

FINANCIAL STATEMENTS
LANGDON AREA SCHOOL DISTRICT NO. 23
LANGDON, NORTH DAKOTA

For the Year Ended
JUNE 30, 2021

Hurt, Mortenson & Rygh
Certified Public Accountants
1203 Park Street East
Park River, ND 58270

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Table of Contents

For the Year Ended June 30, 2021

School Officials	1
Independent Auditor’s Report.....	2
Basic Financial Statements	5
Statement Of Net Position.....	6
Statement Of Activities	7
Balance Sheet -Governmental Funds	8
Reconciliation Of The Balance Sheet Of Governmental Funds To The Statement Of Net Position	9
Statement Of Revenues, Expenditures, And Changes In Fund Balances - Governmental Funds...	10
Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances To The Statement Of Activities - All Governmental Fund Types.....	11
Statement Of Fiduciary Net Position - Fiduciary Funds	12
Notes To The Financial Statements	13
Required Supplementary Information.....	28
Budgetary Comparison Schedule - General Fund.....	29
Schedule Of Employer’s Share Of Net Pension Liability Nd Teachers’ Fund For Retirement.....	30
Schedule Of Employer Contributions Nd Teachers’ Fund For Retirement	31
Notes To The Required Supplementary Information.....	32
Supplementary Information	34
Statement Of Revenues, Expenditures And Changes In Fund Balance - General Fund.....	35
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performance In Accordance With Government Auditing Standards.....	38
Schedule Of Findings And Responses	40

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

SCHOOL OFFICIALS

For the Year Ended June 30, 2021

Chris Olson	School Board President
Dave Hart	School Board Vice President
Tyler Feist	School Board Member
Tiffany Hetletved	School Board Member
Dawn Kruk	School Board Member
Steve Olson	School Board Member
Cindy Stremick	School Board Member
Daren Christianson	Superintendent
Shauna Schneider	Business Manager



INDEPENDENT AUDITOR'S REPORT

To the School Board
Langdon Area School District No. 23
Langdon, 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 Langdon Area School District No. 23, Langdon, 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.

PARK RIVER

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(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-2427

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

CAVALIER

206 Dakota Street West
P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

GRAFTON

735 Hill Avenue, Ste 201
Grafton, ND 58237
(701) 352-2285

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 Langdon Area School District No. 23, Langdon, 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.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Langdon Area School District No. 23, Langdon, North Dakota's basic financial statements. The statement of revenues, expenditures and changes in fund balance – General Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenditures and changes in fund balance – General Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of Langdon Area School District No. 23, Langdon, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Langdon Area School District No. 23, Langdon, North Dakota's internal control over financial reporting and compliance.



Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

September 20, 2021

BASIC FINANCIAL STATEMENTS

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS:	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,236,869
Accounts Receivables	212,230
Intergovernmental Taxes Receivable	19,109
Taxes Receivable	139,174
Total Current Assets	2,607,382
NON-CURRENT ASSETS	
Capital Assets net of Accumulated Depreciation	1,110,706
Total Non-Current Assets	1,110,706
Total Assets	3,718,089
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	1,527,240
Total Deferred Outflows of Resources	1,527,240
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 5,245,329
LIABILITIES:	
CURRENT LIABILITIES	
Accounts Payable	\$ 20,744
Total Current Liabilities	20,744
NON CURRENT LIABILITIES	
Sick Leave Payable	29,186
Net Pension Liability	5,592,018
Total Non-Current Liabilities	5,621,204
Total Liabilities	5,641,948
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	424,302
Total Deferred Inflows of Resources	424,302
TOTAL LIABILITIES AND DEFERRED INFLOWS	6,066,250
NET POSITION:	
Net Investment in Capital Assets	1,110,706
Restricted for:	
Capital Projects	770,223
Food Service	62,386
Special Reserve	169,899
Unrestricted	(2,934,134)
Total Net Position	(820,921)
TOTAL LIABILITIES AND NET POSITION	\$ 5,245,329

