

**NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2
FINANCIAL STATEMENTS
JUNE 30, 2021**

WITH INDEPENDENT AUDITOR'S REPORT

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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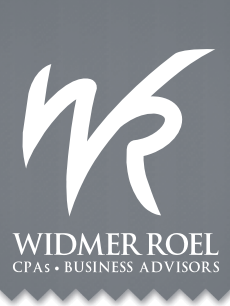
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NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

June 30, 2021

Alyson Myhre	President
Mike Jacobson	Board Member
Mary Kay Price	Board Member
David Holzwarth	Board Member
Patti Larson	Board Member
Travis Benson	Board Member
Mike Schaefer	Board Member
Jill Louters	Superintendent
Dave Skogen	Business Manager



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INDEPENDENT AUDITOR'S REPORT

School Board and Administration
New Rockford-Sheyenne Public School District #2
New Rockford, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **New Rockford-Sheyenne Public School District #2** (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **New Rockford-Sheyenne Public School District #2**, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **New Rockford-Sheyenne Public School District #2** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 of the financial statements, **New Rockford-Sheyenne Public School District #2** adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

New Rockford-Sheyenne Public School District #2's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **New Rockford-Sheyenne Public School District #2's** ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **New Rockford-Sheyenne Public School District #2's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **New Rockford-Sheyenne Public School District #2's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension and OPEB Liability, Schedule of Employer Contributions, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2023, on our consideration of the **New Rockford-Sheyenne Public School District #2's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **New Rockford-Sheyenne Public School District #2's** internal control over financial reporting and compliance.



Fargo, North Dakota
February 16, 2023

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,642,532
Due from other governments	42,985
Interfund receivable	7,777
Taxes receivable	73,262
Capital assets, net of accumulated depreciation	
Land	6,000
Buildings and improvements	4,295,832
Furniture and equipment	36,350
Vehicles	<u>272,879</u>
Total assets	6,377,617
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB related deferred outflows of resources	<u>1,606,909</u>
Total assets and deferred outflows of resources	\$ <u><u>7,984,526</u></u>
LIABILITIES	
Salaries and benefits payable	\$ 122,202
Accounts payable	7,777
Current portion of long-term debt	141,932
Long-term liabilities	
Long-term debt, net of current portion	2,644,273
Compensated absences payable	18,163
Net pension and OPEB liability	<u>5,153,943</u>
Total liabilities	<u>8,088,290</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB related deferred inflows of resources	<u>561,398</u>
NET POSITION	
Net investment in capital assets	1,824,856
Restricted for	
Building	425,607
Food service	45,937
Unrestricted	<u>(2,961,562)</u>
Total net position	<u>(665,162)</u>
Total liabilities, deferred inflows of resources and net position	\$ <u><u>7,984,526</u></u>

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 2,928,479	\$ -	\$ 3,004,233	\$ 75,754
Federal programs	204,375	-	389,535	185,160
Instructional staff services	94,696	-	-	(94,696)
Services provided	194,301	-	-	(194,301)
Administration services	429,880	-	-	(429,880)
Special education	467,156	-	-	(467,156)
Operations and maintenance	507,273	-	-	(507,273)
Student activities	280,121	141,938	-	(138,183)
Student transportation	319,942	-	-	(319,942)
Food service	198,234	105,340	118,546	25,652
Interest expense	59,590	-	-	(59,590)
	<u>5,684,047</u>	<u>247,278</u>	<u>3,512,314</u>	<u>(1,924,455)</u>
Total governmental activities	\$ <u>5,684,047</u>	\$ <u>247,278</u>	\$ <u>3,512,314</u>	<u>(1,924,455)</u>
 GENERAL REVENUES				
Property taxes				1,607,262
Interest income				1,813
Miscellaneous revenues				<u>65,559</u>
Total general revenues				<u>1,674,634</u>
Change in net position				<u>(249,821)</u>
Net position July 1, as previously reported				(475,946)
Change in accounting principle (Note 1)				<u>60,605</u>
Net position July 1, as adjusted				<u>(415,341)</u>
Net position, June 30				\$ <u>(665,162)</u>

