NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
MINOT, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2021

Jim Vannett	President
Holly Breckhus	Vice-President
Todd Awalt	Board Member
Chris Sutton	Board Member
Robert Kraus	Board Member
Matt Norby	Superintendent
Connie Marcellais	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Nedrose Public School District No. 4
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Nedrose Public School District No. 4, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nedrose Public School District No. 4 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matters

As described in Note 13 to the financial statements, the District has retroactively restated previously reported net position to properly reflect liabilities for accrued interest and compensated absences.

Also, As described in Note 13 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Accounting and Financial Reporting for Fiduciary Activities*. The District has restated previously reported Net Position and Fund Balance in accordance with the statement.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The roster of school officials is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

January 25, 2022

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Current Assets:	
Cash	$ 2,866,921
Property Taxes Receivable (Net)	283,825
Due From Other Governments	424,571
Total Current Assets	3,575,317
Non-Current Assets:	
Capital Assets	
Land	1,076,441
Buildings	26,789,730
Equipment	697,166
Vehicles	833,759
Less Accumulated Depreciation	(4,544,019)
Total Non-Current Assets	24,853,077
TOTAL ASSETS	28,428,394
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	2,154,553
LIABILITIES	
Current Liabilities:	
Accounts Payable	61,350
Accrued Payroll	70,857
Interest Payable	170,003
Bonds Payable Within a Year	1,194,926
Total Current Liabilities	1,497,136
Long-Term Liabilities:	
Bonds Payable (Net of Current Portion)	18,113,014
Compensated Absences	41,338
Net Pension Liability	6,639,906
Total Non-Current Liabilities	24,794,258
TOTAL LIABILITIES	26,291,394
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	296,625
NET POSITION	
Net Investment in Capital Assets	5,545,137
Restricted for:	
Debt Service	457,472
Building	722,774
Student Activities	113,627
Unrestricted	(2,844,082)
TOTAL NET POSITION	$ 3,994,928

See Notes to the Basic Financial Statements

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	$ 285,662	$ -	$ -	$ (285,662)
Instructional Support Services	514,759	-	-	(514,759)
Administration	437,891	-	-	(437,891)
Operations and Maintenance	911,546	-	-	(911,546)
Transportation	437,060	-	125,207	(311,853)
Regular Instruction	5,327,727	-	825,869	(4,501,858)
Special Education	516,235	100,388	-	(415,847)
Extra-Curricular Activities	441,851	98,053	-	(343,798)
Food Services	457,584	17,824	393,019	(46,741)
Interest and Fees on Long-Term Debt	681,298	-	-	(681,298)
TOTAL GOVERNMENTAL ACTIVITIES	$ 10,011,613	$ 216,265	$ 1,344,095	(8,451,253)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				1,420,855
Property Taxes, Levied for Capital Projects				213,683
Property Taxes, Levied for Debt Service				1,567,426
Aids and Payments from the State				5,088,363
Unrestricted Investment Earnings				11,204
TOTAL GENERAL REVENUES				8,301,531
Change in Net Position				(149,722)
Net Position - Beginning as Originally Reported				4,221,304
Prior Period Adjustments - See Note 13				(76,654)
Net Position - Beginning as Restated				4,144,650
Net Position - Ending				$ 3,994,928

See Notes to the Basic Financial Statements

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Building Fund	Debt Service Fund	Food Service Fund	Total Governmental Funds
ASSETS					
Cash	$ 1,631,079	$ 703,842	$ 488,107	$ 43,893	$ 2,866,921
Property Taxes Receivable (Net)	125,525	18,932	139,368	-	283,825
Due from Other Governments	424,571	-	-	-	424,571
TOTAL ASSETS	$ 2,181,175	$ 722,774	$ 627,475	$ 43,893	$ 3,575,317
LIABILITIES					
Accounts Payable	$ 61,350	$ -	$ -	$ -	$ 61,350
Accrued Payroll	70,857	-	-	-	70,857
TOTAL LIABILITIES	132,207	-	-	-	132,207
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Uncollected Taxes	114,577	17,279	127,203	-	259,059
TOTAL DEFERRED INFLOWS OF RESOURCES	114,577	17,279	127,203	-	259,059
FUND BALANCES					
Restricted	113,627	705,495	500,272	-	1,319,394
Assigned	-	-	-	43,893	43,893
Unassigned	1,820,764	-	-	-	1,820,764
TOTAL FUND BALANCES	1,934,391	705,495	500,272	43,893	3,184,051
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,181,175	$ 722,774	$ 627,475	$ 43,893	$ 3,575,317

