

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**FINANCIAL STATEMENTS
JUNE 30, 2021**

WITH INDEPENDENT AUDITOR'S REPORT

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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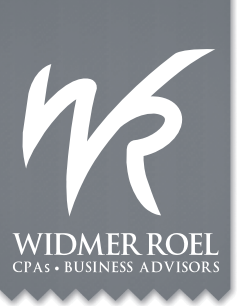
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LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

2020-2021

Shane Erickson	Board President
Travis Engelhard	Vice President
Brenda Brown	Board Member
Denver Deaver	Board Member
Troy Pank	Board Member
Kyle Schepp	Board Member
Dan Schilla	Board Member
Marc Ritteman	Superintendent
Tammy Lindahl	Business Manager
Shauna Schenfisch	Business Manager
Liz Huus	Business Manager



4220 31st Avenue S.
Fargo, ND 58104-8725

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

INDEPENDENT AUDITOR’S REPORT

School Board and Administration
Lewis & Clark Public School District No. 161
Berthold, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Lewis & Clark Public School District No. 161** (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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 the **Lewis & Clark Public School District No. 161**, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter-Change in Accounting Principle

As discussed in Note 1 to the financial statements, **Lewis & Clark Public School District No. 161** adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2022, on our consideration of the **Lewis & Clark Public School District No. 161’s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Lewis & Clark Public School District No. 161’s** internal control over financial reporting and compliance.



Fargo, North Dakota
February 13, 2022

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,970,552
Investments	159,014
Intergovernmental receivable	142,860
Taxes receivable	285,120
Capital assets, net of accumulated depreciation	
Land	40,000
Buildings and improvements	19,656,424
Vehicles	845,829
Equipment	<u>110,770</u>
Total assets	<u>25,210,569</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB related deferred outflows of resources	<u>2,260,115</u>
Total assets and deferred outflows of resources	<u>\$ 27,470,684</u>
LIABILITIES	
Current portion of long-term debt	\$ 1,070,079
Long-term liabilities	
Long-term debt, net of current portion	14,328,771
Net pension and OPEB liability	<u>7,189,815</u>
Total liabilities	<u>22,588,665</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB related deferred inflows of resources	<u>1,158,399</u>
NET POSITION	
Net investment in capital assets	5,254,173
Restricted for	
Building	816,805
Debt service	859,195
Food service	29,867
Student activities	217,694
Scholarship fund	170,914
Unrestricted	<u>(3,625,028)</u>
Total net position	<u>3,723,620</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 27,470,684</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 3,530,509	\$ -	\$ 3,492,993	\$ (37,516)
Federal programs	407,418	-	702,696	295,278
Special education	462,350	-	-	(462,350)
Vocational education	96,761	-	16,034	(80,727)
Administration services	993,979	-	-	(993,979)
District-wide services	77,189	42,295	-	(34,894)
Operations and maintenance	957,041	-	-	(957,041)
Student activities	405,746	241,124	-	(164,622)
Student transportation	490,673	-	-	(490,673)
Food service	405,383	8,658	-	(396,725)
Debt service - interest	489,276	-	-	(489,276)
Scholarships	4,525	-	-	(4,525)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	\$ <u>8,320,850</u>	\$ <u>292,077</u>	\$ <u>4,211,723</u>	<u>(3,817,050)</u>

