

**KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
KILLDEER, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Killdeer Public School District No. 16
Killdeer, 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 Killdeer Public School District No. 16, Killdeer, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, Killdeer, North Dakota as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 7 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Accounting and Financial Reporting for Fiduciary Activities*. The District has restated previously reported net position and fund balance in accordance with this statement. 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, schedule of District's contributions to the TFFR and NDPERS pension plans, schedule of District's contributions to the NDPERS OPEB Plan, Schedule of District's proportionate share of net pension liability, schedule of District's proportionate share of net OPEB liability, and the notes to the required supplementary information 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 required 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023, on our consideration of Killdeer Public School District No. 16's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Killdeer Public School District No. 16's internal control over financial reporting and compliance.



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

February 8, 2023

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 32,501,797
Investments	1,866,770
Accounts receivable, net	104,998
Interest receivable	1,100
Taxes receivable	140,036
Due from other governments	51,825
Capital assets	
Land and buildings	11,460,528
Building improvements	2,490,147
Vehicles	1,801,581
Furniture and equipment	2,214,808
Construction in process	5,851,794
Less accumulated depreciation	<u>(7,100,053)</u>
Total capital assets, net of depreciation	<u>16,718,805</u>
Total Assets	51,385,331
Deferred Outflows of Resources	
Derived from pension	4,494,305
Derived from OPEB	<u>43,858</u>
Total Deferred Outflows of Resources	4,538,163
Liabilities	
Accounts payable	1,338,789
Salaries and benefits payable	1,068,604
Long-term liabilities	
Net pension liability	10,754,901
Net OPEB liability	75,706
General obligation bonds payable	<u>23,702,957</u>
Total Liabilities	36,940,957
Deferred Inflows of Resources	
Derived from pension	827,126
Derived from OPEB	<u>3,297</u>
Total Deferred Inflows of Resources	830,423
Net Position	
Net investment in capital assets	11,394,537
Restricted for	
Student activities	418,294
Capital projects	10,832,820
Special reserve	650,760
Debt service	126,530
Unrestricted	<u>(5,270,827)</u>
Total Net Position	\$ <u>18,152,114</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental Activities				
Instruction	\$ 7,438,093	\$ 324,818	435,466	\$ - \$ (6,677,809)
Instructional staff	238,926	-	-	(238,926)
General administration	273,659	-	-	(273,659)
School administration	388,587	-	-	(388,587)
Business administration	537,101	-	-	(537,101)
Operation and maintenance	594,230	79,360	-	(514,870)
Student transportation	664,705	-	144,745	(519,960)
Other support services	18,246	-	-	(18,246)
Food service	292,443	24,154	295,044	26,755
Adult education/community services	321,019	-	-	(321,019)
Student activities	602,280	254,830	-	(347,450)
Facilities acquisition	249	-	-	(249)
Building construction	217,901	-	-	8,368,159
Interest and fees on long-term debt	748,681	-	-	(748,681)
\$ 12,336,120	\$ 683,162	\$ 875,255	\$ 8,586,060	(2,191,643)
General Revenues:				
Taxes:				
Property Taxes, Levied for general purposes				3,029,866
Property Taxes, Levied for capital projects				529,433
Property Taxes, Levied for debt service				1,534,761
Oil and Gas Production Taxes				1,160,112
State Aid				3,195,058
Unrestricted Investment Earnings				167,780
Other Revenues				34,457
Total General Revenues				<u>9,651,467</u>
Changes in Net Position				7,459,824
Net Position, Beginning of Year				10,295,593
Prior Period Adjustments - See Note 7				<u>396,697</u>
Net Position, Beginning of Year - Restated				<u>10,692,290</u>
Net Position, End of Year				<u>\$ 18,152,114</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects		
ASSETS				
Cash and cash equivalents	\$ 1,725,347	\$ 30,474,172	\$ 302,278	\$ 32,501,797
