



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Devils Lake Public School District No. 1

Devils Lake, North Dakota

Audit Report for the Year Ended June 30, 2021

Client Code: PS 36300



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Office of the
State Auditor

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

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DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

School Officials and Audit Personnel

June 30, 2021

SCHOOL OFFICIALS

Cory Meyer	President
Jason Hodous	Vice-President
Christy Cichos	Board Member
Lee Ann Johnston	Board Member
Steve Halldorson	Board Member
Matt Bakke	Superintendent
Melissa Haahr	Business Manager

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Brian Hermanson	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, Devils Lake, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Devils Lake Public School District No. 1'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 the Devils Lake Public School District No. 1, Devils Lake, North Dakota, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Devils Lake Public School District No. 1 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is 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 *budgetary comparison information, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and the notes to the required supplementary information* as presented 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards* are the responsibility of management and were derived from and relates 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 *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021 on our consideration of the Devils Lake Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Devils Lake Public School District No. 1's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 3, 2021

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 5,966,635
Investment with Fiscal Agent	2,034,405
Intergovernmental Receivable	2,122,493
Due from County Treasurer	26,059
Prepaid Expenses	354,376
Taxes Receivable	211,428
Capital Assets	
Nondepreciable	170,100
Depreciable, Net	<u>9,900,320</u>
Total Assets	<u>\$ 20,785,816</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 9,814,310</u>
LIABILITIES	
Accounts Payable	\$ 129,240
Teacher Contracts Payable	1,283,512
Salaries and Benefits Payable	662,674
Health Insurance Payable	311,176
Interest Payable	3,330
Long-Term Liabilities	
Due Within One Year	
Long Term Debt	8,543
Early Retirement Payable	80,346
Compensated Absences Payable	5,130
Due After One Year	
Long Term Debt	2,527,997
Early Retirement Payable	197,167
Compensated Absences Payable	46,172
Net Pension & OPEB Liability	<u>32,576,168</u>
Total Liabilities	<u>\$ 37,831,455</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 3,171,155</u>
NET POSITION	
Net Investment in Capital Assets	\$ 7,570,420
Restricted for	
Capital Projects	975,257
Debt Service	2,096,835
Special Purposes	1,312,649
Unrestricted	<u>(22,357,645)</u>
Total Net Position	<u><u>\$ (10,402,484)</u></u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Governmental Activities				
Regular Instruction	\$ 13,356,109	\$ -	\$ -	\$ (13,356,109)
Special Education	2,785,107	-	1,238,316	(1,546,791)
Vocational Education	1,515,010	54,623	527,178	(933,209)
Federal Programs	3,490,947	-	3,834,730	343,783
District Wide Services	1,529,551	-	-	(1,529,551)
Administration	725,678	-	-	(725,678)
School Food Services	1,350,627	58,364	1,365,367	73,104
Operations and Maintenance	1,780,086	-	-	(1,780,086)
Transportation	983,935	9,450	379,632	(594,853)
Co-curricular Activities	1,601,640	664,413	-	(937,227)
Other Programs & Services	32,242	-	-	(32,242)
Interest and Fees on Long-Term Debt	68,269	-	-	(68,269)
Total Governmental Activities	\$ 29,219,201	\$ 786,850	\$ 7,345,223	\$ (21,087,128)
General Revenues				
Property Taxes				\$ 4,454,256
State Aid-Unrestricted				13,979,627
Interest Earnings				10,289
Gain on Disposal of Capital Asset				805
Miscellaneous Revenue				362,637
Change in Investment Market Value				(6,968)
Total General Revenues				\$ 18,800,646
Changes in Net Position				\$ (2,286,482)
Net Position - July 1				\$ (8,967,684)
Prior Period Adjustment				\$ 851,682
Net Position - July 1, as restated				\$ (8,116,002)
Net Position - June 30				\$ (10,402,484)

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Balance Sheet – Governmental Funds