See Notes to the Basic Financial Statements

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

Total fund balances - governmental funds		$ 3,184,051
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	$ 29,397,096	
Less: accumulated depreciation	(4,544,019)	
Net		24,853,077
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		1,857,928
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		259,059
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Bonds Payable		(19,307,940)
Compensated Absences		(41,338)
Net Pension Liability		(6,639,906)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(170,003)
Net Position - Governmental Activities		$ 3,994,928

See Notes to the Basic Financial Statements

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Building Fund	Debt Service Fund	Food Service Fund	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 1,438,322	$ 216,247	$ 1,586,295	$ -	$ 3,240,864
Other Local and County Revenues	243,451	-	-	17,824	261,275
Revenue from State Sources	5,213,570	-	-	686	5,214,256
Revenue from Federal Sources	780,859	-	-	392,333	1,173,192
Interest	11,184	-	-	20	11,204
TOTAL REVENUES	7,687,386	216,247	1,586,295	410,863	9,900,791
EXPENDITURES					
Current:					
Business Support Services	285,662	-	-	-	285,662
Instructional Support Services	514,759	-	-	-	514,759
Administration	437,891	-	-	-	437,891
Operations and Maintenance	766,465	143,717	-	-	910,182
Transportation	388,627	-	-	-	388,627
Regular Instruction	4,134,621	-	-	-	4,134,621
Special Education	516,235	-	-	-	516,235
Extra-Curricular Activities	441,851	-	-	-	441,851
Food Services	-	-	-	457,584	457,584
Capital Outlay	269,324	-	-	-	269,324
Debt Service:					
Principal Retirement	-	-	1,135,704	-	1,135,704
Interest and Fiscal Charges on Long-Term Debt	-	-	660,782	-	660,782
TOTAL EXPENDITURES	7,755,435	143,717	1,796,486	457,584	10,153,222
Excess (Deficiency) of Revenues over Expenditures	(68,049)	72,530	(210,191)	(46,721)	(252,431)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	5,145,000	-	5,145,000
Payments to Escrow Agent	-	-	(4,980,000)	-	(4,980,000)
Transfers Out	(583,000)	-	-	-	(583,000)
Transfers In	-	500,000	-	83,000	583,000
TOTAL OTHER FINANCING SOURCES (USES)	(583,000)	500,000	165,000	83,000	165,000
Net Change in Fund Balances	(651,049)	572,530	(45,191)	36,279	(87,431)
Fund Balance - Beginning of Year, as Originally Reported	2,484,712	132,965	545,463	7,614	3,170,754
Prior Period Adjustments - See Note 13	100,728	-	-	-	100,728
Fund Balance - Beginning of Year, as Restated	2,585,440	132,965	545,463	7,614	3,271,482
Fund Balance - End of Year	$ 1,934,391	$ 705,495	$ 500,272	$ 43,893	$ 3,184,051

See Notes to the Basic Financial Statements

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total net change in fund balances - Governmental Funds		$	(87,431)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.			
Capital Outlays	$ 269,324		
Depreciation Expense	(623,103)		
Excess of depreciation expense over capital outlay			(353,779)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:			
Net change in unavailable property taxes			(38,900)
Repayment of long-term debt is reported as an expenditure or other financing use in the governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.			6,115,704
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:			
Compensated Absences			(13,443)
Proceeds from debt issuances are a long-term liability in the statement of net position. They are netted against repayments of long-term debt which reduce long-term liabilities in the statement of net position.			(5,145,000)
Changes in deferred outflows and inflows of resources related to net pension liability			2,311
Change in net pension liability			(608,668)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.			(20,516)
Change in net position - Governmental Activities		$	(149,722)

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Nedrose Public School District No. 4 operates public school in the city of Minot, North Dakota. There is combined elementary school and junior/senior high school.