Investments	1,341,410	-	525,360	1,866,770
Accounts receivable	104,998	-	-	104,998
Interest receivable	700	-	400	1,100
Taxes receivable	79,924	15,370	44,742	140,036
Due from other funds	1,023	-	-	1,023
Due from other governments	51,825	-	-	51,825
TOTAL ASSETS	<u>\$ 3,305,227</u>	<u>\$ 30,489,542</u>	<u>\$ 872,780</u>	<u>\$ 34,667,549</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 60,756	\$ 1,278,033	\$ -	\$ 1,338,789
Due to other funds	68	-	955	1,023
Salaries and benefits payable	1,068,604	-	-	1,068,604
Total liabilities	<u>1,129,428</u>	<u>1,278,033</u>	<u>955</u>	<u>2,408,416</u>
Deferred inflows of resources:				
Unavailable property taxes	66,340	12,668	41,162	120,170
Total liabilities and deferred inflows of resources	<u>1,195,768</u>	<u>1,290,701</u>	<u>42,117</u>	<u>2,528,586</u>
Fund balances:				
Restricted for student activities	418,294	-	-	418,294
Restricted for capital projects	-	29,198,841	-	29,198,841
Restricted for special reserve	-	-	650,760	650,760
Restricted for debt service	-	-	85,368	85,368
Assigned for:				
Food service	-	-	94,535	94,535
Unassigned	1,691,165	-	-	1,691,165
Total fund balances	<u>2,109,459</u>	<u>29,198,841</u>	<u>830,663</u>	<u>32,138,963</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,305,227</u>	<u>\$ 30,489,542</u>	<u>\$ 872,780</u>	<u>\$ 34,667,549</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances - governmental funds		\$	32,138,963
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 in the funds.			
Cost			23,818,858
Accumulated Depreciation		<u>(7,100,053)</u>	16,718,805
Deferred outflows of resources are not a financial resource available for the current period, and therefore, are not reported in the governmental funds balance sheet.			
			4,538,163
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.			
			(830,423)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period expenditures, and therefore are deferred in the funds.			
			120,170
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2021 are:			
General obligation bonds payable		(23,702,957)	
Net pension liability		(10,754,901)	
Net OPEB liability		<u>(75,706)</u>	<u>(34,533,564)</u>
Net position of governmental activities		\$	<u>18,152,114</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Revenues:				
Property taxes	\$ 3,002,074	\$ 525,809	\$ 1,493,599	\$ 5,021,482
Oil & gas production taxes	1,160,112	-	-	1,160,112
Local aid	-	8,586,060	-	8,586,060
State aid	3,361,604	-	18	3,361,622
Federal aid	413,664	-	295,026	708,690
Fees and charges	579,647	79,360	24,154	683,161
Earnings on investments	159,489	-	8,292	167,781
Miscellaneous	34,457	-	-	34,457
Total Revenues	<u>8,711,047</u>	<u>9,191,229</u>	<u>1,821,089</u>	<u>19,723,365</u>
Expenditures				
Current				
Instruction	6,014,046	-	-	6,014,046
Instructional staff	238,926	-	-	238,926
General administration	273,659	-	-	273,659
School administration	288,615	-	-	288,615
Business administration	537,101	-	-	537,101
Operation and maintenance	594,230	-	-	594,230
Student transportation	564,731	-	-	564,731
Other support services	18,246	-	-	18,246
Food service	13,391	-	279,052	292,443
Adult education/community services	321,019	-	-	321,019
Student activities	602,280	-	-	602,280
Facilities acquisition	-	249	-	249
Building construction	-	217,901	-	217,901
Capital outlay	123,921	6,386,117	-	6,510,038
Debt service				
Principal	-	50,000	1,010,000	1,060,000
Interest and fees	-	397,836	398,231	796,067
Total expenditures	<u>9,590,165</u>	<u>7,052,103</u>	<u>1,687,283</u>	<u>18,329,551</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(879,118)	2,139,126	133,806	1,393,814
Other Financing Sources (Uses)				
Issuance of Bonds	-	23,000,000	-	23,000,000
Premiums on Issuance of Bonds	-	1,710,342	-	1,710,342
Transfers in (out)	(45,000)	-	45,000	-
Total other financing sources (uses)	<u>(45,000)</u>	<u>24,710,342</u>	<u>45,000</u>	<u>24,710,342</u>
Net Change in Fund Balances	(924,118)	26,849,468	178,806	26,104,156
Fund Balances, Beginning of Year	2,636,880	2,349,373	651,857	5,638,110
Prior Period Adjustment (Note 7)	396,697	-	-	396,697
Fund Balances, Beginning of Year - Restated	<u>3,033,577</u>	<u>2,349,373</u>	<u>651,857</u>	<u>6,034,807</u>
Fund Balances, End of Year	<u>\$ 2,109,459</u>	<u>\$ 29,198,841</u>	<u>\$ 830,663</u>	<u>\$ 32,138,963</u>

