



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Napoleon Public School District No. 2

Napoleon, North Dakota

Audit Report for the Years Ended June 30, 2021 and June 30, 2020

School District Code: PS24300



Photo credit: North Dakota Tourism



Office of the
State Auditor

NAPOLEON PUBLIC SCHOOL DISTRICT NO. 2

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NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

School District Officials and Audit Personnel

For the Years Ended June 30, 2021 and June 30, 2020

SCHOOL DISTRICT OFFICIALS

At June 30, 2021

Crystal Johnson	President
Dallas Bakken	Vice -President
Chuck Wald	Board Member
Taylor Grunefelder	Board Member
Jeff Schneider	Board Member
Richard Bjerklie	Superintendent
Brandi Wald	Business Manager

At June 30, 2020

Crystal Johnson	President
Jeff Schneider	Vice -President
Taylor Grunefelder	Board Member
Chuck Wald	Board Member
Dallas Bakken	Board Member
Richard Bjerklie	Superintendent
Andrew Lehr	Business Manager

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Michael Scherr	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

Napoleon Public School Board
Napoleon Public School District No. 2
Napoleon, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Napoleon Public School District No. 2, Napoleon, North Dakota, as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Napoleon Public School District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Napoleon Public School District No. 2, Napoleon, North Dakota, as of June 30, 2021 and 2020, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, Napoleon Public School District No. 2 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021 on our consideration of the Napoleon Public School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Napoleon Public School District No. 2's internal control over financial reporting and compliance

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 26, 2021

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Net Position – Modified Cash

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 2,191,395
Capital Assets	
Depreciable, Net	<u>675,903</u>
Total Assets	<u>\$ 2,867,298</u>
NET POSITION	
Net Investment in Capital Assets	\$ 675,903
Restricted for	
Capital Projects	602,692
Special Purpose	208,891
Unrestricted	<u>1,379,812</u>
Total Net Position	<u><u>\$ 2,867,298</u></u>

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Activities – Modified Cash

For the Year Ended June 30, 2021

				Net (Expense) Revenue and Changes in Net Position
		Program Revenues		
			Operating	
Function/Program	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Regular Instruction	\$ 1,365,005	\$ -	\$ -	\$ (1,365,005)
Special Education	377,689	-	-	(377,689)
Vocational Education	294,920	-	49,347	(245,573)
Federal Programs	308,589	-	401,898	93,309
District Wide Services	50,877	-	-	(50,877)
Administration	609,064	-	-	(609,064)
School Food Services	151,943	16,983	429	(134,531)
Operations and Maintenance	264,279	-	-	(264,279)
Transportation	337,616	-	115,659	(221,957)
Co-Curricular Activities	142,572	57,522	86,041	991
Total Governmental Activities	<u>\$ 3,902,554</u>	<u>\$ 74,505</u>	<u>\$ 653,374</u>	<u>\$ (3,174,675)</u>
GENERAL REVENUES				
Property taxes				\$ 743,695
State Grants/Aid - Unrestricted				2,526,784
Interest Income				4,082
Loss on Sale of Assets				(4,618)
Miscellaneous Income				16,171
Total General Revenues				<u>\$ 3,286,114</u>
Changes in Net Position				<u>\$ 111,439</u>
Net Position - July 1				<u>\$ 2,755,859</u>
Net Position - June 30				<u>\$ 2,867,298</u>

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Balance Sheet – Governmental Funds – Modified Cash

June 30, 2021

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,379,812	\$ 602,692	\$ 208,891	\$ 2,191,395
FUND BALANCES				
Restricted				
Capital Projects	\$ -	\$ 602,692	\$ -	\$ 602,692
Assigned				
Food Service	-	-	51,128	51,128
Special Reserve	-	-	22,673	22,673
Student Activities	-	-	134,879	134,879
Tournament	-	-	211	211
Unassigned	1,379,812	-	-	1,379,812
Total Fund Balances	\$ 1,379,812	\$ 602,692	\$ 208,891	\$ 2,191,395
Total Liabilities and Fund Balances	\$ 1,379,812	\$ 602,692	\$ 208,891	\$ 2,191,395

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash
June 30, 2021

Total Fund Balances for Governmental Funds	\$ 2,191,395
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Total net position reported for governmental activities in the statement of net position
is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	<u>675,903</u>
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Total Net Position- Governmental Activities	<u>\$ 2,867,298</u>
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The notes to the financial statements are an integral part of this statement.

