HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
HATTON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
ROSTER OF SCHOOL OFFICIALS (UNAUDITED)
JUNE 30, 2021

Toby Handly	President
Mindi Mehus	Vice President
Dennis Heskin	Board Member
Brad Enger	Board Member
John Jacobson	Board Member
Kevin Rogers	Superintendent
Roxanne Phipps	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hatton Eielson Public School District No. 7
Hatton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hatton Eielson Public School District No. 7 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Hatton Eielson Public School District No. 7'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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of Hatton Eielson Public School District No. 7 as of June 30, 2021, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The roster of school officials on page 1 is presented for additional analysis and is not a required part of the basic financial statements. The roster of school officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021, on our consideration of Hatton Eielson Public School District No. 7's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hatton Eielson Public School District No. 7’s internal control over financial reporting and compliance.

Brady Martz

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

September 10, 2021

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

Financial Highlights

- The ending fund balance for the District Funds were as follows:

	06/30/21	06/30/20
• General	$1,271,970	$776,382
• Special Reserve	98,843	70,987
• Capital Projects	(46,626)	86,469
• Debt Service	55,522	22,991
• Food Service	39,402	6,285

- The General Fund had $3,464,174 in revenue, which primarily consisted of the state and federal funding, property tax levies, state and federal grants, and student activities. There was $3,059,499 in expenditures, which primarily consisted of salaries, transportation, materials and supplies for instruction. A transfer of $1,294 to the Debt Service Fund was completed for correction of a prior year transfer.

- The Special Reserve Fund had $27,856 in revenue, consisting of property tax levies.

- The Capital Projects Fund had $103,885 in revenue, consisting mainly of property tax levies. There was $236,980 in expenditures, consisting of a final construction payment related to the school construction project and HVAC and lighting improvements.

- The Debt Service Fund had $408,961 in revenue, consisting of property tax levies. There was $377,724 in expenditures, consisting of principal and interest payments on outstanding bonds payable. A transfer of $1,294 from the General Fund was completed for correction of a prior year transfer.

- The Food Service Fund had $152,979 in revenue, which consisted of sales of meals and federal reimbursements. There was $119,862 in expenditures, which consisted of salaries, food, and supplies.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred inflows/outflows and liabilities, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed asset purchases and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all North Dakota public school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. There are currently no activities classified as proprietary funds in the District. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred inflows exceeded liabilities and deferred outflows by $1,443,386 as of June 30, 2021.

A large portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position

The following is a comparison of assets, deferred outflows, liabilities, deferred inflows, and net position as presented in the current year to those presented in the prior year.

	2021	2020
Assets		
Current Assets	$ 1,502,825	$ 1,071,262
Noncurrent Assets	7,681,455	7,667,921
Total Assets	9,184,280	8,739,183
Deferred Outflows of Resources	503,159	347,601
Liabilities		
Current Liabilities	317,385	314,535
Noncurrent Liabilities	7,714,670	7,764,426
Total Liabilities	8,032,055	8,078,961
Deferred Inflows of Resources	211,998	194,764
Net Position		
Net Investment in Capital Assets	2,282,449	2,005,077
Restricted	304,102	195,127
Unrestricted (Deficit)	(1,143,165)	(1,387,145)
Total Net Position	$ 1,443,386	$ 813,059

The following presents comparative changes in net position for the years ended June 30, 2021 and 2020:

	2021	2020
Revenues		
Program Revenues		
Charges for Services	$ 166,111	$ 143,372
Operating Grants and Contributions	498,599	313,629
General Revenues		
Taxes	1,202,583	1,213,734
Federal and State Aid not Restricted to a Specific Function	1,874,450	1,727,160
Other Revenues	386,001	92,936
Interest Income	7,266	15,381
Total Revenues	4,135,010	3,506,212
Expenses		
Instructional Support Services	68,903	94,534
Operations and Maintenance	769,404	749,241
School Food Services	119,862	125,904
Transportation	76,381	86,982
Regular Instruction	1,833,615	1,644,693
Special Education	199,572	187,563
Vocational Education	128,045	128,765
Extra-Curricular Activities	288,109	194,529
Interest on Long-Term Debt	112,999	108,575
Total Expenses	3,596,890	3,320,786
Change in Net Position	538,120	185,426
Net Position - Beginning	813,059	627,633
GASB 84 Adjustment - See Note 12	92,207	-
Net Position - Beginning as Restated	905,266	627,633
Net Position - Ending	$ 1,443,386	$ 813,059

Capital Assets

As of June 30, 2021, the District had $7,681,455 invested in capital assets. Following are the balances as of June 30, 2021:

	Balance 06/30/20	Additions	Disposals	Transfer	Balance 06/30/21
Governmental Activities					
Land	$ 3,185	$ 2,508	$ -	$ -	$ 5,693
Buildings	8,450,653	234,472	-	-	8,685,125
Equipment	664,527	5,300	-	-	669,827
Total	9,118,365	242,280	-	-	9,360,645
Less Accumulated Depreciation					
Buildings	1,013,689	170,117	-	-	1,183,806
Equipment	436,755	58,629	-	-	495,384
Total	1,450,444	228,746	-	-	1,679,190
Net Capital Assets for Governmental Activities	$ 7,667,921	$ 13,534	$ -	$ -	$ 7,681,455

Debt Administration

As of June 30, 2021, the District had $7,984,031 in outstanding debt. The net decrease in the District's debt was $44,430 from June 30, 2020. See below for a description of the District's debt:

Title	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Due within One Year
General Obligation State School Construction Bonds of 2018	$ 5,662,844	$ -	$ 263,838	$ 5,399,006	$ 269,361
Compensated Absences	2,488	1,844	-	4,332	-
Net Pension Liability	2,363,129	744,092	526,528	2,580,693	-
	$ 8,028,461	$ 745,936	$ 790,366	$ 7,984,031	$ 269,361

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2021, were $3,464,174.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being $429,676 more than budget or approximately 14.16%.
- The District's total General Fund expenditures for the fiscal year ended June 30, 2021, were $3,059,499.
- General fund budget expenditures to actual expenditures varied slightly from line item to line item with the ending actual balance being $76,023 more than budget or approximately 2.55%.

BUDGETARY IMPLICATIONS

In North Dakota, the fiscal year of public schools is July 1 to June 30, other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget.

The District reopened during the COVID-19 pandemic after many public committee meetings to determine the safest way to return to learning during this unprecedented time. Students were able to choose to return to the classroom or utilize distance learning. Administration, teachers and staff worked hard to make the school year go as smoothly as possible. Custodial staff implemented different cleaning protocols. Students, teachers, extra-curricular teams were quarantined throughout the year. Added expenses to the District saw some relief through the Coronavirus Aid, Relief and Economic Security Act or the CARES Act. Grants utilized were: Broadband Assistance Grant, Education Corps Funding, and COVID Resiliency Grant. The District had from July 1, 2020 to December 30, 2020 to spend $447 for Broadband; $71,053 for Education Corps and $77,428 for Resiliency. Upon board approval this funding paid for: five hot spots to allow for distance learning for students/staff in need; wages for hiring additional staff, overtime incurred by staff, time and effort pay for teachers and administration; online curriculum, online accounting software, contracting with an Employee Assistance Program provider, laptops, desktops, Chromebooks, document cameras, and think pad docks. The first Elementary and Secondary School Emergency Relief Fund (ESSER) funds became available through the CARES Act. The District was awarded $50,091 from March 1, 2020 to September 30, 2022. Due to the Title I Co-Op with Finley-Sharon School District from last year, we shared the ESSER I funds. Finley-Sharon was awarded $17,075 and the District received $33,016. Upon board approval the following items were purchased: hand held room sanitizers and cleaning supplies, technology curriculum, additional Chromebooks and licenses, Finley-Sharon purchased iPads, Chromebooks and licenses. Each of these grants are tracked separately to report use of funds and expenses in the future.

