

**MANDAN PUBLIC SCHOOL
DISTRICT NO. 1**

AUDIT REPORT

JUNE 30, 2021

Mandan Public School District No. 1
Mandan, North Dakota

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For The Year Ended June 30, 2021

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Mandan, North Dakota

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Mandan Public School District No. 1
Mandan, North Dakota
June 30, 2021

OFFICIALS

Dr. Tim Rector	Chairperson
Sheldon Wolf	Vice Chairperson
Lori Furaus	Board Member
Caroline Kozojed	Board Member
Kama Hoovestol	Board Member
Rick Horn	Board Member
Darren Haugen	Board Member
Marnie Piehl	Board Member
Ross Munns	Board Member
Dr. Mike Bitz	Superintendent
Ryan Lagasse	Business Manager

INDEPENDENT AUDITOR'S REPORT

Governing Board
Mandan Public School District No. 1
Mandan, 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 Mandan Public School District No. 1, Mandan, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mandan Public School District No. 1, Mandan, North Dakota as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, Mandan Public School No. 1 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. 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 District's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 41, the District's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 42, the District's share of net OPEB liability and employer contributions – ND Public Employees Retirement System on page 43, the budgetary comparison information on page 44, and the notes to the required supplementary information on pages 45 and 46 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mandan Public School District No. 1's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023, on our consideration of Mandan Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mandan Public School District No. 1's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 25, 2023

Mandan Public School District No. 1
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 16,653,913
Investments	2,917,224
Due from County Treasurer	77,109
Accounts Receivable	12,738
Intergovernmental Receivable	4,708,690
Taxes Receivable	685,715
Inventories	118,164
Prepaid Expenses	851,235
Capital Assets, Net	52,863,056
Total Assets	78,887,844
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions and OPEB	24,467,680
LIABILITIES	
Salaries & Benefits Payable	4,027,917
Interest Payable	126,613
Long-Term Liabilities:	
Portion Due or Payable within One Year	
General Obligation Bonds Payable	2,230,000
State School Construction Loan Payable	553,256
Portion Due or Payable after One Year	
Net Pension and OPEB Liability	71,380,706
General Obligation Bonds Payable	14,245,000
State School Construction Loan Payable	6,462,636
Limited Tax Bonds	3,780,000
Compensated Absences Payable	1,636,636
Total Liabilities	104,442,764
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions and OPEB	5,407,526
NET POSITION	
Net Investment in Capital Assets	25,592,164
Restricted for:	
Debt Service	7,768,075
Capital Projects	4,013,730
Unrestricted	(43,868,735)
TOTAL NET POSITION	\$ (6,494,766)

Mandan Public School District No. 1
Statement of Activities
For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Governmental Activities
Governmental Activities				
Regular Instruction	\$ 27,512,604	\$ 978,775	\$ -	\$ (26,533,829)
Title Programs	2,723,479	-	4,513,245	1,789,766
Special Education	8,828,309	-	1,007,231	(7,821,078)
Vocational Education	1,531,983	-	279,344	(1,252,639)
District Wide Services	5,727,061	-	-	(5,727,061)
Administration	6,409,333	-	-	(6,409,333)
Operations and Maintenance	7,051,958	-	-	(7,051,958)
Food Service	2,272,484	328,141	2,181,553	237,210
Transportation	1,706,956	-	437,615	(1,269,341)
Student Activities	1,238,189	-	1,118,458	(119,731)
Interest & Fees on Long-Term Debt	972,140	-	-	(972,140)
Total Primary Government	<u>\$ 65,974,496</u>	<u>\$ 1,306,916</u>	<u>\$ 9,537,446</u>	<u>(55,130,134)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purpose	10,489,650
Property Taxes, Levied for Capital Projects	3,058,472
Property Taxes, Levied for Debt Service	2,604,823
Coal Funding	275,074
State Aid	35,905,554
Earnings on Investments	21,329
Miscellaneous Revenue	1,349,988
Total General Revenues	<u>53,704,890</u>

Change in Net Position (1,425,244)

Net Position - Beginning of Year	(5,780,174)
Prior Period Adjustment (See Note 20)	710,652
Net Position - Beginning of Year, as Restated	<u>(5,069,522)</u>
Net Position - End of Year	<u>\$ (6,494,766)</u>

Mandan Public School District No. 1
Balance Sheet - Governmental Funds
June 30, 2021

Major Funds

	General	ESG Bonds	Building	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 7,638,058	\$ 2,200,134	\$ 3,526,868	\$ 3,288,853	\$ 16,653,913
Investments	-	1,913,116	40,284	963,824	2,917,224
Due from County Treasurer	50,161	-	12,710	14,238	77,109
Accounts Receivable, Net	3,996	-	-	8,742	12,738
Intergovernmental Receivable	4,380,998	-	-	327,692	4,708,690
Taxes Receivable, Net	444,795	-	114,384	126,536	685,715
Due from Other Funds	-	-	249,484	142,591	392,075
Inventories	75,010	-	-	43,154	118,164
Prepaid Expenses	781,235	-	70,000	-	851,235
TOTAL ASSETS	\$ 13,374,253	\$ 4,113,250	\$ 4,013,730	\$ 4,915,630	\$ 26,416,863
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Salaries & Benefits Payable	\$ 4,027,025	\$ -	\$ -	\$ 892	\$ 4,027,917
Due to Other Funds	255,072	-	-	137,003	392,075
Total Liabilities	4,282,097	-	-	137,895	4,419,992
Deferred Inflows of Resources:					
Uncollected Taxes	444,795	-	114,384	126,536	685,715
Total Liabilities and Deferred Inflows of Resources	4,726,892	-	114,384	264,431	5,105,707
Fund Balances:					
Nonspendable	856,245	-	-	43,154	899,399
Restricted for Debt Service	-	1,913,116	-	3,391,286	5,304,402
Committed	-	2,200,134	3,899,346	-	6,099,480
Assigned	-	-	-	1,216,759	1,216,759
Unassigned	7,791,116	-	-	-	7,791,116
Total Fund Balances	8,647,361	4,113,250	3,899,346	4,651,199	21,311,156
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 13,374,253	\$ 4,113,250	\$ 4,013,730	\$ 4,915,630	\$ 26,416,863