Reporting Entity – components units are legally separate organization for which the District is financially accountable. The District is financially accountable for organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Nedrose Public School District No. 4 have been prepared in in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting polices are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole. The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program, or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements.

Fund Accounting

The District's funds consist of the following:

Governmental Funds

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds are as follows:

General Fund - The general fund is the general operating fund of the school district. It accounts for all financial resources except those requiring to be accounted for in another fund, including the Student Activity Fund.

Capital Projects Funds - Capital projects funds are used to account and report financial resources that are *restricted, committed, or assigned* to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - The Debt Service fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs.

Special Revenue Funds - Special Revenue fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category is the food service operating fund. It accounts for all financial resources related to food service.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

Revenues - Exchange and Non-Exchange Transactions:

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes and intergovernmental revenues.

Unearned/Unavailable Revenues:

Unearned/unavailable revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unavailable revenue.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 15 of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts to each respective fund and is available for future appropriation.

The General fund expenditures were $331,021 over budget at June 30, 2021.

Cash and Cash Equivalents:

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments are recorded at market value. North Dakota State Statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Land improvements	50 Years
Buildings and Improvements	50 Years
Equipment and Fixtures	10 Years
Vehicles	10 Years

Accrued Liabilities and Long-term Obligations:

All payables accrued liabilities and long-term obligations are reported in the District's government-wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Pensions:

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

Sick Leave:

Upon separation from the District employees are paid $25/day for unused sick leave up to a maximum of 100 days, or $2,500, for certified employees and 40 days, or $1,000, for non-certified employees.

Fund Balance Classifications:

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

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

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items. The District does not have any fund balance classified as nonspendable.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints impose by state statutory provisions and administered by the North Dakota Department of Education. The District does not have any fund balance classified as restricted.

Committed – consists of internally imposed constraints. These constraints are established by resolution of the Board of Education. The District does not have any fund balance classified as committed.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for us, it is the District's policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

The District has classified the spendable fund balances as Assigned and Unassigned and considers each to have been spent when expenditures are incurred.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan, as well as amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position *as cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan.

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2021.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half-of-the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition – Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

Significant Group Concentrations of Credit Risk:

As of June 30, 2021, the District's receivables consist of amounts due from other governmental units within the State of North Dakota and the federal government.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2021, the carrying amount of the District's deposits was $2,866,921 and the bank balance was $2,959,830. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Investments

The District does not have any investments subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in general fixed asset account group during the year:

	Balance 7/1/2020	Additions	Disposals	Balance 6/30/2021
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	$ 1,076,441	$ -	$ -	$ 1,076,441
Total	1,076,441	-	-	1,076,441
Capital Assets Being Depreciated				
Buildings	26,789,730	-	-	26,789,730
Equipment	560,271	136,895		697,166
Vehicles	749,230	132,429	47,900	833,759
Total	28,099,231	269,324	47,900	28,320,655
Less Accumulated Depreciation				
Buildings	3,217,054	520,615	-	3,737,669
Equipment	218,430	57,985	-	276,415
Vehicles	533,332	44,503	47,900	529,935
Total	3,968,816	623,103	47,900	4,544,019
Net Capital Assets Being Depreciated	24,130,415	(353,779)	-	23,776,636
Net Capital Assets for Governmental Activities	$ 25,206,856	$ (353,779)	$ -	$ 24,853,077

In the Governmental activities section of the statement of activities, depreciation expenses was charged to the following governmental functions:

Regular Instruction	$ 573,306
Operations and Maintenance	1,364
Transportation	48,433
Total	$ 623,103