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash
For the Year Ended June 30, 2021

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 758,884	\$ 961	\$ 77,935	\$ 837,780
State Sources	2,691,790	-	429	2,692,219
Federal Sources	266,540	-	135,358	401,898
Other Sources	-	671	86,043	86,714
Total Revenues	\$ 3,717,214	\$ 1,632	\$ 299,765	\$ 4,018,611
EXPENDITURES				
Current				
Regular Instruction	\$ 1,348,305	\$ -	\$ -	\$ 1,348,305
Special Education	377,689	-	-	377,689
Vocational Education	292,839	-	-	292,839
Federal Programs	308,589	-	-	308,589
District Wide Services	50,877	-	-	50,877
Administration	602,002	-	-	602,002
School Food Services	-	-	148,109	148,109
Operations and Maintenance	214,614	-	-	214,614
Transportation	337,616	-	-	337,616
Co-Curricular Activities	-	-	130,017	130,017
Capital Outlay	-	49,665	-	49,665
Total Expenditures	\$ 3,532,531	\$ 49,665	\$ 278,126	\$ 3,860,322
Excess (Deficiency) of Revenues Over Expenditures	\$ 184,683	\$ (48,033)	\$ 21,639	\$ 158,289
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 282,684	\$ 39,713	\$ -	\$ 322,397
Sale of Assets	2,000	-	-	2,000
Transfers Out	(39,713)	(200,000)	(82,684)	(322,397)
Total Other Financing Sources and Uses	\$ 244,971	\$ (160,287)	\$ (82,684)	\$ 2,000
Net Change in Fund Balances	\$ 429,654	\$ (208,320)	\$ (61,045)	\$ 160,289
Fund Balance - July 1	\$ 950,158	\$ 811,012	\$ 269,936	\$ 2,031,106
Fund Balance - June 30	\$ 1,379,812	\$ 602,692	\$ 208,891	\$ 2,191,395

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities – Modified Cash
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 160,289
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Depreciation Expense	(42,232)
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In the statement of activities, only the loss on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

Proceeds from Sale of Capital Assets	\$ (2,000)	
Loss on Disposals of Capital Assets	<u>(4,618)</u>	<u>(6,618)</u>

Change in Net Position of Governmental Activities	<u>\$ 111,439</u>
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The notes to the financial statements are an integral part of this statement.

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Net Position – Modified Cash

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 2,031,106
Capital Assets	
Depreciable, Net	<u>724,753</u>
Total Assets	<u>\$ 2,755,859</u>
NET POSITION	
Net Investment in Capital Assets	\$ 724,753
Restricted for	
Capital Projects	811,012
Special Purpose	269,936
Unrestricted	<u>950,158</u>
Total Net Position	<u>\$ 2,755,859</u>

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Activities – Modified Cash

For the Year Ended June 30, 2020

Function/Program	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Regular Instruction	\$ 1,286,052	\$ 367	\$ -	\$ (1,285,685)
Special Education	394,712	-	33,162	(361,550)
Vocational Education	288,390	-	38,590	(249,800)
Federal Programs	92,640	-	96,408	3,768
District Wide Services	83,492	-	-	(83,492)
Administration	505,713	-	-	(505,713)
School Food Services	112,488	51,008	22,654	(38,826)
Operations and Maintenance	419,901	-	-	(419,901)
Transportation	304,949	375	157,408	(147,166)
Co-Curricular Activities	105,936	61,617	85,186	40,867
Total Governmental Activities	<u>\$ 3,594,273</u>	<u>\$ 113,367</u>	<u>\$ 433,408</u>	<u>\$ (3,047,498)</u>
GENERAL REVENUES				
Property taxes				\$ 662,244
State Grants/Aid - Unrestricted				2,539,532
Interest Income				21,263
Rental Income				900
Miscellaneous Income				<u>7,859</u>
Total General Revenues				<u>\$ 3,231,798</u>
Changes in Net Position				<u>\$ 184,300</u>
Net Position - July 1				<u>\$ 2,462,692</u>
Prior Period Adjustment				<u>\$ 108,867</u>
Net Position - July 1, as restated				<u>\$ 2,571,559</u>
Net Position - June 30				<u>\$ 2,755,859</u>

