

**MT. PLEASANT PUBLIC
SCHOOL DISTRICT NO. 4**

**FINANCIAL STATEMENTS
JUNE 30, 2021**

WITH INDEPENDENT AUDITOR'S REPORT

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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FOR THE YEAR ENDED JUNE 30, 2021**

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MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

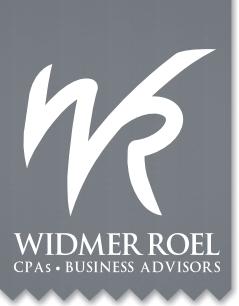
**SCHOOL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2021**

Current

Janelle Carnahan	Board President
Bret McCloud	Vice President
Seth Bercier	Board Member
Scott Gailfus	Board Member
Tim Mickelson	Board Member
Brad Nash	Superintendent
Jessica Rosinski	Business Manager

June 30, 2021

Janelle Carnahan	Board President
Bret McCloud	Vice President
Seth Bercier	Board Member
Scott Gailfus	Board Member
Tim Mickelson	Board Member
Brad Nash	Superintendent
Jessica Rosinski	Business Manager



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INDEPENDENT AUDITOR'S REPORT

School Board and Administration
Mt. Pleasant Public School District #4
Rolla, 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 **Mt. Pleasant Public School District #4** (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of **Mt. Pleasant Public School District #4**, as of June 30, 2021, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter-Change in Accounting Principle

As discussed in Note 1 to the financial statements, **Mt. Pleasant Public School District #4** adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Emphasis of Matter-Correction of an Error

As discussed in Note 13 to the financial statements, **Mt. Pleasant Public School District #4** restated net position on the statement of activities and restated fund balance on the statement revenues, expenditures and changes in fund balance to correct an error in the previously issued financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of the **Mt. Pleasant Public School District #4's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Mt. Pleasant Public School District #4's** internal control over financial reporting and compliance.



Fargo, North Dakota
March 30, 2022

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 658,278
Investments	980,332
Taxes receivable	89,802
Intergovernmental receivable	313,858
Capital assets, not being depreciated	
Construction in progress	39,614
Capital assets, net of accumulated depreciation	
Building	1,995,414
Vehicles	253,715
Equipment	<u>358,458</u>
Total assets	<u>4,689,471</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from pension and OPEB	<u>1,798,862</u>
Total assets and deferred outflows of resources	<u>\$ 6,488,333</u>

	Governmental Activities
LIABILITIES	
Accounts payable	\$ 94,247
Salaries and benefits payable	339,528
Long-term liabilities, current portion	
Notes payable	151,464
Compensated absences	6,248
Long-term liabilities, net of current portion	
Notes payable	271,348
Compensated absences	97,883
Net pension and OPEB liability	<u>5,338,169</u>
Total liabilities	<u>6,298,887</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from pension and OPEB	<u>453,596</u>
NET POSITION	
Net investment in capital assets	2,130,142
Restricted for	
Building	5,410
Special reserve	184,890
Food service	34,466
Student activity	46,448
Scholarships	391,330
Unrestricted	<u>(3,056,836)</u>
Total net position	<u>(264,150)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,488,333</u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 1,931,883	\$ 4,653	\$ 2,319,516	\$ 392,286
Federal programs	762,375	-	852,469	90,094
Special education	432,883	-	-	(432,883)
Vocational education	146,689	-	35,674	(111,015)
Administration	645,016	-	-	(645,016)
District-wide services	166,355	-	-	(166,355)
Operation and maintenance	575,687	-	-	(575,687)
Student transportation	121,835	-	-	(121,835)
Student activities	242,562	68,964	-	(173,598)
Community service	32,770	-	-	(32,770)
Food service	381,618	-	282,221	(99,397)
Interest	17,511	-	-	(17,511)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	\$ <u>5,457,184</u>	\$ <u>73,617</u>	\$ <u>3,489,880</u>	<u>(1,893,687)</u>