GENERAL REVENUES

Property taxes	3,976,294
Oil and gas tax	120,713
Investment income, gains and losses	36,731
Miscellaneous revenues	<u>126,171</u>
Total general revenues	<u>4,259,909</u>
Change in net position	<u>442,859</u>
Net position July 1, as previously reported	2,931,744
Change in accounting principle - Note 1	196,613
Correction of error - Note 13	<u>152,404</u>
Net position July 1, as restated	<u>3,280,761</u>
Net position, June 30	\$ <u>3,723,620</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,135,543	\$ 793,705	\$ 781,843	\$ 259,461	\$ 3,970,552
Investments	-	-	-	159,014	159,014
Intergovernmental receivables	142,860	-	-	-	142,860
Taxes receivable	<u>184,668</u>	<u>23,100</u>	<u>77,352</u>	<u>-</u>	<u>285,120</u>
Total assets	\$ <u>2,463,071</u>	\$ <u>816,805</u>	\$ <u>859,195</u>	\$ <u>418,475</u>	\$ <u>4,557,546</u>
DEFERRED INFLOWS OF RESOURCES					
Uncollected taxes	\$ <u>184,668</u>	\$ <u>23,100</u>	\$ <u>77,352</u>	\$ <u>-</u>	\$ <u>285,120</u>
FUND BALANCES					
Restricted for					
Building	\$ -	\$ 793,705	\$ -	\$ -	\$ 793,705
Debt service	-	-	781,843	-	781,843
Food service	-	-	-	29,867	29,867
Student activities	-	-	-	217,694	217,694
Scholarship fund	-	-	-	170,914	170,914
Unrestricted	<u>2,278,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,278,403</u>
Total fund balances	<u>2,278,403</u>	<u>793,705</u>	<u>781,843</u>	<u>418,475</u>	<u>4,272,426</u>
Total deferred inflows and fund balances	\$ <u>2,463,071</u>	\$ <u>816,805</u>	\$ <u>859,195</u>	\$ <u>418,475</u>	\$ <u>4,557,546</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances for governmental funds		\$ 4,272,426
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of capital assets	26,027,966	
Less accumulated depreciation	<u>(5,374,943)</u>	
		20,653,023
<p>Property taxes 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 inflows of resources in the funds.</p>		
		285,120
<p>Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.</p>		
		(7,189,815)
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Long-term debt		(15,398,850)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Total deferred outflows of resources	2,260,115	
Total deferred inflows of resources	<u>(1,158,399)</u>	
		<u>1,101,716</u>
Total net position of governmental activities		\$ <u>3,723,620</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
REVENUES					
Local sources	\$ 2,744,392	\$ 317,093	\$ 1,129,326	\$ -	\$ 4,190,811
State sources	3,508,570	-	-	457	3,509,027
Federal sources	410,041	-	-	292,655	702,696
Other sources	146,060	-	-	273,380	419,440
	<u>6,809,063</u>	<u>317,093</u>	<u>1,129,326</u>	<u>566,492</u>	<u>8,821,974</u>
EXPENDITURES					
Current					
Regular instruction	3,087,204	-	-	-	3,087,204
Federal programs	407,418	-	-	-	407,418
Special education	462,350	-	-	-	462,350
Vocational education	96,761	-	-	-	96,761
Administration services	889,294	-	-	-	889,294
District-wide services	77,189	-	-	-	77,189
Operations and maintenance	687,298	69,100	-	-	756,398
Student activities	185,702	-	-	220,044	405,746
Student transportation	725,034	-	-	-	725,034
Food service	128,483	-	-	172,213	300,696
Scholarships	-	-	-	4,525	4,525
Debt service - principal	155,000	175,000	4,141,810	-	4,471,810
Debt service - interest and fees	25,318	87,644	319,531	-	432,493
	<u>6,927,051</u>	<u>331,744</u>	<u>4,461,341</u>	<u>396,782</u>	<u>12,116,918</u>
Excess (deficiency) of revenues over expenditures	<u>(117,988)</u>	<u>(14,651)</u>	<u>(3,332,015)</u>	<u>169,710</u>	<u>(3,294,944)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	3,495,000	-	3,495,000
Transfers in	125,000	-	-	-	125,000
Transfers out	-	-	-	(125,000)	(125,000)
	<u>125,000</u>	<u>-</u>	<u>3,495,000</u>	<u>(125,000)</u>	<u>3,495,000</u>
Net change in fund balances	<u>7,012</u>	<u>(14,651)</u>	<u>162,985</u>	<u>44,710</u>	<u>200,056</u>
FUND BALANCE JULY 1, AS PREVIOUSLY REPORTED	2,271,391	808,356	618,858	24,748	3,723,353
CHANGE IN ACCOUNTING PRINCIPLE, NOTE 1	-	-	-	196,613	196,613
CORRECTION OF ERROR NOTE 13	-	-	-	152,404	152,404
FUND BALANCE, JULY 1, AS RESTATED	<u>2,271,391</u>	<u>808,356</u>	<u>618,858</u>	<u>373,765</u>	<u>4,072,370</u>
FUND BALANCES, JUNE 30	\$ <u>2,278,403</u>	\$ <u>793,705</u>	\$ <u>781,843</u>	\$ <u>418,475</u>	\$ <u>4,272,426</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

Net change in fund balances - total governmental funds	\$	200,056
<p>Amount reported for governmental activities in the statement of activities are different because:</p>		
<p>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. In the current period these amounts are:</p>		
Current year capital outlay	373,676	
Loss on disposal of capital assets	(28,710)	
Depreciation expense	<u>(619,899)</u>	(274,933)
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Issuance of long-term debt	(3,495,000)	
Repayment of long-term debt	<u>4,449,694</u>	954,694
<p>Some revenue will not be collected for several months after the District's fiscal year end. These revenues are not considered available resources in the governmental funds.</p>		
Change in taxes receivable		(29,557)
<p>The net pension liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension items do not involve financial resources, and are not reported in the funds.</p>		
Increase in net pension and OPEB liability	(1,444,638)	
Increase in deferred outflows of resources	1,050,043	
Increase in deferred inflows of resources	<u>(12,806)</u>	<u>(407,401)</u>
Change in net position of governmental activities	\$	<u><u>442,859</u></u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the Lewis & Clark Public School District No. 161 (“School District”), Berthold, North Dakota, have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Lewis & Clark Public School District No. 161. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause the School District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or imposed financial burdens on the School District.

