



Financial Statements
June 30, 2021 and 2020

Northern Cass Public School District

Northern Cass Public School District

Table of Contents

June 30, 2021 and 2020

School District Officials	1
Independent Auditor’s Report.....	2
Financial Statements	
Statements of Net Position - Modified Cash Basis.....	5
Statements of Activities - Modified Cash Basis.....	7
Balance Sheet - Governmental Funds - Modified Cash Basis	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis.....	15
Notes to Financial Statements	17
Supplementary Information	
Budgetary Comparison Schedule - General Fund	46
Schedule of Employer’s Share of Net Pension Liability.....	48
Schedule of Employer Contributions	49
Schedule of Employer’s Share of Net OPEB Liability and Schedule of Employer Contributions - ND Public Employees Retirement System.....	50
Notes to Supplementary Information	51
Other Supplementary Information	
Schedule of Expenditures of Federal Awards	55
Additional Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	59
Schedule of Findings and Questioned Costs.....	62

2021

Susie Carlson	Board President
Brad Bjerke	Board Member
Todd Olson	Board Member
Sean Jalbert	Board Member
Penny Johnson	Board Member
Chris Murch	Board Member
Lori Steffes	Board Member
Dr. Cory Steiner	Superintendent
Paige Carlson	Business Manager

2020

Susie Carlson	Board President
Brad Bjerke	Board Member
Todd Olson	Board Member
Sean Jalbert	Board Member
Penny Johnson	Board Member
Chris Murch	Board Member
Lori Steffes	Board Member
Dr. Cory Steiner	Superintendent
Paige Carlson	Business Manager



Independent Auditor's Report

To the School Board
Northern Cass Public School District
Hunter, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Northern Cass Public School District as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Northern Cass Public School District as of June 30, 2021 and 2020, and the respective changes in financial position - modified cash basis thereof for the years then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

Basis of Accounting

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

Emphasis of Matter

As discussed in Notes 1 and 7 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. In accordance with GASB Statement No. 84, the fiscal year 2020 financial statements have been restated to reflect this change. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northern Cass Public School District's financial statements. The School District Officials, Budgetary Comparison Schedule - General Fund, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer Contributions - ND Public Employees Retirement System are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements of the District.

The Schedule of Expenditures of Federal Awards, Budgetary Comparison Schedule - General Fund, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer Contributions - ND Public Employees Retirement System are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Budgetary Comparison Schedule - General Fund, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer Contributions - ND Public Employees Retirement System are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The School District Officials listing has not been subjected to the 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 March 4, 2022, on our consideration of Northern Cass Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School District's internal control over financial reporting and compliance.



Fargo, North Dakota
March 4, 2022

Northern Cass Public School District
Statement of Net Position - Modified Cash Basis
June 30, 2021

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 5,552,874
Noncurrent Assets	
Capital assets, not being depreciated	
Land	80,000
Construction in progress	372,652
Capital assets, net of accumulated depreciation	
Buildings	9,577,637
Equipment	300,172
Vehicles	478,940
Total noncurrent assets	10,809,401
Total assets	16,362,275
Liabilities	
Long-term Liabilities	
Due within one year - bonds payable	289,827
Due in more than one year - bonds payable	4,979,574
Total liabilities	5,269,401
Net Position	
Net investment in capital assets	5,540,000
Restricted	3,392,811
Unrestricted	2,160,063
Total net position	\$ 11,092,874

Northern Cass Public School District
Statement of Net Position - Modified Cash Basis
June 30, 2020

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 2,545,597
Noncurrent Assets	
Capital assets, not being depreciated	
Land	80,000
Capital assets, net of accumulated depreciation	
Buildings	9,665,455
Equipment	272,899
Vehicles	476,389
Total noncurrent assets	10,494,743
Total assets	13,040,340
Liabilities	
Long-term Liabilities	
Due within one year - bonds payable	289,678
Due in more than one year - bonds payable	2,067,865
Total liabilities	2,357,543
Net Position	
Net investment in capital assets	8,137,200
Restricted	440,510
Unrestricted	2,105,087
Total net position	\$ 10,682,797

Northern Cass Public School District
Statement of Activities - Modified Cash Basis
Year Ended June 30, 2021