NOTE 5 LONG-TERM DEBT

The School District issued bonds to provide funding for the construction additions and improvements to existing facilities. Long-term debt obligations outstanding at year-end and changes in long-term dept are summarized as follows:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
General Obligation School Building Bonds, Series 2015	$ 8,403,644	$ -	$ (435,704)	$ 7,967,940	$ 479,926
General Obligation School Building Bonds, Series 2014	6,150,000	-	(5,365,000)	785,000	390,000
Nedrose Building Authority Lease Revenue Bonds, Series 2015	3,185,000		(170,000)	3,015,000	175,000
General Obligation School Building Bonds , Series 2015A	2,540,000		(145,000)	2,395,000	150,000
General Obligation School Building Refunding Bonds, Series 2021	-	5,145,000	-	5,145,000	-
Compensated Absences	27,895	13,443	-	41,338	-
Net Pension Liability	6,031,238	1,914,485	(1,305,817)	6,639,906	-
Total	$ 26,337,777	$ 7,072,928	$ (7,421,521)	$ 25,989,184	$ 1,194,926

Debt payable at June 30, 2021 is comprised of the following individual issues:

General Obligation School Building Bonds, Series 2015
$10,000,000 issued
Bond calls for semi-annually payments of $394,585.24 from April 1, 2016 through October 1, 2035
Effective interest rate at 2%.

General Obligation School Building Bonds, Series 2014
$8,000,000 issued
Bond calls for annual principal payments of $345,000 to $520,000 from August 1, 2015 through August 1, 2033
Effective intrest rate of 2% to 3.625%.

Nedrose Building Authority lease Revenue Bonds, Series 2015
$3,945,000 Issued
Bonds Calls for annual principal payments of $130,000 to $265,000 from may 1, 2016 through May 1, 2035
Effective Interest rate of 3% to 4%.

General Obligation School Building Bonds , Series 2015A
$3,070,000 issued
Bonds calls for annual principal payments of $115,000 to $200,000 from August 1, 2016 through August 1, 2034
Effective interest rate of 2% to 3.5%.

General Onligation Building Refunding Bond, Series 2021
$5,145,000 was issued
Bond Calls for annual principal payment of $455,000 to $485,000 from August 1, 2023 through August 1, 2033
Effective Interest rate of .250% to 1.550%.

Interest expense was $509,391 for the year ended June 30, 2021.

Annual debt service requirements to maturity for the long-term debt are as follows:

General Obligation School Building Bonds, Series 2015

Fiscal year	Principal	Interest	Total
2022	$ 479,926	$ 157,350	$ 637,276
2023	489,572	147,704	637,276
2024	499,413	137,864	637,277
2025	509,451	127,825	637,276
2026	519,691	117,585	637,276
2027-2030	2,185,343	363,764	2,549,107
2031-2035	3,284,544	201,499	3,486,043
	$ 7,967,940	$ 1,253,591	$ 9,221,531

General Obligation School Building Bonds, Series 2014

Fiscal year	Principal	Interest	Total
2022	$ 390,000	$ 161,838	$ 551,838
2023	395,000	153,741	548,741
	$ 785,000	$ 315,579	$ 1,100,579

General Obligation School Building Bonds, Series 2021

Fiscal year	Principal	Interest	Total
2022	$ -	$ 45,584	$ 45,584
2023	460,000	47,704	507,704
2024	460,000	47,129	507,129
2025	455,000	45,749	500,749
2026	460,000	44,035	504,035
2027-2030	1,385,000	144,645	1,529,645
2031-2033	1,925,000	56,582	1,981,582
	$ 5,145,000	$ 431,428	$ 5,576,428

General Obligation School Building Bonds, Series 2015A

Fiscal year	Principal	Interest	Total
2022	$ 150,000	$ 60,412	$ 210,412
2023	150,000	57,412	207,412
2024	155,000	54,362	209,362
2025	155,000	51,262	206,262
2026	160,000	48,112	208,112
2026-2030	675,000	155,407	830,407
2031-2033	950,000	80,441	1,030,441
	$ 2,395,000	$ 507,408	$ 2,902,408

