revenues		
Program Revenues		
Charges for Services	\$ 152,362	\$ 142,868
Operating Grants and Contributions	511,503	254,423
General Revenues		
Taxes	1,145,502	1,110,157
State Aid	1,694,447	1,674,204
Investment Earnings	<u>11,337</u>	<u>29,619</u>
Total Revenues	<u>3,515,151</u>	<u>3,211,271</u>
Expenses		
Business Support Services	96,736	95,548
Instructional Support Services	2,603	4,054
Administration	387,671	367,452
Operations and Maintenance	270,423	244,310
Transportation	171,466	186,887
Regular Instruction	1,988,409	1,723,789
Special Education	294,038	232,481
Vocational Education	45,788	43,167
Extra-Curricular Activities	173,909	134,506
Food Services	<u>154,045</u>	<u>179,811</u>
Total Expenses	<u>3,585,088</u>	<u>3,212,005</u>
Change in Net Position	(69,937)	(734)
Net Position - Beginning	<u>1,374,376</u>	<u>1,375,110</u>
GASB 84 Adjustment - See Note 12	<u>74,110</u>	<u>-</u>
Net Position - Beginning as Restated	<u>1,448,486</u>	<u>1,375,110</u>
Net Position - Ending	<u>\$ 1,378,549</u>	<u>\$ 1,374,376</u>

Property taxes constituted 32.6%, state aid 48.2%, operating grants and contributions 14.6% and charges for services made up 4.3% of the total revenues of governmental activities of the District for fiscal year 2021.

Regular programs comprised 55.5% of District expenses.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021	Total Cost for Year Ended 6/30/2020	Net Cost for Year Ended 6/30/2020
Business Support Services	\$ 96,736	\$ 96,736	\$ 95,548	\$ 95,548
Instructional Support Services	2,603	2,603	4,054	4,054
Administration	387,671	387,671	367,452	367,452
Operations and Maintenance	270,423	270,423	244,310	244,310
Transportation	171,466	99,082	186,887	87,924
Regular Instruction	1,988,409	1,676,084	1,723,789	1,612,264
Special Education	294,038	257,106	232,481	195,095
Vocational Education	45,788	13,469	43,167	11,148
Extra-Curricular Activities	173,909	137,973	134,506	134,506
Food Services	154,045	(19,924)	179,811	62,413
	<u>\$ 3,585,088</u>	<u>\$ 2,921,223</u>	<u>\$ 3,212,005</u>	<u>\$ 2,814,714</u>

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

Extracurricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues and other financing sources of \$3,526,800 and \$3,200,630 and expenditures and other financing uses of \$3,478,211 and \$3,133,301 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021, the fund balance of the District's general fund was \$1,180,232.

General Fund Budgeting Highlights

Over the course of the year, the District revised the annual operating budget.

Actual revenues were \$39,743 less than expected and actual expenditures were \$157,311 under budget. This is primarily the result of less revenue from other local and county sources as well as less administration, operations and maintenance, transportation and instruction expenses than anticipated during the budget process.

Capital Assets

As of June 30, 2021 and 2020, the District had \$2,355,110 and \$2,332,572, respectively invested in capital assets. Table 4 shows balances as of June 30, 2021 and 2020. See Note 4 for more information.

Table 4
Capital Assets (Net of Depreciation) at June 30th

	2021	2020
Land	\$ 95,243	\$ 95,243
Buildings	1,786,488	1,736,153
Equipment	473,379	454,036
Construction in Progress	-	47,140
Total	<u>\$ 2,355,110</u>	<u>\$ 2,332,572</u>

Long-Term Liabilities

As of June 30, 2021, the District had \$2,920,204 in long-term liabilities. The net increase in the District's long-term liabilities was \$283,921 from June 30, 2020. See Note 5 for details. See below for a description of the District's long-term liabilities:

Table 5
District's Long-Term Liabilities

	Balance June 30, 2020	Issued	Amount Retired During Year	Balance June 30, 2021
Compensated Absences	\$ 12,105	\$ -	\$ 2,529	\$ 9,576
Early Retirement Payable	-	51,680	-	51,680
Net Pension Liability	<u>2,624,178</u>	<u>824,321</u>	<u>589,551</u>	<u>2,858,948</u>
	<u>\$ 2,636,283</u>	<u>\$ 876,001</u>	<u>\$ 592,080</u>	<u>\$ 2,920,204</u>

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

For the Future

Future plans include upgrading the District's school mini-bus, buying a new bus dependent on receiving a clean diesel grant, constructing a bus/storage garage, replacing inefficient windows, replacing older geothermal pumps, and refinishing weight room and locker room floors with new epoxy. Many of these projects will utilize federal ESSER II and III dollars.