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Balance Sheet – Governmental Funds – Modified Cash

June 30, 2020

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 950,158	\$ 811,012	\$ 269,936	\$ 2,031,106
FUND BALANCES				
Restricted				
Capital Projects	\$ -	\$ 811,012	\$ -	\$ 811,012
Assigned				
Food Service	-	-	103,116	103,116
Special Reserve	-	-	45,277	45,277
Student Activities	-	-	121,165	121,165
Tournament	-	-	378	378
Unassigned	950,158	-	-	950,158
Total Fund Balances	\$ 950,158	\$ 811,012	\$ 269,936	\$ 2,031,106
Total Liabilities and Fund Balances	\$ 950,158	\$ 811,012	\$ 269,936	\$ 2,031,106

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash
June 30, 2020

Total Fund Balances for Governmental Funds	\$ 2,031,106
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Total net position reported for governmental activities in the statement of net position
is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	<u>724,753</u>
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Total Net Position- Governmental Activities	<u>\$ 2,755,859</u>
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The notes to the financial statements are an integral part of this statement.

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash
For the Year Ended June 30, 2020

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 665,399	\$ 17,761	\$ 113,446	\$ 796,606
State Sources	2,768,691	-	22,654	2,791,345
Federal Sources	61,322	-	35,086	96,408
Other Sources	7,859	1,167	85,187	94,213
Total Revenues	\$ 3,503,271	\$ 18,928	\$ 256,373	\$ 3,778,572
EXPENDITURES				
Current				
Regular Instruction	\$ 1,269,352	\$ -	\$ -	\$ 1,269,352
Special Education	394,712	-	-	394,712
Vocational Education	286,309	-	-	286,309
Federal Programs	92,640	-	-	92,640
District Wide Services	83,492	-	-	83,492
Administration	495,138	-	-	495,138
School Food Services	-	-	107,330	107,330
Operations and Maintenance	417,941	-	-	417,941
Transportation	304,949	-	-	304,949
Co-Curricular Activities	-	-	93,382	93,382
Capital Outlay	1,960	-	-	1,960
Total Expenditures	\$ 3,346,493	\$ -	\$ 200,712	\$ 3,547,205
Excess (Deficiency) of Revenues Over Expenditures	\$ 156,778	\$ 18,928	\$ 55,661	\$ 231,367
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 40,746	\$ 438,995	\$ 70,014	\$ 549,755
Transfers Out	(509,009)	-	(40,746)	(549,755)
Total Other Financing Sources and Uses	\$ (468,263)	\$ 438,995	\$ 29,268	\$ -
Net Change in Fund Balances	\$ (311,485)	\$ 457,923	\$ 84,929	\$ 231,367
Fund Balance - July 1	\$ 1,261,643	\$ 353,089	\$ 76,140	\$ 1,690,872
Prior Period Adjustment	\$ -	\$ -	\$ 108,867	\$ 108,867
Fund Balance - July 1 Restated	\$ 1,261,643	\$ 353,089	\$ 185,007	\$ 1,799,739
Fund Balance - June 30	\$ 950,158	\$ 811,012	\$ 269,936	\$ 2,031,106

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities – Modified Cash
For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 231,367
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Depreciation Expense	<u>(47,067)</u>
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Change in Net Position of Governmental Activities	<u>\$ 184,300</u>
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The notes to the financial statements are an integral part of this statement.

