DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
DUNSEITH, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2021

Lori Davis	President
Clarence Counts	Vice President
Francis Amyotte	Board Member
Frank Gladue	Board Member
Gaillord Peltier	Board Member
Christopher Strong	Board Member
Roger Counts	Board Member
David Sjol	Superintendent
Evan Peltier	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Dunseith 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 District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Dunseith Public School District No. 1 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 14 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As discussed in Note 14 to the financial statements, the District has restated the previously reported Net Position and Fund Balance in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of District's contributions to the TFFR and NDPERS pension plans, schedule of District's contributions to the NDPERS OPEB plan, schedule of District's proportionate share of net pension liability, and schedule of District's proportionate share of net OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires 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 District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis 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,* and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and related 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

December 27, 2023

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 6,034,282
Property Taxes Receivable (Net)	35,613
Due From Other Governments	1,678,235
Total Current Assets	7,748,130
Non-Current Assets:	
Capital Assets	
Land Improvements	7,000
Buildings	8,769,018
Equipment	575,057
Vehicles	1,445,526
Less Accumulated Depreciation	(5,690,391)
Total Non-Current Assets	5,106,210
TOTAL ASSETS	12,854,340
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,641,884
Cost Sharing Defined Benefit Pension Plan - NDPERS	2,837,878
Cost Sharing Defined Benefit OPEB Plan - NDPERS	44,388
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,524,150
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,903
Accrued Liabilities	3,439
Accrued Payroll	134,866
Unearned Revenue	57,994
Total Current Liabilities	200,202
Long-Term Liabilities:	
Bonds and Notes Payable (Net of Current Portion)	760,000
Compensated Absences	312,887
Net Pension Liability	11,898,672
Net OPEB Liability	115,081
Total Non-Current Liabilities	13,086,640
TOTAL LIABILITIES	13,286,842
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	338,404
Cost Sharing Defined Benefit Pension Plan - NDPERS	883,166
Cost Sharing Defined Benefit OPEB Plan - NDPERS	14,735
TOTAL DEFERRED INFLOWS OF RESOURCES	1,236,305
NET POSITION	
Net Investment in Capital Assets	4,346,210
Restricted for Special Reserve	69,949
Restricted for Capital Projects	1,084,561
Restricted for Student Activities	43,935
Unrestricted	(2,689,312)
TOTAL NET POSITION	$ 2,855,343

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	$ 259,180	$ -	$ -	$ (259,180)
Instructional Support Services	316,502	-	-	(316,502)
Administration	1,092,739	-	-	(1,092,739)
Operations and Maintenance	908,195	-	-	(908,195)
Transportation	269,221	-	203,365	(65,856)
Regular Instruction	9,002,100	177,275	6,687,968	(2,136,857)
Special Education	384,350	-	-	(384,350)
Vocational Education	160,607	-	19,080	(141,527)
Extra-Curricular Activities	281,392	-	-	(281,392)
Food Services	1,030,808	162	815,873	(214,773)
Interest and Fees on Long-Term Debt	11,172	-	-	(11,172)
TOTAL GOVERNMENTAL ACTIVITIES	$ 13,716,266	$ 177,437	$ 7,726,286	(5,812,543)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				266,479
Property Taxes, Levied for Capital Projects				29,254
Aids and Payments from the State				7,076,362
Unrestricted Investment Earnings				3,174
TOTAL GENERAL REVENUES				7,375,269
Change in Net Position				1,562,726
Net Position - Beginning				1,238,479
GASB 84 Adjustment - See Note 14				54,138
Net Position - Beginning As Restated				1,292,617
Net Position - Ending				$ 2,855,343

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 4,884,695	$ -	$ 68,813	$ 1,080,774	$ 6,034,282
Property Taxes Receivable (Net)	30,690	-	1,136	3,787	35,613
Due From Other Funds	335,148	-	-	-	335,148
Due From Other Governments	1,678,235	-	-	-	1,678,235
TOTAL ASSETS	$ 6,928,768	$ -	$ 69,949	$ 1,084,561	$ 8,083,278
LIABILITIES					
Accounts Payable	$ 3,881	$ 22	$ -	$ -	$ 3,903
Due to Other Funds	-	335,148	-	-	335,148
Accrued Liabilities	3,439	-	-	-	3,439
Accrued Payroll	134,866	-	-	-	134,866
Unearned Revenue	57,994	-	-	-	57,994
TOTAL LIABILITIES	200,180	335,170	-	-	535,350
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Uncollected Taxes	26,614	-	1,001	3,337	30,952
TOTAL DEFERRED INFLOWS OF RESOURCES	26,614	-	1,001	3,337	30,952
FUND BALANCES					
Restricted for Special Reserve	-	-	68,948	-	68,948
Restricted for Capital Projects	-	-	-	1,081,224	1,081,224
Restricted for Student Activities	43,935	-	-	-	43,935
Unassigned	6,658,039	(335,170)	-	-	6,322,869
TOTAL FUND BALANCES	6,701,974	(335,170)	68,948	1,081,224	7,516,976
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 6,928,768	$ -	$ 69,949	$ 1,084,561	$ 8,083,278