Title I funds ($39,898) covered partial salaries for the District's Title I teacher. Title IIA and Title IV funds were combined to Title Transfer ($29,005) which covered a majority of the District's Title I teacher's salary and benefits. Other significant board action included: contract approval of all employees; accepting the retirement resignation of long-time superintendent Kevin Rogers; approved an AHU Replacement project for $89,500 for the ITV Room, Library and Special Education rooms; hired Kevin Beaudoin as superintendent beginning July 1, 2021; and joined North Dakota Public Health Insurance Trust (NDPHIT).

The Conrad Heskin Trust fund reached maturity January 2021 and a check was issued to the District for $375,275. The interest from the trust has been used to provide student scholarships for the valedictorian and salutatorian for the past 20 years. Acceptance of these funds will impact the District's finances for years to come as use of the funds have not been finalized.

Contacting the District's Financial Management

Questions regarding this report should be directed to Kevin Beaudoin, Superintendent (701) 543-3456 or to Roxanne Phipps, Business Manager (701) 543-3456 or by mail at PO Box 200, Hatton, ND 58240.

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
STATEMENT OF NET POSITION
JUNE 30, 2021

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	1,377,698
Accounts Receivable		65,805
Property Taxes Receivable		59,322
Total Current Assets		1,502,825
Capital Assets		
Land-Not Being Depreciated		5,693
Buildings		8,685,125
Equipment		669,827
Less Accumulated Depreciation		(1,679,190)
Total Capital Assets, Net of Depreciation		7,681,455
TOTAL ASSETS		9,184,280
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan -TFFR		503,159
TOTAL DEFERRED OUTFLOWS OF RESOURCES		503,159
LIABILITIES		
Payroll Deductions		29,861
Interest Payable		18,163
Bonds Payable Due Within One Year		269,361
Total Current Liabilities		317,385
Long-Term Liabilities		
Bonds Payable (Net of Current Maturities)		5,129,645
Compensated Absences		4,332
Net Pension Liability		2,580,693
Total Non-Current Liabilities		7,714,670
TOTAL LIABILITIES		8,032,055
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan-TFFR		211,998
TOTAL DEFERRED INFLOWS OF RESOURCES		211,998
NET POSITION		
Net Investment in Capital Assets		2,282,449
Restricted Student Activities		84,295
Restricted for Miscellaneous Levy		59,977
Restricted for Building Projects		4,174
Restricted for Special Reserve		100,095
Restricted for Debt Service		55,561
Unrestricted (Deficit)		(1,143,165)
TOTAL NET POSITION	$	1,443,386

See Notes to the Financial Statements

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Instructional Support Services	$ 68,903	$ -	$ -	$ (68,903)
Operations and Maintenance	769,404	1,665	11,207	(756,532)
School Food Services	119,862	15,952	137,027	33,117
Transportation	76,381	-	34,735	(41,646)
Regular Instruction	1,833,615	82,117	254,066	(1,497,432)
Special Education	199,572	-	38,560	(161,012)
Vocational Education	128,045	-	23,004	(105,041)
Extra-Curricular Activities	288,109	66,377	-	(221,732)
Interest on Long-Term Debt	112,999	-	-	(112,999)
TOTAL GOVERNMENTAL ACTIVITIES	$ 3,596,890	$ 166,111	$ 498,599	(2,932,180)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				673,214
Property Taxes, Levied for Special Reserve				27,794
Property Taxes, Levied for Capital Projects				92,678
Property Taxes, Levied for Debt Service				408,897
Federal and State Aid not Restricted to a Specific Function				1,874,450
Interest Income				7,266
Other Revenues				386,001
TOTAL GENERAL REVENUES				3,470,300
Change in Net Position				538,120
Net Position-Beginning				813,059
GASB 84 Adjustment - See Note 12				92,207
Net Position - Beginning as Restated				905,266
Net Position-Ending				$ 1,443,386

