

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
JUNE 30, 2021**

**WITH INDEPENDENT AUDITOR'S REPORT**

# HOPE-PAGE PUBLIC SCHOOL DISTRICT

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# **HOPE-PAGE PUBLIC SCHOOL DISTRICT**

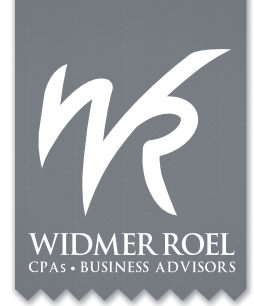
## **SCHOOL OFFICIALS FOR THE YEAR ENDED JUNE 30, 2021**

### **Current**

Jeri Anne Larck	Board President
Nick Brendemuhl	Board Vice President
Tony Richards	Board Member
Shawn Erickson	Board Member
Cindy Hiam	Board Member
Jason Mewes	Board Member
Lucas Juliuson	Board Member
Andrew Currie	Superintendent
Alli Roller	Business Manager

### **June 30, 2021**

Jason Mewes	Board President
Tony Richards	Board Vice President
Jeri Anne Larck	Board Member
Chad Elbert	Board Member
Cindy Hiam	Board Member
Lindsey Satrom	Board Member
Heidi Kingston	Interim Superintendent
Alli Roller	Business Manager



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## INDEPENDENT AUDITOR'S REPORT

School Board and Administration  
**Hope-Page Public School District**  
Hope, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Hope-Page Public School District** (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### ***Summary of Opinions***

<b><i>Opinion Unit</i></b>	<b><i>Type of Opinion</i></b>
Governmental Activities	Qualified
General Fund	Unmodified
Building Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### ***Basis for Qualified Opinion***

Management does not currently have sufficient capital asset records to enable presentation of capital assets and related depreciation in the Hope-Page Public School District's financial statements. Accounting principles generally accepted in the United States of America require that property and equipment be presented on the government-wide financial statements. The amount by which this departure would affect the assets and fund balances of the governmental activities has not been determined.

### ***Qualified Opinion on Governmental Activities***

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the **Hope-Page Public School District**, as of June 30, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinion on Major Fund(s) and the Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, the building fund, and the aggregate remaining fund information for **Hope-Page Public School District**, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 of the financial statements, the School District adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

The School District officials listing has not been subjected to 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 January 27, 2022, on our consideration of the **Hope-Page Public School District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Hope-Page Public School District's** internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "William R. Rose". The signature is fluid and cursive, with a large, stylized "R" at the end.

Fargo, North Dakota  
January 27, 2022

**HOPE-PAGE PUBLIC SCHOOL DISTRICT****STATEMENT OF NET POSITION****JUNE 30, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,416,593
Investments	<u>417,488</u>
Total assets	<u>3,834,081</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	<u>903,167</u>
Total assets and deferred outflows of resources	<u>\$ 4,737,248</u>
<b>LIABILITIES</b>	
Salaries and benefits payable	\$ 43,036
Lease payable - current	39,617
Lease payable	75,823
Compensated absences	61,509
Net pension liability	<u>3,331,916</u>
Total liabilities	<u>3,551,901</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows of resources	<u>328,484</u>
<b>NET POSITION</b>	
Restricted for	
Building	2,022,530
Special reserve	250,441
Food service	16,220
Committed for	
Student activities	77,321
Unrestricted	<u>(1,509,649)</u>
Total net position	<u>856,863</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,737,248</u>