See Notes to the Financial Statements

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
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

Net change in fund balances - total governmental funds \$ 26,104,156

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

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

Capital assets purchased in the current period	6,510,038	
Depreciation expense of capital assets reported	<u>(603,912)</u>	5,906,126

The proceeds from bond issuances and related premiums are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect net position but the repayment and premium amortization reduces long-term liabilities.

Debt issued		(23,000,000)
Bond premiums		(1,710,342)
Debt repaid		1,060,000
Amortization		47,385

Governmental funds report pension and OPEB expenditures as accrued for actual benefits paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions. (1,020,079)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. 72,578

Change in net position of governmental activities \$ 7,459,824

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Killdeer Public School District No. 16 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is a fiscal dependency by the organization on the District

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

Basis of Presentation

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

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Fund Financial Statements

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

Fund Accounting

The District's funds consist of the following:

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

General Fund:

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund:

This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, and the making of major repairs to existing buildings.

The District's non-major governmental funds are as follows:

Special Reserve Fund:

This fund is allowed under North Dakota state law and may levy a tax to be used if the general fund has funds insufficient to pay for teacher salaries, heat, lights and fuel.

Debt Service Fund:

This fund is used to account for the accumulation of resources for, and the payment of principal and interest on the District's general obligation bonds.

Food Service Fund:

This fund is accounts for the resources associated with the District's hot lunch program.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

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

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

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in demand deposits.

Credit Risk

The 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.

Capital Assets

Capital assets include buildings, building improvements, vehicles, machinery and equipment, and furniture and fixtures and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	70 years
Building Improvements	20 years
Vehicles	5-10 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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. Any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds. Bond issuance costs are recognized in the current period.

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

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

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

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

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

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

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for special purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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 District has two items reported on the statement of net position as derived from pension and OPEB, which represent the actuarial differences within the TFFR and NDPERS pension and other post employment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable property taxes, is reported only in 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 items are reported on the statement of net position and are derived from pension and OPEB plans, which represent actuarial differences within the TFFR, NDPERS and OPEB plans.

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 the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS's fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefits (OPEB)

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Budgets

The School District budget is prepared in accordance with accounting principles generally accepted in the United States of America and the School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by October 10.
2. 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.
3. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

Revenue Recognition – Property Taxes

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

Estimates

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 2 CASH

Deposits

In accordance with North Dakota statutes, the District maintains deposits at 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 other financial institutions 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 equal to 110% of the deposits not covered by insurance or bonds.

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

As of June 30, 2021, the District's carrying balances were \$34,368,567. The bank balance of these deposits as of June 30, 2021 was \$37,693,495. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance the remaining balance was collateralized with securities held by the pledging financial institutions' agent not in the District's name.