June 30, 2021

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 3,639,143	\$ 65,283	\$ 2,262,209	\$ 5,966,635
Restricted Investment	-	2,034,405	-	2,034,405
Intergovernmental Receivable	2,089,912	-	32,581	2,122,493
Due from County Treasurer	21,577	1,151	3,331	26,059
Prepaid Expenses	347,736	-	6,640	354,376
Taxes Receivable	172,970	9,869	28,589	211,428
Total Assets	<u>\$ 6,271,338</u>	<u>\$ 2,110,708</u>	<u>\$ 2,333,350</u>	<u>\$ 10,715,396</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable & Other Payables	\$ 112,661	\$ -	\$ 16,579	\$ 129,240
Teacher Contracts Payable	1,283,512	-	-	1,283,512
Salaries and Benefits Payable	662,674	-	-	662,674
Health Insurance Payable	308,308	-	2,868	311,176
Total Liabilities	<u>\$ 2,367,155</u>	<u>\$ -</u>	<u>\$ 19,447</u>	<u>\$ 2,386,602</u>
Deferred Inflows of Resources				
Taxes Receivable	<u>\$ 172,970</u>	<u>\$ 9,869</u>	<u>\$ 28,589</u>	<u>\$ 211,428</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,540,125</u>	<u>\$ 9,869</u>	<u>\$ 48,036</u>	<u>\$ 2,598,030</u>
Fund Balances				
Non-spendable				
Prepaid Expenses	\$ 347,736	\$ -	\$ -	347,736
Restricted				
Capital Projects	-	-	953,568	953,568
Student Activities	-	-	866,717	866,717
Debt Service	-	2,100,839	25,604	2,126,443
Assigned				
Special Reserve	-	-	293,235	293,235
Food Service	-	-	146,190	146,190
Unassigned	3,383,477	-	-	3,383,477
Total Fund Balances	<u>\$ 3,731,213</u>	<u>\$ 2,100,839</u>	<u>\$ 2,285,314</u>	<u>\$ 8,117,366</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,271,338</u>	<u>\$ 2,110,708</u>	<u>\$ 2,333,350</u>	<u>\$ 10,715,396</u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

June 30, 2021

Total Fund Balances for Governmental Funds	\$ 8,117,366
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	10,070,420
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.	211,428
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Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions & OPEB	\$ 9,814,310	
Deferred Inflows Related to Pensions & OPEB	<u>(3,171,155)</u>	6,643,155

Long-term liabilities applicable to the school district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt	\$ (2,536,540)	
Interest Payable	(3,330)	
Early Retirement Payable	(277,513)	
Compensated Absences Payable	(51,302)	
Net Pension & OPEB Liability	<u>(32,576,168)</u>	<u>(35,444,853)</u>

Total Net Position of Governmental Activities	<u>\$ (10,402,484)</u>
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The notes to the financial statements are an integral part of this statement.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

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

For the Year Ended June 30, 2021

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 4,001,512	\$ 208,864	\$ 1,260,038	\$ 5,470,414
State Sources	16,124,155	-	-	16,124,155
Federal Sources	3,834,730	-	1,365,368	5,200,098
Other Local Sources	201,099	-	-	201,099
Total Revenues	<u>\$ 24,161,496</u>	<u>\$ 208,864</u>	<u>\$ 2,625,406</u>	<u>\$ 26,995,766</u>
EXPENDITURES				
Current				
Regular Instruction	\$ 12,170,153	\$ -	\$ -	\$ 12,170,153
Special Education	2,618,500	-	-	2,618,500
Vocational Education	1,380,647	-	-	1,380,647
Federal Programs	3,308,067	-	-	3,308,067
District Wide Services	1,139,374	-	324,806	1,464,180
Administration	670,706	-	-	670,706
School Food Services	-	-	1,275,642	1,275,642
Operations and Maintenance of Plant	1,642,930	-	-	1,642,930
Transportation	1,029,073	-	-	1,029,073
Co-curricular Activities	848,485	-	587,953	1,436,438
Debt Service				
Principal	-	-	16,118	16,118
Interest	-	56,250	2,650	58,900
Fees	-	3,425	6,436	9,861
Total Expenditures	<u>\$ 24,807,935</u>	<u>\$ 59,675</u>	<u>\$ 2,213,605</u>	<u>\$ 27,081,215</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (646,439)</u>	<u>\$ 149,189</u>	<u>\$ 411,801</u>	<u>\$ (85,449)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 150,000	\$ -	\$ -	\$ 150,000
Change in investment market value	-	(6,968)	-	(6,968)
Sale of Capital Assets	52,842	-	-	52,842
Transfers Out	-	-	(150,000)	(150,000)
Total Other Financing Sources and Uses	<u>\$ 202,842</u>	<u>\$ (6,968)</u>	<u>\$ (150,000)</u>	<u>\$ 45,874</u>
Net Change in Fund Balances	<u>\$ (443,597)</u>	<u>\$ 142,221</u>	<u>\$ 261,801</u>	<u>\$ (39,575)</u>
Fund Balances - July 1	<u>\$ 4,174,810</u>	<u>\$ 1,958,618</u>	<u>\$ 1,171,831</u>	<u>\$ 7,305,259</u>
Prior Period Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,682</u>	<u>\$ 851,682</u>
Fund Balances - July 1 Restated	<u>\$ 4,174,810</u>	<u>\$ 1,958,618</u>	<u>\$ 2,023,513</u>	<u>\$ 8,156,941</u>
Fund Balances - June 30	<u>\$ 3,731,213</u>	<u>\$ 2,100,839</u>	<u>\$ 2,285,314</u>	<u>\$ 8,117,366</u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in *Fund Balances* - Total Governmental Funds **\$ (39,575)**

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 219,080	
Current Year Depreciation Expense	<u>(533,088)</u>	(314,008)

In the statement of activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposal of capital assets.

Gain on Disposal of Capital Assets	805	
Proceeds from Sale of Capital Assets	<u>(52,842)</u>	(52,037)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt repayment.