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs:	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					
Regular Instruction	\$ 2,476,757	\$ -	\$ 2,313	\$ -	\$ (2,474,444)
Special Education	591,744	-	74,291	-	(517,453)
Career and Technical Education	282,186	-	25,632	-	(256,553)
Federal Programs	486,989	-	603,305	-	116,316
Other Programs & Services	-	-	-	-	-
Student Support Services:					
Improvement of Instruction	92,809	-	-	-	(92,809)
Library	89,762	-	-	-	(89,762)
Computer Assisted Instruction Services	85,344	-	-	-	(85,344)
Guidance Services	77,037	-	-	-	(77,037)
Administration	536,729	-	-	-	(536,729)
Business Office	113,655	-	-	-	(113,655)
Operation and Maintenance	577,459	-	-	-	(577,459)
Transportation	252,163	-	104,394	-	(147,769)
Food Service	331,716	19,459	309,892	-	(2,365)
Extra Curricular	292,129	-	-	-	(292,129)
Total Primary Government	\$ 6,286,476	\$ 19,459	\$ 1,119,827	\$ -	\$ (5,147,190)
General Revenues:					
Property Taxes Levies for:					
General Purposes				\$	3,124,294
Building Fund					113,038
Special Reserve					112,753
Federal & State Aid not restricted to special purposes					2,118,433
Other Revenues					72,916
Total General Revenues					5,541,433
Change in Net Position					394,243
Net Position - July 1					(1,203,889)
Restatement					(11,275)
Net Position - July 1, as Restated					(1,215,164)
Net Position - June 30					\$ (820,921)

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Balance Sheet -Governmental Funds

June 30, 2021

	General	Building Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,254,633	\$ 764,822	\$ 52,857	\$ 164,558	\$ 2,236,869
Accounts Receivable	181,958	-	30,273	-	212,230
Intergovernmental Taxes Receivable	17,815	652	-	643	19,109
Taxes Receivable	129,727	4,749	-	4,698	139,174
Total Assets	\$ 1,584,132	\$ 770,223	\$ 83,130	\$ 169,899	\$ 2,607,382
 LIABILITIES AND FUND BALANCE:					
LIABILITIES					
Student Deposits	\$ -	\$ -	\$ 20,744	\$ -	\$ 20,744
Total Liabilities	-	-	20,744	-	20,744
 DEFERRED INFLOWS OF RESOURCES:					
Uncollected Taxes Receivable	129,727	4,749	-	4,698	139,174
Total Liabilities & Deferred Inflows of Resources	129,727	4,749	20,744	4,698	159,918
 Fund Balances:					
Restricted for:					
Capital projects	-	765,474	-	-	765,474
Food Service	-	-	62,386	-	62,386
Special Reserve	-	-	-	165,200	165,200
Unassigned	1,454,405	-	-	-	1,454,405
Total Fund Balance	1,454,405	765,474	62,386	165,200	2,447,465
Total Liabilities & Fund Balance	\$ 1,584,132	\$ 770,223	\$ 83,130	\$ 169,899	\$ 2,607,382

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

LANGDON AREA SCHOOL DISTRICT NO. 23
 Langdon, North Dakota
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2021

Total <i>Fund Balance</i> for Governmental Funds		\$ 2,447,465
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:		
Sick Leave Payable		(29,186)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of Capital Assets	\$ 5,590,735	
Less: Accumulated Depreciation	<u>(4,480,029)</u>	
Net Capital Assets		1,110,706
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds		
		139,174
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. All liabilities, both current and long term, are reported in the statement of net position.		
Net Pension Liability		(5,592,018)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows related to pensions		1,527,240
Deferred inflows related to pensions		(424,302)
Total <i>Net Position</i> of Governmental Activities		<u><u>\$ (820,921)</u></u>