Investments

At June 30, 2021, the District's investments were held in certificates of deposit. These investments are reported at amortized cost.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 3 CAPITAL ASSETS

Following is a summary of capital asset activity for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 92,000	\$ 507,859	\$ -	\$ 599,859
Construction in Process	<u>28,000</u>	<u>5,823,794</u>	<u>-</u>	<u>5,851,794</u>
Total Capital Assets, not being Depreciated	<u>120,000</u>	<u>6,331,653</u>	<u>-</u>	<u>6,451,653</u>
Capital Assets, being Depreciated				
Buildings	10,860,669	-	-	10,860,669
Building Improvements	2,412,517	77,630	-	2,490,147
Vehicles	1,713,076	88,505	-	1,801,581
Furniture and Equipment	<u>2,202,558</u>	<u>12,250</u>	<u>-</u>	<u>2,214,808</u>
Total Capital Assets, being Depreciated	<u>17,188,820</u>	<u>178,385</u>	<u>-</u>	<u>17,367,205</u>
Accumulated Depreciation				
Buildings	2,908,276	238,776	-	3,147,052
Building Improvements	505,812	165,190	-	671,002
Vehicles	1,205,461	99,974	-	1,305,435
Furniture and Equipment	<u>1,876,592</u>	<u>99,972</u>	<u>-</u>	<u>1,976,564</u>
Total Accumulated Depreciation	<u>6,496,141</u>	<u>603,912</u>	<u>-</u>	<u>7,100,053</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,812,679</u>	<u>\$ 5,906,126</u>	<u>\$ -</u>	<u>\$ 16,718,805</u>

Depreciation expense for the year ended June 30, 2021 is reported in the government-wide statement of activities as follows:

Governmental Activities	
Instruction	\$ 403,966
School Administration	99,972
Transportation Services	<u>99,974</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 603,912</u>

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 4 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2021:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Series 2013 General Obligation Bonds	0.45%-0.95%	11/1/2022	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000
Series 2020A General Obligation Bonds	2.000% - 5.000%	8/1/2040	-	13,000,000	(500,000)	12,500,000
Series 2021A General Obligation Bonds	1.375% - 5.000%	8/1/2040	-	10,000,000	(510,000)	9,490,000
Series 2020A Bond Premium			-	1,121,566	(42,113)	1,079,453
Series 2021A Bond Premium			-	588,776	(5,272)	583,504
Total			<u>\$ 100,000</u>	<u>\$24,710,342</u>	<u>\$ (1,107,385)</u>	<u>\$23,702,957</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 314,007	\$ 314,007
2023	870,000	607,276	1,477,276
2024	855,000	565,163	1,420,163
2025	900,000	521,288	1,421,288
2026	945,000	475,163	1,420,163
2027-2031	5,455,000	1,663,874	7,118,874
2032-2036	6,205,000	963,123	7,168,123
2037-2041	6,810,000	345,200	7,155,200
Total	<u>\$ 22,040,000</u>	<u>\$ 5,455,094</u>	<u>\$ 27,495,094</u>

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE

North Dakota Teachers' 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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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 District reported a liability of \$7,828,975 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 0.511529 percent which was an increase of 0.074684 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$1,032,102. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,614	\$ 293,805
Changes in actuarial assumptions	352,373	-
Net difference between projected and actual earnings on pension plan investments	483,294	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,152,262	37,016
Employer contributions subsequent to the measurement date	515,312	-
Total	\$ 2,504,855	\$ 330,821

\$515,312 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	\$ 349,974
2023	304,610
2024	356,637
2025	306,020
2026	174,026
Thereafter	167,455

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Actuarial Assumptions

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

Inflation	2.30%
Salary increases	3.80% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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 pension plan'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 Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease 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:	\$ 10,427,774	\$ 7,828,975	\$ 5,669,240

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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JUNE 30, 2021