16,118

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Early Retirement Payable	\$ 144,529	
Net Change in Compensated Absences Payable	(3,241)	
Net Change in Interest Payable	<u>492</u>	141,780

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$(7,743,071)	
Net Change in Deferred Outflows of Resources	5,131,024	
Net Change in Deferred Inflows of Resources	<u>630,169</u>	(1,981,878)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

(56,882)

Change in Net Position of Governmental Activities **\$ (2,286,482)**

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 757,521
Accounts Receivable	322,458
Prepaid Expense	<u>11,651</u>
Total Assets	<u><u>\$ 1,091,630</u></u>
LIABILITIES & DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 974,137
Contracts Payable	61,200
Salary and Life Insurance Payable	<u>56,293</u>
Total Liabilities	<u><u>\$ 1,091,630</u></u>
Total Liabilities and Deferred Inflows of Resources	<u><u>\$ 1,091,630</u></u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Statement of Changes Fiduciary Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Grant Collections for Other Governments	<u>\$ 2,818,063</u>
DEDUCTIONS	
Grant Disbursements to Other Governments	<u>\$ 2,818,063</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Devils Lake Public School District No. 1, Devils Lake, North Dakota, (hereafter referred to as the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

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

Based on these criteria, there are no component units to be included within the Devils Lake Public School District No. 1 reporting entity.

Basis of Presentation, Basis of Accounting

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

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

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

The School District reports the following major governmental funds:

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

Sinking & Interest Building Bonds 2009 Fund - This fund is used to account for financial resources to be used for payment of long-term debt principal, interest and related costs of the \$2,500,000 general obligation school building bonds (series 2009).

Additionally, the School District reports the following fiduciary fund type:

Custodial Funds. These fund accounts for assets by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits for other governmental units, such as the Northeast Education Services Cooperative ("NESC").

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. When applicable, proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and highly liquid short-term investments with original maturities of three months or less. The School District also has an investment in treasury strips held by a fiscal agent.

Capital Assets

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

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

Buildings	50
Improvements	10-50
Playground Equipment	20
Vehicles	15
Equipment/Furniture	10
Copy Machines	5

Compensated Absences

Vested or accumulated unused personal leave for qualified employees is reported in the government-wide statement of net position. Each teacher is credited with three days of personal leave at the beginning of each year. Each teacher is allowed to accumulate personal leave of up to a total of seven days and teachers are paid \$100 for each unused personal day. Vested and accumulated personal leave is reported in the government-wide statement of net position.

Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as compensated absences and early retirement payable, are reported in the governmental activities statement of net position. Bond premiums, discounts and issuance costs, when applicable, are recognized in the current period since the amounts are not material.

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Fund Balance Spending Policy. It is the policy of the School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the School District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Non-Spendable Fund Balance. Non-spendable fund balance consists of prepaid items.

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

Assigned Fund Balances. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund.

Net Position

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt issued to finance/construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position are due to restricted tax levies and bond indenture requirements for our capital projects/debt service.

Unrestricted net position is primarily unrestricted amounts related to the general fund, and negative net position. Unrestricted net position is available to meet the district's ongoing obligations.

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

Interfund Transactions

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

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

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

NOTE 2 PRIOR PERIOD ADJUSTMENT

Change in Prior Year Audited Statement Amounts

Net position/fund balance as of July 1, 2020 has been restated due to a fund reclassification. The adjustments to beginning net position/fund balance are below:

Governmental Activities	Amounts
Beginning Net Position, as previously reported	\$ (8,967,684)
Adjustment to restate the July 1, 2020 Net Position:	
Fund Reclassification	851,682
Net Position July 1, 2020, as restated	<u>\$ (8,116,002)</u>

Other Governmental Funds	Amounts
Beginning Fund Balance, as previously reported	\$ 1,171,831
Adjustment to restate the July 1, 2020 Fund Balance:	
Fund Reclassification	851,682
Fund Balance July 1, 2020, as restated	<u>\$ 2,023,513</u>

NOTE 3 DEPOSITS

Custodial Credit Risk

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

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota,

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

At year ended June 30, 2021, the School District's carrying amount of deposits was \$6,724,157 and the bank balances totaled \$7,002,605. Of the bank balances, \$1,542,478 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Treasury strips reported at cost/par value totaling \$1,747,074 are being held as investments to retire debt on November 15, 2024. At June 30, 2021, the treasury strips have a market value of \$2,034,405. The amounts are invested by a broker on behalf of the School District in U.S. Treasury bonds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The School District does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

As authorized in North Dakota Statutes, idle funds may be invested as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct 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 the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

The School District is invested in treasury strips that are subject to interest rate risk. The fair value of the investments and their maturing dates can be seen below:

Devils Lake Public School District Investment Schedule 6/30/2021					
Investment Type	Total Fair Value	1-6 Months	7-12 Months	1-5 Years	More Than 5 Years
Treasury Strips	\$ 2,034,405	-	-	\$ 2,034,405	\$ -