GENERAL REVENUES

Property taxes	1,332,527
In lieu of taxes	25,275
Interest income	105,572
Miscellaneous revenues	<u>49,798</u>
Total general revenues	<u>1,513,172</u>
Change in net position	<u>(380,515)</u>
Net position July 1, as previously reported	(249,087)
Change in accounting principle, Note 1	48,781
Correction of error, Note 13	<u>316,671</u>
Net position July 1, as adjusted	<u>116,365</u>
Net position, June 30	\$ <u>(264,150)</u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Building Fund</u>	<u>Scholarship Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 327,784	\$ 99,135	\$ 10,998	\$ 220,360	\$ 658,277
Investments	600,000	-	380,332	-	980,332
Taxes receivable	77,978	11,646	-	177	89,801
Intergovernmental receivable	<u>268,414</u>	<u>-</u>	<u>-</u>	<u>45,444</u>	<u>313,858</u>
Total assets	\$ <u>1,274,176</u>	\$ <u>110,781</u>	\$ <u>391,330</u>	\$ <u>265,981</u>	\$ <u>2,042,268</u>
LIABILITIES					
Accounts payable	\$ -	\$ 94,247	\$ -	\$ -	\$ 94,247
Salaries and benefits payable	<u>339,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,528</u>
Total liabilities	<u>339,528</u>	<u>94,247</u>	<u>-</u>	<u>-</u>	<u>433,775</u>
DEFERRED INFLOWS OF RESOURCES					
Uncollected taxes	<u>74,385</u>	<u>11,124</u>	<u>-</u>	<u>177</u>	<u>85,686</u>
Total liabilities and deferred inflows of resources	<u>413,913</u>	<u>105,371</u>	<u>-</u>	<u>177</u>	<u>519,461</u>
FUND BALANCES					
Restricted for					
Building	-	5,410	-	-	5,410
Special reserve	-	-	-	184,890	184,890
Food service	-	-	-	34,466	34,466
Student activity	-	-	-	46,448	46,448
Scholarships	-	-	391,330	-	391,330
Unassigned	<u>860,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,263</u>
Total fund balances	<u>860,263</u>	<u>5,410</u>	<u>391,330</u>	<u>265,804</u>	<u>1,522,807</u>
Total liabilities and fund balances	\$ <u>1,274,176</u>	\$ <u>110,781</u>	\$ <u>391,330</u>	\$ <u>265,981</u>	\$ <u>2,042,268</u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances for governmental funds		\$ 1,522,807
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds</p>		
Cost of capital assets	6,931,351	
Less accumulated depreciation	<u>(4,284,150)</u>	2,647,201
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds</p>		
		85,688
<p>Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.</p>		
		(5,338,169)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Total deferred outflows of resources	1,798,862	
Total deferred inflows of resources	<u>(453,596)</u>	1,345,266
<p>Certain liabilities, such as note payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated absences	(104,131)	
Notes payable	<u>(422,812)</u>	<u>(526,943)</u>
Total net position of governmental activities		\$ <u><u>(264,150)</u></u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Scholarship Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources	\$ 1,148,729	\$ 216,648	\$ -	\$ 50,461	\$ 1,415,838
State sources	2,355,191	-	-	706	2,355,897
Federal sources	841,339	-	-	234,249	1,075,588
Other sources	<u>59,784</u>	<u>29</u>	<u>94,540</u>	<u>77,029</u>	<u>231,382</u>
Total revenues	<u>4,405,043</u>	<u>216,677</u>	<u>94,540</u>	<u>362,445</u>	<u>5,078,705</u>
EXPENDITURES					
Current					
Regular instruction	1,808,426	-	-	-	1,808,426
Federal programs	735,993	-	-	-	735,993
Special education	364,826	-	-	-	364,826
Vocational education	139,548	-	-	-	139,548
Administration	601,676	-	-	-	601,676
District wide services	159,969	-	-	-	159,969
Operation and maintenance	269,102	9,346	-	-	278,448
Student transportation	102,226	-	-	-	102,226
Student activities	165,779	-	-	71,298	237,077
Community services	31,542	-	-	-	31,542
Food service	102,829	-	-	218,864	321,693
Other	-	-	19,881	-	19,881
Capital outlay	155,825	131,310	-	-	287,135
Debt service					
Principal	-	147,340	-	-	147,340
Interest and fees	<u>-</u>	<u>17,511</u>	<u>-</u>	<u>-</u>	<u>17,511</u>
Total expenditures	<u>4,637,741</u>	<u>305,507</u>	<u>19,881</u>	<u>290,162</u>	<u>5,253,291</u>
Excess (deficiency) of revenues over expenditures	<u>(232,698)</u>	<u>(88,830)</u>	<u>74,659</u>	<u>72,283</u>	<u>(174,586)</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	50,000	-	-	20,000	70,000
Transfer out	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(70,000)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balances	<u>(202,698)</u>	<u>(88,830)</u>	<u>74,659</u>	<u>42,283</u>	<u>(174,586)</u>
FUND BALANCE JULY 1, AS PREVIOUSLY REPORTED	1,062,961	94,240	-	174,740	1,331,941
CHANGE IN ACCOUNTING PRINCIPLE, NOTE 1	-	-	-	48,781	48,781
CORRECTION OF ERROR NOTE 13	<u>-</u>	<u>-</u>	<u>316,671</u>	<u>-</u>	<u>316,671</u>
FUND BALANCE, JULY 1, AS ADJUSTED	<u>1,062,961</u>	<u>94,240</u>	<u>316,671</u>	<u>223,521</u>	<u>1,697,393</u>
FUND BALANCES, JUNE 30	\$ <u><u>860,263</u></u>	\$ <u><u>5,410</u></u>	\$ <u><u>391,330</u></u>	\$ <u><u>265,804</u></u>	\$ <u><u>1,522,807</u></u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

Net change in fund balances - total governmental funds \$ (174,586)

Amount reported for governmental activities in the statement of activities are 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. In the current period these amounts are:

Current year capital outlay	326,894	
Current year loss on disposal of capital assets	(58,839)	
Depreciation expense	<u>(245,599)</u>	
		22,456

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

Notes payable	147,340
Compensated absences	15,427

Some revenue will not be collected for several months after the District's fiscal year end. These revenues are not considered available resources in the governmental funds.

Change in taxes receivable	2,845
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The net pension and OPEB liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to these pension and OPEB items do not involve financial resources, and are not reported in the funds.

Increase in net pension and OPEB liability	(1,467,456)	
Increase in deferred outflows of resources	1,028,199	
Decrease in deferred inflows of resources	<u>45,260</u>	
		<u>(393,997)</u>

Change in net position of governmental activities \$ (380,515)

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the Mt. Pleasant Public School District #4 (“School District”), have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Mt. Pleasant Public School District #4. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause the School District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose financial burdens on the School District.