We are projecting 198 students for the 2021-22 school year, which will be an increase of 9 students from the previous year. This will put the District "back on the formula" regarding the state's foundation aid payment and should generate approximately \$100,000 additional dollars.

The District has prepared a surplus budget of approximately \$9,500 for 2021-22. The District anticipates maintaining the balance of the building fund due to the use of ESSER funds for building and renovation projects. The District will not levy special reserve mills in 2021-22 due to a projected healthy carryover.

The District will explore options for the school's health insurance plan. If a more cost-effective plan is available, we will entertain switching our plan.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Lenita Larson, Business Manager, Central Valley Public School District, 1556 HWY 81 NE, Buxton, ND 58218.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Cash and Investments	\$ 1,651,086
Property Taxes Receivable	37,998
Accounts Receivable	<u>32,439</u>
Total Current Assets	<u>1,721,523</u>
Capital Assets	
Land	95,243
Buildings	3,639,233
Equipment	1,577,757
Less Accumulated Depreciation	<u>2,957,123</u>
Total Capital Assets, Net of Depreciation	<u>2,355,110</u>
TOTAL ASSETS	<u>4,076,633</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>504,793</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>504,793</u>
LIABILITIES	
Accounts Payable	7,766
Salaries Payable	<u>64,573</u>
Total Current Liabilities	<u>72,339</u>
Long-Term Liabilities	
Compensated Absences	9,576
Early Retirement Payable	51,680
Net Pension Liability	<u>2,858,948</u>
Total Non-Current Liabilities	<u>2,920,204</u>
TOTAL LIABILITIES	<u>2,992,543</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>210,334</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>210,334</u>
NET POSITION	
Net Investment in Capital Assets	2,355,110
Restricted for:	
Student Activities	74,569
Special Reserve	156,770
Capital Projects	220,369
Unrestricted	<u>(1,428,269)</u>
TOTAL NET POSITION	<u>\$ 1,378,549</u>

See Notes to the Financial Statements

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 96,736	\$ -	\$ -	\$ (96,736)
Instructional Support Services	2,603	-	-	(2,603)
Administration	387,671	-	-	(387,671)
Operations and Maintenance	270,423	-	-	(270,423)
Transportation	171,466	-	72,384	(99,082)
Regular Instruction	1,988,409	87,861	224,464	(1,676,084)
Special Education	294,038	-	36,932	(257,106)
Vocational Education	45,788	-	32,319	(13,469)
Extra-Curricular Activities	173,909	35,936	-	(137,973)
Food Services	154,045	28,565	145,404	19,924
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,585,088	\$ 152,362	\$ 511,503	(2,921,223)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				1,001,889
Property Taxes, Levied for Special Reserve				42,319
Property Taxes, Levied for Capital Projects				101,294
Aids and Payments from the State				1,694,447
Unrestricted Investment Earnings				11,337
TOTAL GENERAL REVENUES				2,851,286
Change in Net Position				(69,937)
Net Position - Beginning				1,374,376
GASB 84 Adjustment - See Note 12				74,110
Net Position - Beginning as Restated				1,448,486
Net Position - Ending				<u><u>\$ 1,378,549</u></u>