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances - governmental funds		$ 7,516,976
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	$ 10,796,601	
Less: accumulated depreciation	(5,690,391)	
Net		5,106,210
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		3,287,845
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		30,952
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Notes Payable		(760,000)
Compensated Absences		(312,887)
Net Pension Liability		(11,898,672)
Net OPEB Liability		(115,081)
Net Position - Governmental Activities		$ 2,855,343

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 273,340	$ -	$ 9,348	$ 31,158	$ 313,846
Other Local and County Revenues	177,275	162	-	-	177,437
Revenue from State Sources	7,279,727	2,500	-	-	7,282,227
Revenue from Federal Sources	6,723,080	797,341	-	-	7,520,421
Interest	3,110	31	33	-	3,174
TOTAL REVENUES	14,456,532	800,034	9,381	31,158	15,297,105
EXPENDITURES					
Current:					
Business Support Services	259,180	-	-	-	259,180
Instructional Support Services	316,502	-	-	-	316,502
Administration	1,092,739	-	-	-	1,092,739
Operations and Maintenance	693,986	-	-	214,209	908,195
Transportation	184,963	-	-	-	184,963
Regular Instruction	7,735,047	-	-	-	7,735,047
Special Education	384,350	-	-	-	384,350
Vocational Education	160,607	-	-	-	160,607
Extra-Curricular Activities	270,656	-	-	-	270,656
Food Services	66,687	964,121	-	-	1,030,808
Capital Outlay	477,025	-	-	-	477,025
Debt Service:					
Principal Retirement	224,898	-	-	-	224,898
Interest and Fiscal Charges on Long-Term Debt	21,430	-	-	-	21,430
TOTAL EXPENDITURES	11,888,070	964,121	-	214,209	13,066,400
Net Change in Fund Balances	2,568,462	(164,087)	9,381	(183,051)	2,230,705
Fund Balance - Beginning of Year	4,079,374	(171,083)	59,567	1,264,275	5,232,133
GASB 84 Adjustment - See Note 14	54,138	-	-	-	54,138
Fund Balance - Beginning as Restated	4,133,512	(171,083)	59,567	1,264,275	5,286,271
Fund Balance - End of Year	$ 6,701,974	$ (335,170)	$ 68,948	$ 1,081,224	$ 7,516,976

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total net change in fund balances - Governmental Funds		$ 2,230,705
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.		
Capital Outlays	$ 477,025	
Depreciation Expense	(284,171)	
Excess of capital outlay over depreciation expense		192,854
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:		
Net change in unavailable property taxes		(18,113)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		224,898
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:		
Compensated Absences		5,128
Changes in deferred outflows and inflows of resources related to net pension liability		2,263,776
Change in net pension liability		(3,357,569)
Change in net OPEB liability		10,789
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		10,258
Change in net position - Governmental Activities		$ 1,562,726

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Dunseith Public School District operates the public schools in the City of Dunseith, North Dakota. There is one elementary school and one junior/senior high school.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization. The school district has the following component unit as defined in GASB Statement No. 61 which should be included in the reporting entity.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

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

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

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

General Fund:
This fund is the general operating fund of the District and includes student activity programs. It accounts for all financial resources except those requiring to be accounted for in another fund.

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

Special Reserve Fund:
A fund established to hold reserve funds.

Building Fund:
The Building Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities. The special assessment fund is included in this category.

The District does not have any non-major governmental funds.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Basis of Accounting:

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

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

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

The General fund expenditures were $468,248 under budget at June 30, 2021.

Cash and Cash Equivalents:

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

Investments:

Investments are recorded at market value. North Dakota State Statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

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

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

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

Capital Assets:

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

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

Buildings and Improvements	50 Years
Equipment	10 Years
Vehicles	10 Years

Compensated Absences:

Ancillary or certified staff who are 12-month employees are eligible for vacation leave. There is no maximum amount an individual can accumulate. Upon termination, all accumulative hours will be paid based on the individual's hourly rate. Ancillary staff receive $125 a day for sick leave for any days not used after 60 days have been accumulated.

Certified staff and teachers receive $15.63 per hour for sick leave for any of the days not used after they have accumulated 50 days. Upon termination, all accumulative days will be paid. Personal leave is on a “use it or lose it basis” and no personal leave is allowed to be carried over into the next year. Ancillary staff receive $125 day for personal leave not used at the end of the school year. Certified staff and teachers receive $15.63 for personal leave not used at the end of the school year.