# HOPE-PAGE PUBLIC SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

		<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Regular instruction	\$ 2,275,087	\$ 39,301	\$ 2,623,491	\$ 387,705
Federal programs	226,161	-	-	(226,161)
Instructional staff services	222,470	-	-	(222,470)
Services provided	362	-	-	(362)
Administration services	612,680	-	-	(612,680)
Operations and maintenance	866,630	-	-	(866,630)
Student activities	464,727	238,169	-	(226,558)
Student transportation	216,536	-	-	(216,536)
Food service	272,290	135,362	-	(136,928)
Capital outlay	115,440	-	-	(115,440)
Total governmental activities	\$ <u>5,272,383</u>	\$ <u>412,832</u>	\$ <u>2,623,491</u>	\$ <u>(2,236,060)</u>
<b>GENERAL REVENUES</b>				
Property taxes				\$ 1,579,118
Interest income				31,703
Miscellaneous revenues				38,252
Unrealized gain				<u>73,535</u>
Total general revenues				<u>1,722,608</u>
Change in net position				<u>(513,452)</u>
Net position July 1, as previously reported				1,308,772
Change in accounting principle				<u>61,543</u>
Net position July 1, as adjusted				<u>1,370,315</u>
Net position, June 30				\$ <u>856,863</u>



**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,467,569	\$ 1,605,042	\$ 343,982	\$ 3,416,593
Investments	<u>417,488</u>	<u>-</u>	<u>-</u>	<u>417,488</u>
Total assets	\$ <u><u>1,885,057</u></u>	\$ <u><u>1,605,042</u></u>	\$ <u><u>343,982</u></u>	\$ <u><u>3,834,081</u></u>
<b>LIABILITIES</b>				
Salaries and benefits payable	\$ <u>43,036</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>43,036</u>
Total liabilities	<u>43,036</u>	<u>-</u>	<u>-</u>	<u>43,036</u>
<b>FUND BALANCES</b>				
Restricted for				
Building	417,488	1,605,042	-	2,022,530
Special reserve	-	-	250,441	250,441
Food service	-	-	16,220	16,220
Committed				
Scholarships	146,090	-	-	146,090
Student activities	-	-	77,321	77,321
Unrestricted	<u>1,278,443</u>	<u>-</u>	<u>-</u>	<u>1,278,443</u>
Total fund balances	<u>1,842,021</u>	<u>1,605,042</u>	<u>343,982</u>	<u>3,791,045</u>
Total liabilities and fund balances	\$ <u><u>1,885,057</u></u>	\$ <u><u>1,605,042</u></u>	\$ <u><u>343,982</u></u>	\$ <u><u>3,834,081</u></u>

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

<b>Total fund balances for governmental funds</b>	\$ 3,791,045
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Amounts reported for governmental activities in the statement of net position are different because:

Certain liabilities, such as leases payable and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.

Leases payable	(115,440)
Compensated absences	(61,509)

Net pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds	(3,331,916)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the funds

Total deferred outflows of resources	903,167	
Total deferred inflows of resources	<u>(328,484)</u>	
		<u>574,683</u>

<b>Total net position of governmental activities</b>	\$ <u><u>856,863</u></u>
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**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
<b>REVENUES</b>				
Local sources	\$ 1,362,457	\$ 152,549	\$ 86,981	\$ 1,601,987
State sources	2,404,793	-	(9,588)	2,395,205
Federal sources	202,739	-	122,079	324,818
Other sources	<u>193,527</u>	<u>2,775</u>	<u>240,619</u>	<u>436,921</u>
Total revenues	<u>4,163,516</u>	<u>155,324</u>	<u>440,091</u>	<u>4,758,931</u>
<b>EXPENDITURES</b>				
Current				
Regular instruction	2,102,653	-	76	2,102,729
Federal programs	226,161	-	-	226,161
Instructional staff services	258,589	-	-	258,589
Services provided	362	-	-	362
Administration services	605,914	-	-	605,914
Operations and maintenance	862,939	-	-	862,939
Student activities	236,504	-	223,302	459,806
Student transportation	213,461	-	-	213,461
Food service	181,511	-	88,319	269,830
Capital outlay	<u>115,440</u>	<u>-</u>	<u>-</u>	<u>115,440</u>
Total expenditures	<u>4,803,534</u>	<u>-</u>	<u>311,697</u>	<u>5,115,231</u>
Excess (deficiency) of revenues over expenditures	<u>(640,018)</u>	<u>155,324</u>	<u>128,394</u>	<u>(356,300)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease proceeds	115,440	-	-	115,440
Transfers in	300,000	-	-	300,000
Transfers out	<u>-</u>	<u>(250,000)</u>	<u>(50,000)</u>	<u>(300,000)</u>
Total other financing sources (uses)	<u>415,440</u>	<u>(250,000)</u>	<u>(50,000)</u>	<u>115,440</u>
Net change in fund balances	<u>(224,578)</u>	<u>(94,676)</u>	<u>78,394</u>	<u>(240,860)</u>
<b>FUND BALANCE, JULY 1, AS PREVIOUSLY REPORTED</b>	2,066,599	1,699,718	204,045	3,970,362
<b>CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>-</u>	<u>-</u>	<u>61,543</u>	<u>61,543</u>
<b>FUND BALANCE, JULY 1, AS ADJUSTED</b>	<u>2,066,599</u>	<u>1,699,718</u>	<u>265,588</u>	<u>4,031,905</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 1,842,021</u>	<u>\$ 1,605,042</u>	<u>\$ 343,982</u>	<u>\$ 3,791,045</u>