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2021, the District reported a liability of \$2,925,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 0.093004 percent which was a decrease of 0.007048 percent from its proportion measured as of July 1, 2019.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$575,774. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,387	\$ 148,259
Changes in actuarial assumptions	1,568,481	259,309
Net difference between projected and actual earnings on pension plan investments	94,434	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	240,124	88,737
Employer contributions subsequent to the measurement date	75,024	-
Total	<u>\$ 1,989,450</u>	<u>\$ 496,305</u>

\$75,024 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

Year Ending June 30,	Pension Expense Amount
2022	\$ 421,403
2023	387,309
2024	312,193
2025	297,216
2026	-

Actuarial Assumptions

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

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

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

Discount Rate

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	3.64%	4.64%	5.64%
School's proportionate share of the NDPERS net pension liability:	\$ 3,796,169	\$ 2,925,926	\$ 2,213,855

Pension Plan Fiduciary Net Position

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

NOTE 6 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

OPEB Benefits

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

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

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

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

At June 30, 2021, the District reported a liability of \$75,706 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.089998 percent which was a decrease of 0.003267 percent from its proportion measured as of July 1, 2019.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

For the year ended June 30, 2021, the District recognized OPEB expense of \$14,377. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,682	\$	1,815
Changes in actuarial assumptions	10,151		-
Net difference between projected and actual earnings on OPEB plan investments	2,603		-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,580		1,482
Employer contributions subsequent to the measurement date	11,842		-
Total	\$ 43,858	\$	3,297

\$11,842 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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

Year Ending June 30,	OPEB Expense Amount
2022	\$ 5,918
2023	6,591
2024	6,468
2025	5,702
2026	3,453
Thereafter	587

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

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

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

Discount rate.

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

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.

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

	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
District's proportionate share of the net OPEB liability:	\$ 99,290	\$ 75,706	\$ 55,763

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 7 CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 84, *Fiduciary Activities*, for the year ended June 30, 2021. As a result, beginning net position and general fund balance have been restated as follows:

	<u>Net Position</u>	<u>General Fund Balance</u>
July 1, 2020, as previously reported	\$ 10,295,593	\$ 2,636,880
Restatement for fiduciary accounting:		
Student activity fund balance reclassified to the general fund	<u>396,697</u>	<u>396,697</u>
July 1, 2020, as restated	<u>\$10,692,290</u>	<u>\$3,033,577</u>

NOTE 8 RISK MANAGEMENT

The Killdeer Public School District No. 16 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Killdeer Public School District No. 16 pays an annual premium to NDRIF for its general insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 INTERFUND TRANSFERS

For the fiscal year ended June 30, 2021, fund transfers of \$45,000 were made from the General Fund to the Food Service Fund to help cover the increased food service costs.

NOTE 10 PURCHASE COMMITMENTS

The District has entered into a contract totaling \$29,739,312 for services in connection with construction of a new school building. As of June 30, 2021, \$3,565,756 has been paid on this contract.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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. 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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through February 8, 2023, which is the date these financial statements were available to be issued.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
Revenue			
Property Taxes	\$ 2,907,499	\$ 3,002,074	\$ 94,575
Oil & gas production taxes	1,200,000	1,160,112	(39,888)
Local aid	243,000	-	(243,000)
State aid	3,509,000	3,361,604	(147,396)
Federal aid	52,000	413,664	361,664
Fees and charges	290,000	324,818	34,818
Earnings on investments	48,000	159,489	111,489
Miscellaneous	25,000	34,457	9,457
Total Revenues	<u>8,274,499</u>	<u>8,456,218</u>	<u>181,719</u>
Expenditures			
Current			
Instruction	5,962,130	6,014,046	51,916
Instructional staff	228,922	238,926	10,004
General administration	323,885	273,659	(50,226)
School administration	297,633	288,615	(9,018)
Business administration	448,280	537,101	88,821
Operation and maintenance	703,103	594,230	(108,873)
Student transportation	608,219	564,731	(43,488)
Other support services	18,246	18,246	-
Food service	-	13,391	13,391
Adult education/community services	347,212	321,019	(26,193)
Student activities	389,110	369,047	(20,063)
Capital outlay	-	123,921	123,921
Total expenditures	<u>9,326,740</u>	<u>9,356,932</u>	<u>30,192</u>
Other Financing Sources (Uses)			
Transfers In (Out)	-	(45,000)	(45,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>
Net Change in Fund Balance	(1,052,241)	(945,714)	106,527
Fund Balance, Beginning of Year	<u>2,636,879</u>	<u>2,636,879</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,584,638</u>	1,691,165	<u>\$ 106,527</u>
Other General Funds:			
Student Activity Fund		<u>418,294</u>	
Total General Fund		<u>\$ 2,109,459</u>	