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

Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the School District’s funds. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregate and reported as non-major funds.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

Measurement Focus and Basis of Accounting

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

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

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

The School District reports the following major governmental funds:

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

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

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation school building bonds and revenue bonds.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit, mutual funds and exchange traded funds. The certificate of deposit is carried at cost, which approximates fair value. The other investments are carried at fair value.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

Capital Assets

Capital assets include property, plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at 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 the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Vehicles and Equipment	10 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension and OPEB plans after the measurement date and prior to the fiscal year-end, and changes in the net pension and OPEB liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has multiple types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The School District also reports deferred inflows of resources related to pension and OPEB liability not included in pension expense reported in the government-wide statement of net position.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

Restricted and Unrestricted Resources

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

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

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

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

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

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

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

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

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

Program Revenues

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

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

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (“NDPERS”) and the North Dakota Teachers’ Fund for Retirement (“TFFR”) and additions to/deductions from NDPERS’s and TFFR’s fiduciary net positions have been determined on the same basis as they are reported by NDPERS and 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 recorded at fair value.

Other Post-Employment Benefits (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resource 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 they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncement

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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

At year ended June 30, 2021, the School District’s carrying amount of deposits was \$3,970,552 and the bank balances were \$4,472,271. Of the bank balance, \$478,404 was covered by Federal Depository Insurance. The remaining balance of \$3,993,867 was collateralized with securities held by the pledging financial institution’s agent in the government’s name.

Interest Rate Risk

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

The School District invests in mutual funds and exchange traded funds (“ETFs”) which include fixed income securities as part of their portfolios. The mutual funds and ETFs are not rated. The average maturities of the fixed income holdings of the investments are as follows:

	<u>Market Value</u>	<u>Maturity</u>				<u>Not Reported</u>
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>> 10 Years</u>	
Mutual funds	\$ 39,879	\$ -	\$ 6,543	\$ 23,467	\$ 3,048	\$ 6,821
Exchange-traded funds	11,405	-	-	-	-	11,405
	<u>\$ 51,284</u>	<u>\$ -</u>	<u>\$ 6,543</u>	<u>\$ 23,467</u>	<u>\$ 3,048</u>	<u>\$ 18,226</u>

Credit Risk

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

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

Concentration of Credit Risk

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

NOTE 3 – TAXES RECEIVABLE

Taxes receivable consist of current taxes and delinquent uncollected taxes for the past three years as of June 30. No allowance has been established for uncollectible taxes receivable.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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

Property taxes are limited by state laws. All school tax levies are in compliance with state laws.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs. These amounts consist of a mix of state and federal dollars.

NOTE 5 – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy in accordance with *Fair Value Measurements* are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds/exchange-traded funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the District are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV of shares held by the District at year-end. The mutual funds held by the District are deemed to be actively traded.

The following tables set forth by level, within the fair value hierarchy, the District’s assets at fair value as of June 30:

	<u>Fair Value</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>
Mutual funds	\$ 97,535	\$	97,535	\$	-	\$	-
Exchange-traded funds	43,478		43,478		-		-
Total assets in the fair value hierarchy	<u>\$ 141,013</u>	<u>\$</u>	<u>141,013</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ -	\$ 40,000	\$ -	\$ 40,000
Total capital assets, not being depreciated	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Capital assets, being depreciated				
Buildings and improvements	23,411,395	-	-	23,411,395
Vehicles	1,844,777	333,676	191,400	1,987,053
Equipment	<u>589,518</u>	<u>-</u>	<u>-</u>	<u>589,518</u>
Total capital assets, being depreciated	<u>25,845,690</u>	<u>333,676</u>	<u>191,400</u>	<u>25,987,966</u>
Less accumulated depreciation for				
Buildings and improvements	3,311,572	443,399	-	3,754,971
Vehicles	1,169,933	133,981	162,690	1,141,224
Equipment	<u>436,229</u>	<u>42,519</u>	<u>-</u>	<u>478,748</u>
Total accumulated depreciation	<u>4,917,734</u>	<u>619,899</u>	<u>162,690</u>	<u>5,374,943</u>
Governmental activities capital assets, net	\$ <u>20,927,956</u>	\$ <u>(246,223)</u>	\$ <u>28,710</u>	\$ <u>20,653,023</u>