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements – Continued

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2021:

	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Asset				
Government Bonds	\$ -	\$ 2,034,405	\$ -	\$ 2,034,405

NOTE 4 PROPERTY TAXES

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

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

Governmental Activities	Balance July 1	Increases	Decreases	Transfers	Balance June 30
Capital Assets Not Being Depreciated					
Land	\$ 170,100	\$ -	\$ -	\$ -	\$ 170,100
Construction in Progress	8,157	-	-	(8,157)	-
Total Capital Assets, Not Being Depreciated	\$ 178,257	\$ -	\$ -	\$ (8,157)	\$ 170,100
Capital Assets Being Depreciated					
Vehicles	\$ 2,451,844	\$ 219,080	\$ 316,189	\$ -	\$ 2,354,735
Playground Equipment	215,979	-	-	-	215,979
Equipment/Furniture	802,895	-	-	-	802,895
Buildings	18,137,813	-	-	8,157	18,145,970
Total Capital Assets, Being Depreciated	\$ 21,608,531	\$ 219,080	\$ 316,189	\$ 8,157	\$ 21,519,579
Less Accumulated Depreciation					
Vehicles	\$ 1,207,375	\$ 123,552	\$ 264,151	\$ -	\$ 1,066,776
Playground Equipment	131,488	8,299	-	-	139,787
Equipment/Furniture	480,413	48,695	-	-	529,108
Buildings	9,531,045	352,543	-	-	9,883,588
Total Accumulated Depreciation	\$ 11,350,321	\$ 533,089	\$ 264,151	\$ -	\$ 11,619,259
Total Capital Assets Being Depreciated, Net	\$ 10,258,210	\$ (314,009)	\$ 52,038	\$ 8,157	\$ 9,900,320
Governmental Activities Capital Assets, Net	\$ 10,436,467	\$ (314,009)	\$ 52,038	\$ -	\$ 10,070,420

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

Depreciation expense was charged to functions/programs of the School District as follows:

Regular Instruction	\$ 213,263
Special Education	17,777
Vocational Education	23,632
Administration	7,151
Food Services	8,997
Operations/Maintenance	62,226
Transportation	105,919
Co-Curricular	94,124
Total Depreciation Expense	\$ 533,089

NOTE 6 LONG-TERM LIABILITIES

During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
Long Term Debt					
General Obligation Bonds	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ -
Special Assessments	52,658	-	16,118	36,540	8,543
Total Long Term Debt	\$ 2,552,658	\$ -	\$ 16,118	\$ 2,536,540	\$ 8,543
Early Retirement Agreements	\$ 422,042	\$ -	\$ 144,529	\$ 277,513	\$ 80,346
Compensated Absences *	48,061	3,241	-	51,302	5,130
Net Pension & OPEB Liability *	24,833,098	7,743,070	-	32,576,168	-
Total Governmental Activities	\$ 27,855,859	\$ 7,746,311	\$ 160,647	\$ 35,441,523	\$ 94,019

* - The change in compensated absences and net pension & OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Debt service requirements on long-term debt at June 30, 2021 are as follows:

Governmental Activities				
Year Ending June 30	G.O. Bonds Payable		Special Assessments	
	Principal	Interest	Principal	Interest
2022	-	56,250	8,543	1,756
2023	-	56,250	8,543	1,316
2024	-	56,250	8,543	876
2025	2,500,000	28,125	3,637	436
2026	-	-	3,637	291
2027-2031	-	-	3,637	146
Total	\$ 2,500,000	\$ 196,875	\$ 36,540	\$ 4,821

NOTE 7 PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the School District reported a liability of \$23,789,340 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2020, the district's proportion was 1.554347%, an increase of .011781%.

For the year ended June 30, 2021, the district recognized pension expense of \$2,238,826. At June 30, 2021, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,906	\$ 892,764
Changes of Assumptions	1,070,729	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	1,468,550	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	501,596	838,229
District Contributions Subsequent to the Measurement Date	1,492,653	-
Total	\$ 4,538,434	\$ 1,730,993

\$1,492,653, reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

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

2022	\$	166,089
2023		194,324
2024		416,826
2025		333,102
2026		112,599
Thereafter		91,849

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, including inflation
Cost-of-Living Adjustments	None

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	1.3%
Global Real Assets	18%	5.0%
Cash Equivalents	1%	0.0%

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Liability	\$ 31,686,122	\$ 23,789,340	\$ 17,226,708

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement

benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2021, the School District reported a liability of \$8,570,014 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurement	Pension Expense
Primary Government	0.2724080%	-0.0153400%	\$ 1,481,511

At June 30, 2021, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 33,351	\$ 434,251
Changes of Assumptions	4,594,069	759,513
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	276,597	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	65,936	228,921
District Contributions Subsequent to the Measurement Date	229,634	-
Total	\$ 5,199,587	\$ 1,422,685

\$229,634 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

2022	\$ 1,068,448
2023	907,104
2024	729,626
2025	842,090
2026	-

Actuarial Assumptions

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

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

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

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents School District's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate.