Nedrose Building Authority lease Revenue Bond, Series 2015

Fiscal year	Principal	Interest	Total
2022	$ 175,000	$ 100,001	$ 275,001
2023	180,000	94,675	274,675
2024	185,000	89,199	274,199
2025	190,000	83,574	273,574
2026	195,000	77,799	272,799
2027-2030	1,085,000	270,009	1,355,009
2031-2035	1,005,000	100,374	1,105,374
	$ 3,015,000	$ 815,631	$ 3,830,631

NOTE 6 FUND BALANCE

CLASSIFICATIONS

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

Restricted for:	General Fund	Capital Projects	Debt Service	Food Service	Total
Capital Projects	$ -	$ 705,495	$ -	$ -	$ 705,495
Debt Service	-	-	500,272	-	500,272
Student Activities	113,627	-	-	-	113,627
Total Restricted	$ 113,627	$ 705,495	$ 500,272	$ -	$ 1,319,394
Assigned for:					
Food Service	$ -	$ -	$ -	$ 43,893	$ 43,893
Unassigned:	$ 1,820,764	$ -	$ -	$ -	$ 1,820,764
Total	$ 1,934,391	$ 705,495	$ 500,272	$ 43,893	$ 3,184,051

Restricted fund balance reflects resources restricted for statutorily defined purpose not accounted for in a separate fund. At June 30, 2021, there were following accounts:

Restricted for Capital Projects:
This account represents funds held by the School District available to provide future capital outlay.

Restricted for Debt Service:
This account represents funds held by the School District available to service long-term debt.

Restricted for Student Activities:
This account represents funds held by the School District available to service various student activities.

Assigned fund balance reflects resources that can be used only for the specific purpose determined by formal action of the School District's Board of Education. At June 30, 2021, there were following accounts:

Assigned for Food Service:
This account represents funds held by the School District available to service hot lunch.

NOTE 7 DEFINED BENEFIT PENSTION PLANS – STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of $6,639,906 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the Employer's proportion was 0.433838 percent which was a decrease of 0.004080 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of $1,054,580. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,369	$ (249,182)
Changes in actuarial assumptions	298,854	-
Difference between projected and actual investment earnings	409,891	-
Changes in proportion	996,225	(47,443)
Contributions paid to TFFR subsequent to the measurement date	448,214	-
Total	$ 2,154,553	$ (296,625)

$448,214 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

Year ending June 30:	Pension Expense Amount
2022	$ 476,055
2023	451,064
2024	233,342
2025	180,801
2026	57,094
Thereafter	11,358

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 14.50%, 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 increase 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 Pub T- 010 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	58.00%	6.86%
Global Fixed Income	23.00%	1.25%
Global Real Assets	18.00%	5.02%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% 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, 2019, 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 June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.25% percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-

percentage-point lower (6.25% percent) or 1-percentage-point higher (8.25% percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.25%	7.25%	8.25%
School's proportionate share of the TFFR net pension liability:	$ 8,843,998	$ 6,639,906	$ 4,808,192

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

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

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

The District also participates in the North Dakota Worker’s Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 9 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2021 were as follows:

Transfers In	Transfers Out	Amount
Food Service Fund	General Fund	$ 83,000
Building Fund	General Fund	500,000
		$ 583,000

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is complete.

NOTE 10 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of the commodities received for the year ended June 30, 2021 was $27,390.

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information* Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 13 CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCE

A prior period adjustment was made to properly reflect liabilities for compensated absences and accrued interest not recorded in the prior year. Additionally, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position and fund balance have been restated as of July 1, 2020 as follows:

Net Position July 1, 2020, As Previously Reported	$ 4,221,304
Restatement for Fiduciary Accounting	100,728
Restatement for Compensated Absences	(27,895)
Restatement for Interest Accrual	(149,487)
Net Position July 1, 2020, As Restated	$ 4,144,650

General Fund Balance July 1, 2020, As Previously Reported	$ 2,484,712
Restatement for Fiduciary Accounting	100,728
General Fund Balance July 1, 2020, As Restated	$ 2,585,440

NOTE 14 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 25, 2022, which is the date these financial statements were available to be issued.