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

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

For the Year Ended June 30, 2021

	General	Building Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources	\$ 3,213,488	\$ 117,259	\$ 19,459	\$ 112,373	\$ 3,462,579
State Sources	2,325,063	-	862	-	2,325,925
Federal Sources	603,305	-	309,030	-	912,335
Total Revenues	6,141,856	117,259	329,351	112,373	6,700,839
Expenditures:					
Regular Education Programs	2,319,918	-	-	-	2,319,918
Special Education	573,866	-	-	-	573,866
Career and Technical Education	260,648	-	-	-	260,648
Federal Programs	461,951	-	-	-	461,951
Student Support Services					
Improvement of Instruction	84,760	-	-	-	84,760
Library	82,944	-	-	-	82,944
Computer Assisted Instruction Services	78,526	-	-	-	78,526
Guidance Services	71,768	-	-	-	71,768
Administration	500,463	-	-	-	500,463
Business Office	113,655	-	-	-	113,655
Operation and Maintenance	413,623	38,550	-	-	452,173
Transportation	249,107	-	-	-	249,107
Extra Curricular	275,580	-	-	-	275,580
Food Service	-	-	326,803	-	326,803
Capital Outlay:	157,362	3,526	4,912	-	165,800
Total Expenditures	5,644,169	42,075	331,716	-	6,017,960
Excess Revenues over (under) Expenditures	497,687	75,184	(2,365)	112,373	682,879
Fund balance - July 1	956,718	690,290	76,026	52,828	1,775,862
Restatements	-	-	(11,275)	-	(11,275)
Fund balance - June 30	\$ 1,454,405	\$ 765,474	\$ 62,386	\$ 165,200	\$ 2,447,465

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

LANGDON AREA SCHOOL DISTRICT NO. 23
 Langdon, North Dakota
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Statement of Activities - All Governmental Fund Types**
 For the Year Ended June 30, 2021

Net Change in *Fund Balance* - Total Governmental Funds \$ 682,879

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

Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	160,888	
Current Year Depreciation Expense	(128,342)	32,546

Governmental funds expense sick pay as incurred. However, in the statement of activities, sick pay is expensed when the liability is deemed measurable. This is the amount the accrued sick leave liability (increased) decreased during the year. 12,047

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This is the increase (decrease) in taxes receivable from the prior year. (19,852)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	331,429	
Cost of benefits earned net of employee contributions	(644,806)	(313,377)

Change in *Net Position* of Governmental Activities \$ 394,243

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

LANGDON AREA SCHOOL DISTRICT NO. 23
 Langdon, North Dakota
Statement of Fiduciary Net Position - Fiduciary Funds
 June 30, 2021

	<u>Custodial Funds</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and Investments	<u>\$ 250,678</u>	<u>\$ 301,033</u>
Liabilities		
Due to Student Groups	\$ 194,114	\$ -
Due to Individuals and Organizations	<u>56,564</u>	<u>301,033</u>
Total Liabilities	<u>\$ 250,678</u>	<u>\$ 301,033</u>

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota
Notes To The Financial Statements
For the Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Langdon Area School District No. 23 have been prepared in conformity with generally accepted accounting principles (*GAAP*) as applied to government units in the United States of America. The *Governmental Accounting Standards Board (GASB)* is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The District's Board of Education is the level of government, which has financial accountability, responsibility and control over all activities related to the public school education in the District's boundaries. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the related Governmental Account Standards Board Statement 14, since the Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operation and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

The District's financial statements include all of the District's operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Langdon Area School District No. 23.

B. 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 (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

Governmental Fund Financial Statements: Separate financial statements are provided for governmental funds including fiduciary funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity,

revenues and expenditures, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Major individual governmental funds are reported as separate columns in the fund financial statements.

The school district reports the following governmental funds:

General Fund (a major governmental fund) – The general fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Special Reserve Fund – The district may levy a tax sufficient to establish, maintain or replenish the special revenue fund for the use and benefit of the school district.

Building Fund (a major governmental fund) – This fund has its own mill levy dedicated to major construction projects. Levy funds can also be used for property insurance premiums covering school district property.

Food Service Fund (a major governmental fund) – This fund is used to record financial transactions related to food service operations. The fund is financed by user charges and grants.

Agency Funds - Agency funds are used to account for assets held by the school district in a trustee capacity or as an agent for student body groups.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is federal and state grants collected on a reimbursement basis, which are recognized as revenue when reimbursable expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented following the fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. State law requires district funds to be deposited in a financial institution situated and doing business within this state.