See Notes to the Financial Statements

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 1,215,054	\$ 217,304	\$ 218,728	\$ 1,651,086
Property Taxes Receivable	33,378	3,065	1,555	37,998
Accounts Receivable	<u>32,439</u>	<u>-</u>	<u>-</u>	<u>32,439</u>
TOTAL ASSETS	<u>\$ 1,280,871</u>	<u>\$ 220,369</u>	<u>\$ 220,283</u>	<u>\$ 1,721,523</u>
LIABILITIES				
Accounts Payable	\$ 7,766	\$ -	\$ -	\$ 7,766
Salaries and Wages Payable	<u>63,031</u>	<u>-</u>	<u>1,542</u>	<u>64,573</u>
TOTAL LIABILITIES	<u>70,797</u>	<u>-</u>	<u>1,542</u>	<u>72,339</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	<u>29,842</u>	<u>2,731</u>	<u>1,412</u>	<u>33,985</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>29,842</u>	<u>2,731</u>	<u>1,412</u>	<u>33,985</u>
FUND BALANCES				
Restricted	74,569	217,638	155,358	447,565
Assigned	51,680	-	61,971	113,651
Unassigned	<u>1,053,983</u>	<u>-</u>	<u>-</u>	<u>1,053,983</u>
TOTAL FUND BALANCES	<u>1,180,232</u>	<u>217,638</u>	<u>217,329</u>	<u>1,615,199</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,280,871</u>	<u>\$ 220,369</u>	<u>\$ 220,283</u>	<u>\$ 1,721,523</u>

See Notes to the Financial Statements

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances - governmental funds	\$ 1,615,199
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported as net assets in government funds:

Cost of capital assets	\$ 5,312,233	
Less: Accumulated depreciation	<u>2,957,123</u>	
Net		2,355,110

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.	294,459
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Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	33,985
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Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds.

Compensated Absences	(9,576)	
Early Retirement Payable	(51,680)	
Net Pension Liability	<u>(2,858,948)</u>	

Net Position - Governmental Activities	<u>\$ 1,378,549</u>
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See Notes to the Financial Statements

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	\$ 1,013,538	\$ 101,294	\$ 42,319	\$ 1,157,151
Other Local & County Revenues	123,797	-	28,565	152,362
Revenue From State Sources	1,791,150	-	-	1,791,150
Revenue From Federal Sources	269,396	-	145,404	414,800
Interest	10,263	1,074	-	11,337
TOTAL REVENUES	<u>3,208,144</u>	<u>102,368</u>	<u>216,288</u>	<u>3,526,800</u>
EXPENDITURES				
Current:				
Business Support Services	96,736	-	-	96,736
Instructional Support Services	2,603	-	-	2,603
Administration	387,671	-	-	387,671
Operations and Maintenance	258,061	7,890	-	265,951
Transportation	140,387	-	-	140,387
Regular Instruction	1,737,332	-	-	1,737,332
Special Education	294,038	-	-	294,038
Vocational Education	45,788	-	-	45,788
Extra - Curricular Activities	173,909	-	-	173,909
Food Services	-	-	154,045	154,045
Capital Outlay:				
Capital Outlay	64,551	115,200	-	179,751
TOTAL EXPENDITURES	<u>3,201,076</u>	<u>123,090</u>	<u>154,045</u>	<u>3,478,211</u>
Excess (Deficiency) of Revenues over Expenditures	7,068	(20,722)	62,243	48,589
OTHER FINANCING SOURCES (USES)				
Transfers In	40,000	-	-	40,000
Transfers Out	-	(40,000)	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	47,068	(60,722)	62,243	48,589
Fund Balance - Beginning of Year	1,059,054	278,360	155,086	1,492,500
GASB 84 Adjustment - See Note 12	74,110	-	-	74,110
Fund Balance - Beginning of Year as Restated	<u>1,133,164</u>	<u>278,360</u>	<u>155,086</u>	<u>1,566,610</u>
Fund Balance - End of Year	<u>\$ 1,180,232</u>	<u>\$ 217,638</u>	<u>\$ 217,329</u>	<u>\$ 1,615,199</u>

See Notes to the Financial Statements

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total net changes in fund balances - Governmental Funds \$ 48,589

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlays	\$ 179,751
Depreciation Expense	<u>(157,213)</u>

Excess of capital outlay over depreciation expense	22,538
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Some items reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This consisted of:

Net change in compensated absences	2,529
Net change in early retirement payable	(51,680)

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in unavailable property taxes	(11,649)
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Changes in deferred outflows and inflows of resources related to net pension liability	154,506
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Change in net pension liability	<u>(234,770)</u>
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Change in net position - Governmental Activities	<u>\$ (69,937)</u>
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See Notes to the Financial Statements

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Central Valley Public School District operates the public school for the Cities of Buxton and Reynolds, North Dakota, along with the surrounding area.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on these criteria, there are no component units to be included within the District's reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements:

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements.