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	$ 1,468,300	$ 1,468,300	$ 1,438,322	$ (29,978)
Other Local & County Revenues	287,775	287,775	243,451	(44,324)
Revenue From State Sources	5,485,848	5,485,848	5,213,570	(272,278)
Revenue From Federal Sources	338,069	338,069	780,859	442,790
Interest	8,000	8,000	11,184	3,184
TOTAL REVENUES	7,587,992	7,587,992	7,687,386	99,394
EXPENDITURES				
Business Support Services	289,170	289,170	285,662	(3,508)
Instructional Support Services	463,783	463,783	514,759	50,976
Administration	469,320	469,320	437,891	(31,429)
Operations and Maintenance	697,200	697,200	766,465	69,265
Transportation	370,980	370,980	388,627	17,647
Regular Instruction	4,309,957	4,309,957	4,134,621	(175,336)
Special Education	460,829	460,829	516,235	55,406
Extra-Curricular Activities	363,175	363,175	441,851	78,676
Capital Outlay	-	-	269,324	269,324
TOTAL EXPENDITURES	7,424,414	7,424,414	7,755,435	331,021
Excess (Deficiency) of Revenues Over Expenditures	163,578	163,578	(68,049)	(231,627)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(55,000)	(55,000)	(583,000)	(528,000)
TOTAL OTHER FINANCING SOURCES (USES)	(55,000)	(55,000)	(583,000)	(528,000)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	108,578	108,578	(651,049)	(759,627)
Fund Balance - Beginning of Year, as Originally Reported	2,484,712	2,484,712	2,484,712	-
Prior Period Adjustments - See Note 13	-	-	100,728	100,728
Fund Balance - Beginning of Year, as Restated	2,484,712	2,484,712	2,585,440	100,728
Fund Balances - Ending	$ 2,593,290	$ 2,593,290	$ 1,934,391	$ (658,899)

See Notes to the Required Supplementary Information

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Other Local & County Revenues	$ 152,630	$ 152,630	$ 17,824	$ (134,806)
Revenue From State Sources	-	-	686	686
Revenue From Federal Sources	189,000	189,000	392,333	203,333
Interest	1,500	1,500	20	(1,480)
TOTAL REVENUES	343,130	343,130	410,863	67,733
EXPENDITURES				
Food Service	398,130	398,130	457,584	59,454
TOTAL EXPENDITURES	398,130	398,130	457,584	59,454
Excess (Deficiency) of Revenues Over Expenditures	(55,000)	(55,000)	(46,721)	8,279
OTHER FINANCING SOURCES (USES)				
Transfers In	55,000	55,000	83,000	28,000
TOTAL OTHER FINANCING SOURCES (USES)	55,000	55,000	83,000	28,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	-	-	36,279	36,279
Fund Balance - Beginning of Year	7,614	7,614	7,614	-
Fund Balances - Ending	$ 7,614	$ 7,614	$ 43,893	$ 36,279

See Notes to the Required Supplementary Information

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$ 448,214	$ (448,214)	$ -	$ 3,515,407	12.75%
2020	403,610	(403,610)	-	3,165,545	12.75%
2019	391,695	(391,695)	-	3,072,119	12.75%
2018	351,354	(351,354)	-	2,755,718	12.75%
2017	329,043	(329,043)	-	2,580,732	12.75%
2016	312,999	(312,999)	-	2,454,896	12.75%
2015	179,306	(179,306)	-	1,406,389	12.75%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