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

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the School District.

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

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

Measurement Focus and Basis of Accounting

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

Under the terms of grants agreements, the school district funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the school district's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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

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

The School District reports the following major governmental funds:

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

Building Fund: This fund is used to account for financial resources to be used for the acquisition, construction, maintenance and insurance of major facilities and equipment.

Scholarship Fund: This fund accounts for resources held for use by a not-for-profit organization to provide scholarships for students. All resources of the fund, including any earnings on invested resources, may be used to support the not-for-profit's activities. There is no requirement that any portion of these resources be preserved as capital.

Cash and Cash Equivalents

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

Investments, Investment Valuation and Income Recognition

Investments consist of certificates of deposit and the Scholarship Fund's investments.

The certificates of deposit are carried at cost, which approximates fair value.

The scholarship fund's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the scholarship fund's gains and losses on investments bought and sold as well as held during the year.

Interest and dividends are not reported separately from net appreciation (depreciation) due to said gains being immediately reinvested in their respective funds. Net appreciation for the year ended June 30, 2021 was \$94,540.

Capital Assets

Capital assets include property, plant and equipment. Assets are reported in the governmental activities' columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	20 to 50 years
Equipment	5 to 20 years

Compensated Absences

Personal leave is earned by non-certified employees and teachers at the rate of 16 hours per year which can accumulate up to 40 hours. Non-certified employees and teachers also earn sick leave at the rate of 10 days per year, which can accumulate up to 120 days. Upon termination, unused sick leave is paid at a rate of \$50 per day and unused personal leave is paid at an hourly rate of \$29.19 per hour for any hours not used above 40 hours.

Deferred Outflows and Inflows of Resources

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

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

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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as general fund expenditures.

Restricted and Unrestricted Resources

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

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

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

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

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

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

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

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

Program Revenues

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

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

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

Accounts Payable

Accounts payable consists of amounts owed for goods and services received prior June 30 and chargeable to the appropriations for the year then ended but paid subsequent to the date.

Salaries and Benefits Payable

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

New Accounting Pronouncement

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

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

At year ended June 30, 2021, the School District's carrying amount of deposits was \$1,258,188 and the bank balances were \$1,385,458. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$885,458 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

Credit Risk

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

(d) Obligations of the state.

At June 30, 2021 the District held certificates of deposit in the amount of \$600,000 which are all considered deposits and included in the above amount of total deposits.

Concentration of Credit Risk

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

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

	<u>Mutual funds</u>	<u>Exchange-traded funds</u>	<u>Total</u>
Maturity			
Less than 1 year	\$ -	\$ -	\$ -
1-5 years	-	-	-
5-10 years	104,914	-	104,914
>10 years	6,825	-	6,825
Not reported	<u>253,870</u>	<u>14,723</u>	<u>268,593</u>
Market value	<u>\$ 365,609</u>	<u>\$ 14,723</u>	<u>\$ 380,332</u>

NOTE 3 – TAXES RECEIVABLE

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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

NOTE 4 – INTERGOVERNMENTAL RECEIVABLE

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

NOTE 5 – FAIR VALUE AND INVESTMENTS

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

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

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

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

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

Mutual funds and exchange traded funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Scholarship Fund are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and transact at that price. The mutual funds held by the Scholarship Fund are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the scholarship fund’s management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Scholarship Fund’s assets at fair value as of June 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 365,609	\$ 365,609	\$ -	\$ -
Exchange traded funds	<u>14,723</u>	<u>14,723</u>	<u>-</u>	<u>-</u>
Total assets in the fair value hierarchy	\$ <u><u>380,332</u></u>	\$ <u><u>380,332</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

NOTE 6 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Construction in progress	\$ -	\$ 39,614	\$ -	\$ -	\$ 39,614
Total capital assets not being depreciated	<u>-</u>	<u>39,614</u>	<u>-</u>	<u>-</u>	<u>39,614</u>
Capital assets, being depreciated					
Buildings	4,717,455	94,247	-	-	4,811,702
Vehicles	651,612	193,033	127,250	-	717,395
Equipment	<u>1,362,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,362,640</u>
Total capital assets, being depreciated	<u>6,731,707</u>	<u>287,280</u>	<u>127,250</u>	<u>-</u>	<u>6,891,737</u>
Less accumulated depreciation for					
Buildings	2,679,659	136,629	-	-	2,816,288
Vehicles	487,748	44,343	68,411	-	463,680
Equipment	<u>939,555</u>	<u>64,627</u>	<u>-</u>	<u>-</u>	<u>1,004,182</u>
Total accumulated depreciation	<u>4,106,962</u>	<u>245,599</u>	<u>68,411</u>	<u>-</u>	<u>4,284,150</u>
Total capital assets, being depreciated, net	<u>2,624,745</u>	<u>41,681</u>	<u>58,839</u>	<u>-</u>	<u>2,607,587</u>
Governmental activities capital assets, net	\$ <u>2,624,745</u>	\$ <u>81,295</u>	\$ <u>58,839</u>	\$ <u>-</u>	\$ <u>2,647,201</u>

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

Regular instruction	\$ 182,545
Transportation	44,343
Operations and maintenance	<u>18,711</u>
	\$ <u>245,599</u>