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 515,312	\$ (515,312)	\$ -	\$ 4,041,644	12.75%
2020	475,885	(475,885)	-	3,732,429	12.75%
2019	390,736	(390,736)	-	3,064,597	12.75%
2018	367,531	(367,531)	-	2,882,595	12.75%
2017	348,155	(348,155)	-	2,730,627	12.75%
2016	336,110	(336,110)	-	2,636,155	12.75%
2015	325,438	(325,438)	-	2,552,580	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 75,024	\$ (75,024)	\$ -	\$ 1,078,012	6.96%
2020	72,646	(75,887)	(3,241)	1,025,945	7.66%
2019	75,770	(72,158)	3,612	1,040,707	6.93%
2018	57,037	(53,118)	3,919	774,387	6.86%
2017	44,387	(44,795)	(408)	612,130	7.32%
2016	45,387	(52,950)	(7,563)	626,915	8.45%
2015	52,650	(51,527)	1,123	693,144	7.43%

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 11,842	\$ (11,842)	\$ -	\$ 1,078,012	1.10%
2020	12,053	(12,578)	(525)	1,025,945	1.17%
2019	12,103	(11,553)	550	1,040,707	1.16%
2018	9,083	(8,505)	578	774,387	1.17%

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	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	0.511529%	\$ 7,828,975	\$ 3,732,429	209.76%	63.40%
2020	0.436846%	6,016,472	3,064,597	196.32%	65.50%
2019	0.424030%	5,561,719	2,882,595	192.94%	65.50%
2018	0.404554%	5,556,660	2,730,627	203.49%	63.20%
2017	0.405734%	5,944,242	2,636,155	225.49%	59.20%
2016	0.414983%	5,427,377	2,552,580	212.62%	62.10%
2015	0.400383%	4,195,304	2,322,433	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	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	0.093004%	\$ 2,925,926	\$ 1,025,945	285.19%	48.91%
2020	0.100052%	1,172,682	1,040,707	112.68%	71.66%
2019	0.075380%	1,272,120	774,387	164.27%	62.80%
2018	0.059963%	963,802	612,130	157.45%	61.98%
2017	0.062208%	606,278	626,915	92.15%	61.98%
2016	0.077805%	529,061	693,144	72.04%	70.46%
2015	0.066835%	424,216	562,999	74.71%	77.15%

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

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.089998%	\$ 75,706	\$ 1,025,945	7.38%	63.38%
2020	0.093265%	74,909	1,040,707	7.20%	63.13%
2019	0.070771%	55,737	774,387	7.20%	61.89%
2018	0.056582%	44,757	612,130	7.31%	59.78%

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

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

See Notes to the Required Supplementary Information

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 BUDGETARY COMPARISON

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund only. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- 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.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

NOTE 2 CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

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 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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2021

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

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

NDPERS

Changes of benefit terms.

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions.

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

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2021

OPEB

Changes of benefit terms.

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

Changes of assumptions.

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

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

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

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

Governing Board
Killdeer Public School District No. 16
Killdeer, 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 Killdeer Public School District No. 16 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Killdeer Public School District No. 16's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Killdeer Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of Killdeer Public School District No. 16's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 material weaknesses and another deficiency that we consider to be 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 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 2021-002 through 2021-006 described in the accompanying schedule of findings and responses 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 deficiency 2021-001 described in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Killdeer Public School District No. 16's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as 2021-005 and 2021-006.