Depreciation was charged to functions/programs of the School District as follows:

Regular instruction (School/Student learning)	\$ 397,275
Operations and maintenance	88,643
Student transportation	<u>133,981</u>
	\$ <u>619,899</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

NOTE 7 – LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 15,128,878	\$ 3,495,000	\$ 4,260,028	\$ 14,363,850	\$ 910,079
Lease revenue bonds	1,190,000	-	155,000	1,035,000	160,000
Lease purchase agreements	34,666	-	34,666	-	-
Net pension liability	5,697,567	1,443,157	-	7,140,724	-
Net OPEB liability	<u>47,610</u>	<u>1,481</u>	<u>-</u>	<u>49,091</u>	<u>-</u>
 Total	 <u>\$ 22,098,721</u>	 <u>\$ 4,939,638</u>	 <u>\$ 4,449,694</u>	 <u>\$ 22,588,665</u>	 <u>\$ 1,070,079</u>

Outstanding debt at June 30, 2021 consists of the following issues:

General Obligation Bonds

\$5,000,000 General Obligation School Building Bonds, series 2014 is due in annual principal payments of \$170,000 to \$335,000 from September 3, 2014 to August 31, 2023 and interest at 2%.	\$ <u>450,000</u>
\$10,000,000 General Obligation School Building Bonds, series 2015 is due in annual principal payments of \$588,850 to \$580,520 from May 1, 2015 to June 30, 2034 and interest at 1%.	\$ <u>7,043,850</u>
\$4,000,000 General Obligation School Building Bonds, series 2016 is due in annual principal payments of \$110,000 to \$285,000 from March 1, 2016 to August 31, 2036 and interest at 2% to 3%.	\$ <u>3,375,000</u>
\$3,495,000 General Obligation School Building Refunding Bonds, series 2021 is due in annual principal payments of \$275,000 to \$315,000 from February 24, 2021 to August 31, 2035 and interest at .25% to 1.6%.	\$ <u>3,495,000</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

Debt service requirements on the general obligation bonds, including interest at June 30, 2021 are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2022	\$ 910,079	\$	295,396	\$	1,205,475
2023	930,180		284,436		1,214,616
2024	985,332		171,302		1,156,634
2025	1,000,535		161,416		1,161,951
2026	1,010,790		151,020		1,161,810
2027-2031	5,269,640		572,430		5,842,070
2032-2036	<u>4,257,294</u>		<u>175,138</u>		<u>4,432,432</u>
	\$ <u>14,363,850</u>	\$	\$ <u>1,811,138</u>	\$	\$ <u>16,174,988</u>

Revenue Bonds

\$2,335,000 Lease Revenue Bonds, series 2012 is due in annual principal payments of \$125,000 to \$185,000 from December 12, 2012 to May 31, 2027 and interest at 2% to 2.2%.

\$ 1,035,000

Debt service requirements on the revenue bonds, including interest, at June 30, 2021 are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2022	\$ 160,000	\$	21,430	\$	181,430
2023	165,000		18,230		183,230
2024	170,000		14,930		184,930
2025	175,000		11,530		186,530
2026	180,000		8,030		188,030
2027	<u>185,000</u>		<u>4,070</u>		<u>189,070</u>
	\$ <u>1,035,000</u>	\$	\$ <u>78,220</u>	\$	\$ <u>1,113,220</u>

Debt Refunding

On February 24, 2021, the School District issued \$3,495,000 of General Obligation School Building Refunding Bonds, Taxable Series 2021 to advance refund the \$3,365,000 callable portion of the General Obligation School Building Bonds, Series 2014. The total net proceeds of the bonds of \$3,412,602, after \$78,161 in bond issuance costs and \$4,237 in contingency, were used immediately in a direct refunding of the 2014 bonds.

The School District's total debt service payments will be reduced by \$467,943 over the life of the bonds. The economic gain on the debt refunding was \$413,602.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

NOTE 8 – TRANSFERS

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

Fund	Transfer In	Transfer Out
General fund	\$ 125,000	\$ -
Food service fund	\$ -	\$ 125,000

NOTE 9 – PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teacher’s Fund for Retirement (“TFFR”)

The following brief description of TFFR is provided for general information purposes only. Participants should refer to North Dakota Century Code (“NDCC”) Chapter 15-39.1 for more complete information.

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

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 6.0% 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% 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.

(Continued)

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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 8.0% 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 2.0% 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 8.0% 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 2.0% 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.