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
School District's Proportionate Share of the Net Pension Liability	\$ 11,118,950	\$ 8,570,014	\$ 6,484,364

Pension Plan Fiduciary Net Position

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

NOTE 8 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements – Continued

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

At June 30, 2021, the School District reported a liability of \$216,814 for its proportionate share of net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurement	Pension Expense
Primary Government	0.2577440%	-0.0104860%	\$ 29,011

At June 30, 2021, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,815	\$ 5,198
Changes of Assumptions	29,071	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	7,456	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	404	12,279
Employer Contributions Subsequent to the Measurement Date	34,543	-
Total	\$ 76,289	\$ 17,477

\$34,543 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

2022	\$ 4,787
2023	6,715
2024	6,361
2025	4,203
2026	1,902
Thereafter	301

Actuarial assumptions

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

Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	6.50%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101%

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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

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

Discount rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
School District's Proportionate Share of the Net OPEB Liability	\$ 284,356	\$ 216,814	\$ 159,698

NOTE 9 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDRF for its general liability, automobile insurance coverage and inland marine. The coverage by NDRF is limited to losses of three million dollars per occurrence for general liability and automobile and \$331,297 for mobile equipment and portable property. The School District also insures machinery and equipment with Hartford Steam Boiler Inspection and Insurance Company. Coverage is limited to \$48,546,360.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

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

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

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

NOTE 10 EARLY RETIREMENT

The School District offers early retirement payments to professional employees under School Board policy "Retirement Incentive for Professional Staff Members". Under this policy, teachers and administrators are eligible for a pre-determined one-time payment based on a proportion of the current annual salary at the time of retirement. To be eligible for the plan an employee must meet one of the following requirements:

- Teaching employee has attained the earliest occurring of the following eligibility standards of the Teacher's Fund for retirement (TFFR) of North Dakota for a normal (unreduced service retirement: the employee has a combined age and years of service credit equal to 85 as determined by TFFR; or, the employee has attained age 65.
- Professional staff members must have completed 15 years of consecutive full-time certified employment in the School District to be eligible for retirement under NDPERS.

A liability for remaining early retirement payments at year-end is reported in the statement of net position. For the year ended June 30, 2021 the School District had seven employees who received this benefit for a cost to the School District of \$144,529. The balance due at June 30, 2021 is due as follows:

Year Ending June 30	Early Amount
2022	\$ 80,346
2023	80,346
2024	64,137
2025	52,684
2026	-
Total	\$ 277,513

NOTE 11 OPERATING LEASES

The School District leases copiers under non-cancelable operating leases. Total costs for such leases were \$37,128 for the year ended June 30, 2021.

The future minimum lease payments for these leases are as follows:

Year Ending June 30	Operating Lease
2022	\$ 59,527
2023	59,527
2024	59,527
2025	59,527
2026	59,527
Total	\$ 297,635

NOTE 12 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2021:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 150,000	\$ -
Non-Major Funds		
Special Reserve Fund	-	150,000
Total Transfers	\$ 150,000	\$ 150,000

Funds were transferred from the special reserve fund to the general fund for capital improvement projects.

NOTE 13 TAX ABATEMENTS

Devils Lake Public School District No. 1 and political subdivisions within Ramsey County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Ramsey County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2021.

The School District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below.

The following criteria are only guidelines.

General criteria - The governing body of the city or county may grant a partial or complete exemption from ad valorem taxation on all buildings, structure, fixtures, and improvements used in or necessary to the operation of a project for period not exceeding five years from the date of commencement of project operations. The governing body may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations. As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

FY2021 reduction in taxes due to agreements with other entities – \$23,973

Public Charity Exemption

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1Notes to the Financial Statements – Continued

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

FY2021 reduction in taxes due to agreements with other entities – \$60,882

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 4,240,241	\$ 4,240,241	\$ 4,001,512	\$ (238,729)
State Sources	16,051,707	16,051,707	16,124,155	72,448
Federal Sources	3,930,586	4,410,064	3,834,730	(575,334)
Other Sources	1,000	1,000	201,099	200,099
Total Revenues	\$ 24,223,534	\$24,703,012	\$ 24,161,496	\$ (541,516)
EXPENDITURES				
Current				
Regular Instruction	\$ 12,564,700	\$12,564,700	\$ 12,170,153	\$ 394,547
Special Education	2,652,275	2,652,275	2,618,500	33,775
Vocational Education	1,465,140	1,465,140	1,380,647	84,493
Federal Programs	3,439,309	3,918,787	3,308,067	610,720
District Wide Services	1,288,005	1,288,005	1,139,374	148,631
Administration	767,965	767,965	670,706	97,259
Operations and Maintenance	1,645,922	1,645,922	1,642,930	2,992
Transportation	1,071,000	1,071,000	1,029,073	41,927
Co-curricular Activities	1,035,265	1,035,265	848,485	186,780
Other Programs & Services	9,320	9,320	-	9,320
Total Expenditures	\$ 25,938,901	\$26,418,379	\$ 24,807,935	\$ 1,610,444
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,715,367)	\$ (1,715,367)	\$ (646,439)	\$ 1,068,928
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Gain on Disposal of Capital Assets	-	-	52,842	52,842
Total Other Financing Sources	\$ -	\$ 150,000	\$ 202,842	\$ 52,842
Net Changes in Fund Balances	\$ (1,715,367)	\$ (1,565,367)	\$ (443,597)	\$ 1,121,770
Fund Balances - July 1	\$ 1,537,447	\$ 1,725,717	\$ 4,174,810	\$ 2,449,093
Fund Balances - June 30	\$ (177,920)	\$ 160,350	\$ 3,731,213	\$ 3,570,863