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District’s government-wide financial statements. The District’s governmental fund financials report only those obligations that will be paid from current financial resources. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

Pensions:

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

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 Balance Classifications:

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

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

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

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board has not granted any official the right to assign amounts to a specific purpose. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Fund Balance Policy:

The school district's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First nonspendable amounts are determined. Then restricted balances for specific purposes are determined. Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balances if the fund is in a deficit.

Deferred Outflows/Inflows of Resources:

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

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

Net Position:

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

Inter-fund Activity:

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

Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and are either unusual in nature or infrequent in occurrence.

Estimates:

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

Revenue Recognition - Property Taxes:

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

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

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

Significant Group Concentrations of Credit Risk:

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

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds. Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2021, the carrying amount of the District's deposits was $6,034,282 and the bank balance was $6,657,213. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

In accordance with its formal investment policy, the District invests its operating funds primarily in short term certificates of deposit and limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

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

	Balance 7/1/2020	Additions	Disposals	Balance 6/30/2021
Governmental Activities:				
Capital Assets Being Depreciated				
Land Improvements	$ 7,000	$ -	$ -	$ 7,000
Buildings	8,542,405	226,613	-	8,769,018
Equipment	456,690	118,367	-	575,057
Vehicles	1,313,481	132,045	-	1,445,526
Total	10,319,576	477,025	-	10,796,601
Less Accumulated Depreciation				
Land Improvements	152	280	-	432
Buildings	4,368,804	157,536	-	4,526,340
Equipment	318,716	35,638	-	354,354
Vehicles	718,548	90,717	-	809,265
Total	5,406,220	284,171	-	5,690,391
Net Capital Assets Being Depreciated	4,913,356	192,854	-	5,106,210
Net Capital Assets for Governmental Activities	$ 4,913,356	$ 192,854	$ -	$ 5,106,210

In the governmental activities section of the statement of activities, depreciation expense was charged and capital outlay related to additions to the following governmental functions:

	Additions	Depreciation
Regular Instruction	$ 246,197	$ 189,177
Extra Curricular Activities	98,783	10,736
Transportation	132,045	84,258
Total	$ 477,025	$ 284,171

NOTE 5 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Summary of Long-Term Debt

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
Series 2012 Bonds	$ 815,000	$ -	$ (55,000)	$ 760,000	$ -
Starion Bus Loan - 2018	69,898	-	(69,898)	-	-
KS StateBank Finance Purchase	100,000	-	(100,000)	-	-
Compensated Absences	318,015	-	(5,128)	312,887	-
Net Pension Liability	8,541,103	5,417,330	(2,059,761)	11,898,672	-
Net OPEB Liability	125,870	33,765	(44,554)	115,081	-
Total	$ 9,969,886	$ 5,451,095	$ (2,334,341)	$ 13,086,640	$ -

Interest expense was $11,172 for the year ended June 30, 2021.

Compensated absences, notes payable, OPEB, Finance Purchase, 2012 Bonds and net pension liabilities are generally liquidated by the District's general fund.

Impact Aid Certificates of Indebtedness, Series 2012

$1,145,000 Impact Aid Certificates of Indebtedness, Series 2012 are due in annual installments of $30,000 to $75,000 plus interest through August 1, 2032; interest is .75% to 2.25%.

Annual debt service requirements to maturity for the note are as follows:

Impact Aid Certificate of Indebtedness, Series 2012

Year	Principal	Interest	Total
2022	$ -	$ -	$ -
2023	55,000	13,763	68,763
2024	55,000	13,075	68,075
2025	55,000	12,250	67,250
2026	60,000	11,388	71,388
2027-2031	320,000	40,540	360,540
2032-2033	215,000	7,369	222,369
Total	$ 760,000	$ 98,385	$ 858,385

There are no anticipated bond payments to be made in the fiscal year ending June 30, 2022, as the District had made the payment due August 1, 2021 prior to the current fiscal year end June 30, 2021.

Starion Bus Loan – 2018 is due in annual installments of $36,779 through October 15, 2021; interest is 3.350%. This loan was paid off in full as of June 30, 2021.

Finance Purchase

The District entered into a finance purchase agreement with KS Statebank for the purchase of a 2019 school bus. This purchase agreement was paid off in full as of June 30, 2021.

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

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

Restricted for:	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total
Special Reserve	$ -	$ -	$ 68,948	$ -	$ 68,948
Capital Projects	-	-	-	1,081,224	1,081,224
Student Activities	43,935	-	-	-	43,935
Unassigned	6,658,039	(335,170)	-	-	6,322,869
	$6,701,974	$(335,170)	$ 68,948	$1,081,224	$7,516,976

Restricted fund balances reflect resources restricted for statutorily defined purposes.