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

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 6.0% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2021, the District reported a liability of \$5,243,421 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 District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the District's proportion was 0.34259449 percent, which was a decrease of .016981% from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$431,998. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,081	\$ 196,774
Changes of assumptions	236,000	-
Net difference between projected and actual earnings on pension plan investments	323,684	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,879	634,903
Employer contributions subsequent to the measurement date	<u>340,128</u>	<u>-</u>
	\$ <u><u>936,772</u></u>	\$ <u><u>831,677</u></u>

\$340,128 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 ended June 30, 2022.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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:	
2021	\$ (24,854)
2022	(48,708)
2023	(12,820)
2024	(56,839)
2025	(74,122)
Thereafter	(17,690)

Actuarial Assumptions

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

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation, and productivity
Investment rate of return	7.25%, net of investment expenses, including inflation
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.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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:

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of net pension liability	\$ <u>6,983,954</u>	\$ <u>5,243,421</u>	\$ <u>3,796,948</u>

Pension Plan Fiduciary Net Position

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.

General Information about the NDPERS Pension Plan

North Dakota public Employees Retirement System ("NDPERS")

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. Member 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 2.0% 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 2.0% 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.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

Death and Disability Benefits

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

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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

At June 30, 2021, the Employer reported a liability of \$1,897,303 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 Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Employer's proportion was 0.060308 percent, which was a decrease of 0.003281 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$365,564. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,383	\$ 96,138
Changes of assumptions	1,017,074	168,147
Net difference between projected and actual earnings on pension plan investments	61,235	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	156,214	60,485
District contributions subsequent to the measurement date	<u>52,910</u>	<u>-</u>
	\$ <u>1,294,816</u>	\$ <u>324,770</u>

\$52,910 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:	
2021	\$ 276,467
2022	242,006
2023	203,550
2024	195,113
2025	-
Thereafter	-

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

Actuarial assumptions

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

Inflation	2.25%
Salary increases	3.50% to 17.75%, including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30%	6.30%
International equity	21%	6.85%
Private equity	7%	9.75%
Domestic fixed income	23%	1.25%
International fixed income	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.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

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%.

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

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
District's proportionate share of net pension liability	\$ <u>2,461,608</u>	\$ <u>1,897,303</u>	\$ <u>1,435,564</u>

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 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) - NDPERS

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 (“RHIC”) 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.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 employees, 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 Employer reported a liability of \$49,091 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 Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.058359 percent, which was a decrease of 0.000917 from its proportion measured as of June 30, 2019.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

For the year ended June 30, 2021, the Employer recognized OPEB expense of \$9,336. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,090	\$ 1,177
Changes of assumptions	6,582	-
Net difference between projected and actual earnings on OPEB plan investments	1,688	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,083	775
Employer contributions subsequent to the measurement date	<u>8,084</u>	<u>-</u>
	\$ <u><u>28,527</u></u>	\$ <u><u>1,952</u></u>

\$8,084 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 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 ended June 30:	
2021	\$ 3,849
2022	4,285
2023	4,205
2024	3,594
2025	2,183
Thereafter	375

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected 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
Global equities	33%	6.10%
Global fixed income	6%	7.00%
Global real assets	40%	1.15%
Cash equivalents	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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of net pension liability	\$ <u>64,385</u>	\$ <u>49,091</u>	\$ <u>36,159</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

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

NOTE 11 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (“NDIRF”), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$107,811 for public asset coverage.

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

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

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

NOTE 12 – LEASES

The School District owns residential trailers and apartments in Berthold, Plaza and Makoti which it leases primarily to School District employees. The leases do not provide for specific termination dates, and monthly rent ranges from \$90 - \$250/unit. The total rental income recognized by the District in fiscal year 2021 was \$18,810.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The School District has an endowment fund for providing scholarships which is in the name of, under the employer identification number of, and controlled by the School District. It was not included in the fiscal year 2020 financial statements of the School District; therefore the opening fund balances and net position have been adjusted.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
SCHEDULE OF EMPLOYER SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2021	0.342594%	\$ 5,243,421	\$ 2,499,777	209.76%	63.40%
ND TFFR	6/30/2020	0.359575%	\$ 4,952,258	\$ 2,522,521	196.32%	65.50%
ND TFFR	6/30/2019	0.383826%	\$ 5,115,857	\$ 2,609,285	196.06%	65.50%
ND TFFR	6/30/2018	0.410096%	\$ 5,632,772	\$ 2,768,029	203.49%	63.20%
ND TFFR	6/30/2017	0.405084%	\$ 5,934,715	\$ 2,631,930	225.49%	59.20%
ND TFFR	6/30/2016	0.411900%	\$ 5,387,055	\$ 2,533,615	212.62%	62.10%
ND TFFR	6/30/2015	0.406069%	\$ 4,254,883	\$ 2,355,419	180.64%	66.60%
NDPERS	6/30/2021	0.060308%	\$ 1,897,303	\$ 665,270	285.19%	49.44%
NDPERS	6/30/2020	0.063589%	\$ 745,309	\$ 661,439	112.68%	71.66%
NDPERS	6/30/2019	0.047350%	\$ 799,083	\$ 486,431	164.27%	62.80%
NDPERS	6/30/2018	0.039851%	\$ 640,536	\$ 406,820	157.45%	61.98%
NDPERS	6/30/2017	0.053143%	\$ 517,930	\$ 535,555	96.71%	70.46%
NDPERS	6/30/2016	0.043860%	\$ 298,241	\$ 390,719	76.33%	77.70%
NDPERS	6/30/2015	0.048612%	\$ 308,551	\$ 409,489	75.35%	72.12%