See Notes to the Financial Statements

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Special Reserve Fund	Capital Projects Fund	Debt Service Fund	Food Service Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	$ 1,185,864	$ 98,721	$ -	$ 53,711	$ 39,402	$ 1,377,698
Due From Other Funds	47,032	-	-	-	-	47,032
Accounts Receivable	65,805	-	-	-	-	65,805
Property Taxes Receivable	33,355	1,374	4,580	20,013	-	59,322
TOTAL ASSETS	$ 1,332,056	$ 100,095	$ 4,580	$ 73,724	$ 39,402	$ 1,549,857
LIABILITIES						
Due To Other Funds	$ -	$ -	$ 47,032	$ -	$ -	$ 47,032
Payroll Deductions	29,861	-	-	-	-	29,861
TOTAL LIABILITIES	29,861	-	47,032	-	-	76,893
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Delinquent Taxes	30,225	1,252	4,174	18,202	-	53,853
TOTAL DEFERRED INFLOWS OF RESOURCES	30,225	1,252	4,174	18,202	-	53,853
FUND BALANCES						
Restricted for Student Activities	84,295	-	-	-	-	84,295
Restricted for Miscellaneous Levy	59,977	-	-	-	-	59,977
Restricted for Special Reserve	-	98,843	-	-	-	98,843
Restricted for Debt Service	-	-	-	55,522	-	55,522
Assigned for School Lunch	-	-	-	-	39,402	39,402
Unassigned	1,127,698	-	(46,626)	-	-	1,081,072
TOTAL FUND BALANCES	1,271,970	98,843	(46,626)	55,522	39,402	1,419,111
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,332,056	$ 100,095	$ 4,580	$ 73,724	$ 39,402	$ 1,549,857

See Notes to the Financial Statements

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

Total fund balances - governmental funds		$ 1,419,111
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 assets in governmental funds.		
Land	$ 5,693	
Buildings	8,685,125	
Equipment	669,827	
Less: accumulated depreciation	(1,679,190)	
		7,681,455
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		291,161
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.		53,853
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Bonds Payable		(5,399,006)
Net Pension Liability		(2,580,693)
Compensated Absences		(4,332)
Interest payable is not due and payable in the current period and, therefore is not reported as a liability in the governmental fund.		(18,163)
Total net position - governmental activities		$ 1,443,386

See Notes to the Financial Statements

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Fund Types					
	General Fund	Special Reserve Fund	Capital Projects Fund	Debt Service Fund	Food Service Fund	Total
REVENUES						
Local Property Tax Levies	$ 696,059	$ 27,794	$ 92,678	$ 408,897	$ -	$ 1,225,428
Other Local and County Revenues	543,300	62	-	64	15,952	559,378
Revenue from State Sources	1,970,749	-	11,207	-	504	1,982,460
Revenue from Federal Sources	254,066	-	-	-	136,523	390,589
TOTAL REVENUES	3,464,174	27,856	103,885	408,961	152,979	4,157,855
EXPENDITURES						
Current:						
Regular Instruction	1,459,231	-	-	-	-	1,459,231
Special Education	199,572	-	-	-	-	199,572
Vocational Education	128,045	-	-	-	-	128,045
Transportation	48,238	-	-	-	-	48,238
Extra-Curricular Activities	288,109	-	-	-	-	288,109
Instructional Support Services	68,903	-	-	-	-	68,903
Operations and Maintenance	769,404	-	-	-	-	769,404
Miscellaneous	92,697	-	-	-	-	92,697
School Food Services	-	-	-	-	119,862	119,862
Debt Service:						
Principal Retirement	-	-	-	263,838	-	263,838
Interest and Fees on Long-Term Debt	-	-	-	113,886	-	113,886
Capital Outlay	5,300	-	236,980		-	242,280
TOTAL EXPENDITURES	3,059,499	-	236,980	377,724	119,862	3,794,065
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	404,675	27,856	(133,095)	31,237	33,117	363,790
Other Financing Sources (Uses)						
Transfer to Other Funds	(1,294)	-	-	-	-	(1,294)
Transfer from Other Funds	-	-	-	1,294	-	1,294
Total Other Financing Sources (Uses)	(1,294)	-	-	1,294	-	-
Net Change in Fund Balances	403,381	27,856	(133,095)	32,531	33,117	363,790
FUND BALANCE, BEGINNING OF YEAR	776,382	70,987	86,469	22,991	6,285	963,114
GASB 84 Adjustment - See Note 12	92,207	-	-	-	-	92,207
FUND BALANCE, BEGINNING AS RESTATED	868,589	70,987	86,469	22,991	6,285	1,055,321
FUND BALANCE, END OF YEAR	$ 1,271,970	$ 98,843	$ (46,626)	$ 55,522	$ 39,402	$ 1,419,111