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,079,162	\$ 425,607	\$ 137,763	\$ 1,642,532
Due from other governments	42,985	-	-	42,985
Interfund receivable	7,777	-	-	7,777
Taxes receivable	<u>57,351</u>	<u>6,780</u>	<u>9,131</u>	<u>73,262</u>
Total assets	\$ <u>1,187,275</u>	\$ <u>432,387</u>	\$ <u>146,894</u>	\$ <u>1,766,556</u>
LIABILITIES				
Salaries and benefits payable	\$ 122,198	\$ -	\$ 4	\$ 122,202
Interfund payable	<u>-</u>	<u>-</u>	<u>7,777</u>	<u>7,777</u>
Total liabilities	<u>122,198</u>	<u>-</u>	<u>7,781</u>	<u>129,979</u>
DEFERRED INFLOW OF RESOURCES				
Uncollected taxes	<u>57,351</u>	<u>6,780</u>	<u>9,131</u>	<u>73,262</u>
Total liabilities and deferred inflow of resources	<u>179,549</u>	<u>6,780</u>	<u>16,912</u>	<u>203,241</u>
FUND BALANCES				
Restricted for				
Building	-	425,607	-	425,607
Food service	-	-	45,937	45,937
Committed for				
Student activity	-	-	88,643	88,643
Unrestricted	<u>1,007,726</u>	<u>-</u>	<u>(4,598)</u>	<u>1,003,128</u>
Total fund balances	<u>1,007,726</u>	<u>425,607</u>	<u>129,982</u>	<u>1,563,315</u>
Total liabilities and fund balances	\$ <u>1,187,275</u>	\$ <u>432,387</u>	\$ <u>146,894</u>	\$ <u>1,766,556</u>

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances for governmental funds		\$	1,563,315
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds</p>			
Cost of capital assets	7,262,427		
Less accumulated depreciation	<u>(2,651,366)</u>		4,611,061
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds</p>			
			73,262
<p>Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.</p>			
			(5,153,943)
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>			
Compensated absences payable	(18,163)		
Long-term debt	<u>(2,786,205)</u>		(2,804,368)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>			
Total deferred outflows of resources	1,606,909		
Total deferred inflows of resources	<u>(561,398)</u>		<u>1,045,511</u>
Total net position of governmental activities		\$	<u><u>(665,162)</u></u>

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
REVENUES				
Taxes	\$ 1,235,234	\$ 157,314	\$ 213,884	\$ 1,606,432
State sources	3,004,233	-	-	3,004,233
Federal sources	389,535	-	203,242	592,777
Other sources	<u>66,249</u>	<u>607</u>	<u>162,598</u>	<u>229,454</u>
Total revenues	<u>4,695,251</u>	<u>157,921</u>	<u>579,724</u>	<u>5,432,896</u>
EXPENDITURES				
Current				
Regular instruction	2,652,745	-	-	2,652,745
Federal programs	198,594	-	-	198,594
Instructional staff services	92,017	-	-	92,017
Services provided	179,494	-	-	179,494
Administration services	409,232	-	-	409,232
Special education	453,941	-	-	453,941
Operations and maintenance	399,715	93,047	-	492,762
Student activities	158,102	-	113,900	272,002
Student transportation	302,972	-	-	302,972
Food service	35	-	182,912	182,947
Debt service - principal	-	-	140,233	140,233
Debt service - interest	<u>-</u>	<u>-</u>	<u>58,507</u>	<u>58,507</u>
Total expenditures	<u>4,846,847</u>	<u>93,047</u>	<u>495,552</u>	<u>5,435,446</u>
Excess (deficiency) of revenues over expenditures	<u>(151,596)</u>	<u>64,874</u>	<u>84,172</u>	<u>(2,550)</u>
Net change in fund balances	<u>(151,596)</u>	<u>64,874</u>	<u>84,172</u>	<u>(2,550)</u>
FUND BALANCE JULY 1, AS PREVIOUSLY REPORTED	1,159,322	360,733	(14,795)	1,505,260
CHANGE IN ACCOUNTING PRINCIPLE, NOTE 1	<u>-</u>	<u>-</u>	<u>60,605</u>	<u>60,605</u>
FUND BALANCE, JULY 1, AS ADJUSTED	<u>1,159,322</u>	<u>360,733</u>	<u>45,810</u>	<u>1,565,865</u>
FUND BALANCES, JUNE 30	\$ <u><u>1,007,726</u></u>	\$ <u><u>425,607</u></u>	\$ <u><u>129,982</u></u>	\$ <u><u>1,563,315</u></u>