# HOPE-PAGE PUBLIC SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

**Net change in fund balances - total governmental funds** \$ (240,860)

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

Certain liabilities, such as leases payable and compensated absences,  
are not due and payable in the current period, and therefore are not  
reported in the funds.

Increase in leases payable (75,630)

Compensated absences payable (61,509)

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

Increase in net pension liability (508,438)

Increase in deferred outflows of resources 325,343

Decrease in deferred inflows of resources 47,642

(135,453)

**Change in net position of governmental activities** \$ (513,452)

# HOPE-PAGE PUBLIC SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

The Hope and Page Public School Districts consolidated on July 1, 2020, to form the Hope-Page Public School District. The financial statements of the Hope-Page Public School District ("School District"), Hope, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Government Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### *Reporting Entity*

The accompanying financial statements present the activities of the Hope-Page Public School District. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization's governing board and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or imposed financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District as a reporting entity.

#### *Basis of Presentation*

*Government-Wide Financial Statements:* The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the School District. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

## HOPE-PAGE PUBLIC SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### ***Measurement Focus and Basis of Accounting***

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

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

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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

*Building Fund:* This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include amounts in demand deposits and certificates of deposit, which have original maturity dates of six months or less.

#### ***Deferred Outflows and 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 resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

## HOPE-PAGE PUBLIC SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 School District has three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes and unavailable revenues from local education agencies on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

#### ***Compensated Absences***

Employees are granted two days of personal leave each year and can accrue up to a maximum of six days of personal leave at year end. Upon termination of employment, employees will be paid for personal days that have accrued at the employee's rate of pay for hourly employees and \$120 per day for salaried employees. Employees are granted 12 days of sick leave each year and can accrue up to a maximum of 100 days of sick leave at year end. Upon retirement of employees who have been with the School District for over 15 years, unused sick leave will be paid at the employee's rate of pay for hourly employees and \$120 per day for salaried employees for all unused days. Vested or accumulated leave is reported in the statement of net position.

#### ***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

#### ***Fund Financial Statements***

Government fund equity is classified as fund balance and may distinguish between "Restricted" and "Unrestricted" components. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

#### ***Restricted and Unrestricted Resources***

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### ***Fund Balance and Classification Policies and Procedures***

The School District classifies governmental fund balances as follows:

***Nonspendable*** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

***Restricted*** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

***Committed*** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

## HOPE-PAGE PUBLIC SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the Business Manager.

**Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use *committed*, then *assigned*, and lastly *unassigned amounts* of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

#### ***Interfund Transactions***

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

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

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

#### ***Program Revenues***

In the government-wide statement of activities, reported program revenues derive from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into two categories, as follows:

***Charges for services*** – these arise from charges to customers, applicants, or other who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

***Program-specific operating grants and contributions*** – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

#### ***Property Taxes***

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



## HOPE-PAGE PUBLIC SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### *Salaries and Benefits Payable*

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

#### *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Teachers' Fund for Retirement ("TFFR") and additions to/deductions from TFFR's fiduciary net positions 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.