For the Fiscal Year Ended June 30*	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.433838%	$ 6,639,906	$ 3,165,545	209.76%	63.40%
2020	0.437918%	6,031,238	3,072,119	196.32%	65.50%
2019	0.405366%	5,402,959	2,755,718	196.06%	65.50%
2018	0.382347%	5,251,634	2,580,732	203.49%	63.20%
2017	0.377836%	5,535,523	2,454,896	225.49%	59.20%
2016	0.228642%	2,990,306	1,406,389	212.62%	62.10%
2015	0.224405%	2,351,367	1,301,671	180.64%	66.60%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, budgeted expenditures exceeded actual expenditures by $331,021.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget before August tenth of each year. The budget is then filed with the county auditor by August tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after August tenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts to each respective fund and is available for future appropriation.

NOTE 2– EXPENDITURES IN EXCESS OF BUDGET

Funds sufficient to provide for the excess expenditures of $331,021 in the general fund and $59,454 in the food service fund were made available from other functions within the funds, and the excess has no impact on the financial results of the District.

NOTE 3 – CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

Changes of assumptions

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

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

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

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

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
JUNE 30, 2021

AL #	Description	Pass-Through Entity Identifying Number	Expenditures
Department of Treasury			
Passed Through the North Dakota State Department of Public Instruction			
21.019	COVID-19 Education Corps Revenue	F21019	$ 151,637
21.019	COVID-19 Resiliency Grant Revenue	F21019	170,495
21.019	COVID-19 Broadband Assistance Revenue	F21019	1,061
	Total CFDA 21.019		323,193
	Total Department of Treasury		323,193
Department of Education			
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	244,232
84.367	Title II Part A - Teacher and Principal Quality	F84367	23,918
84.424A	Title IV Transferability	F84424A	26,614
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief Fund	F84425D	152,801
	Total Passed through ND DPI		447,565
Passed Through Velva Public School District			
84.048	Carl Perkins		10,101
	Total Passed Through Velva Public School District		10,101
	Total Department of Education		457,666
Department of Agriculture			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Child Nutrition - School Lunch	F10555	6,257
10.553	Child Nutrition - School Breakfast	F10553	1,188
10.559	COVID-19 - Summer Food Service	F10559	354,425
10.555	Food Distribution-Non Cash	F10555	27,390
	Total Cluster		389,260
10.560	SAE Food Nutrition	F10560	3,073
	Total Department of Agriculture		392,333
	TOTAL		$ 1,173,192

See Notes to Schedule of Expenditure of Federal Awards

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 – INDIRECT COST RATE

Nedrose Public School District No. 4 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – BASIS OF PRESENTATION

The Schedule includes the federal award activity of the Nedrose Public School District No. 4 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

BradyMartz

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

To the Board of Education
Nedrose Public School District No. 4
Minot, 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 and each major fund of the District as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise Nedrose Public School District No. 4's basic financial statements and have issued our report thereon dated January 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nedrose Public School District No. 4's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance And Other Matters

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

The District's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

January 25, 2022

BradyMartz

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

To the Board of Commissioners
Barnes County Housing Authority
Valley City, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Nedrose Public School District No. 4's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Nedrose Public School District No. 4's major federal programs for the year ended June 30, 2021. The Nedrose Public School District No. 4's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Nedrose Public School District No. 4's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U*.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nedrose Public School District No. 4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Nedrose Public School District No. 4's compliance.

Opinion on Each Major Federal Program

In our opinion, the Nedrose Public School District No. 4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Nedrose Public School District No. 4's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Nedrose Public School District No. 4's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Nedrose Public School District No. 4 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Nedrose Public School District No. 4's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nedrose Public School District No. 4's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-003, that we consider to be a material weakness.