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

Net change in fund balances - total governmental funds \$ (2,550)

Amount reported for governmental activities in the statement of activities are different because:

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

Current year capital outlay	129,573	
Depreciation expense	<u>(160,101)</u>	(30,528)

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

Increase in compensated absences payable		(18,163)
Repayment of long-term debt		139,150

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

Change in taxes receivable		830
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The net pension liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension items do not involve financial resources, and are not reported in the funds.

Increase in net pension and OPEB liability	(1,118,248)	
Increase in deferred outflows of resources	751,986	
Decrease in deferred inflows of resources	<u>27,702</u>	<u>(338,560)</u>

Change in net position of governmental activities \$ (249,821)

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the New Rockford-Sheyenne Public School District #2 (“School District”), New Rockford, North Dakota, have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

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

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

Basis of Presentation

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

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

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

Measurement Focus and Basis of Accounting

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

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

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

The School District reports the following major governmental funds:

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

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

Cash and Cash Equivalents

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

Capital Assets

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

Buildings and improvements	10 to 50 years
Equipment and Vehicles	5 to 20 years

Deferred Outflows and Inflows of Resources

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

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

Long-Term Obligations

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

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

Fund Financial Statements

Government fund equity is classified as fund balance and may distinguish between “Restricted” and “Unrestricted” components.

Restricted and Unrestricted Resources

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

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

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

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

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

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

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

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

Interfund Transactions

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

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

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

Program Revenues

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

Salaries and Benefits Payable

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

Compensated Absences

Compensated absences consist of annual leave which is compensated at termination of employment at the employee's daily pay rate. The liability for the portion of compensated absences related to annual leave is reported in the government-wide statement of net position.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

New Accounting Pronouncement

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

(Continued)

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

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

At year ended June 30, 2021, the District's carrying amount of deposits was \$1,642,532 and the bank balances were \$1,485,052. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. Of the remaining balance, \$801,728 was collateralized with securities held by the pledging financial institution's agent in the government's name and \$183,324 was not collateralized.

Interest Rate Risk

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within one year.

Credit Risk

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

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

Concentration of Credit Risk

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

NOTE 3 – TAXES RECEIVABLE

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

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

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Buildings and improvements	6,372,147	64,300	-	6,436,447
Vehicles	157,510	19,500	20,000	157,010
Equipment	<u>617,197</u>	<u>45,773</u>	<u>-</u>	<u>662,970</u>
 Total capital assets, being depreciated	 <u>7,152,854</u>	 <u>129,573</u>	 <u>20,000</u>	 <u>7,262,427</u>
Less accumulated depreciation for				
Buildings and improvements	2,047,208	93,407	-	2,140,615
Vehicles	133,010	7,650	20,000	120,660
Equipment	<u>331,047</u>	<u>59,044</u>	<u>-</u>	<u>390,091</u>
 Total accumulated depreciation	 <u>2,511,265</u>	 <u>160,101</u>	 <u>20,000</u>	 <u>2,651,366</u>
 Governmental activities capital assets, net	 <u>\$ 4,641,589</u>	 <u>\$ (30,528)</u>	 <u>\$ -</u>	 <u>\$ 4,611,061</u>

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

Regular instruction	\$ 77,061
Federal programs	5,781
Instructional staff services	2,679
Services provided	5,225
Administration services	11,914
Special education	13,215
Operations and maintenance	14,511
Student activities	7,919
Student transportation	16,470
Food service	<u>5,326</u>
	<u>\$ 160,101</u>