The government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds are as follows:

General Fund

This fund is the general operating fund of the District and the financial transactions related to the District's student activity programs. It accounts for all financial resources except those requiring to be accounted for in another fund.

Capital Projects

This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Non-major governmental funds are as follows:

Special Reserve

This fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category are the transactions for the special reserve fund.

Food Service

This fund is used to account for the proceeds of specific revenue sources that are assigned to expenditures for providing breakfast and lunch service to students and staff of the District.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

The current financial resources measurement focus differs from the manner, which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under 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.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

Revenues-Exchange and Non-Exchange Transactions:

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Unearned and Unavailable Revenues:

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will also not be collected during the availability period have been reported as unavailable revenue.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Budgets and Budgetary Accounting:

The District's board follows the procedures established by North Dakota law for budgetary process. The governing body of each School District, annually on or before the last day of July, must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15 of each year. The budget is then filed with the county auditor by August 25 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Cash and Cash Equivalents:

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Investments:

Investments are recorded at market value and represent CD's at year end. North Dakota State statute authorizes school districts to invest their surplus funds 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, instrumentality's, 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 of the state, d) Obligations of the state.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized, but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings	25 to 50 Years
Equipment	5 to 20 Years

Compensated Absences:

Certified employees who have been employed by the District for a minimum of 9 years are eligible for sick leave pay for a maximum of 89 days at \$20 per day with a maximum payout of \$1,780. As of June 30, 2021, there are 10 certified employees eligible for sick leave pay. A corresponding liability, which includes applicable payroll taxes, has been set up as a long-term liability.

Accounts Payable, Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District's government-wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Pensions:

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

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Fund Balance Classifications:

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Inspection.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan as well as contributions to the plan made after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan.

Net Position:

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

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities are eliminated in the statement of activities.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition – Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2021.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half-of-the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition – Property Taxes." This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

Significant Group Concentrations of Credit Risk:

As of June 30, 2021, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System. North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2021, the carrying amount of the District's deposits was \$1,651,086 and the bank balance was \$1,790,201. The bank balance was covered by Federal Depository Insurance and by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Credit Risk

The District may also invest idle funds as authorized by North Dakota laws, as follows:

- 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 the state.
- d) Obligations of the state.

Interest Rate Risk

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the general fixed asset account group during the year:

	Balance July 1, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	\$ 95,243	\$ -	\$ -	\$ -	\$ 95,243
Construction in Progress	47,140	-	-	(47,140)	-
Total Capital Assets Not Being Depreciated	<u>142,383</u>	<u>-</u>	<u>-</u>	<u>(47,140)</u>	<u>95,243</u>
Capital Assets Being Depreciated					
Buildings	3,504,545	87,548	-	47,140	3,639,233
Equipment	1,551,156	92,203	65,602	-	1,577,757
Total Capital Assets Being Depreciated	<u>5,055,701</u>	<u>179,751</u>	<u>65,602</u>	<u>47,140</u>	<u>5,216,990</u>
Less Accumulated Depreciation					
Buildings	1,768,392	84,353	-	-	1,852,745
Equipment	1,097,120	72,860	65,602	-	1,104,378
Total Accumulated Depreciation	<u>2,865,512</u>	<u>157,213</u>	<u>65,602</u>	<u>-</u>	<u>2,957,123</u>
Net Capital Assets Being Depreciated	<u>2,190,189</u>	<u>22,538</u>	<u>-</u>	<u>47,140</u>	<u>2,259,867</u>
Net Capital Assets for Governmental Activities	<u>\$ 2,332,572</u>	<u>\$ 22,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,355,110</u>

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

In the governmental activities section of the statement of activities, depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 121,662
Operations and Maintenance	4,472
Transportation	31,079
	<u>\$ 157,213</u>

NOTE 5 LONG-TERM LIABILITIES

The long-term liabilities at year-end and changes in long-term liabilities are summarized as follows:

Title	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within One Year
Compensated Absences	\$ 12,105	\$ -	\$ 2,529	\$ 9,576	\$ -
Early Retirement Payable	-	51,680	-	51,680	-
Net Pension Liability	2,624,178	824,321	589,551	2,858,948	-
Total	<u>\$ 2,636,283</u>	<u>\$ 876,001</u>	<u>\$ 592,080</u>	<u>\$ 2,920,204</u>	<u>\$ -</u>

Compensated absences, early retirement payable and the net pension liability are generally liquidated by the general fund.