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher’s Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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 District reported a liability of $7,394,796 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the Employer's proportion was 0.483161 percent which was an increase of 0.0000608 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of $890,412. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,525	$ 277,511
Changes in actuarial assumptions	332,831	-
Difference between projected and actual investment earnings	456,491	-
Changes in proportion	370,669	60,893
Contributions paid to TFFR subsequent to the measurement date	480,368	-
Total	$ 1,641,884	$ 338,404

$480,368 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

Year ending June 30:	Pension Expense Amount
2022	$ 246,112
2023	219,252
2024	206,336
2025	113,345
2026	4,836
Thereafter	33,231

Actuarial Assumptions

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

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

For active and inactive members, mortality rates were based on the PubT-2010 Employee Table, projected generationally 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 disabled 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 and retirement were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School's proportionate share of the TFFR net pension liability:	$ 9,849,471	$ 7,394,796	$ 5,354,835

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

North Dakota Public Employees' Retirement 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, and 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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 annual 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 of 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 covered compensation. 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 District reported a liability of $4,503,876 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 0.143161 percent which was a decrease of 0.0002496 from its proportion measured July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of $801,715. 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 economic experience	$ 17,527	$ 228,216
Changes in actuarial assumptions	2,414,362	399,154
Difference between projected and actual investment earnings	145,362	-
Changes in proportion	125,454	255,796
Contributions paid to NDPERS subsequent to the measurement date	135,173	-
Total	$ 2,837,878	$ 883,166

$135,173 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 ending June 30, 2022.

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

Year ending June 30:	Pension Expense Amount	
2022	$	583,651
2023		477,165
2024		355,655
2025		403,068
2026		-

Actuarial Assumptions

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

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 purposes 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 3.64%	Current Discount Rate 4.64%	1% Increase 5.64%
School's proportionate share of the NDPERS net pension liability:	$ 5,843,441	$ 4,503,876	$ 3,407,785

Pension Plan Fiduciary Net Position

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

NOTE 8 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2021, the District reported a liability of $115,081 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on the 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 District's proportion was 0.136806 percent which was a decrease of 0.000199 from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of $14,877. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,556	$ 2,759
Changes of assumptions	15,430	-
Net difference between projected and actual earnings on OPEB plan investments	3,957	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	2,934	11,976
District contributions subsequent to the measurement date	19,511	-
Total	$ 44,388	$ 14,735

$19,511 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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

Year ending June 30	OPEB Expense Amount
2022	$ 2,019
2023	3,042
2024	2,855
2025	1,761
2026	274
2027	191
Thereafter	-

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% 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 form 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	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
Domestic Fixed Income	40.00%	1.15%
International Equities	21.00%	6.45%

Discount Rate

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

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's proportionate share of the net OPEB liability	$ 150,931	$ 115,081	$ 84,765

Pension Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

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

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

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

The District participates in the North Dakota Worker’s Compensation Bureau 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 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was $14,320.

NOTE 12 COMMITMENTS

Lease Commitments

The District leases copy machines under a non-cancelable operating lease for five years. The following is a schedule of future minimum rentals under the lease at June 30, 2021:

Year Ending June 30,	
2022	$ 1,425
2023	1,069
	$ 2,493

NOTE 13 NEW PRONOUNCEMENTS

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

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

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

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

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

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

GASB Statement No. 96, *Subscription-Based Information* Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

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

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCE

The District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position and beginning general fund balance have been restated to reflect the student activity fund balance of $54,138, resulting in an increase in net position and general fund balance:

Net Position July 1, 2020, as previously reported	$ 1,238,479
Restatement for fiduciary accounting:	
Student Activity fund balance	54,138
Net Position July 1, 2020, as restated	$ 1,292,617
Fund Balance July 1, 2020, as previously reported	$ 4,079,374
Restatement for fiduciary accounting:	
Student Activity fund balance	54,138
Fund Balance July 1, 2020, as restated	$ 4,133,512

NOTE 15 INTERFUND BALANCES

The District has the following interfund receivables and payables as of June 30, 2021:

	Interfund Receivable	Interfund Payable
General Fund	$ 335,148	$ -
Food Service Fund	-	335,148
	$ 335,148	$ 335,148

Interfund balances consist of negative cash in the Food Service Fund.

NOTE 16 RELATED PARTY TRANSCATIONS

The District entered transactions with a board member during the fiscal year. These transactions included tree removal services as well as rental of equipment at a cost of $1,000 and $1,200, respectively.