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

NOTE 5 – LONG-TERM LIABILITIES

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

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt	\$ 2,925,355	\$ -	\$ 139,150	\$ 2,786,205	\$ 141,932
Compensated absences	-	18,163	-	18,163	-
Net pension liability	4,005,484	1,117,297	-	5,122,781	-
Net OPEB liability	<u>30,211</u>	<u>951</u>	<u>-</u>	<u>31,162</u>	<u>-</u>
Total	\$ <u>6,961,050</u>	\$ <u>1,136,411</u>	\$ <u>139,150</u>	\$ <u>7,958,311</u>	\$ <u>141,932</u>

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

General Obligation Bonds

\$3,255,000 General Obligation School Building Bonds, series 2018 for constructing, remodeling, and improving school buildings. The bonds call for annual principal payments of \$139,150 to \$191,023 from May 1, 2019 through May 1, 2038 and interest at 2.0%.

\$ 2,786,205

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 141,932	\$ 56,807	\$ 198,739
2023	144,771	53,969	198,740
2024	147,667	51,073	198,740
2025	150,620	48,120	198,740
2026	153,632	45,107	198,739
2027-2031	815,499	178,200	993,699
2032-2036	900,377	93,323	993,700
2037-2038	<u>331,707</u>	<u>11,614</u>	<u>343,321</u>
	\$ <u>2,786,205</u>	\$ <u>538,213</u>	\$ <u>3,324,418</u>

NOTE 6 – PENSION PLANS

General Information about the TFFR Pension Plan

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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% 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% 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.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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% 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.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

At June 30, 2021, the District reported a liability of \$3,822,813 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. On July 1, 2020, the District's proportion was 0.24977487 percent, which was a decrease of .00671691 from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$348,287. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 788	\$ 143,462
Changes of assumptions	172,060	-
Net difference between projected and actual earnings on pension plan investments	235,988	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	90,112	234,101
Employer contributions subsequent to the measurement date	<u>236,624</u>	<u>-</u>
	\$ <u>735,572</u>	\$ <u>377,563</u>

\$236,624 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:	
2021	\$ 15,208
2022	3,926
2023	52,810
2024	58,414
2025	(7,044)
Thereafter	(1,927)

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

(Continued)

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

Discount Rate

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

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of net pension liability	\$ <u>5,091,782</u>	\$ <u>3,822,813</u>	\$ <u>2,768,235</u>

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System (Main System)

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7.00% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7.00% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At June 30, 2021, the Employer reported a liability of \$1,299,968 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Employer's proportion was 0.041321 percent, which was an increase of 0.00097 from its proportion measured as of June 30, 2019.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

For the year ended June 30, 2021, the Employer recognized pension expense of \$255,462. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,059	\$ 65,871
Changes of assumptions	696,865	115,209
Net difference between projected and actual earnings on pension plan investments	41,956	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	79,075	877
District contributions subsequent to the measurement date	<u>33,923</u>	<u>-</u>
	\$ <u>856,878</u>	\$ <u>181,957</u>

\$33,923 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year Ended June 30:	
2021	\$ 194,364
2022	168,988
2023	139,154
2024	138,492
2025	-
Thereafter	-

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

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

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

(Continued)

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30%	6.30%
International equity	21%	6.85%
Private equity	7%	9.75%
Domestic fixed income	23%	1.25%
International fixed income	0%	0.00%
Global real assets	19%	5.01%
Cash equivalents	0%	0.00%

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

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

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

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

	<u>1% Decrease (3.64%)</u>	<u>Current Discount Rate (4.64%)</u>	<u>1% Increase (5.64%)</u>
District's proportionate share of net pension liability	\$ <u>1,686,610</u>	\$ <u>1,299,968</u>	\$ <u>983,600</u>

(Continued)

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – ND PERS

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

At June 30, 2021, the Employer reported a liability of \$31,162 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.037045 percent, which was a decrease of 0.000569 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized OPEB expense of \$5,228. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 690	\$ 747
Changes of assumptions	4,178	-
Net difference between projected and actual earnings on pension plan investments	1,072	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,484	1,131
District contributions subsequent to the measurement date	<u>4,035</u>	<u>-</u>
	\$ <u>14,459</u>	\$ <u>1,878</u>