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Fiduciary Net Position – Modified Cash
June 30, 2021 and June 30, 2020

	<u>2021</u>	<u>2020</u>
	<u>Custodial Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash	<u>\$ 9,778</u>	<u>\$ 9,344</u>
NET POSITION		
Restricted for		
Individuals and Organizations	<u>\$ 9,778</u>	<u>\$ 9,344</u>

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Statement of Changes in Fiduciary Net Position – Modified Cash
June 30, 2021 and June 30, 2020

	2021	2020
	Custodial Funds	Custodial Funds
ADDITIONS		
Donations	\$ 5,038	\$ 2,433
DEDUCTIONS		
Student-Related Activities	\$ 4,604	\$ 409
Net Increase (Decrease) in Fiduciary Net Position	\$ 434	\$ 2,024
Net Position - Beginning	\$ 9,344	\$ -
Prior Period Adjustment	\$ -	\$ 7,320
Net Position - Beginning as restated	\$ 9,344	\$ 7,320
Net Position - Ending	<u>\$ 9,778</u>	<u>\$ 9,344</u>

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

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Notes to the Financial Statements

For the Years Ended June 30, 2021 and June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Napoleon Public School District No. 2 (hereafter referred to as "School District") have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the School District. The School District has considered all potential component units for which it 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 its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body 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 specific financial burdens on the School District.

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

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the School District's funds, including its fiduciary funds. Separate statements for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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 acquisition or construction of major capital facilities.

Additionally, the School District reports the following fund type:

Custodial Fund - These fund account for assets by the School District in a custodial capacity as an agent on behalf of others. The School District's fiduciary fund is used to account for various deposits of the Alternative Graduation Party Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

Capital Assets

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

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

Assets	Years
Buildings	20-50 Years
Vehicles, Machinery, & Equipment	7-10 Years
Land & Land Improvements	Indefinite

Pension

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS's fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 8, is shown as additional information to the users of the financial statements.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported 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. The net OPEB liability is not reported under the modified cash basis of accounting, but the information is disclosed in the OPEB note disclosure. Note 9, is shown as additional information to the users of the financial statements.

Fund Balances

Fund Balance Spending Policy. It is the policy of the School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Assigned Fund Balances. Assigned fund balances are shown by primary function on the balance sheet. Assigned fund balances are spendable or available for appropriation but has been tentatively embarked for some specific purpose by the board designee (such as Business Manager).

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

NOTE 2 PROPERTY TAXES

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

NOTE 3 PRIOR PERIOD ADJUSTMENTS

Implementation of New Accounting Standard – GASB 84 – Fiduciary Activities:

Napoleon Public School District adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities during 2020. The result of implementing GASB 84 increased beginning net position for the School District and beginning fund balance of the Nonmajor Funds by a total of \$108,867.

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

	Governmental Activities	Nonmajor Funds	Fiduciary Activities
Beginning Net Position, as Previously Reported	\$ 2,462,692	\$ 76,140	\$ -
Prior Period Adjustments			
Reclassification of Funds	108,867	108,867	7,320
Net Position, July 1, Restated	\$ 2,571,559	\$ 185,007	\$ 7,320

NOTE 4 TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that are accounted for in other funds in accordance with budget authority and to subsidize other programs.

NOTE 5 RISK MANAGEMENT

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

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

The School District participates in the Bonding Fund. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$1,517,186 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 6 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other 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 equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its

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boards, agencies or instrumentalities or by any 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 body and bonds issued by another 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 totaled \$2,201,172, and the bank balances totaled \$2,235,210. Of the bank balances, \$598,997 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the School District's name.

At year ended June 30, 2020, the School District's carrying amount of deposits totaled \$2,040,450, and the bank balances totaled \$2,251,226. Of the deposits, a total of \$621,411 was covered by FDIC Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the School District's name.

NOTE 7 CAPITAL ASSETS

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

Governmental Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Buildings	\$ 2,043,546	\$ -	\$ -	\$ -	\$ 2,043,546
Vehicles	67,610	-	-	-	67,610
Equipment	259,950	-	13,235	-	246,715
Total Capital Assets, Being Depreciated	\$ 2,371,106	\$ -	\$ 13,235	\$ -	\$ 2,357,871
Less Accumulated Depreciation					
Buildings	\$ 1,400,413	\$ 22,253	\$ -	\$ -	\$ 1,422,666
Vehicles	57,890	4,860	-	-	62,750
Equipment	188,050	15,119	6,617	-	196,552
Total Accumulated Depreciation	\$ 1,646,353	\$ 42,232	\$ 6,617	\$ -	\$ 1,681,968
Governmental Activities Capital Assets, Net	\$ 724,753	\$ (42,232)	\$ 6,618	\$ -	\$ 675,903