Nedrose Public School District No. 4’s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Nedrose Public School District No. 4’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

NEDROSE PUBLIC SCHOOL DISTRICT NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unmodified		
Internal control over financial reporting:				
Material weakness(es) identified?	X	yes		no
Significant deficiency(ies) identified that are not considered to be material weaknesses?		yes	X	no
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over financial reporting:				
Material weakness(es) identified?	X	yes		no
Significant deficiency(ies) identified that are not considered to be material weaknesses?		yes	X	no
Type of auditor's report issued on compliance for major programs:		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	yes		no

Identification of major programs:

CFDA Number(s)	Name of Federal Program
10.553, 10.555, 10.559	Child Nutrition Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A & Type B programs:		$750,000		
Auditee qualified as low-risk auditee?		yes	X	no

Section II-Financial Statement Findings

2021-001

Criteria
To provide reasonable assurance that segregation of duties take place while also considering the size of the District.

Condition:
The District has one employee who is responsible for majority of accounting functions involved. The employee handles all income monies, prepare the receipts documents, prepares the deposits, issues all check and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. This increases the risk of material misstatement of the school's financial condition.

Cause:
There is one employee for multiple functions such as executing and recording transactions.

Effects:
Lack of segregation of duties leads to a limited degree of internal control.

Recommendation:
The district should separate the duties when it became feasible.

Management Response:
The District has segregated the accounting duties in the most effective manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added until it becomes cost effective.

2021-002

Criteria
An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause
The District elected to not allocate resources for the preparation of the financial statements.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Recommendation
We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Management's Response
The District will continue to have the auditor prepare the financial statements.

Section III-Federal Award Findings and Questioned Costs

2021-003 – Allowable Costs/Cost Principles – 21.019 Coronavirus Relief Fund

Criteria
Expenditures must be adequately documented and consistent with policies and procedures. All disbursement transactions should have proper written authorization supported with adequate documentation. Internal controls over payroll should be effectively designed and implemented to provide assurance of proper documentation, calculation, and authorization.

Condition
Out of fourteen payroll expenditures tested, two were missing approved timesheets.

Cause
Management failed to obtain supporting documentation for two stipend disbursements.

Effect
The lack of internal controls exposes the District to greater risk of fraudulent payroll disbursements.

Recommendation
We recommend the District review policies and procedures, especially over timesheets, to ensure all disbursements are properly approved and supported by appropriate documentation.

Management's Response
The entire staff was given a stipend for extra duties related to COVID-19. Documentation for these duties was not provided for two employees at the elementary school. The elementary principal was notified and asked to speak to each employee. The elementary principal stated both employees did do extra work, and did turn in a sheet to the secretary, however the sheets were lost/missing. In the future, if there will be a stipend, no payment will be made until documentation is complete.

2020- 001

Condition:
The Nedrose Public School District No. 4, has one person responsible for most accounting functions.

Criteria:
There should be sufficient accounting personnel, so duties of employees are segregated. The segregation of duties would provide better control over the asset of the school.

Effect:
There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school's financial condition.

Recommendation:
To mitigate the risk associate with the lack of segregation of duties, we recommend district to separate the duties when it became feasible.

Corrective Action Taken:
None. See current year finding 2021-001

Nedrose Public School District #4

School Board Members
James Vannett, President
Holly Brekhus, Vice President
Todd Awalt
Robert Kraus
Christopher Sutton

Administration
Matt Norby, Superintendent
Chelsey Raymond, Secondary Principal
Alex Schmaltz, Elementary Principal
Brock Zietz, Athletic Director
Connie Marcellais, Business Manager

NEDROSE CARDINALS

CORRECTIVE ACTION PLAN
JUNE 30, 2021

2021 – 001

Contact Person:
Connie Marcellais (Business Manager), Matt Norby (Superintendent)

Planned Corrective Action:
The District will implement proper segregation of duties when it becomes cost effective.

Planned Completion Date:
Ongoing.

2021 – 002

Contact Person:
Connie Marcellais (Business Manager), Matt Norby (Superintendent)

Planned Corrective Action Plan:
The District will implement when it becomes cost effective.

Planned Completion Date:
Ongoing.

2021 – 003

Contact Person:
Connie Marcellais (Business Manager), Matt Norby (Superintendent)

Planned Corrective Action Plan:
The District will require completed documentation for all future stipend payments.

Planned Completion Date:
June 30, 2022.