\$4,035 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Year Ended June 30:	
2021	\$ 1,744
2022	2,021
2023	1,970
2024	1,649
2025	981
Thereafter	181

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap domestic equities	33%	6.10%
Small cap domestic equities	6%	7.00%
Domestic fixed income	40%	1.15%
International equities	21%	6.45%

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
District's proportionate share of net pension liability	\$ <u>40,870</u>	\$ <u>31,162</u>	\$ <u>22,953</u>

NOTE 8 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$772,421 for public asset coverage.

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

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Balance Sheet Date**	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
ND TFFR	6/30/2021	0.249775%	\$ 3,822,813	\$ 1,822,509	209.76%	63.4%
ND TFFR	6/30/2020	0.256492%	\$ 3,532,541	\$ 1,799,363	196.32%	65.5%
ND TFFR	6/30/2019	0.254729%	\$ 3,395,192	\$ 1,731,675	196.06%	65.5%
ND TFFR	6/30/2018	0.244661%	\$ 3,360,484	\$ 1,651,393	203.49%	63.2%
ND TFFR	6/30/2017	0.262623%	\$ 3,847,575	\$ 1,706,324	225.49%	59.2%
ND TFFR	6/30/2016	0.281218%	\$ 3,677,924	\$ 1,729,783	212.62%	62.1%
ND TFFR	6/30/2015	0.280654%	\$ 2,940,756	\$ 1,627,943	180.64%	66.6%
ND PERS	6/30/2021	0.041321%	\$ 1,299,968	\$ 455,816	285.20%	49.4%
ND PERS	6/30/2020	0.040351%	\$ 472,943	\$ 419,714	112.68%	71.7%
ND PERS	6/30/2019	0.031333%	\$ 528,779	\$ 321,885	164.28%	62.8%
ND PERS	6/30/2018	0.028330%	\$ 455,356	\$ 289,203	157.45%	62.0%
ND PERS	6/30/2017	0.028818%	\$ 280,860	\$ 290,417	96.71%	70.5%
ND PERS	6/30/2016	0.025913%	\$ 176,205	\$ 230,856	76.33%	77.7%
ND PERS	6/30/2015	0.028681%	\$ 182,044	\$ 241,608	75.35%	72.1%

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS TO NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions of Net Pension Liability

Pension Plan	Balance Sheet Date**	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2021	\$ 232,372	\$ (232,372)	\$ -	\$ 1,822,509	12.75%
ND TFFR	6/30/2020	\$ 229,419	\$ (229,419)	\$ -	\$ 1,799,363	12.75%
ND TFFR	6/30/2019	\$ 220,788	\$ (220,788)	\$ -	\$ 1,731,675	12.75%
ND TFFR	6/30/2018	\$ 210,553	\$ (210,553)	\$ -	\$ 1,651,393	12.75%
ND TFFR	6/30/2017	\$ 217,556	\$ (217,556)	\$ -	\$ 1,706,324	12.75%
ND TFFR	6/30/2016	\$ 220,537	\$ (220,537)	\$ -	\$ 1,729,783	12.75%
ND TFFR	6/30/2015	\$ 175,002	\$ (175,002)	\$ -	\$ 1,627,943	10.75%
ND PERS	6/30/2021	\$ 32,276	\$ (25,004)	\$ 7,272	\$ 455,816	5.49%
ND PERS	6/30/2020	\$ 30,558	\$ (21,576)	\$ 8,982	\$ 419,714	5.14%
ND PERS	6/30/2019	\$ 23,709	\$ (22,726)	\$ 983	\$ 321,885	7.06%
ND PERS	6/30/2018	\$ 20,971	\$ (21,642)	\$ (671)	\$ 289,203	7.48%
ND PERS	6/30/2017	\$ 21,026	\$ (19,247)	\$ 1,779	\$ 290,417	6.63%
ND PERS	6/30/2016	\$ 17,535	\$ (17,734)	\$ (199)	\$ 230,856	7.68%
ND PERS	6/30/2015	\$ 17,202	\$ (17,202)	\$ -	\$ 241,608	7.12%