Mandan Public School District No. 1
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
For the year ended June 30, 2021

Total Fund Balances of Governmental Funds	\$ 21,311,156
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 79,780,997	
Less Accumulated Depreciation	(26,917,941)	
Net Capital Assets		52,863,056

Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.	24,467,680
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The net pension and OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(71,380,706)
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Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(5,407,526)
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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 revenues in the funds.	685,715
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Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2021 are:

General Obligation Bonds Payable	(16,475,000)	
State School Construction Loan Payable	(7,015,892)	
Limited Tax Bonds	(3,780,000)	
Interest Payable	(126,613)	
Compensated Absences	(1,636,636)	
Total Long-Term Liabilities		(29,034,141)

Total Net Position of Governmental Activities	\$ (6,494,766)
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Mandan Public School District No. 1
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2021

	Major Funds			Other	Total
	General	ESG Bonds	Building	Governmental Funds	Governmental Funds
REVENUES					
Property Taxes & Revenue in Lieu	\$ 10,607,291	\$ -	\$ 2,712,196	\$ 2,988,922	\$ 16,308,409
Coal Funding	275,074	-	-	-	275,074
State Aid	37,191,685	-	-	15,470	37,207,155
Federal Aid	5,343,188	-	-	2,166,083	7,509,271
Tuition & Charges for Services	228,990	-	-	328,141	557,131
Special Education Joint Agreements	357,901	-	-	-	357,901
Investment Earnings	22,266	(1,403)	-	466	21,329
Student Activities	-	-	-	1,118,458	1,118,458
Other Sources	1,060,854	138,108	105,000	46,026	1,349,988
TOTAL REVENUES	55,087,249	136,705	2,817,196	6,663,566	64,704,716
EXPENDITURES					
Current:					
Regular Instruction	23,959,519	-	-	-	23,959,519
Title Programs	2,723,479	-	-	-	2,723,479
Special Education	8,765,965	-	-	-	8,765,965
Vocational Education	1,461,579	-	-	-	1,461,579
District Wide Services	6,122,140	-	-	-	6,122,140
Administration	2,384,661	-	-	-	2,384,661
Operation & Maintenance	4,811,923	-	-	-	4,811,923
Food Service	-	-	-	2,190,752	2,190,752
Transportation	1,659,272	-	-	-	1,659,272
Student Activities	1,129,930	-	-	-	1,129,930
Capital Outlay	125,004	-	975,826	1,122,776	2,223,606
Debt Service:					
Principal	-	-	335,000	2,370,914	2,705,914
Interest & Fees	-	-	406,203	584,571	990,774
TOTAL EXPENDITURES	53,143,472	-	1,717,029	6,269,013	61,129,514
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,943,777	136,705	1,100,167	394,553	3,575,202
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	500,000	-	500,000
Transfers In (Out)	(249,484)	249,484	(247,325)	247,325	-
TOTAL OTHER FINANCING SOURCES (USES)	(249,484)	249,484	252,675	247,325	500,000
NET CHANGE IN FUND BALANCES	1,694,293	386,189	1,352,842	641,878	4,075,202
Fund Balances - July 1, 2020	6,953,068	3,727,061	2,546,504	3,298,669	16,525,302
Prior Period Adjustment - (See Note 20)	-	-	-	710,652	710,652
Fund Balances, Beginning of Year, as Restated	6,953,068	3,727,061	2,546,504	4,009,321	17,235,954
FUND BALANCES - JUNE 30, 2021	\$ 8,647,361	\$ 4,113,250	\$ 3,899,346	\$ 4,651,199	\$ 21,311,156

Mandan Public School District No. 1
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2021

Net change in fund balances - total governmental funds	\$	4,075,202
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$	490,513	
Current Year Depreciation Expense		(1,898,573)	(1,408,060)

Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.		(6,057,701)
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The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement but the repayment reduces long-term liabilities in the statement of net position. The amount of debt issued and repaid is:

Debt Proceeds	(500,000)	
Debt Repayment	2,705,914	2,205,914

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	(103,769)	
Net Decrease in Interest Payable	18,634	(85,135)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable.

		(155,464)
Change in net position of governmental activities	\$	(1,425,244)

Mandan Public School District No. 1
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 156,568
Total Assets	<u>\$ 156,568</u>
NET POSITION	
Net Position	
Restricted	\$ 156,568
Total Net Position	<u>\$ 156,568</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the year ended June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Flex from Employees	\$ 368,575
Total Additions	<u>368,575</u>
DEDUCTIONS	
Health Savings Account	125,195
Payment to Employees	226,859
Total Deductions	<u>352,054</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	16,521
Net Position - July 1, 2020	<u>140,047</u>
Net Position - June 30, 2021	<u>\$ 156,568</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mandan Public School District No. 1 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the District's accounting policies are described below.

Reporting Entity

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

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

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

Basis of Presentation

Government-wide Financial Statements:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital 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:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The District has no proprietary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

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

ESG Bonds Fund: This fund accounts for the financing of energy efficiency improvements.

Building Fund: This fund is used to account for taxes assessed and expended for building projects.

The District reports the following fiduciary fund:

Custodial Funds: These funds account for assets held by the District in a custodial capacity as an agent on behalf of others. The District's custodial fund is used to account for various deposits of the employees' flex benefit funds.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

Encumbrance Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased.

Inventory

Inventories are valued using the weighted-average method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. 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 asset lives 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 defined by the District as assets with an initial, individual cost of \$25,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Compensated Absences

The District's policy permits teachers and administrative personnel to accumulate a limited amount of vacation leave not to exceed 320 hours (288 hours for hourly employees) and personal leave not to exceed 6 days. Compensation for unused vacation and personal leave will be paid to employees upon separation of employment from Mandan Public School District No. 1. A long-term liability for accrued personal and vacation leave as of June 30th has been recorded in the government-wide statements.