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

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS***

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND TFFR	6/30/2021	\$ 318,724	\$ (318,724)	\$ -	\$ 2,499,777	12.75%
ND TFFR	6/30/2020	\$ 321,622	\$ (321,622)	\$ -	\$ 2,522,521	12.75%
ND TFFR	6/30/2019	\$ 332,684	\$ (332,684)	\$ -	\$ 2,609,285	12.75%
ND TFFR	6/30/2018	\$ 352,924	\$ (352,924)	\$ -	\$ 2,768,029	12.75%
ND TFFR	6/30/2017	\$ 335,571	\$ (335,571)	\$ -	\$ 2,631,931	12.75%
ND TFFR	6/30/2016	\$ 323,021	\$ (323,021)	\$ -	\$ 2,533,615	12.75%
ND TFFR	6/30/2015	\$ 253,205	\$ (253,205)	\$ -	\$ 2,355,419	10.75%
NDPERS	6/30/2021	\$ 47,107	\$ (47,009)	\$ 98	\$ 665,270	7.07%
NDPERS	6/30/2020	\$ 48,156	\$ (43,636)	\$ 4,520	\$ 661,439	6.60%
NDPERS	6/30/2019	\$ 35,828	\$ (35,702)	\$ 126	\$ 486,431	7.34%
NDPERS	6/30/2018	\$ 29,499	\$ (38,382)	\$ (8,883)	\$ 406,820	9.43%
NDPERS	6/30/2017	\$ 38,773	\$ (37,091)	\$ 1,682	\$ 535,555	6.93%
NDPERS	6/30/2016	\$ 29,680	\$ (29,095)	\$ 585	\$ 391,739	7.43%
NDPERS	6/30/2015	\$ 29,156	\$ (29,156)	\$ -	\$ 409,489	7.12%

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

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net OPEB Liability</u>	<u>Employer's Proportionate Share of the Net OPEB Liability</u>	<u>Employer's Covered- Employee Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
NDPERS - OPEB	6/30/2021	0.058359%	\$ 49,091	\$ 665,270	7.38%	63.38%
NDPERS - OPEB	6/30/2020	0.059276%	\$ 47,610	\$ 661,439	7.20%	63.13%
NDPERS - OPEB	6/30/2019	0.044455%	\$ 35,011	\$ 486,431	7.20%	61.89%
NDPERS - OPEB	6/30/2018	0.037604%	\$ 29,745	\$ 406,820	7.31%	59.78%

*Complete data not available prior to 2018.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS
LAST 10 FISCAL YEARS***

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
NDPERS - OPEB	6/30/2021	\$ 7,816	\$ (7,527)	\$ 289	\$ 665,270	1.13%
NDPERS - OPEB	6/30/2020	\$ 7,693	\$ (6,987)	\$ 706	\$ 661,439	1.06%
NDPERS - OPEB	6/30/2019	\$ 5,706	\$ (5,733)	\$ (27)	\$ 486,431	1.18%
NDPERS - OPEB	6/30/2018	\$ 4,729	\$ (6,145)	\$ (1,416)	\$ 406,820	1.51%