See Notes to the Financial Statements

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
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		$ 363,790
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 estimated useful lives as depreciation expense.		
Capital Outlay	$ 242,280	
Depreciation Expense	(228,746)	
		13,534
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		263,838
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		(1,844)
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.		887
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
Net change in unavailable property tax revenue		(22,845)
Changes in deferred outflows and inflows of resources related to net pension liability		138,324
Changes in net pension liability		(217,564)
Change in net position - governmental activities		$ 538,120

See Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Hatton Eielson Public School District No. 7 (The District), in accordance with generally accepted government accounting standards, has developed criteria to determine whether outside agencies with activities which benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

Government-wide Financial Statements

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

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 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. These statements include all the financial activities of the District.

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

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function.

Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

Fund Financial Statements

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

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.

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

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

Separate fund financial statements are provided for governmental and fiduciary funds, when present. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements; currently, however, all funds of the District are considered major in the fund financial statements.

When fund balance resources are available for use, it is the government's policy to use restricted, committed, assigned, and unassigned resources as they are needed in that order.

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 consist of the following:

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.

Special Reserve Fund
This fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund
This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund
This fund is used to account for the accumulation of resources for and the payments of bonds.

Food Service
This fund is used to account for the financial resources associated with the District's food service program.

Non-major Governmental Funds

Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements; currently, however, all funds of the District are considered major in the fund financial statements so there are no non-major funds in the District's financial statements.

Revenues-Exchange and Non-Exchange Transactions

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

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

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

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

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan as well as amounts paid to the plans after the measurement date. See Note 4 for more details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position *as cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan. See Note 4 for more details.

Budgets and Budgetary Accounting

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund, Special Reserve Fund, Capital Projects Fund, and Food Service Fund.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. The superintendent prepares the School District budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on a modified accrual basis.
2. The School Board reviews the budget, makes any necessary revisions, and approves the final budget on or before August 10. The final budget must be filed with the county auditor by August 10 of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the schedule are the final authorized amounts as revised.
4. The balance of each appropriation becomes a part of the unappropriated balance at year end.

Cash and Cash Equivalents

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

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual acquisition value is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District has established a capitalization threshold of $5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are typically sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 35 to 50 years for buildings and 10 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Property taxes

Property tax levies are set by the School Board each year and are certified to Grand Forks, Traill and Steele counties for collection in the following year. In North Dakota, counties act as collection agents for all property taxes.

The counties spread all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due January 1 of the year following the assessment date. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes have been paid. Additional penalties are added October 15th if not paid.

In the governmental funds, property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. All other taxes are fully offset by unearned revenue because they are not known to be available to finance current expenditures.