At June 30, 2021, rental commitments under operating leases were not significant.

A. Severance Payable:

The District has adopted the following policy:

1. Requirements

- a. By August 15th of the year of retirement, the full-time, contracted employee must attain the "rule of 85" for the Teachers' Fund for Retirement of North Dakota.
- b. The buyout must be taken during the first three years, when it is most beneficial to the District.
- c. The employee must be in the District for a minimum of ten years.
- d. The employee application must be submitted by February 28th of any given school year. The Board of Education has until May 1st to approve. Employee knowingly forfeits all rights to all benefits at the conclusion of the fiscal year.
- e. The Board of Education has the right to deny any application. The decision shall not be arbitrary or capricious. The Board of Education can approve a modified buyout if multiple candidates apply.
- f. The final contract amount is the current annual salary a person receives in the District's salary schedule considering years of experience and level of education (no other duties included).

2. Early Retirement Payment

- a. Early retirement payment as provided in the policy will be paid, at the employees choosing, in either two or three equal payments distributed proportionally over a two-year or three-year period beginning the year after the effective date of retirement.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

- b. The early retirement payment provided for in this policy is based on a proportion of the staff member's current annual salary at the time the application is made. The current annual salary is the contract amount a person receives on the District's salary schedule considering years of experience and level of education. The current annual salary used in making early retirement payment calculations shall not include amounts paid for extra duty assignments and/or summer employment.
- c. The amount of early retirement incentive shall be calculated using this formula:

$$\begin{array}{ccccc} \text{___\% X} & \$\text{___} = & \$\text{___} \times & \text{___\%} = & \$\text{___} \\ \text{Years} & \text{Salary} & \text{Incentive} & \text{Reduction} & \text{Buyout Amount} \\ \text{Service} & \text{Schedule} & \text{Amount} & \text{Factor} & \text{Employee} \\ \text{District(*1)} & \text{Amount} & & \text{Schedule(*2)} & \text{Receives} \end{array}$$

(*1) The percentage granted for years of service in the District will be as follows: 70% for 10-14 years of service; 80% for 15-19 years of service; 90% for 20-24 years of service; 95% for 25-29 years of service and 100% for 30 or more years of service.

(*2) Year of Eligibility is defined as the year when the employee meets the rule of 85 for the Teachers Fund For Retirement. If the employee applies for the Early Retirement after his/her first year of eligibility, the employee will receive a reduced incentive amount, as determined by the following schedule:

<u>Year of Retirement</u>	<u>Reduction Factor</u>
Year of Eligibility	85% of Incentive
Year of Eligibility + 1	75% of Incentive
Year of Eligibility + 2	60% of Incentive

Following is a summary of the early retirement payable:

Early Retirement Incentive

2021	
Fiscal Year Payable	
2022	\$ 17,227
2023	17,227
2024	<u>17,226</u>
Total	<u>\$ 51,680</u>

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 6 FUND BALANCES

A. Classifications

At June 30, 2021, a summary of the governmental fund balance classifications are as follows:

	General Fund	Special Reserve	Capital Projects	Food Service	Total
Restricted for:					
Capital Projects	\$ -	\$ -	\$ 217,638	\$ -	\$ 217,638
Student Activities	74,569	-	-	-	74,569
Special Reserve	-	155,358	-	-	155,358
Assigned to:					
Food Service	-	-	-	61,971	61,971
Early Retirement	51,680	-	-	-	51,680
Unassigned:	1,053,983	-	-	-	1,053,983
Total	<u>\$ 1,180,232</u>	<u>\$ 155,358</u>	<u>\$ 217,638</u>	<u>\$ 61,971</u>	<u>\$ 1,615,199</u>

Restricted fund balances reflect resources restricted for statutorily defined purposes.