*Complete data not available prior to 2018.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local Sources	\$ 3,977,000	\$ 3,977,000	\$ 2,744,392	\$ (1,232,608)
State sources	3,479,756	3,479,756	3,508,570	28,814
Federal sources	162,634	162,634	410,041	247,407
Other sources	<u>119,500</u>	<u>119,500</u>	<u>146,060</u>	<u>26,560</u>
Total revenues	<u>7,738,890</u>	<u>7,738,890</u>	<u>6,809,063</u>	<u>(929,827)</u>
EXPENDITURES				
Current				
Regular instruction	3,068,788	3,068,788	3,087,204	18,416
Federal programs	229,081	229,081	407,418	178,337
Special education	416,850	416,850	462,350	45,500
Vocational education	100,651	100,651	96,761	(3,890)
Administration services	919,834	919,834	889,294	(30,540)
District-wide services	89,535	89,535	77,189	(12,346)
Operations and maintenance	810,651	810,651	687,298	(123,353)
Student activities	212,596	212,596	185,702	(26,894)
Student transportation	726,113	726,113	725,034	(1,079)
Food service	137,217	137,217	128,483	(8,734)
Debt service - principal	-	-	155,000	155,000
Debt service - interest	<u>-</u>	<u>-</u>	<u>25,318</u>	<u>25,318</u>
Total expenditures	<u>6,711,316</u>	<u>6,711,316</u>	<u>6,927,051</u>	<u>215,735</u>
Excess (deficiency) of revenues over expenditures	1,027,574	1,027,574	(117,988)	(1,145,562)
Other Financing Sources				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>125,000</u>	<u>95,000</u>
Net change in fund balance	<u>1,057,574</u>	<u>1,057,574</u>	<u>7,012</u>	<u>(1,050,562)</u>
FUND BALANCE JULY 1	<u>2,271,391</u>	<u>2,271,391</u>	<u>2,271,391</u>	<u>2,271,391</u>
FUND BALANCE, JUNE 30	<u>\$ 3,328,965</u>	<u>\$ 3,328,965</u>	<u>\$ 2,278,403</u>	<u>\$ 1,220,829</u>

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

North Dakota Teacher's Fund for Retirement

Changes of Assumptions

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

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

North Dakota Public Employees Retirement System

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.00 percent to 6.5 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

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.

Other Post-Employment Benefit

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 the 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.

Budgetary Information:

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

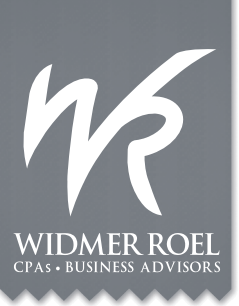
The following procedures are followed in establishing the budgetary data reflected in the financial statements:

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

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 2 – OVERSPENT BUDGET

The School District overspent its general fund by \$215,735. No remedial action is anticipated.



4220 31st Avenue S.
Fargo, ND 58104-8725

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

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

School Board and Administration
Lewis & Clark Public School District No. 161
Berthold, 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 **Lewis & Clark Public School District No. 161** (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise **Lewis & Clark Public School District No. 161's** basic financial statements, and have issued our report thereon dated February 13, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Lewis & Clark Public School District No. 161'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 **Lewis & Clark Public School District No. 161's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Lewis & Clark Public School District No. 161's** internal control.

Our consideration of internal control over financial reporting 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Lewis & Clark Public School District No. 161'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 an instance of noncompliance or other matter which is described in the accompanying schedule of findings and questioned costs as item 2021-004.

Lewis & Clark Public School District No. 161's Response to Findings

Lewis & Clark Public School District No. 161's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Lewis & Clark Public School District No. 161's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Fargo, North Dakota
February 13, 2022

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

SECTION II – FINANCIAL STATEMENT FINDINGS

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

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

We provide monthly revenue expenditure reports from our current accounting software to the school board. The financial statements we use also are provided monthly in an Excel Spreadsheet.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

2021-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager responsibilities include numerous functions related to financial reporting. There are two business managers who currently do create some segregation of duties, but the business managers do not have formal written descriptions of responsibilities, and their roles are not utilized as fully as they could be to mitigate risk of financial statement errors or fraud.

Criteria

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

Cause

The School District has limited staff to be able to adequately segregate duties and wasn't aware of the opportunities to further segregate responsibilities.

Effect

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

Recommendation

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

- Evaluate ways to utilize two business managers to segregate initiating, processing, approval, custody of assets and reconciliation where possible (we will discuss specifics with management)
- Approve and document business manager roles/responsibilities
- Review and approve all significant contracts and disbursements
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies
- Dual signatures on all significant checks
- Periodic review of savings/CD statements and review of completed bank reconciliations
- Periodic review of school district policies, including consideration of whether district policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations and contracts

Views of Responsible Officials

Segregation of duties is on the audit report every year. We are aware of the lack of a formally written segregation of duties. We will use the business managers in the way described in the recommendations and will prepare a formal document of responsibilities.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

2021-003 (MATERIAL WEAKNESS) – USE OF FINANCIAL REPORTING SOFTWARE

Condition

The School District is not fully utilizing its accounting software. The School District's activity funds and endowment are not included in the software, and the food service activities are not fully included in the software. Also, for the funds included in the accounting software, the accounting software is unable to generate a complete trial balance to facilitate efficient external financial reporting.