NOTE 17 FUND BALANCE DEFICITS

The following reports the District's fund balance deficits as of June 30, 2021:

Fund	Balance at 6/30/2021
Food Service Fund	$ (335,170)
Total Fund Balance Deficits	$ (335,170)

NOTE 18 SUBSEQUENT EVENTS

On July 20, 2021, the District entered into a contract for the construction of a new Career and Technical Education Center with a guaranteed maximum price of $15,277,000. The District is currently using ESSER funding to pay for construction. Subsequent events have been evaluated through December 27, 2023, which is the date these financial statements were available to be issued.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts Original and Final	Actual	Over (Under) Final Budget
REVENUES			
Local Property Tax Levies	$ -	$ 273,340	$ 273,340
Other Local & County Revenues	117,000	177,275	60,275
Revenue From State Sources	7,655,797	7,279,727	(376,070)
Revenue From Federal Sources	5,739,222	6,723,080	983,858
Interest	-	3,110	3,110
TOTAL REVENUES	13,512,019	14,456,532	944,513
EXPENDITURES			
Business Support Services	243,413	259,180	15,767
Instructional Support Services	320,181	316,502	(3,679)
Administration	933,170	1,092,739	159,569
Operations and Maintenance	1,067,805	693,986	(373,819)
Transportation	445,942	184,963	(260,979)
Regular Instruction	8,302,416	7,735,047	(567,369)
Special Education	385,534	384,350	(1,184)
Vocational Education	187,793	160,607	(27,186)
Extra-Curricular Activities	395,064	270,656	(124,408)
Food Services	75,000	66,687	(8,313)
Capital Outlay	-	477,025	477,025
Principal Retirement	-	224,898	224,898
Interest and Fiscal Charges on Long-Term Debt	-	21,430	21,430
TOTAL EXPENDITURES	12,356,318	11,888,070	(468,248)
Excess (Deficiency) of Revenues Over Expenditures	1,155,701	2,568,462	1,412,761
OTHER FINANCING SOURCES (USES)			
Transfers Out	(1,155,701)	-	(1,155,701)
TOTAL OTHER FINANCING SOURCES (USES)	(1,155,701)	-	1,155,701
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	-	2,568,462	2,568,462
Fund Balances - Beginning	4,079,374	4,079,374	-
GASB 84 Adjustment - See Note 14	54,138	54,138	-
Fund Balance - Beginning as Restated	4,133,512	4,133,512	-
Fund Balances - Ending	$ 4,133,512	$ 6,701,974	$ 2,568,462

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$ 480,368	$ (480,368)	-	$ 3,767,800	12.75%
2020	449,495	(449,495)	-	3,525,438	12.75%
2019	426,625	(426,625)	-	3,346,079	12.75%
2018	404,044	(404,044)	-	3,168,971	12.75%
2017	408,090	(408,090)	-	3,200,702	12.75%
2016	330,097	(330,097)	-	2,589,121	12.75%
2015	259,891	(259,891)	-	2,417,614	10.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$ 135,173	$ (135,173)	-	$ 1,872,274	7.22%
2020	124,711	(124,711)	-	1,751,302	7.12%
2019	122,380	(122,380)	-	1,718,826	7.12%
2018	117,423	(117,423)	-	1,649,186	7.12%
2017	114,609	(114,609)	-	1,609,674	7.12%
2016	87,634	(87,634)	-	1,230,816	7.12%
2015	73,907	(73,907)	-	1,038,016	7.12%

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

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2021	$ 19,511	$ 19,511	-	$ 1,872,274	1.04%
2020	19,946	19,946	-	1,751,302	1.14%
2019	19,507	19,507	-	1,718,826	1.13%
2018	18,800	18,800	-	1,649,186	1.14%

The District Implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior year is not available.

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.483161%	$ 7,394,796	$ 3,525,436	209.76%	63.40%
2019	0.477085%	6,570,662	3,346,079	196.37%	65.50%
2018	0.483659%	6,446,491	3,168,971	203.43%	65.50%
2017	0.474198%	6,513,235	3,200,702	203.49%	63.20%
2016	0.449408%	6,584,094	2,589,121	254.30%	59.20%
2015	0.420923%	5,505,063	2,417,614	227.71%	62.10%
2014	0.416792%	4,367,241	2,589,121	168.68%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.143161%	$ 4,503,876	$ 1,579,239	285.19%	48.91%
2019	0.168116%	1,970,441	1,718,826	114.64%	71.66%
2018	0.163234%	2,754,752	1,649,186	167.04%	62.80%
2017	0.157420%	2,530,256	1,609,674	157.19%	61.98%
2016	0.127124%	1,238,947	1,230,816	100.66%	70.46%
2015	0.122007%	816,428	1,038,016	78.65%	77.70%
2014	0.123225%	782,135	1,069,638	73.12%	72.12%

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

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

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.1368%	$ 115,081	$ 1,559,552	7.38%	63.38%
2019	0.1567%	125,870	1,718,826	7.20%	63.13%
2018	0.1533%	120,698	1,649,186	7.20%	61.89%
2017	0.1485%	117,500	1,607,015	7.31%	59.78%

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

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, budgeted expenditures exceeded actual expenditures by $468,248.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget before September tenth of each year. The budget is then filed with the county auditor by October tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

5. The Food Service Fund and Special Reserve Fund does not have a legally adopted budget.

NOTE 2 – CHANGES OF BENEFIT TERMS

NDPERS

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 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 3 – CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2021 reflect 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.