E. Capital Assets

Capital assets, which include land, buildings and improvements and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects and constructed. Buildings & improvements and furniture & equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Buses	10
Furniture & equipment	10
Vehicles	5
Computer & electronic equipment	5

F. Compensated Absences

Unused personal leave and accumulated sick time for qualified employees is reported in the government – wide statement of Net Position. Each teacher is granted two days of personal leave each year and may accumulate up to 5 days of personal leave. Teachers are granted ten days of sick leave each year and may accumulate up to 65 days of sick leave, which will be paid to employees upon retirement from the school district at a rate of \$50 per day.

G. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize long-term debt as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be

financed from expendable available financial resources is reported as a fund liability of a governmental fund.

H. Deferred Outflows/Inflows of Resources

Deferred Outflows of resources on the Statement of Net Position represent consumption of resources applicable to future periods and so will not be recognized as an expense until then. The District's deferred outflows of resources reported on the statement of net position are related to defined benefit pension plans (TFFR). The amount represents actuarial differences within the pension plans as well as contributions to the plans made after the measurement date.

Deferred Inflows of resources on the Statement of Net Position represent acquisition of resources applicable to future periods and so will not be recognized as revenue until that time. The District's deferred inflow of resources on the Statement of Net Position are related to defined benefit pension plans (TFFR). The amount represents actuarial differences within the pension plans.

Deferred inflows of resources on the governmental funds balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

I. Net Position/Fund Balance

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statement

Equity is classified in the governmental funds financial statements as fund balance and displayed in five components:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or

laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the school district. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the school district intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the school district’s administration comprised of the school district’s governing board.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

J. Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned resources are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The District’s governing board approved the following budget amendments during the fiscal year:

June 30, 2021

<u>Budget Amendments:</u>	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Revenues</u>		
Major Funds:			
General Fund	\$ 6,109,145	\$ (97,572)	\$ 6,011,573
	<u>Expenditures</u>		
Major Funds:			
General Fund	\$ 5,836,366	\$ 333,050	\$ 6,169,416

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota Statutes, the School District maintains deposits in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the School District to invest in:

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

The School District's deposits at June 30, 2021, were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the city's name. For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage.

B. Investments

Concentration of Credit Risk - The risk that the counterparty of an investment will not fulfill its obligations. The School District's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

At year ended June 30, 2021, the School District's carrying amount of deposits and CDs totaled \$2,788,580 and the bank balances totaled \$2,957,519. Of the bank balances, \$1,069,625 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,887,894 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2021:

Accounts Receivable	June 30, 2021
ND Department of Public Instruction	
<i>Title I</i>	122,166
<i>Carl Perkins Grant</i>	14,524
<i>Summer Food Service</i>	30,273
<i>Esser</i>	173
ND Department of Career & Technical Education	25,632
Edmore Public School District	
<i>Co-op</i>	19,463
Total Accounts Receivable	\$ 212,230

NOTE 5 CAPITAL ASSETS

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

	July 1, 2020	Increases	Decreases	June 30, 2021
Capital Assets, being depreciated:				
Buildings	\$ 3,937,359	\$ 160,888	\$ -	\$ 4,098,247
Equipment	1,361,726	-	-	1,361,726
Buses & Vehicles	130,762	-	-	130,762
Total Capital Assets Being Depreciated	\$ 5,429,847	\$ 160,888	\$ -	\$ 5,590,735
Accumulated depreciation:				
Buildings	(3,215,757)	(37,359)	-	(3,253,115)
Equipment	(1,010,871)	(87,927)	-	(1,098,798)
Buses & Vehicles	(125,059)	(3,056)	-	(128,115)
Total Accumulated Depreciation	\$ (4,351,687)	\$ (128,342)	\$ -	\$ (4,480,029)
Total Capital Assets Being Depreciated, Net	\$ 1,078,160	\$ 32,546	\$ -	\$ 1,110,706
Governmental Activities Capital Assets, Net	\$ 1,078,160	\$ 32,546	\$ -	\$ 1,110,706

Depreciation expense was charged to the following functions:

Transportation	\$ 3,056
Operations and Maintenance	125,286
Total Depreciation Expense	\$ 128,342

NOTE 6 DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

The district recognizes uncollected taxes receivable, which are not expected to be collected within 60 days after year end, as deferred inflows of resources.