Compensation for unused sick leave will be granted to all employees upon termination of employment of 20 or more years. Employees may carry forward unused sick leave equal to one year of employment. The severance payment will be based on 70% of accumulated sick leave for employees with 20 to 24 years of service and 100% of accumulated sick leave for employees with 25 or more years of service. Hourly employees will be paid at minimum wage. Certified staff with 20 to 24 years of service is paid \$73 per day for the 2020-2021 school year and certified staff with 25 or more years of service is paid \$98 per day for the 2020-2021 school year. A long-term liability for accrued sick leave as of June 30th has been recorded in the government-wide statements.

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 discounts, premiums, and issuance costs are recognized in the current period.

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 is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs are reported as debt service expenditures.

Net Position

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

Fund Balance Classifications

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for special purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

Deferred Inflows/Outflows of Resources

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

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 12 for additional information.

Pensions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Post Employment Benefit (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported 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.

NOTE 2 DEPOSITS – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk

As of June 30, 2021, the District's carrying balances of the checking, savings, and certificates of deposit were \$19,571,137 for governmental funds and \$156,568 for agency funds.

The bank balance of these deposits as of June 30, 2021 was \$16,817,551. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$16,067,551 was collateralized with securities held by the pledging financial institutions' agent but not in the District's name. During the fiscal year ended June 30, 2021, the board reviewed the pledge of securities twice.

Credit Risk and Interest Rate Risk

The school 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.

Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 2 DEPOSITS – CASH AND INVESTMENTS-CONTINUED

- d. Obligations of the state.
- e. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

At June 30, 2021, the following table shows the investments by investment type and maturity.

Investment Type	Fair Value	Less Than 1 Year	1 - 6 Years
U.S. Government Bonds	\$ 2,917,224	\$ -	\$ 2,917,224
Total debt investments	\$ 2,917,224	\$ -	\$ 2,917,224

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District does not have an investment policy that specifically addresses credit risk.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets, deferred outflow of resources, and deferred inflow of resources measure at fair value on a recurring basis at June 30, 2021.

ASSETS	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
US Treasury Bonds	\$ 2,917,224	\$ -	\$ 2,917,224	\$ -
	\$ 2,917,224	\$ -	\$ 2,917,224	\$ -

Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 4 PROPERTY TAX

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. The first installment is due by March 1 and the second installment is due by October 15. After the due dates, the bill becomes delinquent and penalties and interest are assessed. Taxes are collected by the county and remitted monthly to the school.

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

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

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts from other school districts and organizations for goods and services furnished by the District. Management has deemed all receivables to be collectible; therefore, no allowance has been established for uncollectible accounts.

NOTE 6 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 7 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of cash on hand for taxes collected but not remitted to the school at June 30.

NOTE 8 INVENTORIES

Inventories consist of supplies and materials of the general fund. Inventories are for consumption by the district. Reported inventories are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 9 SALARIES AND BENEFITS PAYABLE

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

Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 10 CAPITAL ASSETS

Following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2021:

	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets not being depreciated				
Land	\$ 1,988,873	\$ -	\$ -	\$ 1,988,873
Total capital assets, not depreciated	1,988,873	-	-	1,988,873
Capital assets being depreciated				
Buildings and building improvements	74,159,290	395,079	-	74,554,369
Furniture and equipment	2,162,301	139,072	43,709	2,257,664
Vehicles	980,091	-	-	980,091
Total capital assets, being depreciated	77,301,682	534,151	43,709	77,792,124
Less accumulated depreciation for				
Buildings and building improvements	22,684,677	1,725,955	-	24,410,632
Furniture and equipment	1,474,107	124,934	-	1,599,041
Vehicles	860,584	47,684	-	908,268
Total accumulated depreciation	25,019,368	1,898,573	-	26,917,941
Total capital assets being depreciated, net	52,282,314	(1,364,422)	43,709	50,874,183
Total capital assets, net	\$ 54,271,187	\$ (1,364,422)	\$ 43,709	\$ 52,863,056

Depreciation expense for the year ended June 30, 2021 was \$1,898,573 and has been reported in the government-wide statement of activities. Depreciation expense was charged to functions/programs of the District as follows:

Regular Instruction	\$ 1,361,431
Special Education	62,344
Vocational Education	70,404
Administration	107,340
Operations and Maintenance	76,691
Food Service	85,107
Transportation	47,684
Student Activities	87,572
Total Depreciation Expense	<u>\$ 1,898,573</u>

Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 11 LONG-TERM DEBT

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

	General Obligations Bonds Payable	State School Construction Loans Payable	Limited Tax Bonds	Compensated Absences *	Total Debt
Payable, 6/30/20	\$18,135,000	\$ 7,561,806	\$ 3,780,000	\$ 1,532,867	\$31,009,673
Increases	500,000	-	-	103,769	603,769
Decreases	(2,160,000)	(545,914)	-	-	(2,705,914)
Payable, 6/30/21	<u>\$16,475,000</u>	<u>\$ 7,015,892</u>	<u>\$ 3,780,000</u>	<u>\$ 1,636,636</u>	<u>\$28,907,528</u>
Current Portion	<u>\$ 2,230,000</u>	<u>\$ 553,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,783,256</u>

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

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

Year Ending June 30	General Obligation Bonds		State School Construction Loans Payable		Limited Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,230,000	\$ 546,560	\$ 553,256	\$ 70,167	\$ -	\$ 203,400
2023	2,805,000	439,289	558,788	64,634	-	203,400
2024	2,250,000	362,264	564,376	59,046	-	203,400
2025	2,005,000	292,241	570,020	53,402	-	203,400
2026	2,065,000	224,451	575,720	47,702	3,780,000	203,400
2027-2031	3,740,000	452,288	2,966,118	150,993	-	-
2032-2036	1,130,000	142,494	1,227,614	18,456	-	-
2037	250,000	4,375	-	-	-	-
Total	<u>\$ 16,475,000</u>	<u>\$ 2,463,962</u>	<u>\$ 7,015,892</u>	<u>\$ 464,400</u>	<u>\$ 3,780,000</u>	<u>\$ 1,017,000</u>

Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 11 LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt of the District for the year ended June 30, 2021:

General Obligations Bonds Payable:

\$12,665,000 General Obligation Refunding Bonds, Series 2013, bond premium of \$1,084,964, due in annual installments of \$780,000 to \$1,570,000 starting on August 1, 2016 through August 1, 2025; interest at 3.00% to 5.00%. This issue crossover advanced refunded the General Obligation School Building Bonds of 2005.	\$ 7,315,000
\$1,420,000 General Obligation School Building Bonds of 2010, bond discount of \$17,040, due in one lump sum payment of \$1,420,000 on June 1, 2027, interest at 5.25%.	1,420,000
\$2,935,000 General Obligation Special Assessments of 2010, bond discount of \$23,480, due in declining annual installments of \$320,000 to \$145,000 through May 1, 2023; interest at 1.00% to 3.25%.	305,000
\$1,165,000 General Obligation Special Assessment Prepayment Bonds, Series 2016A, bond premium of \$14,160, due in annual installments of \$75,000 to \$100,000 through August 1, 2029; interest at 2.00% to 2.25%.	780,000
\$1,885,000 General Obligation Building Fund Refunding Bonds, Series 2011D, bond discount of \$18,662, due in annual installments of \$135,000 to \$165,000 through June 1, 2024; interest at 0.40% to 3.00%. This issue refunded the State School Constuction Loan of 2009.	480,000
\$1,250,000 General Obligation School Building Bonds, Series 2014, bond premium of \$18,667, due in annual installments of \$100,000 to \$140,000 through August 1, 2023; interest at 1.70% to 2.10%.	405,000
\$3,625,000 General Obligation School Building Bonds, Series 2017, bond premium of \$125,580, due in annual installments of \$120,000 to \$250,000 through August 1, 2036; interest at 3.00% to 3.50%.	3,200,000
\$2,250,000 General Obligation School Building Bonds, Series 2019, bond discount of \$248,202, due in annual installments of \$180,000 to \$265,000 through August 1, 2029; interest at 3.00% to 5.00%.	2,070,000
\$500,000 General Obligation School Building Bonds, Series 2021. \$500,000 good faith payment in 2021 with remaining bond amount of \$51,978,729 to be executed July 15, 2021.	500,000

State School Construction Loans Payable:

\$11,250,000 State School Construction Fund Loan dated August 1, 2013, due in annual installments of \$510,922 to \$617,250 through June 1, 2033; interest at 1.0%.	7,015,892
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Limited Tax Bonds:

\$2,580,000 Limited Tax Bonds, Series 2011B dated February 9, 2011, bond discount of \$25,800, due in one lump sum payment of \$2,580,000 on May 1, 2026, interest at 5.50%.	2,580,000
\$1,200,000 Limited Tax Bonds, Series 2011C dated May 4, 2011, bond discount of \$9,600, due in one lump sum payment of \$1,200,000 on May 1, 2026, interest at 5.125%.	1,200,000

Total Long-term Debt	<u><u>\$ 27,270,892</u></u>
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Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 12 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS & OPEB)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2021 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	\$ 8,854,766
Derived from pension - NDPERS	15,359,033
Derived from pension - OPEB	253,880
Total	<u>\$ 24,467,679</u>
Deferred Inflows of Resources	
Derived from pension - TFFR	\$ 1,808,380
Derived from pension - NDPERS	3,571,190
Derived from pension - OPEB	27,956
Total	<u>\$ 5,407,526</u>

Note 13 of the financial statements contains details of the pension and OPEB plans.

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Mandan Public School District No. 1 employs the staff of Morton-Sioux Special Education Unit. Morton-Sioux Special Education Unit reimburses Mandan Public School District No. 1 for actual costs contributed to the pension plans described below. The net pension liability, deferred outflows of resources, and deferred inflows of resources for Morton-Sioux Special Education Unit's share of the amounts have not been segregated from Mandan Public School District No. 1.

1. North Dakota Teachers' Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

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

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

Pension Benefits

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

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) –
CONTINUED

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) –
CONTINUED

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. 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 \$46,338,330 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 3.02765273%, which was an increase of 0.02881964% from its proportion measured as of July 1, 2019. For the year ended June 30, 2021, Mandan Public School District No. 1 employees comprised approximately 95% of the total payroll and Morton-Sioux Special Education comprised approximately 5%.

Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

For the year ended June 30, 2021, the District recognized pension expense of \$5,218,966. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,556	\$ 1,738,979
Changes of assumptions	2,085,632	-
Net difference between projected and actual earnings on pension plan investments	2,860,532	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	927,087	69,401
Employer contributions subsequent to the measurement date (see below)	2,971,959	-
Total	<u>\$ 8,854,766</u>	<u>\$ 1,808,380</u>

\$2,971,959 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.

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

<u>For the year ended June 30,</u>	
2022	\$ 1,181,566
2023	852,721
2024	1,023,973
2025	690,627
2026	135,254
Thereafter	190,285

Actuarial Assumptions

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

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

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	1.3%
Global Real Assets	18%	5.0%
Cash Equivalents	1%	0.0%

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate

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

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

The following presents the 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net pension liability	\$ 61,720,165	\$ 46,338,330	\$ 33,555,235

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.

2. North Dakota Public Employees Retirement System (Main System)

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

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

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

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYEMENT BENEFITS (OPEB) –
CONTINUED

Pension Benefits

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

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

Death and Disability Benefits

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

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 of 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.

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NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

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

At June 30, 2021, the District reported a liability of \$24,427,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 0.776456%, which is an increase of 0.051841% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, Mandan Public School District No. 1 employees were approximately 99% of the total payroll and the remaining 1% was Morton-Sioux Special Education employees.

For the year ended June 30, 2021, the District recognized pension expense of \$4,501,468. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,062	\$ 1,237,763
Changes of assumptions	13,094,667	2,164,872
Net difference between projected and actual earnings on pension plan investments	788,395	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	704,090	168,555
Employer contributions subsequent to the measurement date (see below)	676,819	-
Total	<u>\$ 15,359,033</u>	<u>\$ 3,571,190</u>

\$676,819 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.

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NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

<u>For the year ended June 30,</u>	
2022	\$ 3,263,803
2023	2,854,133
2024	2,364,665
2025	2,628,423
2026	-
Thereafter	-

Actuarial Assumptions

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

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

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

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

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

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate

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

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

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

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

The following present the District's proportionate share of the net pension liability calculated using the discount rate of 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	<u>1% Decrease (3.64%)</u>	<u>Current Discount Rate (4.64%)</u>	<u>1% Increase (5.64%)</u>
Employer's proportionate share of the net pension liability	\$ 31,692,811	\$ 24,427,472	\$ 18,482,655

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 1600 E Century Ave, Suite 2; Bismarck, ND 58503.