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

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net OPEB Liability

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net OPEB Liability</u>	<u>Employer's Proportionate Share of the Net OPEB Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
NDPERS - OPEB	6/30/2021	0.037045%	\$ 31,162	\$ 422,302	7.38%	63.38%
NDPERS - OPEB	6/30/2020	0.037614%	\$ 30,211	\$ 419,714	7.20%	63.13%
NDPERS - OPEB	6/30/2019	0.029417%	\$ 23,168	\$ 321,885	7.20%	61.89%
NDPERS - OPEB	6/30/2018	0.026732%	\$ 21,145	\$ 289,203	7.31%	59.78%

*Complete data not available prior to 2018.

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS TO NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions of Net OPEB Liability

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
NDPERS - OPEB	6/30/2021	\$ 4,961	\$ (3,992)	\$ 969	\$ 422,302	0.95%
NDPERS - OPEB	6/30/2020	\$ 4,881	\$ (3,454)	\$ 1,427	\$ 419,714	0.82%
NDPERS - OPEB	6/30/2019	\$ 3,776	\$ (3,639)	\$ 137	\$ 321,885	1.13%
NDPERS - OPEB	6/30/2018	\$ 3,632	\$ (3,465)	\$ 167	\$ 289,203	1.20%

*Complete data not available prior to 2018.

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

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Taxes	\$ 1,225,015	\$ 1,225,015	\$ 1,235,234	\$ 10,219
State sources	3,073,618	3,073,618	3,004,233	(69,385)
Federal sources	117,902	117,902	389,535	271,633
Other sources	<u>49,225</u>	<u>49,225</u>	<u>66,249</u>	<u>17,024</u>
Total revenues	<u>4,465,760</u>	<u>4,465,760</u>	<u>4,695,251</u>	<u>229,491</u>
EXPENDITURES				
Current				
Regular instruction	2,300,265	2,300,265	2,652,745	352,480
Federal programs	195,694	195,694	198,594	2,900
Instructional staff services	45,118	45,118	92,017	46,899
Services provided	167,605	167,605	179,494	11,889
Administration services	402,850	402,850	409,232	6,382
Special education	503,534	503,534	453,941	(49,593)
Operations and maintenance	365,587	365,587	399,715	34,128
Student activities	173,004	173,004	158,102	(14,902)
Student transportation	334,090	334,090	302,972	(31,118)
Food service	<u>15,000</u>	<u>15,000</u>	<u>35</u>	<u>(14,965)</u>
Total expenditures	<u>4,502,747</u>	<u>4,502,747</u>	<u>4,846,847</u>	<u>344,100</u>
Excess (deficiency) of revenues over expenditures	<u>(36,987)</u>	<u>(36,987)</u>	<u>(151,596)</u>	<u>(114,609)</u>
Net change in fund balance	<u>(36,987)</u>	<u>(36,987)</u>	<u>(151,596)</u>	<u>(114,609)</u>
FUND BALANCE JULY 1	<u>1,013,095</u>	<u>1,013,095</u>	<u>1,159,322</u>	<u>146,227</u>
FUND BALANCE, JUNE 30	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,007,726</u></u>	\$ <u><u>-</u></u>

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

North Dakota Teacher's Fund for Retirement

Changes of Assumptions

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

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

Amounts reported in the 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 3.00% to 2.75%
- Total salary scale rates lowered to 0.25% due to lower inflation
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation
- Rates of turnover and retirement were changed to better reflect anticipated future experience
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement

North Dakota Public Employees Retirement System

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.0 percent to 6.5 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020, will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019, or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2021

Changes of Assumptions

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

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

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

Other Post-Employment Benefit

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

Budgetary Information:

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

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

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

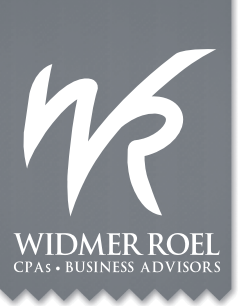
NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

The School District overspent its general fund budget by \$344,100. No remedial action is anticipated.