Criteria

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, the School District's entire financial operations should be recorded in the financial statements.

Cause

The School District has not included the student activity amounts or endowment amounts in the software for many years, and the policy was not questioned.

Effect

There is an increased risk the School District's financial statements (both for internal as well as external use) could be misstated due to omission or errors related to not flowing through the accounting software.

Recommendation

We recommend the School District add all financial activity to the accounting software and begin recording all activity therein. Depending on the capacity of the current accounting software to handle all of the applicable accounts, management may want to evaluate switching to another product as part of this process.

Views of Responsible Officials

We will research software options for new software or training on current software and submit recommendations to the school board for approval.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

2021-004 (MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE) – ENDOWMENT FUND

Condition

The School District has an endowment in the same name and under the same tax ID number of the School District. The endowment fund was not included in the previous year's financial statements. Furthermore, the endowment holds investments in equities and certain types of bonds not allowed under state law.

Criteria

To be complete, the financial statements of the School District should include all balances and transactions occurring in the name of the School District. In addition, North Dakota Century Code ("NDCC:") section 21-06-07 limits the types of investments which can be held by school districts.

Cause

The School District was not aware the endowment should be reported in the financial statements or that its existence was a violation of NDCC 21-06-07.

Effect

The School District's financial statements could be material misstated due to the omission; the accounts were added and are reflected in the current year financial statements, however. Also, the School District could be in violation of NDCC 21-06-07.

Recommendation

We recommend the School District consult with legal counsel regarding the most appropriate way to handle the endowment fund from a legal perspective. Until and unless the endowment funds are transferred out of the School District's name, we recommend the related assets and liabilities be included in the financial statements of the School District.

Views of Responsible Officials

The superintendent has consulted with legal counsel. The endowment funds will be transferred out of the District's name and into their own 501(c)(3). Until such time that this has been completed, the assets and liabilities will be included in financial statements.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

2021-005 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

During the audit, we noted several account balances which needed audit adjustments to be presented in accordance with generally accepted accounting principles (GAAP).

Criteria

Management should have adequate controls in place to ensure the financial statements are presented in accordance with U.S. GAAP.

Cause

Management was not aware of some of the accounting requirements for certain individual transactions.

Effect

There is an increased risk the financial statements could be materially misstated.

Recommendation

We will discuss the specific adjusting entries with management, and they will be presented to management for review and approval and communicated to the governing board. We will provide technical guidance to management regarding posting of the transactions on the School District's software, and where appropriate we will provide schedules for management to complete to facilitate year-end adjustments for external financial reporting/audit purposes.

Views of Responsible Officials

We will continue to work with our auditors to develop and maintain a calendar of accounting requirements.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

2021-006 (MATERIAL WEAKNESS) – CASH RECONCILIATIONS

Condition

The School District's general fund is not currently reconciled monthly. It is reconciled at year-end, however, there was an unresolved difference of approximately \$1,700. Furthermore, the balances are not reconciled within the accounting software.

Criteria

To ensure all financial activity is complete and accurate, the bank reconciliations should be completed on a monthly basis and within the accounting software.

Cause

Management found it more convenient to reconcile outside the software, and management did not allocate time to reconciling the general fund monthly.

Effect

There is an increased risk of financial statement misstatements, whether due to errors or fraud, which could go undetected for several months. Furthermore, there is an increased risk amounts will be unable to be fully reconciled, as was the case in the current year with the unlocated reconciling difference.

Recommendation

We recommend management reconcile all bank accounts monthly, and utilize the accounting software to carry out the function.

Views of Responsible Officials

Once new software has been chosen or training on current software has been completed, we will reconcile all bank accounts monthly.

LEWIS & CLARK PUBLIC SCHOOL DISTRICT NO. 161

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

2021-007 (SIGNIFICANT DEFICIENCY) – FORMAL POLICIES

Condition

The School District doesn't currently have formal board-approved policies for document retention/disposal or capitalization and depreciation of property and equipment. There are policies that the School District has adopted in practice, but they have not yet been formalized.

Criteria

To ensure appropriate retention and disposal of School District records, the School District should adopt a formal document retention policy. To ensure consistent reporting of property and equipment for financial reporting purposes, the governing board should approve the School District's capital asset policy.

Cause

Policies were implemented, just not formally adopted.

Effect

There is the potential for inconsistent application of policies.

Recommendation

We recommend the School District board formally approve these policies.

Views of Responsible Officials

The record retention policy will be updated to formally include policies for retention and disposal of District records. A capital asset policy will be created, formalized, and enacted.