Compensated Absences

Each teacher shall have ten (10) school days of sick leave annually, accumulative to eighty (80) school days. Non-certified employees can accumulate up to 30 days. Upon termination, a teacher or non-certified employee who has been in the school system fifteen years or more will be compensated at a rate of $20 per day for unused sick leave.

Pensions

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

Fund Balance Classifications

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

> *Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items.
>
> *Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.
>
> *Committed* – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.
>
> *Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.
>
> *Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

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

Net Position

In the government-wide financial statements, equity is classified as "net position" and displayed in three components:

1. <u>Net Investment in Capital Assets</u> – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.

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

3. Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

Minimum Fund Balance Policy

The Board of Education has formally adopted a fund balance policy for the District.

Inter-fund Activity

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

Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

The District's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond, or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds. The entire bank balance was covered by Federal Depository Insurance or collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

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

Credit Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principal on investments. North Dakota law authorizes political subdivisions including school districts to invest 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, instrumentalities or organizations created by an act of Congress.

b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

c) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.

d) Obligations of the state.

NOTE 3 - CAPITAL ASSETS

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

	Balance 06/30/20	Additions	Disposals	Transfer	Balance 06/30/21
Governmental Activities					
Land	$ 3,185	$ 2,508	$ -	$ -	$ 5,693
Buildings	8,450,653	234,472	-	-	8,685,125
Equipment	664,527	5,300	-	-	669,827
Total	9,118,365	242,280	-	-	9,360,645
Less Accumulated Depreciation					
Buildings	1,013,689	170,117	-	-	1,183,806
Equipment	436,755	58,629	-	-	495,384
Total	1,450,444	228,746	-	-	1,679,190
Net Capital Assets for Governmental Activities	$ 7,667,921	$ 13,534	$ -	$ -	$ 7,681,455

Depreciation expense for the year ended June 30, 2021 was charged to the following governmental functions:

	Depreciation
Transportation	$ 28,143
Regular Instruction	200,603
Total Depreciation	$ 228,746

NOTE 4 - PENSION PLAN

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 $2,580,693 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 0.168617 percent which was a decrease of 0.002966 from its proportion measured July 1, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of $247,984. 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	$ 532	$ 96,848
Net Investment Income	116,154	-
Difference between projected and actual investment earnings	159,310	-
Changes in proportion	58,422	115,150
Contributions paid to TFFR subsequent to the measurement date	168,741	-
Total	$ 503,159	$ 211,998

$168,741 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	$	23,132
2023		19,881
2024		41,184
2025		28,720
2026		7,767
Thereafter		1,736

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the TFFR net pension liability:	$ 3,437,345	$ 2,580,693	$ 1,868,772

Pension Plan Fiduciary Net Position

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

NOTE 5 - LONG-TERM DEBT

The District issued bonds during the year ended June 30, 2019 to provide for the construction of additions and improvements to existing facilities. A summary of long-term debt is as follows:

Title	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Due within One Year
General Obligation State School Construction Bonds of 2018	$ 5,662,844	$ -	$ 263,838	$ 5,399,006	$ 269,361
Compensated Absences	2,488	1,844	-	4,332	-
Net Pension Liability	2,363,129	744,092	526,528	2,580,693	-
	$ 8,028,461	$ 745,936	$ 790,366	$ 7,984,031	$ 269,361

The General Obligation State School Construction Bonds of 2018 has a total approved principal amount of $6,300,000, carries an interest rate of 2%, matures in 2038 and is secured by property taxes.

Compensated absences and net pension liability are generally liquidated by the general fund.

Interest expense was $113,886 for the year ended June 30, 2021.

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ending June 30	2018 General Obligation State School Construction Bonds Principal	Interest	Total
2022	$ 269,361	$ 108,975	$ 378,336
2023	274,798	103,539	378,337
2024	280,344	97,992	378,336
2025	286,003	92,333	378,336
2026	291,775	86,561	378,336
2027-2031	1,549,631	342,050	1,891,681
2032-2036	1,712,464	179,217	1,891,681
2037-2038	734,630	22,318	756,948
Total	$ 5,399,006	$ 1,032,985	$ 6,431,991

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Grant Programs

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 7 - 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. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workforce Safety & Insurance. Other risks are covered by private insurance.