Killdeer Public School District No. 16's Response to Findings

Killdeer Public School District No. 16's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Killdeer Public School District No. 16's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 8, 2023

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-001: Segregation of Duties – Significant Deficiency

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the District review its internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

We are aware of the condition and have implemented controls such as reviews and approvals where feasible. Additionally, upon the arrival of the new Superintendent and Business manager there has been more oversight, collaboration and transparency between the two offices and the school board. The business manager has created efficiencies not experienced prior to her arrival. There is significantly more organization, attention to detail and cross-training that causes orderly and organized workings of the business office and more opportunity for oversight. Additionally, all financial reports are now posted on the school website for public examination.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-002: Preparation of the Financial Statements – Material Weakness

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.

Views of Responsible Officials and Planned Corrective Actions

The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The board is encouraged to ask follow-up questions and gain a deeper understanding of the audit report.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-003: Journal Entries – Material Weakness

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions

Efforts will be made to ensure all activities are properly recorded. The new bank reconciliation process will also ensure proper journal entries are made as the general ledger is balanced each month.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-004: Bank Reconciliations – Material Weakness

Criteria

Bank balances on June 30, 2021 did not reconcile with the general ledger prior to audit adjustments.

Condition

A good system of internal controls requires that bank balances be reconciled with the general ledger on a monthly basis.

Cause

The District's internal controls have not been designed to reconcile bank balances with the general ledger.

Effect

The District's cash balances were materially misstated prior to audit adjustments.

Recommendation

We recommend the District implement a process for review and reconciliation of all bank accounts on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions

The Superintendent and Business Manager will meet monthly to review bank statements and reconciliation reports to ensure accuracy. The Business Manager will provide a balanced reconciliation report to the Superintendent for sign off and the reconciliation report will be included in the monthly school board meeting packet for proper oversight.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-005: Failure to Remit Payroll Taxes – Material Weakness

Criteria

The District did not remit payroll taxes to the IRS on a timely basis during 2021.

Condition

A proper system of internal control over financial reporting includes a process designed to ensure that all obligations of the District are paid timely.

Cause

The District does not have an internal control process in place to ensure that payroll tax deposits are made timely.

Effect

The control deficiency resulted in the District being assessed IRS penalties and interest.

Recommendation

The District should review its current cash disbursement processes to ensure payroll tax deposits are made timely.

Views of Responsible Officials and Planned Corrective Actions

Since the new Business Manager started with the district, cross-training amongst Business Office personnel has occurred. The Payroll Specialist processes payroll, including payroll tax payments. With each payroll, the Business Manager receives EFTPS email confirmations that payroll tax payments have been made. Also, the Business Manager files quarterly Form 941s with the IRS and double checks to ensure all required payments were made for the quarter. The proper monthly bank reconciliation process will also ensure all ACH payments were made.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-006: Public Improvements (Bids)

Criteria

Under North Dakota Century Code Chapter 48-01.2, a state or political subdivision must comply with various bid advertising, opening and approval requirements for construction of a public improvement in excess of \$200,000.

Condition

The district was unable to provide adequate bid documentation relating to the construction of its new school.

Cause

The district does not have an internal control process in place to ensure compliance with State bid requirements.

Effect

The control deficiency could result in legal noncompliance.

Recommendation

The district should review its current processes to ensure that bids are properly advertised, opened and approved, and that adequate bid documentation is maintained.

Views of Responsible Officials and Planned Corrective Actions

The district will review the North Dakota School Board Association Policy HCAB-Bidding Requirements and Procedures and Policy HCAA-Purchasing and update as needed. School board members, the Superintendent and the Business Manager will be trained to the updated version of both policies to ensure future compliance to bidding requirements.