Below is a summary of the District’s property tax receivables and deferred inflows of resources:

	<u>Receivable</u>	<u>Deferred</u>
General Fund	\$ 129,727	\$ 129,727
Special Reserve Fund	4,698	4,698
Capital Project Fund	4,749	4,749
	<u>\$ 139,174</u>	<u>\$ 139,174</u>

NOTE 7 LONG TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Long-Term Obligations				
Compensated Absences Payable	\$ 41,234	\$ -	\$ (12,047)	\$ 29,186
Net Pension Liability TFFR	5,008,197	583,821	-	5,592,018
Total Long-Term Obligations	<u>\$ 5,049,431</u>	<u>\$ 583,821</u>	<u>\$ (12,047)</u>	<u>\$ 5,621,204</u>

NOTE 8 PROPERTY TAXES

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

NOTE 9 PENSION PLANS

Summary of Significant Accounting Policies

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

General Information about the Pension Plans

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.

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

Pension Benefits

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

Tier 1 Grandfathered

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

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single

life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the Employer reported a liability of \$5,592,018 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 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 June 30, 2020, the Employer's proportion was 0.365371 percent, which was an increase of 0.001734 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$644,496. 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 experiences	\$ 1,153	\$ 209,857
Net difference between projected and actual earnings on pension plan investments	345,203	-
Changes of assumptions	251,690	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	597,765	214,445
*Employer contributions subsequent to the measurement date of July 1, 2019	331,429	-
Total	<u>\$ 1,527,240</u>	<u>\$ 424,302</u>

*\$331,429 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:		
2022	\$	157,269
2023		149,810
2024		279,338
2025		123,582
2026		41,928
Thereafter		19,583
Total	\$	<u>771,509</u>

Actuarial Assumptions

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

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.75%, 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.86%
Global Fixed Income	23%	1.25%
Global Real Assets	18%	5.02%
Cash Equivalents	1%	0.00%

Discount Rate

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	7,448,268	5,592,018	4,049,380

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.

Payables to the Pension Plan

As of June 30, 2021, the district had no accrued payable to the pension plan.

NOTE 10 RISK MANAGEMENT

The Langdon Area School District No. 23 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 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 district pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence.

The Langdon Area School District No. 23 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The school district also participates in North Dakota Workforce Safety and Insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 12 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program and its market value is recognized as revenue from federal sources. The market value of commodities received for the year ended June 30, 2021 was \$21,757.

NOTE 13 COMMITMENTS

The District has contracted with a private entity to provide transportation for its students. The contractor is responsible for maintenance, insurance, and wages relating to bus operations. The length is for seven years and continues through June 30, 2021. The contract price is based on an agreed upon cost per mile, which can increase or decrease with diesel prices.

NOTE 14 RESTATEMENT

The District made a prior period adjustment to student deposits payable in the Food Service Fund. The adjustment resulted in the following restatement to the fund balance.

Fund Balance at June 30, 2020, as previously reported	\$ 76,026
Prior Period Adjustment to Cash and Cash Equivalents at July 1, 2020	<u>(11,275)</u>
Fund Balance July 1, 2020, as restated	<u>\$ 64,751</u>

NOTE 15 SUBSEQUENT EVENTS

As of September 20, 2021, the date the financial statements were available to be issued, the District was not aware of any subsequent events that need to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2021