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 5,559,973	\$ 2,344	\$ 1,078,221	\$ -	\$ (4,479,408)
Support Services					
Student	257,839	-	-	-	(257,839)
Instructional	315,972	-	-	-	(315,972)
Administration services	988,653	-	-	-	(988,653)
Operations and maintenance	786,843	-	16,500	-	(770,343)
Transportation services	522,694	-	248,494	-	(274,200)
Preschool	132,251	-	-	-	(132,251)
Extracurriculars	845,516	695,473	-	-	(150,043)
Food services	355,298	39,923	358,803	-	43,428
Debt service	181,026	-	-	-	(181,026)
Total governmental activities	\$ 9,946,065	\$ 737,740	\$ 1,702,018	\$ -	(7,506,307)
General Revenues					
Property taxes, levied for general purposes					2,353,644
Property taxes, levied for debt service					183,064
State aid not restricted for a specific purpose					5,178,985
Investment income					11,878
Miscellaneous					114,964
Debt issuance premium					73,849
Total general revenues					7,916,384
Changes in Net Position					410,077
Net Position, Beginning of Year					10,682,797
Net Position, End of Year					\$ 11,092,874

Northern Cass Public School District
Statement of Activities - Modified Cash Basis
Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 4,781,615	\$ 439	\$ 233,535	\$ -	\$ (4,547,641)
Support Services					
Student	216,176	-	-	-	(216,176)
Instructional	319,823	-	-	-	(319,823)
Administration services	742,903	-	-	-	(742,903)
Operations and maintenance	861,525	-	2,500	-	(859,025)
Transportation services	524,754	-	331,958	-	(192,796)
Preschool	128,656	-	-	-	(128,656)
Extracurriculars	1,116,887	888,473	-	-	(228,414)
Food services	412,530	202,123	164,834	-	(45,573)
Debt service	65,816	-	-	-	(65,816)
Total governmental activities	\$ 9,170,685	\$ 1,091,035	\$ 732,827	\$ -	(7,346,823)
General Revenues					
Property taxes, levied for general purposes					2,256,709
Property taxes, levied for debt service					151,052
State aid not restricted for a specific purpose					5,138,233
Investment income					24,849
Miscellaneous					117,837
Proceeds on sale of capital assets					7,000
Total general revenues					7,695,680
Changes in Net Position					348,857
Net Position, Beginning of Year, as Restated (Note 7)					10,333,940
Net Position, End of Year					\$ 10,682,797

Northern Cass Public School District
Balance Sheet - Governmental Funds - Modified Cash Basis
June 30, 2021

	<u>General</u>	<u>Food Service</u>	<u>Special Reserve</u>	<u>Building</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets						
Cash and investments	<u>\$ 2,038,925</u>	<u>\$ 121,138</u>	<u>\$ 316,741</u>	<u>\$ 2,906,253</u>	<u>\$ 169,817</u>	<u>\$ 5,552,874</u>
Liabilities and Fund Balances						
Fund balances						
Restricted for:						
Special Reserve	\$ -	\$ -	\$ 316,741	\$ -	\$ -	\$ 316,741
Capital Projects	-	-	-	2,906,253	-	2,906,253
Debt Service	-	-	-	-	169,817	169,817
Committed for campus act	381,666	-	-	-	-	381,666
Assigned for Food Service	-	121,138	-	-	-	121,138
Unassigned	<u>1,657,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,657,259</u>
Total fund balances	<u>\$ 2,038,925</u>	<u>\$ 121,138</u>	<u>\$ 316,741</u>	<u>\$ 2,906,253</u>	<u>\$ 169,817</u>	<u>\$ 5,552,874</u>

Northern Cass Public School District
Balance Sheet - Governmental Funds - Modified Cash Basis
June 30, 2020

	<u>General</u>	<u>Food Service</u>	<u>Special Reserve</u>	<u>Building</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets						
Cash and investments	<u>\$ 2,035,612</u>	<u>\$ 69,475</u>	<u>\$ 243,997</u>	<u>\$ 55,495</u>	<u>\$ 141,018</u>	<u>\$ 2,545,597</u>
Liabilities and Fund Balances						
Fund balances						
Restricted for:						
Special Reserve	\$ -	\$ -	\$ 243,997	\$ -	\$ -	\$ 243,997
Capital Projects	-	-	-	55,495	-	55,495
Debt Service	-	-	-	-	141,018	141,018
Committed for campus act	318,831					318,831
Assigned for Food Service	-	69,475	-	-	-	69,475
Unassigned	<u>1,716,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,716,781</u>
Total fund balances	<u>\$ 2,035,612</u>	<u>\$ 69,475</u>	<u>\$ 243,997</u>	<u>\$ 55,495</u>	<u>\$ 141,018</u>	<u>\$ 2,545,597</u>