NOTE 7 – LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 570,152	\$ -	\$ 147,340	\$ 422,812	\$ 151,464
Compensated absences	119,558	-	15,427	104,131	6,248
Net pension liability	3,840,757	1,460,399	-	5,301,156	-
Net OPEB liability	<u>29,956</u>	<u>7,057</u>	<u>-</u>	<u>37,013</u>	<u>-</u>
Total	\$ <u>4,560,423</u>	\$ <u>1,467,456</u>	\$ <u>162,767</u>	\$ <u>5,865,112</u>	\$ <u>157,712</u>

(Continued)

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

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

\$221,229 note payable entered into on May 17, 2019 with LEAF Capital Funds LLC. The note calls for five annual payments of \$44,246 from June 1, 2019 to June 1, 2023 and interest at 0%.	\$ 88,491
\$545,175 note payable entered into on July 24, 2019 with United Lease and Finance Inc. The note calls for five annual payments of \$107,218 to \$115,955 from March 1, 2020 to March 1, 2024 and interest at 4%.	<u>334,321</u>
Total	<u>\$ 422,812</u>

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

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2022	\$ 151,464		\$ 13,387		\$ 164,851
2023	155,753		9,099		164,852
2024	<u>115,595</u>		<u>4,651</u>		<u>120,246</u>
	<u>\$ 422,812</u>		<u>\$ 27,137</u>		<u>\$ 449,949</u>

NOTE 8 – PENSION PLANS

General Information about the TFFR Pension Plan

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

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

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

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

Pension Benefits

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

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.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of \$3,870,660 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. On July 1, 2020, the District's proportion was 0.25290109 percent, which was an increase of 0.00808109 from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$416,023. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 798	\$ 145,258
Changes of assumptions	174,214	-

(Continued)

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	238,941	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	175,761	103,700
School District contributions subsequent to the measurement date	<u>263,484</u>	<u>-</u>
	\$ <u>853,198</u>	\$ <u>248,958</u>

\$263,484 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:

Year ended June 30:		
2022		\$ 78,776
2023		60,130
2024		76,973
2025		65,365
2026		32,625
Thereafter		26,887

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	2.00%
Salary increases	3.80% to 14.80%, varying by service, including inflation
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

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 Fund's target asset allocation as of July 1, 2020 are summarized in the following table:

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

(Continued)

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

Discount Rate

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of net pension liability	\$ <u>5,155,511</u>	\$ <u>3,870,660</u>	\$ <u>2,802,883</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report, located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. Additional financial and actuarial information is available on their website www.nd.gov/rio/sib/publications/cafr/default.htm, or may be obtained by writing to ND Retirement and Investment office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

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.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% 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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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FOR THE YEAR ENDED JUNE 30, 2021**

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 \$1,430,496 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 0.045470 percent, which was an increase of 0.005459 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$279,379. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,568	\$ 72,485
Changes of assumptions	766,836	126,777
Net difference between projected and actual earnings on pension plan investments	46,169	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,052	4,411
School District's contributions subsequent to the measurement date	<u>38,397</u>	<u>-</u>
	\$ <u>928,022</u>	\$ <u>203,673</u>

\$38,397 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.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

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

Year ended June 30:		
2022	\$	202,002
2023		176,672
2024		147,580
2025		159,698
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	3.50% to 17.75%, including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30%	6.3%
International equity	21%	6.9%
Private equity	7%	9.8%
Domestic fixed income	23%	1.3%
International fixed income	0%	0.0%
Global real assets	19%	5.0%
Cash equivalents	0%	0.0%

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

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 District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 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>
District's proportionate share of net pension liability	\$ <u>1,855,961</u>	\$ <u>1,430,496</u>	\$ <u>1,082,362</u>

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

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – ND PERS

North Dakota Public Employees Retirement System

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

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

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

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 employees, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2021, the Employer reported a liability of \$37,013 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.04400 percent, which was an increase of 0.006703 from its proportion measured as of June 30, 2019.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

For the year ended June 30, 2021, the Employer recognized OPEB expense of \$6,382. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 822	\$ 887
Changes of assumptions	4,963	-
Net difference between projected and actual earnings on pension plan investments	1,273	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,677	78
Employer contributions subsequent to the measurement date	<u>5,907</u>	<u>-</u>
	\$ <u>17,642</u>	\$ <u>965</u>

\$5,907 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Year ended June 30:	
2022	\$ 2,248
2023	2,577
2024	2,516
2025	2,160
2026	1,184
Thereafter	85

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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>
District's proportionate share of net pension liability	\$ <u>48,543</u>	\$ <u>37,013</u>	\$ <u>27,262</u>

NOTE 10 – INTERFUND TRANSFERS

There were interfund transfers from the general fund to the special reserve fund for \$20,000 and \$50,000 from the food service fund to the general fund.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

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

NOTE 11 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$6,000,000 per occurrence for general liability and automobile, and for public asset coverage.