General Fund

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Local Sources	\$ 3,337,284	\$ 3,171,298	\$ 3,213,488	\$ 42,191
State Sources	2,433,255	2,433,255	2,325,063	(108,193)
Federal Sources	338,606	407,020	603,305	196,285
Total Revenues	6,109,145	6,011,573	6,141,856	130,283
Expenditures:				
Regular Instruction Programs	2,574,945	2,574,945	2,319,918	255,027
Special Education	691,575	634,912	573,866	61,047
Vocational Instruction	287,740	287,740	260,648	27,092
Federal Programs	302,216	691,930	461,951	229,978
Student Support Services				
Improvement of Instruction		-	84,760	(84,760)
Library	88,537	88,537	82,944	5,594
Computer Assisted Instruction Svc	-	-	78,526	(78,526)
Guidance Services	74,613	74,613	71,768	2,845
Administration	506,272	506,272	500,463	5,810
Business Office	113,971	113,971	113,655	317
Operation and Maintenance	510,129	510,129	570,986	(60,857)
Transportation	330,000	330,000	249,107	80,893
Food Service	2,000	2,000	-	2,000
Extra Curricular	354,367	354,367	275,580	78,787
Total Expenditures	5,836,366	6,169,416	5,644,169	525,247
Excess Revenues over (under) Expenditures	272,779	(157,843)	497,687	655,530
Fund balance - July 1	956,718	956,718	956,718	
Fund balance - June 30	<u>\$ 1,229,497</u>	<u>\$ 798,875</u>	<u>\$ 1,454,405</u>	

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

LANGDON AREA SCHOOL DISTRICT NO. 23
 Langdon, North Dakota
Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
 Last 10 Fiscal Years*

Year Ended June 30	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.336932%	3,530,450	1,954,383	180.6%	66.60%
2016	0.332295%	4,345,937	2,043,965	212.6%	62.10%
2017	0.270292%	3,959,931	1,756,152	225.5%	59.20%
2018	0.338023%	4,642,839	2,281,561	203.5%	63.20%
2019	0.344954%	5,592,018	2,345,033	238.5%	65.50%
2020	0.363637%	5,008,197	2,551,015	196.3%	65.50%
2021	0.365371%	5,592,018	2,665,970	209.8%	64.40%

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Schedule of Employer Contributions

ND Teachers' Fund for Retirement

Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	210,094	210,094	0	1,954,383	10.75%
2015	260,593	260,593	0	1,954,383	13.33%
2016	223,909	223,909	0	2,043,965	10.95%
2017	290,899	290,899	0	1,756,152	16.56%
2018	299,301	299,301	0	2,281,561	13.12%
2019	298,992	298,992	0	2,345,033	12.75%
2020	325,254	325,254	0	2,551,015	12.75%
2021	339,914	339,914	0	2,665,970	12.75%

*Complete data for this schedule is not available prior to 2015.

Amounts presented in each fiscal year have a measurement date of the previous fiscal year end.

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Notes to the Required Supplementary Information

For the Year Ended June 30, 2021

NOTE 1 BUDGETS

The District's board follows the procedures established by North Dakota law for the budgetary process. The business manager prepares an annual school district budget and property tax levy. The budget is prepared by funds, function and activity, and includes information on the past year, current year and requested appropriations for the next year.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

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

- Administration prepares the District's budget using a modified accrual basis of accounting. The board reviews the budget and makes any necessary revisions. On or before July 31, the board adopts the final budget. The final budget and property tax levy request is sent to the county auditor by August 15.
- The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
- At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

The District's expenses did not exceed budgeted amounts for any fund during the year ended June 30, 2021.

NOTE 2 PENSION PLANS

A. North Dakota Teachers' Fund for Retirement

Changes of Benefit Terms

There were not changes to benefits for the year ended June 30, 2020, the most recent measurement date.

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.

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.

SUPPLEMENTARY INFORMATION

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

For the Year Ended June 30, 2021

REVENUE:

LOCAL SOURCES

General Property Taxes	2,622,928
Misc Fund Tax Revenue	453,304
Prior Years Tax Levy	67,777
Interest Income	3,495
Grants	8,000
Miscellaneous Local Revenues	57,985
Total Local Sources	<u>3,213,488</u>

STATE SOURCES

Per Pupil Aid	2,121,128
Transportation Aid	104,394
State Child Placement	2,313
Special Education	74,291
Vocational Aid	25,632
Other Restricted	(2,695)
Total State Sources	<u>2,325,063</u>