B. Minimum Fund Balance Policy

The Board of Education has not formally adopted a fund balance policy for the General Fund. However, the Board tries to maintain a year-end target fund balance of approximately 25% for cash flow timing needs (working capital) and contingencies.

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially all certified employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) which is administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's 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

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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 Costs

At June 30, 2021, the District reported a liability of \$2,858,948 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 0.186798 percent which was a decrease of 0.003739 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$261,991. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 590	\$ 107,290
Changes in actuarial assumptions	128,678	-
Difference between projected and actual investment earnings	176,487	-
Changes in proportion	17,314	103,044
Contributions paid to TFFR subsequent to the measurement date	181,724	-
Total	<u>\$ 504,793</u>	<u>\$ 210,334</u>

\$181,724 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 ending 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:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 12,898
2023	19,040
2024	51,311
2025	34,052
2026	(5,616)
Thereafter	1,050

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Actuarial Assumptions

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

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

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

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

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

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

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

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

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	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.

Pension Liability Sensitivity

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 in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the TFFR net pension liability:	\$ 3,807,965	\$ 2,858,948	\$ 2,070,266

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

The District 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 of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

The District participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The District pays an annual premium to the Fire and Tornado fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge a premium for this coverage.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

The District carries commercial insurance for workers' compensation, employees' health, boiler and machinery, and accident insurance.

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

NOTE 9 CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 10 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was \$9,257.

NOTE 11 TRANSFERS

The District transferred \$40,000 from the capital projects fund to the general fund during the year ended June 30, 2021 to reimburse for prior year transfer of anticipated future building costs that was not needed.

NOTE 12 CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

The District implemented GASB Statement No. 84, Fiduciary Activities. As a result, beginning net position and general fund balances have been restated as follows:

Net Position July 1, 2020 as previously reported	\$1,374,376
Restatement for fiduciary accounting:	
Student Activity fund balance reclassified to the General Fund	<u>74,110</u>
Net Position July 1, 2020 as restated	<u>\$ 1,448,486</u>
Fund Balances General Fund July 1, 2020 as previously reported	\$1,059,054
Restatement for fiduciary accounting:	
Student Activity fund balance reclassified to the General Fund	<u>74,110</u>
Fund Balances General Fund July 1, 2020 as restated	<u>\$ 1,133,164</u>

NOTE 13 NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 14 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 13, 2021, which is the date these financial statements were available to be issued.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Local Property Tax Levies	\$ 1,019,454	\$ 1,019,454	\$ 1,013,538	\$ (5,916)
Other Local & County Revenues	177,500	177,500	123,797	(53,703)
Revenue from State Sources	1,765,972	1,765,972	1,791,150	25,178
Revenue from Federal Sources	269,961	269,961	269,396	(565)
Interest	15,000	15,000	10,263	(4,737)
TOTAL REVENUES	<u>3,247,887</u>	<u>3,247,887</u>	<u>3,208,144</u>	<u>(39,743)</u>
EXPENDITURES				
Current:				
Business Support Services	98,081	98,081	96,736	(1,345)
Instructional Support Services	4,600	4,600	2,603	(1,997)
Administration	408,268	408,268	387,671	(20,597)
Operations and Maintenance	330,735	330,735	258,061	(72,674)
Transportation	202,034	202,034	140,387	(61,647)
Regular Instruction	1,771,386	1,771,386	1,737,332	(34,054)
Special Education	286,495	286,495	294,038	7,543
Vocational Education	46,109	46,109	45,788	(321)
Extra - Curricular Activities	210,679	210,679	173,909	(36,770)
Capital Outlay:				
Capital Outlay	-	-	64,551	64,551
TOTAL EXPENDITURES	<u>3,358,387</u>	<u>3,358,387</u>	<u>3,201,076</u>	<u>(157,311)</u>
Excess (Deficiency) of Revenues Over Expenditures	(110,500)	(110,500)	7,068	117,568
OTHER FINANCING SOURCES				
Transfers In	-	-	40,000	40,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(110,500)	(110,500)	47,068	157,568
Fund Balances - Beginning	1,059,054	1,059,054	1,059,054	-
GASB 84 Adjustment - See Note 12	74,110	74,110	74,110	-
Fund Balances - Beginning as Restated	<u>1,133,164</u>	<u>1,133,164</u>	<u>1,133,164</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,022,664</u>	<u>\$ 1,022,664</u>	<u>\$ 1,180,232</u>	<u>\$ 157,568</u>