Northern Cass Public School District

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

Total Governmental Fund Balances		\$ 5,552,874
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position.		
Those assets consist of:		
Cost of capital assets	\$ 17,424,678	
Less accumulated depreciation	<u>(6,615,277)</u>	
		10,809,401
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds payable		<u>(5,269,401)</u>
Net position of governmental activities		<u><u>\$ 11,092,874</u></u>

Northern Cass Public School District

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

Total Governmental Fund Balances		\$ 2,545,597
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position.		
Those assets consist of:		
Cost of capital assets	\$ 16,692,470	
Less accumulated depreciation	<u>(6,197,727)</u>	
		10,494,743
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds payable		<u>(2,357,543)</u>
Net position of governmental activities		<u><u>\$ 10,682,797</u></u>

Northern Cass Public School District
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Modified Cash Basis
Year Ended June 30, 2021

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
Revenues						
Taxes	\$ 2,038,402	\$ -	\$ 72,744	\$ 242,498	\$ 183,064	\$ 2,536,708
Other local sources	778,260	40,073	-	68,001	-	886,334
State sources	5,773,293	616	-	-	-	5,773,909
Federal sources	723,247	362,095	-	-	-	1,085,342
Total revenues	9,313,202	402,784	72,744	310,499	183,064	10,282,293
Expenditures						
Current						
Instruction	5,559,973	-	-	-	-	5,559,973
Support services						
Student	257,839	-	-	-	-	257,839
Instructional	315,972	-	-	-	-	315,972
Administration services	988,653	-	-	-	-	988,653
Operations and maintenance	428,492	-	-	-	-	428,492
Transportation services	403,495	-	-	-	-	403,495
Preschool	132,251	-	-	-	-	132,251
Extracurriculars	845,516	-	-	-	-	845,516
Food services	4,177	351,121	-	-	-	355,298
Debt service						
Principal	-	-	-	610,000	118,142	728,142
Interest	-	-	-	32,177	36,123	68,300
Debt issuance costs	-	-	-	112,726	-	112,726
Capital outlay	153,521	-	-	638,687	-	792,208
Total expenditures	9,089,889	351,121	-	1,393,590	154,265	10,988,865
Excess (deficiency) of revenues over (under) expenditures	223,313	51,663	72,744	(1,083,091)	28,799	(706,572)
Other Financing Sources (Uses)						
Transfers in	-	-	-	220,000	-	220,000
Transfers out	(220,000)	-	-	-	-	(220,000)
Debt issuance	-	-	-	3,640,000	-	3,640,000
Premium on debt issuance	-	-	-	73,849	-	73,849
Total other financing sources (uses)	(220,000)	-	-	3,933,849	-	3,713,849
Net Change in Fund Balance	3,313	51,663	72,744	2,850,758	28,799	3,007,277
Fund Balance, Beginning of Year	2,035,612	69,475	243,997	55,495	141,018	2,545,597
Fund Balance, End of Year	\$ 2,038,925	\$ 121,138	\$ 316,741	\$ 2,906,253	\$ 169,817	\$ 5,552,874

Northern Cass Public School District
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Modified Cash Basis
Year Ended June 30, 2020