3. North Dakota Public Employees Retirement System (OPEB)

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.

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) –
CONTINUED

Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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

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

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

At June 30, 2021, the District reported a liability of \$614,904 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.730987 percent, which was an increase of 0.055522 percent from its proportion measured as of June 30, 2019.

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**NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) –
CONTINUED**

For the year ended June 30, 2021, the District recognized OPEB expense of \$95,776. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,655	\$ 14,742
Changes of assumptions	82,447	-
Net difference between projected and actual earnings on pension plan investments	21,146	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,635	13,214
Employer contributions subsequent to the measurement date (see below)	94,997	-
Total	<u>\$ 253,880</u>	<u>\$ 27,956</u>

\$94,997 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year 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:

<u>For the year ended June 30,</u>	
2022	\$ 32,539
2023	31,536
2024	25,166
2025	13,514
2026	1,098
Thereafter	-

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

NOTE 13 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub-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
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

Discount rate

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

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

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Employer's proportionate share of the net OPEB liability	\$ 806,461	\$ 614,904	\$ 452,918

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NOTE 14 RISK MANAGEMENT

The Mandan Public School District No. 1 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. The following are funds/pools established by the State for risk management issues.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), 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 Mandan Public School District pays an annual premium to NDRF for its general liability, automobile and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$4,000,000 per occurrence for general liability and automobile.

The District participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed employers. The premiums are available for the payment of claims to employees injured in the course of employment.

The Mandan Public School District No. 1 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivisions 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 District carries commercial insurance for all other risks of loss, including employee health and accident insurance and employee professional liability insurance. There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 15 PREPAID EXPENSES

During fiscal year 2015-2016 the school district paid \$1,250,000 to the Mandan Park District for the use of the Mandan Sports Complex for the years 2017-2027. The Sports Complex was open at the end of September 2017. Payments recognized in the current fiscal year totaled \$125,004 resulting in total prepaids at June 30, 2021 of \$781,235 to the Mandan Park District.

For the year ended June 30, 2021 the school district paid \$70,000 for earnest money on two pieces of land to be used for future construction projects.

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NOTE 16 TRANSFERS

For the fiscal year ended 2021, fund transfers consisted of the following:

Funds	Transfers In	Transfers Out
<i>To transfer energy savings from General Fund:</i>		
ESG Fund	\$ 249,484	
General		\$ 249,484
<i>To fund loan payments with tax collections:</i>		
GO Building Bonds of 2010	78,530	
State School Construction Loan of 2009	168,795	
Building		247,325
Total	<u>\$ 496,809</u>	<u>\$ 496,809</u>

NOTE 17 FUND BALANCES

At June 30, 2021, a summary of the governmental fund balance classifications are as follows:

	General Fund	ESG Bonds	Building	Other Governmental Funds	Total
Nonspendable					
Inventories	\$ 75,010	\$ -	\$ -	\$ 43,154	\$ 118,164
Prepays	781,235	-	-	-	781,235
Restricted					
Debt Service	-	1,913,116	-	3,391,286	5,304,402
Committed					
Capital Projects	-	-	3,899,346	-	3,899,346
Debt Service	-	2,200,134		-	2,200,134
Assigned					
Food Service	-	-	-	510,425	510,425
Student Activities	-	-	-	706,334	706,334
Unassigned					
General Fund	7,791,116	-	-	-	7,791,116
	<u>\$ 8,647,361</u>	<u>\$ 4,113,250</u>	<u>\$ 3,899,346</u>	<u>\$ 4,651,199</u>	<u>\$21,311,156</u>

NOTE 18 TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments to the citizens of those governments.

Mandan Public School District and political subdivisions within Morton County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Morton County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2021.

The District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business

Allows for incentive in the form of property tax exemption, payments in lieu of taxes, or a combination of both to qualifying business. (N.D.C.C.Ch. 40-57-1)

Property Tax Exemption

Certain single family, condominium, & townhouse residential properties, (N.D.C.C. Ch.57-02-08 (35) & (42)), allows for newly constructed homes, excluding land, to be exempt for up to two years, up to a maximum of \$75,000 of the home's value.

Property Tax Exemption for Improvements

Improvements made to existing commercial and residential buildings, (N.D.C.C. Ch.57-02.2), allows for value added resulting from the improvements made to the property to be exempt from assessment and taxation for up to five years from the date of the commencement of making the improvements.

Tax Increment Financing

Allows for providing a property tax exemption to provide assistance in a development or urban renewal area for the development of commercial or industrial property or for the elimination and prevention of the development or spread of slums and blight, (N.D.C.C 40-58-20).

Renaissance Zone Property Tax Exemption

This incentive is to encourage the purchase, lease, rehabilitation, or historical preservation or renovation of properties within the zone. Allows commercial and residential properties located within a renaissance zone to be exempt for up to five years (N.D.C.C. Ch. 40-63).

Religious Organization Exemption

All buildings owned by any religious corporation or organization and used exclusively for religious purposes of the organization that meet state requirements of (N.D.C.C. 57-02-09) are eligible for property tax incentives.

NOTE 18 TAX ABATEMENTS – CONTINUED

Public Charity Exemption

Public charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licenses pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

Blind Exemption

Residential homes owned and occupied by an individual who is blind shall be exempt up to \$160,000 of the building value. Homes that are owned by a spouse of a blind person shall also be exempt within the limits of this exemption as long as the blind person resides in the home.

Wheelchair Exemption

Residential homes owned and occupied by a permanently and total disabled person who is permanently confined to use of a wheelchair is eligible for an exemption of up to \$100,000 of the true and full value of fixtures, buildings, and improvements. Land is taxable.

The total reduction in property tax revenue due to tax abatements is as follows:

Program	Property Tax Revenue
New and Expanding business	\$ 90,968
Property Tax Exemption	11,734
Property Tax Exemption for Improvements	3,419
Tax Increment Financing	20,274
Renaissance Zone	17,092
Religious Organizations	114,576
Public Charity	278,093
Blind Exemption	4,699
Wheelchair Exemption	9,551
Total Exemptions	<u>\$ 550,406</u>

No party received a benefit of the reduction in taxes that exceeded 20% of the total exemptions listed above.