See Note to the Budgetary Comparison Schedule

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLAN &
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 181,724	\$ 181,724	-	\$ 1,425,288	12.75%
2020	173,781	173,781	-	1,362,991	12.75%
2019	170,426	170,426	-	1,336,672	12.75%
2018	165,332	165,332	-	1,296,725	12.75%
2017	162,097	162,097	-	1,271,348	12.75%
2016	156,970	156,970	-	1,231,138	12.75%
2015	157,498	157,498	-	1,235,280	12.75%

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.18680%	\$ 2,858,948	\$ 1,362,991	209.76%	63.40%
2020	0.19054%	2,624,178	1,336,672	196.32%	65.50%
2019	0.19075%	2,542,405	1,296,725	196.06%	65.50%
2018	0.18836%	2,587,116	1,271,348	203.49%	63.20%
2017	0.18949%	2,776,081	1,231,138	225.49%	59.20%
2016	0.20082%	2,626,487	1,235,280	212.62%	62.10%
2015	0.20920%	2,192,160	1,213,536	180.64%	66.60%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

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.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Non-Major Gov't Funds</u>
ASSETS			
Cash and Investments	\$ 155,215	\$ 63,513	\$ 218,728
Property Taxes Receivable	<u>1,555</u>	<u>-</u>	<u>1,555</u>
TOTAL ASSETS	<u>\$ 156,770</u>	<u>\$ 63,513</u>	<u>\$ 220,283</u>
LIABILITIES			
Salaries and Wages Payable	<u>\$ -</u>	<u>\$ 1,542</u>	<u>\$ 1,542</u>
TOTAL LIABILITIES	<u>-</u>	<u>1,542</u>	<u>1,542</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes	<u>1,412</u>	<u>-</u>	<u>1,412</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,412</u>	<u>-</u>	<u>1,412</u>
FUND BALANCES			
Restricted	155,358	-	155,358
Assigned	<u>-</u>	<u>61,971</u>	<u>61,971</u>
TOTAL FUND BALANCES	<u>155,358</u>	<u>61,971</u>	<u>217,329</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 156,770</u>	<u>\$ 63,513</u>	<u>\$ 220,283</u>

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Reserve</u>	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Local Property Tax Levies	\$ 42,319	\$ -	\$ 42,319
Other Local & County Revenues	-	28,565	28,565
Revenue From Federal Sources	<u>-</u>	<u>145,404</u>	<u>145,404</u>
TOTAL REVENUES	<u>42,319</u>	<u>173,969</u>	<u>216,288</u>
EXPENDITURES			
Current:			
Food Services	<u>-</u>	<u>154,045</u>	<u>154,045</u>
TOTAL EXPENDITURES	<u>-</u>	<u>154,045</u>	<u>154,045</u>
Excess (Deficiency) of Revenues over Expenditures	42,319	19,924	62,243
Fund Balance - Beginning of Year	<u>113,039</u>	<u>42,047</u>	<u>155,086</u>
Fund Balance - End of Year	<u>\$ 155,358</u>	<u>\$ 61,971</u>	<u>\$ 217,329</u>

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

To the Board of Education
Central Valley Public School District No. 3
Buxton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Valley Public School District No. 3 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, and have issued our report thereon dated September 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit for the financial statements, we considered Central Valley Public School District No. 3's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, which we consider to be significant deficiencies. See findings 2021-001 and 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Valley Public School District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 13, 2021

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-001

Criteria

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

Condition

The School District has one employee responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

There is one employee for multiple functions such as executing and recording transactions.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Business Manager to receipt and deposit at the various financial institutions.

The Superintendent reviews monthly files of receipt, journal entries and account transfers.

The Superintendent, Building & Grounds Supervisor, Principal and Athletic Director review monthly bills before payments are made.

The Board of Education reviews and approves all checks written.

The District will segregate other duties when feasible.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-002

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Management's Response

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.