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

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

NOTE 12 – RELATED PARTY

The District has entered into a fuel contract with a company in which the manager of the company is also a member of the School District's board. The total fuel expenditures as a result of the contract were \$26,707 for the year ended June 30, 2021.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The School District has a foundation named Mt. Pleasant School District Foundation ("Foundation") which is a North Dakota 501(c)(3) not-for-profit corporation with a mission to provide scholarships to students. Per the Foundation bylaws, it is required to be managed and under the control of the School District's board. It was not included in the fiscal year 2020 financial statements of the School District; therefore the opening fund balances and net position have been adjusted.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date **</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2020	0.252901%	\$ 3,870,660	\$ 1,845,320	209.76%	63.4%
ND TFFR	6/30/2019	0.244820%	\$ 3,371,799	\$ 1,717,486	196.32%	65.5%
ND TFFR	6/30/2018	0.237143%	\$ 3,160,780	\$ 1,612,121	196.06%	65.5%
ND TFFR	6/30/2017	0.245489%	\$ 3,371,866	\$ 1,656,986	203.49%	63.2%
ND TFFR	6/30/2016	0.253765%	\$ 3,717,808	\$ 1,648,775	225.49%	59.2%
ND TFFR	6/30/2015	0.253008%	\$ 3,308,978	\$ 1,556,266	212.62%	62.1%
ND PERS	6/30/2020	0.045470%	\$ 1,430,496	\$ 501,586	285.19%	49.44%
ND PERS	6/30/2019	0.040011%	\$ 468,958	\$ 416,182	112.68%	71.66%
ND PERS	6/30/2018	0.388870%	\$ 656,261	\$ 399,493	164.27%	62.80%
ND PERS	6/30/2017	0.038052%	\$ 611,621	\$ 388,451	157.45%	61.98%
ND PERS	6/30/2016	0.039955%	\$ 389,400	\$ 402,657	96.71%	70.46%
ND PERS	6/30/2015	0.037873%	\$ 257,530	\$ 337,400	76.33%	77.15%

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Measurement Date **	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2020	\$ 235,280	\$ (235,280)	\$ -	\$ 1,845,320	12.75%
ND TFFR	6/30/2019	\$ 218,979	\$ (218,979)	\$ -	\$ 1,717,486	12.75%
ND TFFR	6/30/2018	\$ 205,545	\$ (205,545)	\$ -	\$ 1,612,121	12.75%
ND TFFR	6/30/2017	\$ 211,266	\$ (211,266)	\$ -	\$ 1,656,986	12.75%
ND TFFR	6/30/2016	\$ 210,219	\$ (210,219)	\$ -	\$ 1,648,775	12.75%
ND TFFR	6/30/2015	\$ 198,414	\$ (198,414)	\$ -	\$ 1,556,266	12.75%
ND PERS	6/30/2020	\$ 35,517	\$ (35,089)	\$ 428	\$ 501,586	7.00%
ND PERS	6/30/2019	\$ 30,300	\$ (33,323)	\$ (3,023)	\$ 416,182	8.01%
ND PERS	6/30/2018	\$ 29,424	\$ (28,530)	\$ 894	\$ 399,493	7.14%
ND PERS	6/30/2017	\$ 28,167	\$ (27,135)	\$ 1,032	\$ 388,451	6.99%
ND PERS	6/30/2016	\$ 29,151	\$ (25,299)	\$ 3,852	\$ 402,657	6.28%
ND PERS	6/30/2015	\$ 25,628	\$ (25,163)	\$ 465	\$ 337,400	7.46%

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net OPEB Liability

<u>Pension Plan</u>	<u>Measurement Date**</u>	<u>Employer's Proportion of the Net OPEB Liability</u>	<u>Employer's Proportionate Share of the Net OPEB Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
NDPERS - OPEB	6/30/2020	0.044000%	\$ 37,013	\$ 501,586	7.38%	63.38%
NDPERS - OPEB	6/30/2019	0.037298%	\$ 29,956	\$ 416,182	7.20%	63.13%
NDPERS - OPEB	6/30/2018	0.036509%	\$ 28,753	\$ 399,493	7.20%	61.89%
NDPERS - OPEB	6/30/2017	0.035906%	\$ 28,402	\$ 388,451	7.31%	59.78%

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions

<u>Pension Plan</u>	<u>Measurement Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
NDPERS - OPEB	6/30/2020	\$ 5,893	\$ (5,618)	\$ 275	\$ 501,586	1.12%
NDPERS - OPEB	6/30/2019	\$ 4,840	\$ (5,335)	\$ (495)	\$ 416,182	1.28%
NDPERS - OPEB	6/30/2018	\$ 4,686	\$ (4,568)	\$ 118	\$ 399,493	1.14%
NDPERS - OPEB	6/30/2017	\$ 4,515	\$ (4,345)	\$ 170	\$ 388,451	1.12%