	General	Food Service	Special Reserve	Building	Debt Service	Total Governmental Funds
Revenues						
Taxes	\$ 1,956,227	\$ -	\$ 69,404	\$ 231,078	\$ 151,052	\$ 2,407,761
Other local sources	1,034,590	202,337	-	8,717	121	1,245,765
State sources	5,654,738	1,019	-	-	-	5,655,757
Federal sources	43,352	159,907	-	-	-	203,259
Total revenues	8,688,907	363,263	69,404	239,795	151,173	9,512,542
Expenditures						
Current						
Instruction	4,781,615	-	-	-	-	4,781,615
Support services						
Student	216,176	-	-	-	-	216,176
Instructional	319,823	-	-	-	-	319,823
Administration services	742,903	-	-	-	-	742,903
Operations and maintenance	510,065	-	-	-	-	510,065
Transportation services	415,009	-	-	-	-	415,009
Preschool	128,656	-	-	-	-	128,656
Extracurriculars	1,116,887	-	-	-	-	1,116,887
Food services	59,006	353,524	-	-	-	412,530
Debt service						
Principal	-	-	-	185,000	81,077	266,077
Interest	-	-	-	34,099	31,717	65,816
Capital outlay	283,117	-	-	275,886	-	559,003
Total expenditures	8,573,257	353,524	-	494,985	112,794	9,534,560
Excess (deficiency) of revenues over (under) expenditures	115,650	9,739	69,404	(255,190)	38,379	(22,018)
Other Financing Sources (Uses)						
Transfers in	62,000	-	-	220,000	-	282,000
Transfers out	(220,000)	-	(62,000)	-	-	(282,000)
Proceeds on sale of capital assets	7,000	-	-	-	-	7,000
Total other financing sources (uses)	(151,000)	-	(62,000)	220,000	-	7,000
Net Change in Fund Balance	(35,350)	9,739	7,404	(35,190)	38,379	(15,018)
Fund Balance, Beginning of Year, as Restated (Note 7)	2,070,962	59,736	236,593	90,685	102,639	2,560,615
Fund Balance, End of Year	\$ 2,035,612	\$ 69,475	\$ 243,997	\$ 55,495	\$ 141,018	\$ 2,545,597

Northern Cass Public School District

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

Net Change in Fund Balances - Total Governmental Funds		\$ 3,007,277
The Change in Net Position reported for Governmental Activities in the Statement of Activities is Different Because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 792,208	
Depreciation expense	<u>(477,550)</u>	314,658
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:		
Debt issued	(3,640,000)	
Principal retirement	<u>728,142</u>	<u>(2,911,858)</u>
Change in net position of governmental activities		<u>\$ 410,077</u>

Northern Cass Public School District

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

Net Change in Fund Balances - Total Governmental Funds \$ (15,018)

The Change in Net Position reported for Governmental Activities in the Statement of Activities is Different Because:

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

Capital outlay	\$ 559,003	
Depreciation expense	<u>(461,205)</u>	
		<u>97,798</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:

Principal retirement	<u>266,077</u>
----------------------	----------------

Change in net position of governmental activities	<u><u>\$ 348,857</u></u>
---------------------------------------------------	--------------------------

Note 1 - Summary of Significant Accounting Policies**Organization**

Northern Cass Public School District (the District) was formed and operates pursuant to the applicable North Dakota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Government-Wide Statements

The statement of net position and statement of activities display information about the District as a whole. These statements include all the financial activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long-term debt are recorded under the basis of accounting described above and are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Description of Funds

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

Food Service Fund - The food service fund is used to account for the activities of the hot lunch program.

Special Reserve Fund - This fund is used to account for the accumulation of resources from the special reserve levy. The special reserve is designed to provide cash flow to the District when general fund reserves are spent. This traditionally happens at the end of December, before the next year taxes are collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to half of the balance to the general fund to be used for any allowable purpose. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the District.

Building Fund - The building fund is used to account for building construction and repairs.

Debt Service Fund - The debt service fund is used to account for the financial resources to be used for payment of long-term debt principal, interest, and related costs.

Budgets

The District budget is prepared on the modified cash basis of accounting and the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent and Business Manager prepare the District budget under the cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund.
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.

For budgetary purposes, appropriations lapse at fiscal year-end.

For the year ended June 30, 2020, the District overspent the amount budgeted in the General Fund by \$766,518. No remedial action is required.

Program Revenues

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

1. Charges for services - these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. 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.

Cash and Investments

The District's cash consists of cash on hand or demand deposits. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

The District's investments consist of certificates of deposits with maturity of 12 months or less and valued at cost.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined as having an individual cost of \$5,000 or more and have a useful life in excess of one year. Capital assets are stated at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Permanent buildings	50 years
Temporary or wood structures	20 years
Equipment	10 years
Vehicles	10 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized and instead are a period expense. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment as of June 30, 2021 and 2020.

Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

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

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 additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are not reported under the modified cash basis of accounting, but the information disclosed in Note 5 - Pension Plans is included as additional information to the users of the financial statements.