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended June 30, 2021

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	1.554347%	\$ 23,789,340	\$ 11,341,461	209.76%	63.40%
2020	1.542566%	21,245,044	10,821,543	196.32%	65.50%
2019	1.503201%	20,035,540	10,218,902	196.06%	65.50%
2018	1.543840%	21,205,036	10,420,476	203.49%	63.20%
2017	1.587603%	23,259,323	10,315,055	225.49%	59.20%
2016	1.654329%	17,920,776	9,920,576	180.64%	62.10%
2015	1.710287%	17,920,776	9,920,576	180.64%	66.60%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 1,446,047	\$ 1,446,047	\$ -	\$ 11,707,084	12.35%
2020	1,379,747	1,379,747	-	10,821,543	12.75%
2019	1,302,910	1,302,910	-	10,218,902	12.75%
2018	1,328,611	1,328,611	-	10,420,476	12.75%
2017	1,315,170	1,315,170	-	10,315,055	12.75%
2016	1,264,873	1,264,873	-	9,920,576	12.75%
2015	1,066,462	1,066,462	-	9,920,576	10.75%

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1**Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued**

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.272408%	\$ 8,570,014	\$ 3,004,994	285.19%	48.91%
2020	0.287748%	3,372,615	2,993,064	112.68%	71.66%
2019	0.286653%	4,837,582	2,944,831	164.27%	62.80%
2018	0.305909%	4,916,962	3,122,854	157.45%	61.98%
2017	0.281076%	2,739,360	2,832,581	96.71%	70.46%
2016	0.287721%	1,956,454	2,563,249	76.33%	77.15%
2015	0.295803%	1,877,525	2,491,788	75.35%	77.70%

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 212,779	\$ 231,276	\$ (18,497)	\$ 3,283,228	7.04%
2020	217,912	225,008	(7,096)	2,993,064	7.52%
2019	216,900	225,860	(8,960)	2,944,831	7.67%
2018	226,445	225,463	982	3,122,854	7.22%
2017	205,074	210,960	(5,886)	2,832,581	7.45%
2016	194,699	209,352	(14,653)	2,563,249	8.17%
2015	177,415	177,415	-	2,491,788	7.12%

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions

For the Year Ended June 30, 2021

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.257744%	\$ 216,814	\$ 2,938,203	7.38%	63.38%
2020	0.268230%	215,439	2,993,064	7.20%	63.13%
2019	0.269127%	211,956	2,944,831	7.20%	61.89%
2018	0.288661%	228,334	3,122,854	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 34,518	\$ 36,690	\$ (2,172)	\$ 3,032,862	1.21%
2020	34,809	36,026	(1,217)	2,993,064	1.20%
2019	34,541	36,162	(1,621)	2,944,831	1.23%
2018	36,301	36,098	203	3,122,854	1.16%

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

NOTE 2 LEGAL COMPLIANCE – BUDGETS

The school board amended the school district budget for FY2021 as follows:

	Original Budget	Budget Amendment	Amended Budget
General Fund			
Revenues/Transfers In	\$ 24,373,534	\$ 479,478	\$ 24,853,012
Expenditures	25,938,901	479,478	26,418,379

NOTE 3 CHANGES OF BENEFIT TERMS

Pension

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1**Notes to the Required Supplementary Information - Continued**

months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

OPEB

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

NOTE 4 CHANGES OF ASSUMPTIONS**North Dakota Teachers Fund for Retirement**

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.