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

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources	\$ 1,486,500	\$ 1,486,500	\$ 1,148,729	\$ (337,771)
State sources	2,283,427	2,283,427	2,355,191	71,764
Federal sources	550,727	550,727	841,339	290,612
Other sources	<u>14,200</u>	<u>14,200</u>	<u>59,784</u>	<u>45,584</u>
Total revenues	<u>4,334,854</u>	<u>4,334,854</u>	<u>4,405,043</u>	<u>70,189</u>
EXPENDITURES				
Current				
Regular instruction	1,804,594	1,804,594	1,808,426	3,832
Federal programs	440,294	440,294	735,993	295,699
Special education	326,747	326,747	364,826	38,079
Vocational education	157,169	157,169	139,548	(17,621)
Administration	604,909	604,909	601,676	(3,233)
District-wide services	173,992	173,992	159,969	(14,023)
Operation and maintenance	166,250	166,250	269,102	102,852
Student transportation	134,740	134,740	102,226	(32,514)
Student activities	153,627	153,627	165,779	12,152
Community service	27,991	27,991	31,542	3,551
Food service	65,229	65,229	102,829	37,600
Capital outlay	<u>203,000</u>	<u>203,000</u>	<u>155,825</u>	<u>(47,175)</u>
Total expenditures	<u>4,258,542</u>	<u>4,258,542</u>	<u>4,637,741</u>	<u>379,199</u>
Excess (deficiency) of revenues over expenditures	<u>76,312</u>	<u>76,312</u>	<u>(232,698)</u>	<u>(309,010)</u>
Other financing sources				
Transfer in	-	-	50,000	50,000
Transfer out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(20,000)</u>	<u>(15,000)</u>
Total financing sources	<u>(5,000)</u>	<u>(5,000)</u>	<u>30,000</u>	<u>35,000</u>
Net change in fund balance	<u>71,312</u>	<u>71,312</u>	<u>(202,698)</u>	<u>(274,010)</u>
FUND BALANCE, JULY 1	<u>1,062,961</u>	<u>1,062,961</u>	<u>1,062,961</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,134,273</u>	<u>\$ 1,134,273</u>	<u>\$ 860,263</u>	<u>\$ (274,010)</u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

North Dakota Teacher's Fund for Retirement

Changes of Assumptions

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

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

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

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

North Dakota Public Employees Retirement System

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.00 percent to 6.5 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions

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

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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

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

Other Post-Employment Benefit

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

Budgetary Information

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

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

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

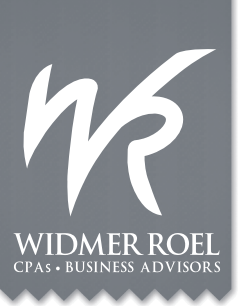
NOTE 2 – EXCESS OF EXPENDITURES OVER BUDGET

The School District overspent its general fund by \$286,118. No remedial action is anticipated.

**MT. PLEASANT PUBLIC
SCHOOL DISTRICT #4**

**SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

JUNE 30, 2021



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

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**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**

To the School Board and Administration
Mt. Pleasant Public School District #4
Rolla, North Dakota

We have audited, 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, the financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of **Mt. Pleasant Public School District #4**, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise **Mt. Pleasant Public School District #4’s** basic financial statements and have issued our report thereon dated March 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Mt. Pleasant Public School District #4’s** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Mt. Pleasant Public School District #4’s** internal control. Accordingly, we do not express an opinion on the effectiveness of **Mt. Pleasant Public School District #4’s** internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Mt. Pleasant Public School District #4's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mt. Pleasant Public School District #4's Response to Findings

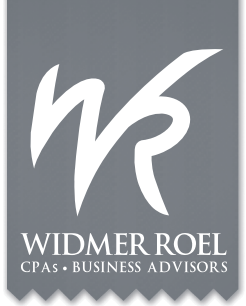
Mt. Pleasant Public School District #4's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Mt. Pleasant Public School District #4's** responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Fargo, North Dakota
March 30, 2022



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the School Board and Administration
Mt. Pleasant Public School District #4
Rolla, North Dakota

Report on Compliance for Each Major Federal Program

We have audited **Mt. Pleasant Public School District #4’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 **Mt. Pleasant Public School District #4’s** major federal programs for the year ended June 30, 2021. **Mt. Pleasant Public School District #4’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 federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of **Mt. Pleasant Public School District #4’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 (CFR) 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 **Mt. Pleasant Public School District #4’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 **Mt. Pleasant Public School District #4’s** compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, **Mt. Pleasant Public School District #4** 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 **Mt. Pleasant Public School District #4** 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 **Mt. Pleasant Public School District #4'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 **Mt. Pleasant Public School District #4'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-005, that we consider to be a significant deficiency.

Mt. Pleasant Public School District #4's response to the internal control over compliance findings identified in our audit is described in the accompanying *corrective action plan*. **Mt. Pleasant Public School District #4's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Mt. Pleasant Public School District #4**, as of and for the year ended June 30, 2021, and the related notes of the financial statements, which collectively comprise **Mt. Pleasant Public School District #4's** basic financial statements. We issued our report thereon dated March 30, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the

financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 subject to the auditing procedures applied in the audit of the 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.



Fargo, North Dakota
March 30, 2022

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/ Pass- Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture passed through				
North Dakota Department of Public Instruction				
Child Nutrition Cluster				
National School Lunch Program-Commodities	10.555	F10555	\$ -	\$ 11,129
Summer Food Service Program	10.559	F10559	-	<u>214,877</u>
Total Child Nutrition Cluster			-	226,006
State Administration Expenses for Child Nutrition	10.560	F10560A	-	866
Fresh Fruits and Vegetables Program	10.582	F10582	-	<u>7,377</u>
Subtotal Department of Agriculture			-	<u>234,249</u>
U.S. Department of Education Direct Assistance				
Indian Education - Grants to Local				
Educational Agencies	84.060	N/A	-	33,637
U.S. Department of Education passed through				
North Dakota Department of Public Instruction				
Title I - Grants to Local Educational Agencies	84.010	F84010	-	212,554
Impact Aid	84.041	N/A	-	73,338
21st Century Community Learning Centers	84.287	F84287	-	19,731
Governor's Emergency Education Relief Fund	84.425C	N/A	-	164,555
Elementary and Secondary School Emergency				
Relief Fund	84.425D	F84425D	-	94,047
American Rescue Plan Elementary and				
Secondary School Emergency Relief	84.425U	N/A	-	58,480
State Board of Career and Technical Education				
Career and Technical Education - Basic				
Grants to States	84.048	None	-	<u>7,595</u>
Subtotal Department of Education			-	<u>663,937</u>
U.S. Department of Treasury passed through				
North Dakota Office of the State Treasurer				
Coronavirus Relief Fund	21.019	F21019	-	<u>182,729</u>
Total U.S. Department of the State Treasury			-	<u>182,729</u>
Total expenditures of federal awards			\$ -	<u>\$ 1,080,915</u>