Postemployment Benefits Other than Pensions (OPEB)

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

The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are not reported under the modified cash basis of accounting, but the information disclosed in Note 6 - Other Postemployment Benefit (OPEB) is included as additional information to the users of the financial statements.

Net Position

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

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable Fund Balance - comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

Restricted Fund Balance - comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board, the District's highest level of decision-making authority, and that remain binding unless removed by the school board by subsequent formal action. The District requires a majority vote by the school board to approve a commitment and a two-thirds majority vote to remove a commitment. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

Assigned Fund Balance - comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. The superintendent or his/her designee (such as the business manager) has the authority to assign amounts to be used for specific purposes. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

Unassigned Fund Balance - residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

The District has not adopted a minimum fund balance policy.

Implementation of GASB Statement No. 84

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the student activity funds being changed from reporting as an agency fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 7.

Note 2 - Cash and Investments

Deposits

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.

The following is considered the most significant risk associated with deposits.

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

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 equal to 110% of the deposits not covered by insurance of 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 body and bonds issued by another state of the United States or such other securities approved by the banking board.

The bank balance of the pooled District deposits at June 30, 2021 and 2020, was \$5,988,044 and \$2,970,191, respectively. At June 30, 2021 and 2020, the carrying amount of the deposits was \$5,552,874 and \$2,545,597, respectively. At June 30, 2021 and 2020, the bank balances were fully covered by a combination of Federal Depository Insurance and collateralization with securities held by the pledging financial institutions' agents in the government's name.

Note 3 - Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Construction in progress	-	372,652	-	372,652
Total capital assets, not being depreciated	<u>80,000</u>	<u>372,652</u>	<u>-</u>	<u>452,652</u>
Capital assets, being depreciated				
Buildings	14,473,744	229,687	-	14,703,431
Equipment	822,161	68,119	-	890,280
Vehicles	1,316,565	121,750	60,000	1,378,315
Total capital assets, being depreciated	<u>16,612,470</u>	<u>419,556</u>	<u>60,000</u>	<u>16,972,026</u>
Accumulated depreciation				
Buildings	4,808,289	317,505	-	5,125,794
Equipment	549,262	40,846	-	590,108
Vehicles	840,176	119,199	60,000	899,375
Total accumulated depreciation	<u>6,197,727</u>	<u>477,550</u>	<u>60,000</u>	<u>6,615,277</u>
Governmental activities capital assets, net	<u>\$ 10,494,743</u>	<u>\$ 314,658</u>	<u>\$ -</u>	<u>\$ 10,809,401</u>

Depreciation expense for the year ended June 30, 2021 was charged to functions/programs of the District as follows:

Governmental Activities		
Operation and maintenance		\$ 358,351
Transportation services		119,199
Total depreciation expense - governmental activities		<u>\$ 477,550</u>

Northern Cass Public School District

Notes to Financial Statements

June 30, 2021 and 2020

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets, being depreciated				
Buildings	14,179,051	294,693	-	14,473,744
Equipment	816,251	5,910	-	822,161
Vehicles	1,257,275	258,400	199,110	1,316,565
Total capital assets, being depreciated	<u>16,252,577</u>	<u>559,003</u>	<u>199,110</u>	<u>16,612,470</u>
Accumulated depreciation				
Buildings	4,495,664	312,625	-	4,808,289
Equipment	510,427	38,835	-	549,262
Vehicles	929,541	109,745	199,110	840,176
Total accumulated depreciation	<u>5,935,632</u>	<u>461,205</u>	<u>199,110</u>	<u>6,197,727</u>
Governmental activities capital assets, net	<u>\$ 10,396,945</u>	<u>\$ 97,798</u>	<u>\$ -</u>	<u>\$ 10,494,743</u>

Depreciation expense for the year ended June 30, 2020 was charged to functions/programs of the District as follows:

Governmental Activities		
Operation and maintenance		\$ 351,460
Transportation services		109,745
Total depreciation expense - governmental activities		<u>\$ 461,205</u>

Note 4 - Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	<u>\$ 2,357,543</u>	<u>\$ 3,640,000</u>	<u>\$ 728,142</u>	<u>\$ 5,269,401</u>	<u>\$ 289,827</u>

Northern Cass Public School District
Notes to Financial Statements
June 30, 2021 and 2020