#### *New Accounting Pronouncement*

During the year ended June 30, 2021, the School District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the student activity funds as a special revenue fund as part of the governmental funds and as such were not recorded in beginning net position of the statement of activities. Beginning net position on the statement of activities and fund balance on the statement of revenues, expenditures and changes in fund balance have been restated to reflect this change.

#### **NOTE 2 – CASH AND CASH EQUIVALENTS**

In accordance with North Dakota Statutes, the School District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities of 110% of the deposits not covered by insurance or bonds.

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

At year ended June 30, 2021, the School District's carrying amount of deposits was \$3,416,593 and the bank balances were \$3,476,726. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$2,976,726 was collateralized with securities held by the pledging financial institution's agent in the government's name.

## **HOPE-PAGE PUBLIC SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

#### ***Interest Rate Risk***

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within one year.

#### ***Credit Risk***

The School District may invest idle funds as authorized in North Dakota Statutes, as follows:

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

At June 30, 2021 the District held certificates of deposit in the amount of \$696,937 which are all considered deposits and included in the above amount of total deposits.

#### ***Concentration of Credit Risk***

The District does not have a policy limiting the amount the District may invest in any one issuer.

### **NOTE 3 – INVESTMENTS**

Investments consist of 2,848 shares of IBM stock which were donated to the School District in 1980. As of June 30, 2021, the shares were valued at \$417,488, based on the share price per public exchange, which properly classifies the stock as a Level 1 investment. The donor requested that the dividends be used to advance the humanities or fine arts at the School District, and that the shares only be sold for capital improvements. Therefore, the amount of the stock is deemed restricted fund balance and net position. Dividends received from the IBM stock investments are held in a separate savings account, and the board has authorized distributing \$1,500 per year as a scholarship to a senior student designated by the high school counselor. Amounts held in savings are classified as committed fund balances.

### **NOTE 4 – PENSION PLANS**

#### **General Information about the TFFR Pension Plan**

#### ***North Dakota Teacher's Fund for Retirement ("TFFR")***

The following brief description of TFFR is provided for general information purposes only. Participants should refer to North Dakota Century Code ("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.

## HOPE-PAGE PUBLIC SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

## **HOPE-PAGE PUBLIC SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

#### *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.

# HOPE-PAGE PUBLIC SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

At June 30, 2021, the School District reported a liability of \$3,331,916 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 School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the School District's proportion was 0.21770059 percent, which was an increase of .01269269 from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$355,177. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 687	\$ 125,040
Changes of assumptions	149,965	-
Net difference between projected and actual earnings on pension plan investments	205,684	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	327,169	203,444
Employer contributions subsequent to the measurement date	<u>219,662</u>	<u>-</u>
	<u>\$ 903,167</u>	<u>\$ 328,484</u>

\$219,662 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:	
2022	\$ 64,809
2023	66,918
2024	85,891
2025	67,465
2026	35,671
Thereafter	34,267

## HOPE-PAGE PUBLIC SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### *Actuarial Assumptions*

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

Inflation	2.30%
Salary increases	3.8% to 14.80%, including inflation
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

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

# HOPE-PAGE PUBLIC SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	58%	6.9%
Global fixed income	23%	1.3%
Global real assets	18%	5.0%
Cash equivalents	1%	0.0%

### ***Discount Rate***

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

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of net pension liability	\$ <u>4,437,931</u>	\$ <u>3,331,916</u>	\$ <u>2,857,115</u>

# HOPE-PAGE PUBLIC SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report, located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. Additional financial and actuarial information is available on their website [www.nd.gov/rio/sib/publications/cafr/default.htm](http://www.nd.gov/rio/sib/publications/cafr/default.htm), or may be obtained by writing to ND Retirement and Investment office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

### NOTE 5 – LONG-TERM DEBT

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Lease payable	\$ -	\$ 115,440	\$ -	\$ 115,440	\$ 39,617
Compensated absences	-	61,509	-	61,509	-
Total	\$ -	\$ 176,949	\$ -	\$ 176,949	\$ 39,617

### NOTE 6 – CAPITAL LEASES

In May 2021, the School District purchased technology equipment under a three-year lease term, which meets the criteria for a capital lease.