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Mt. Pleasant Public School District #4 (“School District”) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Mt. Pleasant Public School District #4, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mt. Pleasant Public School District #4. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – NONCASH AWARDS

The School District received \$11,129 in commodities, which are reported in the Schedule under the National School Lunch Program, CFDA#10.555. The value of the supplemental food program distributed by the School District during the year is priced by the North Dakota Department of Public Instruction. The amount of commodities reported in the Schedule is the value of supplemental food program distributed by the School District during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 – PASS-THROUGH GRANT NUMBER

For Federal program marked “N/A”, the School District was unable to obtain a pass-through grant number.

NOTE 5 – INDIRECT COST RATE

Mt. Pleasant Public School District #4 has not elected to use the 10 percent de minimis cost rate as allowed under Uniform Guidance.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
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:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	_____ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> yes	_____ none reported

Type of auditor’s report issued on compliance for major programs:	
Title I (84.010)	Unmodified
Education Stabilization Fund (84.425)	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	_____ yes	<u> X </u> no
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Identification of major programs:

CFDA Number	Name of Federal Program
84.010	Title I
84.425C, 84.425D, 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	<u> \$750,000 </u>
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Auditee qualified as <u>low-risk</u> auditee?	_____ yes	<u> X </u> no
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MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

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

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

The School District reviews the financial statements and the note disclosures for accuracy.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

2021-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The School District has a lack of segregation of duties in certain areas related to the receipting and disbursement functions of cash. One employee can enter invoices into the accounting system, initiate the check run, and has access to the board member signature stamp.

Criteria

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

Cause

The School District has limited staff.

Effect

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

Recommendation

We recommend management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. For example, we recommend the board continue and or adopt the following:

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks. If a signature stamp is being used, then the stamp should only be in the custody of the Superintendent and separate from the check processor (School Policy HCAE "Disbursement of Monies").
- Periodic independent review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of School District policies, including consideration of whether district policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations and contracts.
- Maintain an audit trail for review of federal award expenditures submitted for reimbursement and include a secondary person in the review process.
- Implement a process for a secondary person with appropriate knowledge to review and approved federal grant disbursements to ensure they meet compliance with the program(s).
- Segregate the activity fund functions by having the activity fund advisors count cash and sign off, before being delivered to the principal's office or the business manager.

Views of Responsible Officials

The School District will continue to develop controls through cross training of duties and responsibilities.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

2021-003 (SIGNIFICANT DEFICIENCY) BEGINNING FUND BALANCE

Condition

The internal financial statements beginning fund balance for the general fund did not agree with the prior year audited financial statements.

Criteria

To ensure accurate reporting of the financial statements, the internal reporting financial statements should be reviewed and agreed with the audited financial statements.

Cause

The internal record keeping is not being reconciled to the audited financial statements for consistency and to ensure all prior year proposed audit adjustments are being made.

Effect

The financial statements may be misstated.

Recommendation

We suggest reviewing the year-end financial statements closely and posting any necessary audit adjustments.

Views of Responsible Officials

The School District will post any necessary proposed audit adjustments.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

2021-004 (MATERIAL WEAKNESS) – FOUNDATION

Condition

The District has a 501(c)(3) not-for-profit scholarship foundation named Mt. Pleasant Public School District Foundation (“the Foundation”). The Foundation was not included in the previous year’s financial statements.

Criteria

To be in accordance with general accepted accounting principles, the financial statements of the School District must include the Foundation. The Foundation is managed and under the control of the School District and shares the same board as the School District.

Cause

The School District was not aware the Foundation should be reported in the financial statements.

Effect

The School District’s financial statements could be materially misstated due to the omission; the accounts were added and are reflected in the current year financial statements, however.

Recommendation

Until and unless the Foundation leases to be under the School District’s control, we recommend the related assets and liabilities be included in the financial statements of the School District. Furthermore, we recommend legal counsel be consulted whether the Foundation investments are subject to North Dakota Century Code (“NDCC”) section 21-06-07 which limits the types of investments a school district may hold.

Views of Responsible Officials

The School District was unaware of the requirement to include the Foundation in the financials and will consider the need to include in the financials going forward or segregate control of the Foundation. Furthermore, the school will consult legal counsel regarding compliance with NDCC 21-06-07.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – MAJOR FEDERAL AWARD PROGRAMS FINDINGS

2021-005 (SIGNIFICANT DEFICIENCY) – FEDERAL AWARD PROGRAM CONTROLS
84.425 EDUCATION STABILIZATION FUND (ESF)

Condition

The expenditures submitted for reimbursement for federal awards related to the expenditures of the Education Stabilization grant are concentrated to one individual. There is no indication of a secondary internal review being performed to ensure the costs submitted for reimbursement are allowable expenditures.