Pension

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

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

OPEB

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

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

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

NOTE 5 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

ALN Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the North Dakota Department of Public Instruction:			
10.555	National School Lunch Program - Cash	F10555	\$ 342
10.555	National School Lunch Program - Commodities **	36001	90,002
10.559	Summer Food Service Program for Children	F10559	1,036,468
	Child Nutrition Cluster		<u>\$ 1,126,812</u>
10.560	State Administrative Expenses for Child Nutrition	F10560A	\$ 8,930
10.558	Child and Adult Care Food Program	F10558	13,834
10.582	Fresh Fruit and Vegetable Program	F10582	<u>54,260</u>
Total U.S Department of Agriculture			<u>\$ 1,203,835</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed through the North Dakota Department of Public Instruction:			
21.019	Coronavirus Relief Fund	F21019	<u>\$ 837,274</u>
Passed through the North Dakota Department of Career and Technical Education:			
21.019	Coronavirus Relief Fund	N/A	<u>\$ 26,891</u>
Total U.S Department of the Treasury			<u>\$ 864,165</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Assistance			
84.060	Indian Education - Grants to Local Education Agencies	N/A	\$ 138,353
84.041	Impact Aid	N/A	<u>196,971</u>
Total Direct Assistance			<u>\$ 335,324</u>
Passed through the North Dakota Department of Public Instruction			
84.010	Title I - Grants to LEA's	F84010	\$ 251,568
84.287	Twenty-First Century Community Learning Centers	F84287	529,169
84.367	Improving Teacher Quality State Grants	F84367	49,884
84.371	Striving Readers	F84371C	341,795
84.424A	Student Support and Academic Enrichment Program	F84424A	46,957
84.425D	Elementary and Secondary School Emergency Relief Fund	F84425D	<u>528,090</u>
Passed through the North Dakota Department of Career and Technical Education			
84.048	Career and Technical Education - Basic Grants to States	N/A	<u>\$ 186,509</u>
Total U.S Department of Education			<u>\$ 1,933,973</u>
U.S. Department of Defense			
Direct Assistance			
12.U01	Army Junior Reserve Officer Training Corps. (JROTC)	N/A	<u>\$ 59,664</u>
Total U.S Department of Defense			<u>\$ 59,664</u>
Total Amount of Federal Awards			<u><u>\$ 4,396,961</u></u>

** - Noncash Assistance

See notes to the Schedule of Expenditures of Federal Awards

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Devils Lake Public School District under programs of the federal government for the year ended June 30, 2021. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Devils Lake Public School District, it is not intended to and does not present the financial position or changes in net position of the Devils Lake Public School District. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 NON-CASH AWARDS

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

NOTE 4 SCHOOL-WIDE PROGRAMS

The Devils Lake Public School District operates a 'schoolwide program' in elementary buildings. Using federal funding, schoolwide programs are designed to provide an entire educational program within a school for all students, rather than limit services to certain targeted individuals. The federal program amount expended by the district in the schoolwide program for Title I (84.010) was \$251,568.

NOTE 5 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked "N/A", the Devils Lake Public School District was unable to obtain a pass-through grant number.

NOTE 6 INDIRECT COST RATE

Devils Lake Public School District has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.



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*

Independent Auditor's Report

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Devils Lake Public School District No. 1's basic financial statements, and have issued our report thereon dated November 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Devils Lake Public School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Devils Lake Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness the Devils Lake Public School District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Devils Lake public School District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

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* - Continued

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 3, 2021



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Devils Lake Public School District No. 1's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Devils Lake Public School District No. 1's major federal program for the year ended June 30, 2021. The Devils Lake Public School District No. 1's major federal program is identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Devils Lake Public School District No. 1's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Devils Lake Public School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Devils Lake Public School District No. 1's compliance.

Basis for Qualified Opinion on Major Federal Program

As described in the accompanying *schedule of findings and questioned costs*, Devils Lake Public School District No. 1's did not comply with requirements regarding ALN 21.019 Coronavirus Relief Fund as described in finding number 2021-001 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Devils Lake Public School District No. 1's to comply with requirements applicable to this program.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance – Continued

Qualified Opinion on Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Major Federal Program* paragraph, Devils Lake Public School District No. 1 complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on Coronavirus Relief Fund for the year ended June 30, 2021.

Unqualified Opinion on Child Nutrition Cluster

In our opinion, Devils Lake Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *schedule of findings and questioned costs* as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

Devils Lake Public School District No. 1's response to the noncompliance findings identified in our audit is described in the accompanying *schedule of audit findings and question costs and corrective action plan*. Devils Lake Public School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Devils Lake Public School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Devils Lake Public School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Devils Lake Public School District No. 1's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance – Continued

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 3, 2021

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO.1

Summary of Auditor's Results
For the Year Ended June 30, 2021

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	_____ Yes	<u> X </u> None	Noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None	Noted
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> None	Noted

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified?	_____ Yes	<u> X </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None	noted
Type of Auditor's Report Issued on compliance for major programs:	Qualified		
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> X </u> Yes	_____ None	noted

Identification of Major Programs

ALN Number	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? _____ Yes X No

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

No matters were identified.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-001 UNALLOWABLE REIMBURSEMENT OF PAYROLL EXPENDITURES – ALN 21.019 – MATERIAL NONCOMPLIANCE

Condition

Devils Lake Public School District received reimbursement for unallowable payroll costs under the Education CORPS Grant (established using the Coronavirus Relief Fund (CRF)) in the amount of \$113,048. The reimbursement was for contracted teachers that were already budgeted for in the budget most recently approved and was not a substantially different use of funds as these teachers were instructing virtually rather than in a classroom.