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

School Board and Administration
New Rockford-Sheyenne Public School District #2
New Rockford, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **New Rockford-Sheyenne Public School District #2** (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise **New Rockford-Sheyenne Public School District #2's** basic financial statements, and have issued our report thereon dated February 16, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **New Rockford-Sheyenne Public School District #2's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **New Rockford-Sheyenne Public School District #2's** internal control. Accordingly, we do not express an opinion on the effectiveness of **New Rockford-Sheyenne Public School District #2's** internal control.

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-003 and 2021-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **New Rockford-Sheyenne Public School District #2's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

New Rockford-Sheyenne Public School District #2's Response to Findings

New Rockford-Sheyenne Public School District #2's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **New Rockford-Sheyenne Public School District #2's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Fargo, North Dakota
February 16, 2023

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

SECTION II – FINANCIAL STATEMENT FINDINGS

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

Condition

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

Criteria

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

Cause

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

Effect

The financial statements could be materially misstated or omit material financial statement disclosures.

Recommendation

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

Views of Responsible Officials

We concur with the recommendation.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

2021-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager role is responsible for numerous functions related to financial reporting.

Criteria

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

Cause

The School District has limited staff to be able to adequately segregate duties.

Effect

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

Recommendation

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

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks, or when using a signature stamp, make sure custody of the stamp is a separate person.
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of School District policies, including consideration of whether district policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations, and contracts.

Views of Responsible Officials

We concur with the recommendation, and currently do review all of the suggested items.

2021-003 (SIGNIFICANT DEFICIENCY) – RECONCILIATION OF CASH

Condition

The School District's bank reconciliations were approximately \$42,985 greater than what was recorded in the financial statements due to the misclassification of a receivable. The School District also has an \$8,062 certificate of deposit that is not recorded in the financial statements.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

Criteria

A good system of internal accounting controls includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances within a timely manner. It is also recommended that the board be aware of any reconciliation issues.

Cause

Management was not aware of the proper accounting for year-end receivables. Additionally, the business manager had not been made aware of the existence of the certificate of deposit.

Effect

Inadequate reconciliation of cash transactions affects the School District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recommend that management reconcile all bank accounts to the financial statements.

Views of Responsible Officials

We concur with the recommendation and currently each month all bank accounts are reconciled to the financial statements. The item noted was a payment received for fiscal year 2021 revenue after the calendar close of the fiscal year. The item was entered as fiscal year 2021 revenue as it should be, but the wrong process through Software Unlimited was used. Software Unlimited will be contacted as the best practice to record these items going forward, and with many things I look forward to continuing to learn best practices as my tenure as Business Manager continues. It should be noted that due to the timing of the fiscal year 2021 audit, and the Business Manager being made aware of this issue after the close of fiscal year 2022, I do believe this item will show up again in the 2022 audit. The CD noted has been in existence for some time, and never was entered into the system. Previous audits had not requested this action, however with this recommendation we will add it to the system.

2021-004 (SIGNIFICANT DEFICIENCY) – UNDERCOLLATERALIZED SECURITIES

Condition

The School District has undercollateralized deposits at its credit union. Total undercollateralized balances were \$183,324.

Criteria

NDCC 21-04-09 requires that pledged securities exceed 110% of deposits in excess of the federal depository insurance coverage limit.

Cause

Management was unaware of the pledged securities requirements under NDCC 21-04-09.

NEW ROCKFORD-SHEYENNE PUBLIC SCHOOL DISTRICT #2

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

Effect

The School District is not in compliance with NDCC requirements. Also, there is an increased risk of loss of school district funds if the bank ceased operations.

Recommendation

We recommend that the School District either transfer funds from one bank to the other or discuss with banking personnel to increase the amount of pledged securities at the bank.

Views of Responsible Officials

Previous audits had not made this request. We do concur with this recommendation and are currently working with Community Credit Union to properly cover the balance that exceeds federal depository insurance coverage limits.