FEDERAL SOURCES

Title I	180,544
REAP Program	1,961
ND SRCL	79,420
Carl Perkins Grant	14,524
ESP Monies (21st Century Grant)	37,223
Other Federal Grants	289,634
Total Federal Sources	<u>603,305</u>

TOTAL REVENUE

6,141,856

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)

For the Year ended June 30, 2021

EXPENDITURES:

REGULAR INSTRUCTION

Kindergarten Instruction	65,785
Elementary Instruction	1,188,066
Middle School Instruction	224,956
Senior High Instruction	841,112
Total Regular Instruction	<u>2,319,918</u>

SPECIAL EDUCATION PROGRAMS

Special Programs Tuition	33,300
LRSE Services	38,675
Learning Disabled	462,217
Preschool	39,674
Total Special Education Programs	<u>573,866</u>

CAREER AND TECHNICAL EDUCATION PROGRAMS

Drivers Education	176
Home Economics	96,802
Industrial Arts	101,282
Office Occupations	62,388
Total Vocational Education	<u>260,648</u>

FEDERAL PROGRAMS

Title I Programs	122,868
Title IIA	80
SRCL	104,183
Other Federal Programs	392,183
Total Federal Programs	<u>619,314</u>

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

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)

For the Year ended June 30, 2021

EXPENDITURES CONT'D:

STUDENT SUPPORT SERVICES

Improvement of Instruction	84,760
Elementary Library Services	33,827
MS & HS Library Services	49,117
Computer Assisted Instruction Services	78,526
Guidance Services	71,768
General Administration - School Board	97,551
General Administration - Superintendent	170,136
School Administration - Principal	232,776
Support Services - Business	113,655
Operation & Maintenance of Plant	413,623
Student Transportation	249,107
Total Student Support Services	<u>1,594,845</u>

EXTRA CURRICULAR

Student Activities	<u>275,580</u>
Total Extra Curricular	<u>275,580</u>

TOTAL EXPENSES

5,644,169

Net Change in Fund Balance

497,687

Fund balance - July 1

956,718

Fund balance - June 30

1,454,405

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



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

To the School Board
Langdon Area School District No. 23
Langdon, 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, Langdon, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Langdon Area School District No. 23's basic financial statements and have issued our report thereon dated September 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Langdon Area School District No. 23's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of school district's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 deficiency 2021-1, as described in the accompanying schedule of findings and responses, to be a material weakness..

PARK RIVER

1203 Park Street East
P.O. BOX 287
Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-2427

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

CAVALIER

206 Dakota Street West
P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

GRAFTON

735 Hill Avenue, Ste 201
Grafton, ND 58237
(701) 352-2285

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 2021-2, as 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 Langdon Area School District No. 23's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Langdon Area School District No. 23's Response to Findings

Langdon Area School District No. 23's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Langdon Area School District No. 23's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Hurtt, Mortenson & Rygh".

Hurtt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
September 20, 2021

LANGDON AREA SCHOOL DISTRICT NO. 23

Langdon, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2021

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2021-1 Segregation of Duties

Condition:

The Langdon Area School District No. 23 has a lack of segregation of duties due to the limited number of office personnel. The school district has one business manager responsible for most accounting functions and general ledger maintenance.

Effect:

Without adequate fraud risk programs and controls the school district exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

There is lack of segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school district's financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the district.

Recommendation:

We recommend sufficient staff be added to properly segregate duties. If the school district is unable to add additional staff, we recommend that the district implement any controls possible to separate the function of approval, posting of transactions, reconciliation, and custody of assets among existing staff. In addition, the school board's oversight role becomes more important. The school board should diligently review financial reports and request additional information for any items that may appear unusual before disbursements and financial reports are approved.

Client Response:

The School Board President agrees with the recommendation. The School Board President does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the School Board.

2021-2 Financial Statement Preparation

Condition:

The District's auditors assists the District's management in preparing financial statements and disclosures that are presented in accordance with the modified accrual basis of accounting. The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect:

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Cause:

The District's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria:

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Recommendation:

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

The School Board is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. The District will continue to request that Mortenson & Rygh assist with preparation of financial statements.