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 2,623,620	\$ -	\$ 266,077	\$ 2,357,543	\$ 289,678

Details of the outstanding debt as of June 30, 2021 and 2020 is as follows:

Bond Description	Final	Interest Rate	Original	Outstanding Balance	
				2021	2020
G.O. School Building Bonds, Series 2013A	8/1/2033	1.30%-3.00%	\$ 750,000	\$ 465,000	\$ 505,000
G.O. Refunding Bonds, Series 2013B	6/1/2033	1.75%	1,765,000	1,164,401	1,242,543
Lease Revenue Bonds of 2008	5/1/2023	3.85% - 4.30%	2,400,000	-	610,000
State Aid Refunding Certificates of Indebtedness, Series 2020	8/1/2040	1.20%-2.00%	3,640,000	3,640,000	-
				<u>\$ 5,269,401</u>	<u>\$ 2,357,543</u>

Bonds payable consists of various bond instruments issued by the District to finance operations and construction of new facilities. These expenditures are paid out of the Building and Debt Service funds.

During the year ended June 30, 2021, the District issued State Aid Refunding Certificates of Indebtedness, Series 2020, to finance the construction and improvement of school facilities and prepay lease funds to refund the outstanding Lease Revenue Bonds of 2008. The bonds bear an interest rate of 1.20% to 2.00%, and call for semiannual interest payments commencing February 1, 2021, and annual principal payments commencing August 1, 2021.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2021, are as follows:

Years Ending June 30,	Bonds Payable	
	Principal	Interest
2022	\$ 289,827	\$ 95,445
2023	281,312	89,980
2024	287,822	84,390
2025	289,359	78,773
2026	295,923	73,029
2027-2031	1,865,158	276,055
2032-2036	935,000	134,820
2037-2041	1,025,000	42,000
	<u>\$ 5,269,401</u>	<u>\$ 874,492</u>

Note 5 - Pension Plans***North Dakota Public Employees Retirement System (Main System)***

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2021 and 2020, the District's proportionate share of the net pension liability was \$2,281,243 and \$721,985, respectively. Under the modified cash basis of accounting, the District's proportionate share of the net pension liability is not reported in the financial statements. The net pension liability was measured as of July 1, 2020 and 2019, 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 July 1, 2020, the District's proportion was 0.072512 percent, which was an increase of 0.010913 percent from its proportion measured as of July 1, 2019. At July 1, 2019, the District's proportion was 0.061599 percent, which was a decrease of 0.003408 percent from its proportion measured as of July 1, 2018.

At June 30, 2021 and 2020, the District's deferred outflows of resources related to pensions totaled \$1,525,861 and \$407,394, respectively, and deferred inflows of resources related to pensions totaled \$360,151 and \$425,632, respectively. Under the modified cash basis of accounting, the District's deferred inflows of resources related to pensions and deferred outflows related to pensions are not reported in financial statements.

Actuarial Assumptions

The total pension liability in the July 1, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2020	July 1, 2019
Inflation Rate	2.25%	2.50%
Salary Increases	3.5% to 17.75%, including inflation	5% to 15%, depending on age and years of service
Investment Rate of Return	7.00%, net of investment expenses	7.50%, net of investment expenses
Cost of Living Adjustments	None	None

In the July 1, 2020, valuation, mortality rates for active members, inactive members and healthy retirees 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.

In the July 1, 2019, valuation, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

Asset Class	July 1, 2020		July 1, 2019	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%	30%	6.25%
International Equity	21%	6.85%	21%	6.95%
Private Equity	7%	9.75%	7%	10.15%
Domestic Fixed Income	23%	1.25%	23%	2.11%
Global Real Assets	19%	5.01%	19%	5.41%

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 at July 1, 2020, 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%. For the purpose of this valuation at July 1, 2019, For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

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 as of July 1, 2020, 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 in Discount Rate (3.64%)</u>	<u>Discount Rate (4.64%)</u>	<u>1% Increase in Discount Rate (5.64%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 2,959,742	\$ 2,281,243	\$ 1,726,066

The following presents the District's proportionate share of the net pension liability as of July 1, 2019, calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 1,035,171	\$ 721,985	\$ 458,854

Pension Plan Fiduciary Net Position

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

North Dakota Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021 and 2020, the District's proportionate share of the net pension liability was \$7,043,588 and \$6,561,961, respectively. Under the modified cash basis of accounting, the District's proportionate share of the net pension liability is not reported in the financial statements. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2020, the District's proportion was 0.460214 percent, which was a decrease of .0016239 percent from its proportion measured as of June 30, 2019. At June 30, 2019, the District's proportion was 0.476453 percent, which was an increase of 0.004459 percent from its proportion measured as of June 30, 2018.