Criteria

As part of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework components of internal control, it is best practice to institute proper control activities over compliance with federal programs such as segregating the approval of costs for reimbursement to ensure compliance with the program.

Cause

Internal control over compliance related to allowable costs is concentrated among one individual.

Effect

The federal award could be out of compliance.

Recommendation

We recommend the School District consider implement a second layer of review over federal award expenditures and by an individual with program knowledge to ensure costs are allowed to be in compliance with the federal award program.

Views of Responsible Officials

The School District will consider further segregating out internal control duties surrounding the federal award.

MT. PLEASANT PUBLIC SCHOOL DISTRICT #4
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

2020-001 SEGREGATION OF DUTIES

Condition

The **Mt. Pleasant Public School District #4** has one person responsible for the most accounting functions.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliations as they relate to any amounts which impact the financial statements.

Current Status

The finding remains open and is reported as 2021-002.

2020-002 PREPARATION OF FINANCIAL STATEMENTS

Condition

The **Mt. Pleasant Public School District #4**, does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to assist in drafting the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation

While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the school district and changes in reporting requirements.

Current Status

The finding remains open and is reported as 2021-001.

Mt. Pleasant School District #4

201 5th St NE

Rolla, ND 58367

Phone: 701-477-3151

Brad Nash, Superintendent

Kristin Mitchell, Elem. Principal

Randy Loing, HS Principal

Jessica Rosinski, Business Manager

Megan Odermann, Secretary

PLANNED CORRECTIVE ACTION

MARCH 30, 2022

The **Mt. Pleasant Public School District #4** respectfully submits the following views of responsible officials and planned corrective action for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Widmer Roel PC
4220 31st Avenue S.
Fargo, ND 58104

Responsible Individual: Brad Nash

Audit period: June 30, 2021

The findings from the June 30, 2021 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

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

Finding

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

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

Planned Corrective Action

The School District reviews the financial statements and the note disclosures for accuracy.

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

Finding

The School District has a lack of segregation of duties in certain areas related to the receipting and disbursement functions of cash. One employee can enter invoices into the accounting system, initiate the check run, and has access to the board member signature stamp.

We recommend management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. For example, we recommend the board continue and or adopt the following:

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks. If a signature stamp is being used, then the stamp should only be in the custody of the Superintendent and separate from the check processor (School Policy HCAE “Disbursement of Monies”).
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of school district policies, including consideration of whether district policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations and contracts.
- Maintain an audit trail for review of federal award expenditures submitted for reimbursement and include a secondary person in the review process.
- Implement a process for a secondary person with appropriate knowledge to review and approved federal grant disbursements to ensure they meet compliance with the program(s).
- Segregate the activity fund functions by having the activity fund advisors count cash and sign off, before being delivered to the Principal’s office or the Business Manager.

Planned Corrective Action

The School District will continue to develop controls through cross training of duties and responsibilities.

2021-003 – (SIGNIFICANT DEFICIENCY) BEGINNING FUND BALANCE

Finding

The internal financial statements beginning fund balance for the general fund did not agree with the prior year audited financial statements.

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We suggest reviewing the year-end financial statements closely and posting any necessary audit adjustments.

Planned Corrective Action

The School District will post any necessary proposed audit adjustments.

2021-004 – (MATERIAL WEAKNESS) – FOUNDATION

Finding

The District has a 501(c)(3) not-for-profit scholarship foundation named Mt. Pleasant Public School District Foundation (“the Foundation”). The Foundation was not included in the previous year’s financial statements.

Until and unless the Foundation funds are transferred out of the School District’s control, we recommend the related assets and liabilities be included in the financial statements of the School District. Furthermore, we recommend legal counsel be consulted whether the Foundation investments are subject to North Dakota Century Code (“NDCC”) section 21-06-07 which limits the types of investments a school district may hold.

Planned Corrective Action

The District was unaware of the requirement to include the Foundation in the financials and will consider the need to include in the financials going forward or segregate control of the Foundation. Furthermore, the school will consult legal counsel regarding compliance with NDCC 21-06-07.

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS

2021-005 – (SIGNIFICANT DEFICIENCY) – FEDERAL AWARD PROGRAM CONTROLS 84.425 EDUCATION STABILIZATION FUND (ESF)

Finding

The expenditures for federal awards related to the Education Stabilization Fund are concentrated to one individual. There is no indication of a secondary internal review being performed over the ESF federal awards.

We recommend the School District consider implement a second layer of review over federal award expenditures and by an individual with program knowledge to ensure costs are allowed to be in compliance with the federal award program.

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Planned Corrective Action

The School District will consider further segregating out internal control duties surrounding the federal award.

PRIOR YEAR FINDINGS

2020-001 SEGREGATION OF DUTIES

Finding

The **Mt. Pleasant Public School District #4** has one person responsible for the most accounting functions.

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliations as they relate to any amounts which impact the financial statements.

Current Status

The finding remains open and is reported as 2021-002

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2020-002 PREPARATION OF FINANCIAL STATEMENTS

Condition

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Recommendation

While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the school district and changes in reporting requirements.

Current Status

The finding remains open and is reported as 2021-001.

Sincerely yours,



Jessica Rosinski
Business Manager
Mt. Pleasant Public School District #4



Janelle Carnahan
Board President
Mt. Pleasant School District #4