Criteria

The Education CORPS grant agreement between Devils Lake Public School District and the North Dakota Department of Public Instruction (DPI) states that *"Payments must be used to cover costs that were not accounted for in the budget most recently approved."*

CRF Guidance Federal Register Vol.86, No. 10 states in part *"Treasury considers the requirement that payments from the Fund be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020, to be met if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation."*

CRF Guidance Federal Register Vol.86, No. 10 states in part *"developing online instruction capabilities may be a substantially different use of funds, online instruction itself is not a substantially different use of public funds than classroom instruction."*

Cause

Devils Lake Public School District may have misinterpreted the Education CORPS Grant guidance provided by DPI that was available at the time of the reimbursement requests.

Effect

Devils Lake Public School received reimbursements that were unallowable and thus may have to remit the amount back to DPI.

Questioned Costs

\$113,048

Repeat Finding

No.

Recommendation

We recommend Devils Lake Public School contact DPI and the United States Department of Treasury to confirm the understanding of applicable guidance in current and future grant awards. Additionally, we recommend Devils Lake Public School District resolve any current circumstances if deemed appropriate by management.

Devils Lake Public School District's Response

See corrective action plan on page 50.



**1601 College Drive North
Devils Lake, ND 58301
Phone: 701.662.7640
Fax: 701.662.7646**

Date: November 2, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Melissa Haahr, Business Manager
RE: Devils Lake Public School District – 2021 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Melissa Haahr, Business Manager

Section 2 – Single Audit Findings:

2021-001 UNALLOWABLE REIMBURSEMENT OF PAYROLL EXPENDITURES – MATERIAL NONCOMPLIANCE

Condition:

Devils Lake Public School District received reimbursement for unallowable payroll costs under the Education CORPS Grant (established using the Coronavirus Relief Fund (CRF)) in the amount of \$113,048. The reimbursement was for contracted teachers that were already budgeted for in the budget most recently approved and were not a substantially different use of funds as these teachers were instructing virtually rather than in a classroom.

Corrective Action Plan:

Agree. Devils Lake Public School District reached out to the Department of Public Instruction multiple times to gain an understanding of the requirements of the Education CORPS Grant. Based on the guidance from DPI, the school district used the funds to allocate teachers to a virtual instruction model. Devils Lake Public School District will contact the Department of Public Instruction and the United States Department of Treasury to confirm the understanding of current and future grant awards.

Anticipated Completion Date:

We will start implementation on 7/1/2022 and continue with this moving forward



Devils Lake Public Schools

**1601 College Drive North
Devils Lake, ND 58301
Phone: 701.662.7640
Fax: 701.662.7646**

2020-001 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition:

Devils Lake Public School District currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Recommendation:

We recommend Devils Lake Public School District consider the additional risk of having the auditors assist in the preparation of the financial statements including the accompanying note disclosures and consider preparing them in the future.

Current Status of Recommendation:

We have not implemented. We prefer the State Auditor's prepare for us.

2020-002 IMPROPER FOOD SERVICE REVENUE CODING – MATERIAL WEAKNESS

Condition:

Devils Lake Public School District improperly classified \$59,598 in food service revenue from Federal sources as state and local sources.

Recommendation:

We recommend that the Devils Lake School District review the Food Service accounts at year end to ensure that the accounts are properly classified.

Current Status of Recommendation:

We have implemented. We perform reviews of entries to ensure that revenues are properly coded from the source received.



GOVERNANCE COMMUNICATION

School Board of Directors
Devils Lake Public School District No. 1
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Devils Lake Public School District No. 1, North Dakota, as of and for the year ended June 30, 2021, which collectively comprise the Devils Lake Public School District No. 1's basic financial statements and have issued our report thereon dated November 3, 2021. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated January 14, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Devils Lake Public School District No. 1, North Dakota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Devils Lake Public School District No. 1, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Devils Lake Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the purpose of expressing an opinion on the Devils Lake Public School District No. 1's compliance with those requirements over the major federal programs. While our audit provides a reasonable basis for our opinion over compliance for the major federal programs, it does not provide a legal determination on the Devils Lake Public School District No. 1's compliance with those requirements.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Devils Lake Public School District No. 1 are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2021.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

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

2020 Adjustments	Audit Adjustments	
	Debit	Credit
Governmental Funds		
<u>Record Intergovernmental Receivable</u>		
Intergovernmental Receivable	\$ 32,581	
Revenue		\$ 32,581
General Fund		
<u>Record Account Payable</u>		
Expenditures	84,694	
Accounts Payable		84,694
Non Major Fund		
<u>Record Account Payable</u>		
Expenditures	16,579	
Accounts Payable		16,579

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2021.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the Board of Education and management of the Devils Lake Public School District No. 1, North Dakota and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Devils Lake Public School District No. 1 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Devils Lake Public School District No. 1.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 3, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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