NDPERS

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

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

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

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.

BradyMartz

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

To the Board of Education
Dunseith Public School District No. 1
Dunseith, 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 and each major fund of the District as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise Dunseith Public School District No. 1's basic financial statements and have issued our report thereon dated December 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dunseith Public School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-002.

The District's Response to Findings

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

Purpose of This Report

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

Brady Martz

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

December 27, 2023

BradyMartz

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

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Dunseith 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 Dunseith Public School District No. 1’s major federal programs for the year ended June 30, 2021. The Dunseith Public School District's major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Dunseith 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the District's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in the accompanying schedule of findings and questioned costs, Dunseith Public School District No. 1 did not comply with requirements regarding CFDA 84.010 Title I as described in finding numbers 2021-004 for Allowable Costs/Cost Principles and 2021-005 for Reporting, CFDA 84.041 Impact Aid as described in finding number 2021-005 for Reporting, CFDA 10.555/10.559 Child Nutrition Cluster as described in finding numbers 2021-005 for Reporting and 2021-006 for Cash Management, and CFDA 84.425 ESSER as described in 2021-005 for Reporting and 2021-007 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Dunseith Public School District No. 1 to comply with the requirements applicable to these programs.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dunseith 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 major federal program for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control Over Compliance

Management of Dunseith 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-004, 2021-005, 2021-006, and 2021-007 that we consider to be material weaknesses.

Dunseith Public School District No. 1's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Dunseith Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Brady Martz

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

December 27, 2023

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

CFDA #	Description	Pass-Through Entity Identifying Number	Expenditures
Department of Education			
84.041	Impact Aid		$ 3,594,326
84.060	Indian Education Grants to Local Educational Agencies		91,995
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Grants to Local Educational Agencies	F84010	1,072,482
84.367	Title II Part A - Supporting Effective Instruction State Grants	F84367A	135,958
84.371	Comprehensive Literacy Development	F84371	99,491
84.424	Title IV - Student Support and Academic Enrichment	F84424	160,513
	Total Passed through ND DPI		1,468,444
Passed Through the North Dakota Department of Career and Technical Education			
84.048	Career and Technical Education - Basic Grants to States	F84048	19,080
	Total Passed Through ND CTE		19,080
Passed Through North Dakota State Department of Public Instruction			
84.287	21st Century Community Learning Centers	F84287	30,831
Passed Through North Central Education Cooperative			
84.287	21st Century	F84287	282,842
	Total 84.287 21st Century Community Learning Centers		313,673
Passed Through Turtle Mountain Band of Chippewa Indians			
84.358	Johnson O'Malley		33,985
Passed Through North Dakota State Department of Public Instruction			
84.358	Johnson O'Malley	F84358B	4,433
	Total 84.358 Johnson O'Malley		38,418
Passed Through North Dakota State Department of Public Instruction			
84.425D	COVID-19 - Education Stabilization Fund	F84425D	800,827
84.425U	COVID-19 - Education Stabilization Fund	F84425U	12,605
84.425C	COVID-19 - Education Stabilization Fund	F84425C	68,609
	Total 84.425 Education Stabilization Fund		882,041
	Total Department of Education		6,407,977
Department of Agriculture			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Food Distribution-Non Cash	F10555	14,320
10.559	COVID-19 Summer Food Service	F10559	781,923
	Total Cluster		796,243
10.560	SAE Food Nutrition	F10560	1,098
10.582	Fruit and Vegetable Grant	F10582	16,032
	Total Department of Agriculture		813,373
Department of the Treasury			
Passed Through the North Dakota State Department of Public Instruction			
21.019	COVID-19 - Coronavirus Relief Fund	F21019	299,071
	TOTAL		$ 7,520,421

See Notes to the Schedule of Expenditures of Federal Awards

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 - INDIRECT COST RATE

Dunseith Public School District No. 1 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Dunseith Public School District No. 1 under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Dunseith Public School District No. 1, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 4 - NONMONETARY TRANSACTIONS

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed.

NOTE 5 - PASS-THROUGH ENTITIES

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	x yes ___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes x none reported
Non-compliance material to financial statements noted?	x yes ___ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	x yes ___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes x none reported
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 2 CFR 200.516(a)?	x yes ___ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555/10.559	Child Nutrition Cluster
84.041	Impact Aid
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	___ yes x no

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 Finding

Criteria
An appropriate system of internal controls requires that the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's auditors prepared the financial statements as of June 30, 2021. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

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

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

Repeat Finding
This is a repeat finding of 2020-001.

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

Views of Responsible Officials
See corrective action plan.

2021-002 Finding

Criteria
The District should maintain all supporting documentation for transactions incurred.