Mandan Public School District No. 1
Notes to Basic Financial Statements
June 30, 2021

NOTE 19 INTERFUND PAYABLE/RECEIVABLE

The amount due from the General Fund of \$5,588 is payable to the Food Service Fund for deposits recorded incorrectly. The balance of \$137,003 is due from the General Obligation Building Bonds Fund and payable to the Red Trail Bonds Fund for debt payments. Additionally, \$249,484 is due from the Building Fund to the General Fund as payments were made for energy savings debt obligations but actual cash transfers had not yet been made.

NOTE 20 PRIOR PERIOD ADJUSTMENTS

Mandan Public School District No. 1 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities during 2021. The result of implementing GASB 84 increased beginning net position for the School District and beginning fund balance of the nonmajor funds by \$710,652.

Adjustments to beginning net position and fund balance are as follows:

	Governmental Activities Net Position	Nonmajor Funds Fund Balance
Beginning of Year, as previously reported	\$ (5,780,174)	\$ 3,298,669
Reclassification of Funds	710,652	710,652
Beginning of Year, as restated	<u>\$ (5,069,522)</u>	<u>\$ 4,009,321</u>

NOTE 21 SUBSEQUENT EVENTS

The District will receive approximately \$11.4 Million in Federal COVID-19 relief dollars.

Voters in the District approved an \$84 million bond request on Tuesday April 13th, 2021. The referendum will fund a new high school built to serve 1,400 students and a new elementary school in the Lakewood area. The District will use \$9.6 million in COVID relief funds to reduce the amount of bonds issued.

On Tuesday June 8th, 2021 Mandan School Board approved two purchase agreements authorizing the acquisition of property for the construction of the new high school. The location of the site is between the middle school and the Starion Sports Complex.

On July 15, 2021 the Mandan School District sold bonds in the amount of \$47,445,000 for the construction of a new elementary school and a new high school. The district received a good faith deposit of \$500,000 in June of 2021 and the remaining \$51,978,729 on July 15, 2021. The full amount of the bond sale was transferred into a separate investment account with Starion Bank to ensure the funds will only be used for the construction of the new schools.

The full amount of the referendum is \$84,000,000 and the district will use the state school construction loan program and sell additional bonds for the construction of the new schools. When the loan program and additional bonds are sold they will be deposited into the same Starion Bank account that holds the initial proceeds from the first bond sale.

***REQUIRED
SUPPLEMENTARY INFORMATION***

Mandan Public School District No. 1
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	3.02765273%	2.99883309%	2.97368147%	2.98327186%	2.97089678%	2.943650%	2.820791%
Employer's proportionate share of the net pension liability (asset)	\$ 46,338,330	\$ 41,301,522	\$ 39,634,961	\$ 40,976,007	\$ 43,525,378	\$ 38,498,679	\$ 29,556,889
Employer's covered payroll	\$ 22,091,591	\$ 21,037,667	\$ 20,215,366	\$ 20,136,230	\$ 19,302,655	\$ 18,106,534	\$ 16,362,090
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	209.76%	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

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

Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,971,959	\$ 2,816,679	\$ 2,682,303	\$ 2,577,460	\$ 2,567,371	\$ 2,461,090	\$ 2,308,583
Contributions in relation to the statutorily required contribution	\$ (2,971,959)	\$ (2,816,679)	\$ (2,682,303)	\$ (2,577,460)	\$ (2,567,371)	\$ (2,461,090)	\$ (2,308,583)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 23,309,480	\$ 22,091,591	\$ 21,037,667	\$ 20,215,366	\$ 19,302,655	\$ 18,106,534	\$ 16,362,090
Contributions as a percentage of covered payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

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

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

Mandan Public School District No. 1
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.776456%	0.724615%	0.711303%	0.746515%	0.729628%	0.760481%	0.726024%
Employer's proportionate share of the net pension liability (asset)	\$ 24,427,472	\$ 8,493,012	\$ 12,004,014	\$ 11,998,946	\$ 7,110,936	\$ 5,171,141	\$ 4,608,230
Employer's covered-employee payroll	\$ 8,565,243	\$ 7,537,233	\$ 7,307,335	\$ 7,620,748	\$ 7,352,926	\$ 6,774,959	\$ 6,115,873
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	285.19%	112.68%	164.27%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

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

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 606,494	\$ 548,753	\$ 538,217	\$ 552,597	\$ 532,340	\$ 514,613	\$ 435,450
Contributions in relation to the statutorily required contribution	\$ (627,169)	\$ (570,128)	\$ (570,093)	\$ (569,314)	\$ (540,339)	\$ (514,351)	\$ (435,450)
Contribution deficiency (excess)	\$ (20,675)	\$ (21,375)	\$ (31,876)	\$ (16,717)	\$ (7,999)	\$ 262	\$ -
Employer's covered-employee payroll	\$ 8,565,243	\$ 7,537,233	\$ 7,307,335	\$ 7,620,748	\$ 7,352,926	\$ 6,774,959	\$ 6,115,873
Contributions as a percentage of covered-employee payroll	7.32%	7.56%	7.80%	7.47%	7.35%	7.60%	7.12%

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

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

Mandan Public School District No. 1
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2021	2020	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.730987%	0.675465%	0.667814%	0.704424%
Employer's proportionate share of the net OPEB liability (asset)	\$ 614,904	\$ 542,525	\$ 525,949	\$ 557,207
Employer's covered-employee payroll	\$ 8,333,036	\$ 7,537,233	\$ 7,307,335	\$ 7,620,748
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.38%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	63.38%	63.13%	61.89%	59.78%

* Complete data for this schedule is not available prior to 2017.