The following represent the required payments on the capital lease:

	Principal	Interest	Total
2022	\$ 39,617	\$ 439	\$ 40,056
2023	37,214	2,842	40,056
2024	38,609	1,447	40,056
	\$ 115,440	\$ 4,728	\$ 120,168

### NOTE 7 – INTERFUND TRANSFERS

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

Fund	Transfer In	Transfer Out
General fund	\$ 300,000	\$ -
Building fund	-	250,000
Food Service fund	-	50,000
Total	\$ 300,000	\$ 300,000

(Continued)



## **HOPE-PAGE PUBLIC SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

#### **NOTE 8 – RISK MANAGEMENT**

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$772,421 for public asset coverage.

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

The School District has worker's compensation with the Department of Workforce Safety and Insurance. The School District pays part of the health insurance premiums for their employees.

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

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

**Schedule of Employer's Share of Net Pension Liability**

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2021	0.217701%	\$ 3,331,916	\$ 1,588,475	209.76%	63.0%

\* Complete data for this schedule is not available prior to 2014.

\* The Hope and Page School Districts consolidated on July 1, 2020. Information for the School Districts available for years prior to June 30, 2021, will be presented in separate schedules below.

\*\* The measurement date of the actuarial report is one year prior to the balance sheet date.

**Hope - Schedule of Employer's Share of Net Pension Liability**

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2020	0.106995%	\$ 1,473,596	\$ 750,602	196.32%	65.5%
ND TFFR	6/30/2019	0.103052%	\$ 1,373,533	\$ 700,555	196.06%	65.5%
ND TFFR	6/30/2018	0.093037%	\$ 1,277,893	\$ 627,976	203.49%	63.2%
ND TFFR	6/30/2017	0.103361%	\$ 1,514,299	\$ 671,562	225.49%	59.2%
ND TFFR	6/30/2016	0.096912%	\$ 1,267,469	\$ 596,108	212.62%	62.1%
ND TFFR	6/30/2015	0.101581%	\$ 1,064,389	\$ 589,222	180.64%	66.6%

**Page - Schedule of Employer's Share of Net Pension Liability**

<u>Pension Plan</u>	<u>Statement of Net Position Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2020	0.098013%	\$ 1,349,882	\$ 687,587	196.32%	65.5%
ND TFFR	6/30/2019	0.097254%	\$ 1,296,257	\$ 661,141	196.06%	65.5%
ND TFFR	6/30/2018	0.112455%	\$ 1,544,595	\$ 759,037	203.49%	63.2%
ND TFFR	6/30/2017	0.104419%	\$ 1,529,799	\$ 678,436	225.49%	59.2%
ND TFFR	6/30/2016	0.112903%	\$ 1,476,608	\$ 694,469	212.62%	62.1%
ND TFFR	6/30/2015	0.114957%	\$ 1,204,548	\$ 666,813	180.64%	66.6%

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS\***

**Schedule of Employer's Contributions**

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND TFFR	6/30/2021	\$ 219,662	\$ (219,662)	\$ -	\$ 1,588,475	13.83%

\* Complete data for this schedule is not available prior to 2014.

\* The Hope and Page School Districts consolidated on July 1, 2020. Information for the School Districts available for years prior to June 30, 2021 will be presented in separate schedules below.

\*\* The measurement date of the actuarial report is one year prior to the balance sheet date.