NOTE 8 - CONTRIBUTIONS FROM CHARITABLE TRUST

The District has been named as a beneficiary of the Conrad Heskin Charitable Trust. Each year, Alerus Financial, the Trustee, will forward the earnings of the trust to the District. The amounts received by the student activity fund are restricted to providing scholarships to graduating seniors from the District. The amounts received by the general fund are unrestricted. The total amount received by the District from the Trustee during the year ended June 30, 2021 was $390,275 with $15,000 received by the student activity fund and $375,275 received by the general fund.

NOTE 9 - SCHEDULE OF TRANSFERS

Transfers as of June 30, 2021 consist of the following:

Transfers to Debt Service Fund	
General Fund	$ 1,294

The transfer from the general fund to the debt service fund was properly approved by the Board to correct for a prior year transfer from the debt service fund.

NOTE 10 - NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was $7,540.

NOTE 11 - 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 12 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

The District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position has been restated to reflect the related fund balance of resources as of July 1, 2020 and general fund balance have been restated as follows:

Net Position July 1, 2020 as previously reported	$ 813,059
Restatement for fiduciary accounting:	
Student Activity fund balance reclasified to the General Fund	92,207
Net Position July 1, 2020 as restated	$ 905,266
Fund Balances General Fund July 1, 2020 as previously reported	$ 776,382
Restatement for fiduciary accounting:	
Student Activity fund balance reclasified to the General Fund	92,207
Fund Balances General Fund July 1, 2020 as restated	$ 868,589

NOTE 13 - EXPENDITURES IN EXCESS OF BUDGET

	Budget	Actual	Excess
General Fund	$ 2,983,476	$ 3,059,499	$ 76,023
Food Service Fund	116,892	119,862	2,970

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the District.

NOTE 14 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 10, 2021, which is the date these financial statements were available to be issued.

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Property Tax Levies	$ 645,000	$ 645,000	$ 696,059	$ 51,059
Other Local and County Revenues	133,300	133,300	543,300	410,000
Revenue from State Sources	1,950,455	1,978,622	1,970,749	(7,873)
Revenue from Federal Sources	71,534	277,576	254,066	(23,510)
TOTAL REVENUES	2,800,289	3,034,498	3,464,174	429,676
EXPENDITURES				
Regular Instruction	1,316,278	1,452,081	1,459,231	(7,150)
Special Education	188,794	223,586	199,572	24,014
Vocational Education	114,029	114,029	128,045	(14,016)
Transportation	60,477	62,170	48,238	13,932
Extra-Curricular Activities	209,576	209,576	288,109	(78,533)
Instructional Support Services	71,814	68,903	68,903	-
Operations and Maintenance	841,625	853,131	769,404	83,727
Miscellaneous	-	-	92,697	(92,697)
Capital Outlay	-	-	5,300	(5,300)
TOTAL EXPENDITURES	2,802,593	2,983,476	3,059,499	(76,023)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,304)	51,022	404,675	353,653
Net Change in Fund Balances	(2,304)	51,022	404,675	353,653
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	(35,000)	(1,294)	33,706
Transfer from other Funds	35,000	35,000	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	35,000	-	(1,294)	(1,294)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	32,696	51,022	403,381	352,359
Fund Balances - Beginning	776,382	776,382	776,382	-
GASB 84 Adjustment - See Note 12	92,207	92,207	92,207	-
Fund Balances - Beginning as Restated	868,589	868,589	868,589	-
Fund Balances - Ending	$ 901,285	$ 919,611	$ 1,271,970	$ 352,359