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2021	2020	2019	2018
Statutorily required contribution	\$ 97,896	\$ 87,658	\$ 85,711	\$ 88,586
Contributions in relation to the statutorily required contribution	\$ (99,461)	\$ (91,242)	\$ (91,227)	\$ (91,149)
Contribution deficiency (excess)	\$ (1,565)	\$ (3,584)	\$ (5,516)	\$ (2,563)
Employer's covered-employee payroll	\$ 8,333,036	\$ 7,537,233	\$ 7,307,335	\$ 7,620,748
Contributions as a percentage of covered-employee payroll	1.19%	1.21%	1.25%	1.20%

* Complete data for this schedule is not available prior to 2017.

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018 and 7/1/2017.

Mandan Public School District No. 1
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property Taxes & Revenue in Lieu	\$ 10,353,253	\$ 10,353,253	\$ 10,607,291	\$ 254,038
Coal Funding	310,000	310,000	275,074	(34,926)
State Aid	37,548,010	37,548,010	37,191,685	(356,325)
Federal Aid	3,916,646	3,916,646	5,343,188	1,426,542
Tuition & Charges for Services	215,000	215,000	228,990	13,990
Special Education Joint Agreements	170,000	170,000	357,901	187,901
Investment Earnings	100,000	100,000	22,266	(77,734)
Other Sources	370,500	370,500	1,060,854	690,354
TOTAL REVENUES	52,983,409	52,983,409	55,087,249	2,103,840
EXPENDITURES				
Current:				
Regular Instruction	24,365,370	24,365,370	23,959,519	405,851
Title Programs	4,175,816	4,175,816	2,723,479	1,452,337
Special Education	9,042,672	9,042,672	8,765,965	276,707
Vocational Education	1,516,612	1,516,612	1,461,579	55,033
District Wide Services	5,209,050	5,209,050	6,122,140	(913,090)
Administration	2,101,895	2,101,895	2,384,661	(282,766)
Operation & Maintenance	5,106,586	5,106,586	4,811,923	294,663
Transportation	1,870,235	1,870,235	1,659,272	210,963
Student Activities	1,411,760	1,411,760	1,129,930	281,830
Capital Outlay	-	-	125,004	(125,004)
TOTAL EXPENDITURES	54,799,996	54,799,996	53,143,472	1,656,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,816,587)	(1,816,587)	1,943,777	3,760,364
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	(249,484)	(249,484)
NET CHANGE IN FUND BALANCES	(1,816,587)	(1,816,587)	1,694,293	3,510,880
Fund Balances - July 1, 2020	6,953,068	6,953,068	6,953,068	-
FUND BALANCES - JUNE 30, 2021	\$ 5,136,481	\$ 5,136,481	\$ 8,647,361	\$ 3,510,880

Mandan Public School District No. 1
Notes to Required Supplementary Information
June 30, 2021

NOTE 1 CHANGES OF ASSUMPTIONS – ND TEACHERS’ FUND FOR RETIREMENT

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.
- 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 15, 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.

NOTE 2 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN

Changes of Benefit Terms

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

Changes of Assumptions

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

Mandan Public School District No. 1
Notes to Required Supplementary Information
June 30, 2021

NOTE 2 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN (CONTINUED)

- 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.

NOTE 3 CHANGES OF BENEFIT TERMS AND CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget 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 used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.
- The taxes levied must be certified to the county auditor by August 25.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

Mandan Public School District No. 1
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through State Department of Public Instruction:</u>			
<u>Child Nutrition Cluster</u>			
School Breakfast Program	10.553	F10553	\$ 5,390
National School Lunch Program	10.555	F10555	2,039,993
National School Lunch Program - Commodity Assistance	10.555	N/A	120,698
Total U.S. Department of Agriculture			<u>2,166,082</u>
<u>U.S. DEPARTMENT OF THE TREASURY:</u>			
<u>Passed through State Department of Public Instruction:</u>			
Coronavirus Relief Fund - ESSER Broadband	21.019	F21019	10,278
Coronavirus Relief Fund - ESSER Resiliency	21.019	F21019	1,040,477
Coronavirus Relief Fund - ESSER Education Corp	21.019	F21019	904,921
Total Coronavirus Relief Fund			<u>1,955,676</u>
Elementary and Secondary School Emergency Relief Fund	84.425D	F84425D	875,291
ESSER passed through Bismarck Public Schools	84.425D	F84425D	15,465
Total ESSER funds			<u>890,756</u>
Total U.S. Department of the Treasury			<u>2,846,432</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Direct Assistance</u>			
Indian Education - Grants to Local Education Agencies	84.060	N/A	91,323
<u>Passed through State Department of Public Instruction:</u>			
Title I, Part A Cluster			
Title I - Grants to Local Education Agencies	84.010	F84010	1,108,009
Education for Homeless Children and Youth	84.196	N/A	7,000
Improving Teacher Quality - State Grants	84.367A	F84367	514,842
Title IE Striving Readers	84.371C	F84371C	234,942
<u>Passed through the State Department of Vocational Education:</u>			
Vocational Education - Basic Grants to States	84.048	N/A	<u>80,158</u>
Total U.S. Department of Education			<u>2,036,274</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,048,788</u></u>

Mandan Public School District No. 1
Notes to Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2021

NOTE 1 PURPOSE OF SCHEDULE

The Schedule of Expenditures of Federal Awards (schedule) is a supplementary schedule to the financial statements and is presented for purposes of additional analysis. The schedule is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Federal Financial Assistance - Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursements for services rendered to individuals. Accordingly, nonmonetary federal assistance may be included in federal financial assistance and therefore, may be reported on the schedule. Mandan Public School District No. 1 received nonmonetary federal assistance in the form of food commodities during the year ended June 30, 2021. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance – Uniform Guidance requires the schedule to show the total expenditures for each of the federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government wide compendium of individual federal programs.

B. Major Programs

The Uniform Guidance established the levels of expenditures to be used in defining major federal financial assistance programs. The dollar threshold to distinguish type A and type B programs was \$750,000.

C. Reporting Entity

The schedule includes all federal financial assistance programs administered by the organization.

D. Basis of Accounting

Federal financial assistance expenditures included in the schedule are reported using the modified accrual basis of accounting.

E. Elections

The District has not elected to use the 10 percent de minimis indirect cost rate.