**Hope - Schedule of Employer's Contributions**

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND TFFR	6/30/2020	\$ 104,619	\$ (104,619)	\$ -	\$ 820,543	12.75%
ND TFFR	6/30/2019	\$ 95,702	\$ (95,702)	\$ -	\$ 750,602	12.75%
ND TFFR	6/30/2018	\$ 89,321	\$ (89,321)	\$ -	\$ 700,555	12.75%
ND TFFR	6/30/2017	\$ 85,624	\$ (85,624)	\$ -	\$ 671,562	12.75%
ND TFFR	6/30/2016	\$ 76,000	\$ (76,000)	\$ -	\$ 596,108	12.75%
ND TFFR	6/30/2015	\$ 63,341	\$ (63,341)	\$ -	\$ 589,222	10.75%

**Page - Schedule of Employer's Contributions**

<u>Pension Plan</u>	<u>Statement of Net Position Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND TFFR	6/30/2020	\$ 97,911	\$ (97,911)	\$ -	\$ 767,930	12.75%
ND TFFR	6/30/2019	\$ 87,667	\$ (87,667)	\$ -	\$ 687,587	12.75%
ND TFFR	6/30/2018	\$ 84,296	\$ (84,296)	\$ -	\$ 661,141	12.75%
ND TFFR	6/30/2017	\$ 86,501	\$ (86,501)	\$ -	\$ 678,436	12.75%
ND TFFR	6/30/2016	\$ 88,541	\$ (88,541)	\$ -	\$ 694,469	12.75%
ND TFFR	6/30/2015	\$ 71,682	\$ (71,682)	\$ -	\$ 666,813	10.75%

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Local sources	\$ 1,343,855	\$ 1,343,855	\$ 1,362,457	\$ 18,602
State sources	2,417,367	2,417,367	2,404,793	(12,574)
Federal sources	230,598	230,598	202,739	(27,859)
Other sources	<u>112,500</u>	<u>112,500</u>	<u>193,527</u>	<u>81,027</u>
Total revenues	<u>4,104,320</u>	<u>4,104,320</u>	<u>4,163,516</u>	<u>59,196</u>
<b>EXPENDITURES</b>				
Current				
Regular instruction	2,197,733	2,197,733	2,102,653	(95,080)
Federal programs	202,722	202,722	226,161	23,439
Instructional staff services	256,967	256,967	258,589	1,622
Services provided	8,569	8,569	362	(8,207)
Administration services	524,294	524,294	605,914	81,620
Operations and maintenance	811,321	811,321	862,939	51,618
Student activities	220,973	220,973	236,504	15,531
Student transportation	246,247	246,247	213,461	(32,786)
Food service	159,612	159,612	181,511	21,899
Capital outlay	<u>-</u>	<u>-</u>	<u>115,440</u>	<u>115,440</u>
Total expenditures	<u>4,628,438</u>	<u>4,628,438</u>	<u>4,803,534</u>	<u>175,096</u>
Excess (deficiency) of revenues over expenditures	<u>(524,118)</u>	<u>(524,118)</u>	<u>(640,018)</u>	<u>(115,900)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease proceeds	-	-	115,440	115,440
Transfers in	-	-	300,000	300,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>415,440</u>	<u>415,440</u>
Net change in fund balance	<u>(524,118)</u>	<u>(524,118)</u>	<u>(224,578)</u>	<u>299,540</u>
<b>FUND BALANCE JULY 1</b>	<u>-</u>	<u>-</u>	<u>2,066,599</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,842,021</u>	<u>\$ -</u>

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information:***

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

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

- a. The annual budget must be prepared, and School District taxes must be levied on or before the fifteenth day of August of each year.
- b. The taxes levied must be certified to the county auditor by twenty-fifth of August.
- c. The operating budget includes proposed expenditures and means of financing them.
- d. Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- e. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- f. All appropriations lapse at year-end.

***North Dakota Teacher's Fund for Retirement Changes of Assumptions***

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

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected and 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.

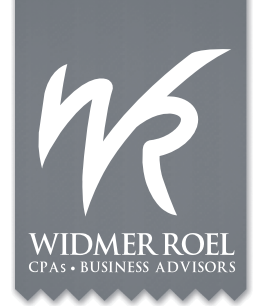
Amounts reported in 2016-2020 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- 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.

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 2 – OVERSPENT BUDGET**

The School District overspent its general fund by \$175,096. No remedial action is anticipated.