The following is a summary of changes in capital assets for the year ended June 30, 2020:

Governmental Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Buildings	\$ 2,043,546	\$ -	\$ -	\$ -	\$ 2,043,546
Vehicles	67,610	-	-	-	67,610
Equipment	259,950	-	-	-	259,950
Total Capital Assets, Being Depreciated	\$ 2,371,106	\$ -	\$ -	\$ -	\$ 2,371,106
Less Accumulated Depreciation					
Buildings	\$ 1,378,160	\$ 22,253	\$ -	\$ -	\$ 1,400,413
Vehicles	49,518	16,442	-	-	65,960
Equipment	171,608	8,372	-	-	179,980
Total Accumulated Depreciation	\$ 1,599,286	\$ 47,067	\$ -	\$ -	\$ 1,646,353
Governmental Activities Capital Assets, Net	\$ 771,820	\$ (47,067)	\$ -	\$ -	\$ 724,753

Depreciation expense was charged to functions of the School District for 2021 and 2020 respectively as follows:

Depreciation by Function:	2021	2020
Administration	\$ 7,062	\$ 10,575
Instruction	16,700	16,700
Vocational Education	2,081	2,081
Co-Curricular	12,554	12,553
Food Service	3,835	5,158
Total	\$ 42,232	\$ 47,067

NOTE 8 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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

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 and June 30, 2020, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	Net Pension Liability
School District - 2021	\$ 966,615
School District - 2020	251,339

The net pension liability was measured as of June 30, 2020 and June 30, 2019 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective 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 and June 30, 2019, the entity had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30 Measurement Date
School District - 2021	0.030725%	0.009281%
School District - 2020	0.021444%	-0.003259%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

Actuarial Assumptions

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

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

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

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

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

Discount rate

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

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

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

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

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

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Proportionate Share of the Net Pension Liability	\$ 1,254,111	\$ 966,615	\$ 731,374

Pension Plan Fiduciary Net Position

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

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021 and June 30, 2020, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	TFFR Liability
School District - 2021	\$ 2,710,503
School District - 2020	2,971,976

The net pension liability was measured as of June 30, 2020 and June 30, 2019 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective 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 and June 30, 2019, the entity had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30 Measurement Date
School District - 2021	0.177099%	-0.038691%
School District - 2020	0.215790%	-0.013117%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

Actuarial Assumptions

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

Inflation	2.30%
Salary Increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment Rate of Return	7.25%, net of investment expenses
Cost-of-Living Adjustments	None

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

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

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

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

- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 3,610,245	\$ 2,710,503	\$ 1,962,772

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at <https://www.rio.nd.gov/newsletters-reports>

NOTE 9 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2021 and June 30, 2020, for its respective proportionate share of the net pension liability, the following net OPEB liabilities were reported:

	Net OPEB Liability
School District - 2021	\$ 25,010
School District - 2020	16,055

The net OPEB liability was measured as of June 30, 2020 and June 30, 2019 respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on the its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020 and June 30, 2019 respectively, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30 Measurement Date
School District - 2021	0.029732%	0.009743%
School District - 2020	0.019989%	-0.003204%

There were no deferred inflows or outflows of resources reported on the School District's financial statements as they are reporting on the modified cash basis of accounting.

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	Not Applicable
Investment Rate of Return	6.50%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

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

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

Discount Rate

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

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate Share of the Net OPEB Liability	\$ 32,802	\$ 25,010	\$ 18,422

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave, Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

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

Independent Auditor's Report

Napoleon Public School Board
Napoleon Public School District No. 2
Napoleon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Napoleon Public School District No. 2, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Napoleon Public School District No. 2's basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Napoleon Public School District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Napoleon Public School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Napoleon Public School District No. 2's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of audit 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 Audit Findings* as items 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005, 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 deficiencies described in the accompanying *Schedule of Audit Findings* as items 2021-006 and 2021-007 to be significant deficiencies.