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

Governing Board
Mandan Public School District No. 1
Mandan, 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 Mandan Public School District No. 1 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mandan Public School District No. 1'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 Mandan Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Mandan Public School District No. 1's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2021-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mandan Public School District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mandan Public School District No. 1's Response to Findings

Mandan Public School District No. 1's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Mandan Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 25, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Mandan Public School District No. 1
Mandan, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Mandan Public School District No. 1, Mandan, North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mandan Public School District No. 1's major federal programs for the year ended June 30, 2021. Mandan Public School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mandan Public School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mandan Public School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mandan Public School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, Mandan Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Mandan Public School District No. 1, Mandan, North Dakota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mandan Public School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mandan Public School District No. 1's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We have identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-005 that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Mandan Public School District No. 1's Response to Findings

Mandan Public School District No. 1's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mandan Public School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
April 25, 2023

Mandan Public School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	
Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	Yes
Significant deficiencies identified?	None Reported
Type of auditor's report issued on compliance for major federal programs?	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516 (a)?	Yes

Identification of major programs:

21.019	Coronavirus Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Mandan Public School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

2021-001 Segregation of Duties

Condition – The District has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no one individual handles or has access to a transaction from inception to completion.

Cause – There are a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could adversely affect the organization's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – Procedures should ensure that no individual has access to a transaction from inception to completion. Checks should not be generated with signatures by an individual with access to the general ledger.

Client Response – The District is aware of the limitations and will monitor the condition.

2021-002 Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the organization's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles including compliance with GASB 34.

Effect – An increased risk of material misstatement in the District's financial statements.

Recommendation – The board and business manager should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Client Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The District will provide the necessary schedules for capital assets and debt to assist with the government-wide adjustments.

Mandan Public School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2021-003 Journal Entries

Condition – Several journal entries were required to be made during the audit to present accurate financial statements.

Criteria – The District is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting policies.

Cause – Staff did not correctly report payables, interfund transfers or due to/from amounts between funds due to changes in staff in the accounting department and the transition to new software.

Effect – The financial statements would have been materially misstated if they were not corrected in the audit.

Recommendation – We recommend accounting staff closely review year-end adjustments and include documentation supporting the payables, interfund transfers and due to/from other funds balances in the accounting records.

Client Response – The District is aware of the adjustments and agrees with the adjustments. Accounting staff will try to correctly record these in the future.

2021-004 Bank Reconciliations and Financial Records

Condition – Regular bank reconciliations were not being completed throughout the audit period.

Criteria – The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the bank reconciliations, management is responsible for the policies and procedures to ensure accurate and timely bank reconciliations.

Cause – The District may not have been aware of how to correct the bank reconciliation errors. In addition, they were not receiving adequate support from the software company for the new accounting system. This was due to changes in staff, change in accounting systems and not receiving support from the software company when needed. This resulted in corrections to beginning cash, payables, transfers, and due to/from amounts between funds.

Effect – There is an increased risk of material misstatement to the District's financial statements whether due to error or fraud if bank reconciliations are not complete and accurate.

Recommendation – Ensure that all bank reconciliations are properly completed on a monthly basis.

Client Response – The District is aware of the importance of having completed bank reconciliations in a timely manner and will work to ensure they are getting done in such a manner going forward. They did receive some additional training in February 2023 from the software company.

Mandan Public School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section III – Federal Award Findings

2021-005 SFSAC Submission

Condition – The District did not file the June 2021 data collection form within the prescribed timeframe set forth by the Office of Management and Budget.

Criteria – The Office of Management and Budget (OMB) Title 2 Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 2 CFR 200.512 requires auditees to submit a completed form SFSAC, along with one complete reporting package, to the Federal Audit Clearinghouse.

Cause – The audit for fiscal year ended June 30, 2021, was not completed until April 25, 2023.

Effect – The District cannot be considered a low-risk auditee for the year ended June 30, 2022.

Recommendation – Ensure that the audit is completed in time for the submission deadline in future audit years.

Client Response – The District is aware of the importance of filing the data collection forms within the prescribed amount of time and is working to file timely for the fiscal year end 2023 audit.

Section IV – Prior Audit Findings

2020-001 Segregation of Duties

Condition – The District has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no one individual handles or has access to a transaction from inception to completion.

Cause – There are a limited number of staff members available for these duties and it is not economically feasible to further segregate duties.

Effect – Inadequate segregation of duties could adversely affect the organization's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – Procedures should ensure that no individual has access to a transaction from inception to completion. Checks should not be generated with signatures by an individual with access to the general ledger.

Client Response – The District is aware of the limitations and will monitor the condition.

Status of Finding – The finding is repeated in the current year. See 2021-001.

Mandan Public School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2020-002 Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the organization’s auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles including compliance with GASB 34.

Effect – An increased risk of material misstatement in the District’s financial statements.

Recommendation – The board and business manager should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Client Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The District will provide the necessary schedules for capital assets and debt to assist with the government-wide adjustments.

Status of Finding – The finding is repeated in the current year. See 2021-002.

2020-003 Journal Entries

Condition – Several journal entries were required to be made during the audit to present accurate financial statements.

Criteria – The District is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting policies.

Cause – Staff did not correctly report tax revenues and receivables due to changes in staff in the accounting department and the transition to new software.

Effect – The financial statements would have been materially misstated if they were not corrected in the audit.

Recommendation – We recommend accounting staff closely review year-end adjustments and include documentation supporting the receivable balances in the accounting records.

Client Response – The District is aware of the adjustments and agrees with the adjustments. Accounting staff will try to correctly record these in the future.

Status of Finding – The finding is repeated in the current year. See 2021-003.

Mandan Public School District No. 1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2020-004 Schedule of Expenditures of Federal Awards Preparation

Condition – During our audit procedures, it was noted that the Title IE Striving Readers was not included on the schedule provided for the audit.

Criteria – A good system of internal control includes a system of ensuring the federal expenditures are complete on the Schedule of Expenditures of Federal Awards.

Cause – District staff overlooked the program when completing the schedule.

Effect – The total of federal expenditures on the preliminary schedule provided for the audit was lower than actual.

Recommendation – The schedule should be reconciled to the accounting records and should be reviewed by additional staff prior to providing it for the audit.

Client Response – The District will implement additional reconciliation and review procedures in the future.

Status of Finding – The District properly included all federal funds for the SEFA in current year.