See Note to the Budgetary Comparison Schedules

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Property Tax Levies	$ 26,200	$ 26,200	$ 27,794	$ 1,594
Other Local and County Revenues	40	40	62	22
TOTAL REVENUES	26,240	26,240	27,856	1,616
TOTAL EXPENDITURES	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,240	26,240	27,856	1,616
Net Change in Fund Balances	26,240	26,240	27,856	1,616
OTHER FINANCING SOURCES (USES)				
Transfer to other Funds	(35,000)	(35,000)	-	35,000
TOTAL OTHER FINANCING SOURCES (USES)	(35,000)	(35,000)	-	35,000
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	(8,760)	(8,760)	27,856	36,616
Fund Balances - Beginning	70,987	70,987	70,987	-
Fund Balances - Ending	$ 62,227	$ 62,227	$ 98,843	$ 36,616

See Note to the Budgetary Comparison Schedules

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Other Local and County Revenues	$ 62,000	$ 62,000	$ 15,952	$ (46,048)
Revenue from State Sources	1,000	1,000	504	(496)
Revenue from Federal Sources	37,600	37,600	136,523	98,923
TOTAL REVENUES	100,600	100,600	152,979	52,379
EXPENDITURES				
School Food Services	116,892	116,892	119,862	(2,970)
TOTAL EXPENDITURES	116,892	116,892	119,862	(2,970)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,292)	(16,292)	33,117	49,409
Net Change in Fund Balances	(16,292)	(16,292)	33,117	49,409
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,292)	(16,292)	33,117	49,409
Fund Balances - Beginning	6,285	6,285	6,285	-
Fund Balances - Ending	$ (10,007)	$ (10,007)	$ 39,402	$ 49,409

See Note to the Budgetary Comparison Schedules

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING:

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

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 10th of each year. The budget is then filed with the county auditor by August 10th of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLAN
LAST TEN YEARS

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	$ 168,741	$ (168,741)	$ -	$ 1,323,462	12.75%
2020	156,867	(156,867)	-	1,230,334	12.75%
2019	153,472	(153,472)	-	1,203,702	12.75%
2018	143,253	(143,253)	-	1,123,556	12.75%
2017	147,438	(147,438)	-	1,156,381	12.75%
2016	144,251	(144,251)	-	1,131,379	12.75%
2015	140,902	(140,902)	-	1,105,167	12.75%

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

See Note to the Required Supplementary Information

HATTON EIELSON PUBLIC SCHOOL DISTRICT NO. 7
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.168617%	$ 2,580,693	$ 1,230,334	209.76%	63.40%
2020	0.171583%	2,363,129	1,203,702	196.32%	65.50%
2019	0.165275%	2,202,883	1,123,556	196.06%	65.50%
2018	0.171323%	2,353,163	1,156,380	203.49%	63.20%
2017	0.174132%	2,551,139	1,131,379	225.49%	59.20%
2016	0.179671%	2,349,836	1,105,167	212.62%	62.10%
2015	0.181927%	1,906,272	1,055,272	180.64%	66.60%

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

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

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

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

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

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

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

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
Hatton Eielson Public School District No. 7
Hatton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund of Hatton Eielson Public School District No. 7 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Hatton Eielson Public School District No. 7's basic financial statements and have issued our report thereon dated September 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hatton Eielson Public School District No. 7's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hatton Eielson Public School District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of Hatton Eielson Public School District No. 7's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hatton Eielson Public School District No. 7's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hatton Eielson Public School District No. 7's Response to Findings

Hatton Eielson Public School District No. 7's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Hatton Eielson Public School District No. 7'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

September 10, 2021

2021-001 Finding – Material Weakness

Criteria
To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition
The District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

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

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

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

Management's Response
We concur with the auditor's recommendation; however considering the size of the entity it is not feasible to obtain proper separation of duties.

2021-002 Finding – Significant Deficiency

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

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

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

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

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

Management's Response:
We concur with the auditor's recommendation and will consider the risks and costs associated with the financial statement preparation.