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**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**

School Board and Administration  
**Hope-Page Public School District**  
Hope, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Hope-Page Public School District** (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise **Hope-Page Public School District's** basic financial statements, and have issued our report thereon dated January 27, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **Hope-Page Public School District'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 **Hope-Page Public School District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Hope-Page Public School District's** internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, 2021-003, and 2021-004 to be material weaknesses.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-005, 2021-006, and 2021-007 to be significant deficiencies.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether **Hope-Page Public School District's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2021-004.

#### ***Hope-Page Public School District's Response to Findings***

**Hope-Page Public School District's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Hope-Page Public School District's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### ***Purpose of this Report***

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



Fargo, North Dakota

January 27, 2022

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:	Qualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  X  </u> yes	<u>      </u> none reported
Noncompliance material to financial statements noted?	<u>  X  </u> yes	<u>      </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2021-001 (MATERIAL WEAKNESS) – GAAP FINANCIAL STATEMENT PREPARATION**

***Condition***

Widmer Roel assists the School District with preparation of its financial statements and related disclosures in accordance with generally accepted accounting principles (GAAP).

***Criteria***

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) elements of internal control, an organization’s internal control should include the capability of preparing financial statements in accordance with U.S. GAAP.

***Cause***

The School District has determined it is more cost-effective to allocate its limited resources to areas other than preparation of financial statements and instead engage its third-party auditor to assist in this process.

***Effect***

The financial statements could be materially misstated or omit material financial statement disclosures.

***Recommendation***

We recommend management carefully review the financial statements and note disclosures and be able to understand the purpose and source of all material financial statement amounts and disclosures. We recommend management continue to prepare all requested supporting schedules, understanding their importance to the financial statements.

***Views of Responsible Officials***

The School District recognizes this finding as does not find it to be cost-effective to prepare financial statements in accordance with the Generally Acceptable Accounting Principles and will continue to utilize Widmer Roel for this service and monitor in the future.

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**2021-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES**

***Condition***

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager role is responsible for numerous functions related to financial reporting.

***Criteria***

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliations.

***Cause***

The School District has limited staff to be able to adequately segregate duties.

***Effect***

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements in the financial statements, whether the cause of the misstatement was due to errors or fraud.

***Recommendation***

It is not unusual for smaller school districts to have several accounting functions concentrated with the business manager and/or superintendent. We recommend management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. For example, we recommend the board continue and or adopt the following:

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks.
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of School District policies, including consideration of whether School District policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations and contracts.

***Views of Responsible Officials***

The School District recognizes this finding and plans to implement the following changes for the next fiscal year. The School District recognizes and assumes risk in the area of segregation of duties due to lack of resources and staffing.

1. Continued dual signatures for all checks.
2. Review and approval for all accounts payable with signed purchase orders.
3. Segregation of duties for activity and food service fund cash receipts and accounts payable with training for Admin. Assistants in both buildings.
4. Utilizing NDSBA for a full policy service review.
5. Budget review by administration and admin/finance committee.
6. All bank reconciliations reviewed by Superintendent or Building Administrator.

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**2021-003 (MATERIAL WEAKNESS) – CAPITAL ASSET RECORDS**

***Condition***

The School District does not currently have sufficient capital asset records to enable presentation of capital assets and related depreciation in the School District's financial statements.

***Criteria***

Government GAAP requires the inclusion of property and equipment in the government-wide financial statements.

***Cause***

The School District has not previously had adequate processes in place to accurately record, track and reconcile property and equipment records suitable for financial statement presentation.

***Effect***

The government-wide financial statements of the School District are misstated to the extent capital assets and related depreciation are not presented.

***Recommendation***

We recommend management develop and implement policies and processes for identifying, recording, reconciling, and reporting capital assets in accordance with GAAP.

***Views of Responsible Officials***

The School District engaged in services with Valuation Northwest in the spring of 2021 to begin fixed asset inventory. The School District has set a goal to include these in the financial statements for fiscal year 2023.