NAPOLEON PUBLIC SCHOOL DISTRICT NO. 2

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Napoleon Public School District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Audit Findings* as item 2021-004.

Napoleon Public School District No. 2's Response to Findings

Napoleon Public School District No. 2's response to the findings identified in our audit is described in the accompanying *Schedule of Audit Findings*. Napoleon Public School District No. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 26, 2021

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Summary of Auditor's Results

For the Years Ended June 30, 2021 and June 30, 2020

Financial Statements

Type of Report Issued:

Governmental Activities

Unmodified

Major Funds

Unmodified

Aggregate Remaining Fund Information

Unmodified

Internal control over financial reporting

Material weaknesses identified?

 X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses?

 X Yes None Noted

Noncompliance material to financial statements noted?

 X Yes None Noted

NAPOLEON PUBLIC SCHOOL DISTRICT No. 2

Schedule of Audit Findings

For the Years Ended June 30, 2021 and June 30, 2020

2021-001 ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting for fiscal year 2020.

Effect

Inadequate internal controls over recording of transactions affects Napoleon Public School District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

Napoleon Public School District has not been performing bank reconciliations on a timely basis.

Criteria

Napoleon Public School District is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Repeat Finding

Yes.

Recommendation

We recommend Napoleon Public School District review the fund balance adjustments and resolve issues relating to revenue and expenditure classification, transfer entries, and cash balance errors. Furthermore, we recommend Napoleon Public School District perform bank reconciliations on a timely basis.

School District's Response

Napoleon Public School District agrees with the audit finding of the bank reconciliations not being conducted on a timely basis. Napoleon Public School District will review the fund balance adjustments and resolve issues relating to revenue and expenditure classification, transfer entries, and cash balance errors monthly.

2021-002 LACK OF BANK RECONCILIATIONS – MATERIAL WEAKNESS

Condition

Napoleon Public School District did not prepare bank reconciliations for the years ended June 30, 2021 and June 30, 2020.

Effect

There is an increased risk of material misstatement to Napoleon Public School District's financial statements whether due to error or fraud if bank reconciliations are not complete and accurate. Further, an auditor prepared bank reconciliation was necessary to accurately report cash balances.

Cause

Napoleon Public School District did not have a process in place for preparing accurate bank reconciliations on a timely basis.

Criteria

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

Prior Recommendation

Yes.

Recommendation

We recommend Napoleon Public School District resolve its unreconciled net difference, review its current procedures, and ensure that all bank reconciliations are accurately completed on a monthly basis.

School District's Response

Napoleon Public School District agrees with the audit findings that there was no process in place for preparing accurate bank reconciliations on a timely basis. Napoleon Public School District will conduct bank reconciliations on a monthly basis.

2021-003 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

The Napoleon Public School District has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Napoleon Public School District's financial condition whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the Napoleon Public School District.

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the Napoleon Public School District.

Prior Recommendation

Yes.

Recommendation

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

- Expenditures, financial statements, bank reconciliations, 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 reconciliation as they relate to any amounts which impact the financial statements.

School District's Response

Napoleon Public School District agrees with the audit findings for the lack of segregation of duties. Napoleon Public School District will segregate duties as it becomes feasible.

2021-004 LACK OF BUILDING FUND LEDGER – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

Condition

Napoleon Public School District did not maintain a building fund ledger for revenues, expenditures, and cash balances during FY2020.

Effect

The lack of accurate recording increases the risk of fraud and the risk of misstatement of Napoleon Public School District's financial condition whether due to error or fraud. Additionally, Napoleon Public School District may be in non-compliance with N.D.C.C. §57-15-17(1)(a). Furthermore, auditor adjustments were necessary to accurately report building fund revenues, expenditures, and cash balances for FY2020.

Cause

Napoleon Public School District has limited economic resources and they decided not to implement the building ledger during FY2020.

Criteria

N.D.C.C. §57-15-17(1)(a) states in part, "All revenue accruing from appropriations or tax levies for a school district building fund, together with any amount as may be realized for building purposes from all other sources, must be placed in a separate fund known as a building fund..."