Condition
During our testing, we have found the following items related to disbursements:
1. Multiple credit card transactions that were not supported with invoices.
2. One transaction that was not properly supported with a purchase order.

Cause
The District did not maintain supporting documentation or have appropriate approvals for all transactions.

Effect
The District is unable to support the expenditures incurred.

Repeat Finding
This is a repeat finding of 2020-002.

Recommendation
We recommend for the District to retain all supporting documentation in accordance with the District's record retention policy.

Views of Responsible Officials
See corrective action plan.

2021-003 Finding

Criteria
A procedure to reconcile account balances should be in place.

Condition
Account balances are not reconciled on a monthly basis.

Cause
The client experienced turnover of staff that resulted in various accounts not being reconciled timely.

Effect
Account balances are not accurate at month and year end.

Repeat Finding
This is a repeat finding of 2020-003.

Recommendation
We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to.

Views of Responsible Officials
See corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-004 Allowable Costs/Cost Principles

Federal Program Information

Funding Agency:	U.S. Department of Education
Title:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010

Criteria
The District must document employee time and effort spent in the Title I program, if under 100% time spent in the Title I program. A system of good internal controls would have an entity to file all approved wages in the employee personal file.

Condition
District was missing documentation to support time and effort of faculty member's wages being charged to the Title I program. We also noted that the supporting documentation for the hourly rate of 8 employees in our test of 19 employees was missing.

Questioned Costs
Undeterminable.

Context
All faculty members were tested. Out of the nineteen (19) faculty members tested, two (2) of the faculty members did not have the necessary documentation on file. Also, we noted 8 of these 19 employees did not have proper support for the wages they were paid.

Effect
Expenditures improperly or inaccurately being charged to the program and employees may not be compensated the correct amount.

Cause
The District could not provide support for the compliance requirement being tested for 2 employees who do not work in Title I 100% of the time. The District also could not provide wage support for 8 out of 19 employees.

Recommendation
We recommend the District require all faculty in the Title I program complete time and effort reports, annually. We also recommend that the District put a copy of the approved wages in each personal file so they have a record of what each employee will be paid.

Repeat Finding
This is a repeat finding of 2020-004.

Views of Responsible Officials
See corrective action plan.

2021-005 Reporting

Federal Program Information

Funding Agency:	U.S. Department of Education
Title:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Funding Agency:	U.S. Department of Education
Title:	Impact Aid
CFDA Number:	84.041
Funding Agency:	U.S. Department of Agriculture
Title:	Child Nutrition Cluster
CFDA Number:	10.555/10.559
Funding Agency:	U.S. Department of Education
Title:	ESSER
CFDA Number:	84.425

Criteria
To provide reasonable assurance that the reporting requirement to timely file the annual audited financial statements with the Federal Audit Clearinghouse within nine months of the District's year end is met.

Condition
The District's June 30, 2021 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Questioned Costs
Not Applicable

Context
The District's June 30, 2021 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Effect
Non-compliance with Uniform Guidance reporting requirements.

Cause
The District did not contract for audit until after the filing deadline.

Recommendation
Controls should be implemented to contract for audit prior to audit deadline to ensure the District's financial statements are audited and filed with the Federal Audit Clearinghouse within nine months of each year end.

Repeat Finding
This is a repeat finding of 2020-005.

Views of Responsible Officials
See corrective action plan.

2021-006 Cash Management

Federal Program Information

Funding Agency:	U.S. Department of Agriculture
Title:	Child Nutrition Cluster
CFDA Number:	10.555/10.559

Criteria
Entities are only allowed to be reimbursed for the first meal served to students. Furthermore, a system of strong internal controls requires entities to ensure reports being submitted for reimbursement agree with supporting documentation.

Condition
Noted the District could not provide the required supporting documentation used to complete the reimbursement report for October 2020. During testing of November 2020, we noted that the elementary food site overstated both lunches and breakfasts by 720 meals. Furthermore, we noted that the high school food site had overstated 12 meals in February 2021. Testing April 2021, we calculated 4 breakfasts and 12 lunches being under reported at the elementary food site and 12 lunches overstated at the high school food site. Finally, we noted that the district did not verify the number of students living in each household when they delivered home meals in November 2020.

Questioned Costs
Undeterminable.

Context
Our population was the monthly reports submitted for reimbursement of meals served. We haphazardly selected 3 months to test. Noted the District could not provide the required supporting documentation used to complete the reimbursement report for October 2020. During testing of November 2020, we noted that the elementary food site overstated both lunches and breakfasts by 720 meals. Furthermore, we noted that the high school food site had overstated 12 meals in February 2021. Testing April 2021, we calculated 4 breakfasts and 12 lunches being under reported at the elementary food site and 12 lunches overstated at the high school food site. Finally, we noted during inquiry that the District did not verify the number of students living in each household when they delivered home meals in November 2020.