**2021-004 (MATERIAL WEAKNESS, MATERIAL NONCOMPLIANCE) – OMISSION OF WASHBURN INVESTMENT**

***Condition***

The School District received a donation of IBM stock in 1980, which was placed in a safe deposit box at the local bank. School districts are not authorized to hold stock, and the stock is not currently included in the School District's internal financial records.

***Criteria***

U.S. GAAP requires any investment assets owned by the School District to be reported in the School District's financial statements. Also, School Districts are not currently allowed to invest in individual stocks under NDCC 21-06-07.

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***Cause***

The School District was not aware of the requirement to include the stock investments in the financial statements or of the compliance-related implications.

***Effect***

The School District's financial statements could be materially understating its general fund assets. Therefore, intended users of the financial statement could be misled in terms of the School District's financial condition. Also, the School District may be in violation of North Dakota state law.

***Recommendation***

We recommend management include this, and all other investments, in its financial statements. We further recommend the School District consult with legal counsel regarding its options with respect to the IBM stock shares.

***Views of Responsible Officials***

The School District has opened an account with Edward Jones to begin the disbursement process for the Washburn investment. Proceeds of the sale will be placed in the building fund with expenditures tracked separately to ensure compliance for family's request and in according to building fund expenditure requirements as set by North Dakota Department of Public Instruction.

**2021-005 (SIGNIFICANT DEFICIENCY) – UNDERCOLLATERALIZED DEPOSITS**

***Condition***

The School District has undercollateralized deposits at one of its banks.

***Criteria***

North Dakota Century Code (NDCC) 21-04-09 requires that pledged securities exceed 110% of deposits in excess of the federal depository insurance coverage (FDIC) limit.

***Cause***

Economic conditions have lowered the market value of pledged securities held at the School District's banks to the point where they do not cover deposits in excess of FDIC insured deposits.

***Effect***

The School District is not in compliance with NDCC requirements. Also, there is an increased risk of loss of School District funds if the bank ceased operations.

***Recommendation***

We recommend the School District considers transferring funds from one bank to the other, or discussing with banking personnel to increase the amount of pledged securities at that bank.

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***Views of Responsible Officials***

Management will work with the finance committee to review undercollateralized deposits with Hometown Community Bank and review best banking practices for the School District.

**2021-006 (SIGNIFICANT DEFICIENCY) – RECONCILIATION OF CASH**

***Condition***

The School District's bank reconciliations did not balance to the financial statement amounts recorded.

***Criteria***

A good system of internal accounting controls includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances within a timely manner. It is also recommended that the board is aware of any reconciliation issues or what the outstanding items are.

***Cause***

There are some transactions near year-end not recorded in the system or included on the reconciliations.

***Effect***

Inadequate recording of cash transactions effect the School District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

***Recommendation***

We recommend that the School District reconciles all accounts to the financial statement numbers.

***Views of Responsible Officials***

The School District will continue to reconcile bank statements on a monthly basis with dual role signatures between business manager and superintendent to verify accuracy of the reconciliation. Management will also work with the finance committee to review best banking practices relating to transfers between accounts for the School District.

**2021-007 (SIGNIFICANT DEFICIENCY) – COMPENSATED ABSENCE POLICY**

***Condition***

The School District is currently paying out sick leave for faculty and staff employed more than 15 years, but that policy is not documented as a formal policy.

***Criteria***

The payment, or nonpayment, of accumulated sick leave is a significant policy which results in a payroll-related liability to the School District and, therefore, should be in writing.

**HOPE-PAGE PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***Cause***

The School District does not have a formal policy for paying out unused sick leave balances.

***Effect***

In the absence of a written policy, sick leave may be improperly paid out or not paid out.

***Recommendation***

We recommend that the school board approves a formal policy regarding payment of sick leave and the employee handbooks are updated to reflect that policy.

***Views of Responsible Officials***

It is stated in the Hope-Page Negotiated Agreement on page 9 under section 4 that the sick leave will be paid out to teachers in the system for over 15 years. This process will also be included in the Employee Handbook and updated in board policy DDA.