Prior Recommendation

Yes.

Recommendation

We recommend Napoleon Public School District maintain a building fund ledger in its accounting software to ensure compliance with N.D.C.C. §57-15-17(1)(a).

School District's Response

Napoleon Public School District agrees with the audit findings and has started to use a building fund ledger in FY2021.

2021-005 SCHOOL DISTRICT FINANCIAL REPORT – MATERIAL WEAKNESS

Condition

Napoleon Public School District submitted a School District Financial Report for 2021 and 2020 to the North Dakota Department of Public Instruction (DPI) that contained revenues, expenditures, and fund balances that did not agree with their underlying records.

Effect

Napoleon Public School District financial information was not accurately reported to DPI, which could impact its funding.

Cause

Napoleon Public School District has not implemented procedures to ensure amounts included in the School District Annual Financial Report agree to the financial records such as the trial balance and general ledger.

Criteria

The North Dakota School District Financial Accounting and Reporting Manual, provided by DPI, states “The School District Financial Report is the primary source of financial information regarding the revenue and expenditures for K-12 education in North Dakota. It is used for many purposes, including data for inter-district tuition, public information, federal reporting, indirect costs and legislative budget and policy making decisions.”

Prior Recommendation

Yes.

Recommendation

We recommend Napoleon Public School District update procedures for preparing the School District Financial Report to ensure it is accurate and agrees to underlying records. Further, we recommend Napoleon Public School District contact the Department of Public Instruction (DPI) to determine if additional information is required.

School District's Response

Napoleon Public School District agrees with the audit findings that the revenues, expenditures, and fund balances reported to North Dakota Department of Public Instruction (DPI) did not match the accounting records. Napoleon Public School District will make sure all revenue, expenditures, and fund balances are correctly reported to DPI.

2021-006 FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition

Napoleon Public School District does not currently prepare a fraud risk assessment of the entire entity.

Effect

If Napoleon Public School District does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Cause

Napoleon Public School District has limited economic resources and decided to not implement the formal fraud risk assessment at this moment.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Prior Recommendation

Yes.

Recommendation

We recommend Napoleon Public School District prepare a fraud risk assessment in order to identify areas of concern within entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

School District's Response

Napoleon Public School District agrees with the audit findings that no fraud risk assessment has been conducted. Napoleon Public School District will conduct a fraud risk assessment yearly.

2021-007 LACK OF INSURANCE – SIGNIFICANT DEFICIENCY

Condition

Napoleon Public School District did not have Fire and Tornado insurance for FY2020, nor did Napoleon Public School District have public asset coverage for FY2020 or FY2021.

Effect

Without proper insurance, Napoleon Public School District increases its risk of financial loss.

Cause

Napoleon Public School District did not renew its coverage.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the Napoleon Public School District's assets, management is responsible for adequate internal controls surrounding the review process of its insurance policies.

Prior Recommendation

Yes.

Recommendation

We recommend Napoleon Public School District obtain Fire and Tornado and public asset insurance coverage. Additionally, we recommend Napoleon Public School District review its policies and procedures for renewing its coverage on an annual basis.

School District's Response

Napoleon Public School District agrees with the audit findings that there was no Fire and Tornado insurance for FY 2020 nor had public asset coverage for FY 2020 or FY 2021. Napoleon Public School District will keep updated on insurance and report it at a board meeting on a yearly basis.



GOVERNANCE COMMUNICATION

Napoleon Public School Board
Napoleon Public School District No. 2
Napoleon, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napoleon Public School District No. 2, North Dakota, for the years ended June 30, 2021 and June 30, 2020 which collectively comprise Napoleon Public School District No. 2's basic financial statements and have issued our report thereon dated October 26, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated October 4, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Napoleon Public School District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Napoleon Public School District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Napoleon Public School District No. 2 are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended June 30, 2021 and June 30, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Napoleon Public School District No. 2's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Napoleon Public School District No. 2 and management of Napoleon Public School District, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Napoleon Public School District No. 2 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Napoleon Public School District No. 2.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 26, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505