Effect
The elementary food site was reimbursed for more than meals actually served in November 2020. February 2021 had the high school site being reimbursed for more meals than what was actually served. Finally, the elementary food site was not reimbursed for meals served and the high school food site was reimbursed for more meals than what was actually served.

Cause
Oversight by management.

Recommendation
We recommend the District put policies and procedures in place to ensure all reimbursement reports are reviewed and approved before being submitted.

Repeat Finding
This is not a repeat finding

Views of Responsible Officials
See corrective action plan.

2021-007 Allowable Costs/Cost Principles

Federal Program Information

Funding Agency:	U.S. Department of Education
Title:	Education Stabilization Fund
CFDA Number:	84.425

Criteria
A system of good internal controls would have an entity to file all approved wages in the employee personal file.

Condition
Supporting documentation for approved wages was missing for 13 employees out of the 40 transactions tested.

Questioned Costs
Undeterminable

Context
In a population of over 250, 40 transactions were selected for testing. Of the 40 transactions selected, the District was not able to provide support for wages paid for 13 employees.

Effect
Employees may not be compensated the correct amount.

Cause
The District could not provide wage support for 13 employees out of the 40 transactions tested.

Recommendation
We recommend that the District put a copy of the approved wages in each personal file so they have a record of what each employee will be paid.

Repeat Finding
This is not a repeat finding.

Views of Responsible Officials
See corrective action plan.

2020-001 Finding

Criteria
An appropriate system of internal controls requires the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's auditors prepared the financial statements as of June 30, 2020. In addition, adjusting journal entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

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

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

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

Corrective Action Taken
See current year finding 2021-001

2020-002 Finding

Criteria
The District should maintain all supporting documentation for transactions incurred.

Condition
During our testing, we have found multiple credit card transactions that were not supported with invoices.

Cause
The District did not maintain supporting documentation for all transactions.

Effect
The District is unable to support the expenditures incurred

Recommendation
We recommend for the District to retain all supporting documentation in accordance with the District's record retention policy.

Corrective Action Taken
See current year finding 2021-002

2020-003 Finding

Criteria
A procedure to reconcile account balances should be in place.

Condition
Account balances are not reconciled on a monthly basis.

Cause
Accounts were not reconciled on a monthly basis.

Effect
Account balances are not accurate at month and year end.

Recommendation
We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to.

Corrective Action Taken
See current year finding 2021-003

2020-004 Allowable Costs/Cost Principles

Federal Program Information

Funding Agency:	U.S. Department of Education
Title:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010

Criteria
The District must document employee time and effort spent in the Title I program.

Condition
District was missing documentation to support time and effort of faculty member's wages being charged to the Title I program.

Questioned Costs
Undeterminable.

Context
All faculty members were tested. Out of the ten faculty members tested, five of the faculty members did not have the necessary documentation on file. Total amount of salary expense tested was $286,260. Salary expense for faculty members without time and effort documentation was $39,370.

Effect
Expenditures improperly or inaccurately being charged to the program.

Cause
The District could not provide support for the compliance requirement being tested.

Recommendation
We recommend the District require all faculty in the Title I program complete time and effort reports, annually.

Corrective Action Taken
See current year finding 2021-004

2020-005 Reporting

Federal Program Information

Funding Agency:	U.S. Department of Education
Title:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Funding Agency:	U.S. Department of Education
Title:	Impact Aid
CFDA Number:	84.041

Criteria
To provide reasonable assurance that the reporting requirement to timely file the annual audited financial statements with the Federal Audit Clearinghouse within nine months of the District's year end is met.

Condition
The District's June 30, 2020 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Questioned Costs
Not Applicable

Context
The District's June 30, 2020 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Effect
Non-compliance with Uniform Guidance reporting requirements.

Cause
The District did not contract for audit until after the filing deadline.

Recommendation
Controls should be implemented to contract for audit prior to audit deadline to ensure the District's financial statements are audited and filed with the Federal Audit Clearinghouse within nine months of each year end.

Corrective Action Taken
See current year finding 2021-005

Dunseith Public Schools
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Dunseith, ND 58329

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Elementary School
(701) 244-5792

Elementary Fax
(701) 244-5183

High School
(701)244-5249
or (701)244-5240

High School Fax
(701)244-9708

CORRECTIVE ACTION PLAN
JUNE 30, 2021

2021-001

Contact Person
Evan Peltier

Planned Corrective Action
The District will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2021-002

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-24.

2021-003

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-24.

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CORRECTIVE ACTION PLAN (CONTINUED)
JUNE 30, 2021

2021-004

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-24.

2021-005

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-24.

2021-006

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-24.

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CORRECTIVE ACTION PLAN (CONTINUED)
JUNE 30, 2021

2021-007

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-24.