At June 30, 2021 and 2020, the District's deferred outflows of resources related to pensions totaled \$1,533,873 and \$1,203,104, respectively, and deferred inflows of resources related to pensions totaled \$453,166 and \$236,824, respectively. Under the modified cash basis of accounting, the District's deferred inflows of resources related to pensions and deferred outflows related to pensions are not reported in financial statements.

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

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equities	58%	6.90%
Global fixed income	23%	1.30%
Global real assets	18%	5.00%
Cash equivalents	1%	0.00%

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost of living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2019, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equities	58%	6.90%
Global fixed income	23%	2.10%
Global real assets	18%	5.40%
Cash equivalents	1%	0.00%

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.

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2019. 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, 2019.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate as of June 30, 2020:

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
Employer's Proportionate Share of the Net Pension Liability	\$ 9,381,681	\$ 7,043,588	\$ 5,100,513

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate as of June 30, 2019:

	<u>1% Decrease in Discount Rate (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase in Discount Rate (8.75%)</u>
Employer's Proportionate Share of the Net Pension Liability	\$ 8,861,995	\$ 6,561,961	\$ 4,650,574

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Annual Comprehensive Annual Financial Report (ACFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

Note 6 - Other Post-Employment Benefits (OPEB)***North Dakota Public Employees Retirement System***

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2021 and 2020, the District's proportionate share of the net OPEB liability was \$59,025 and \$46,120, respectively. Under the modified cash basis of accounting, the District's proportionate share of the net OPEB liability is not reported in the financial statements. The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. 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 0.070168 percent, which was an increase of 0.012747 percent from its proportion measured as of June 30, 2019. At June 30, 2019, the Employer's proportion was 0.057421 percent, which was a decrease of 0.003612 percent from its proportion measured as of June 30, 2018.

At June 30, 2021 and 2020, the District's deferred outflows of resources related to OPEB totaled \$31,893 and \$22,084, respectively, and deferred inflows of resources related to OPEB totaled \$3,043 and \$3,381, respectively. Under the modified cash basis of accounting, the District's deferred inflows of resources related to OPEB and deferred outflows related to OPEB are not reported in financial statements.

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 total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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 and 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		2020	2019
Large Cap Domestic Equities	33%	6.10%	6.00%
Small Cap Domestic Equities	6%	7.00%	7.30%
Domestic Fixed Income	40%	1.15%	2.07%
International Equities	21%	6.40%	6.95%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2020. 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.

The discount rate used to measure the total OPEB liability was 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Employer's Proportionate Share of the Net Pension Liability	\$ 77,413	\$ 59,025	\$ 43,476

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.50%)</u>
Employer's Proportionate Share of the Net Pension Liability	\$ 58,866	\$ 46,120	\$ 35,209

Note 7 - Adoption of New Standard

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the new standard the District's student activity accounts will now be held in and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net position/fund balance.

	Governmental Activities	General Fund
Net Position/Fund Balance - June 30, 2019, as previously reported	\$ 10,000,603	\$ 1,737,625
Adjustment of student activity funds from an agency fund to the General Fund	333,337	333,337
Net Position/Fund Balance - July 1, 2019, as restated	\$ 10,333,940	\$ 2,070,962

Note 8 - Interfund Transfers

The District transfers funds to cover operating deficits and to support general operations of the District. A summary of the District's interfund transfers as of June 30, 2021 are as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 220,000
Building Fund	220,000	-
Total transfers	\$ 220,000	\$ 220,000

A summary of the District's interfund transfers as of June 30, 2020 are as follows:

	Transfer In	Transfer Out
General Fund	\$ 62,000	\$ 220,000
Special Reserve Fund	-	62,000
Building Fund	220,000	-
Total transfers	\$ 282,000	\$ 282,000

Note 9 - Operating Leases

The District has agreements in place to lease various technology equipment. Future lease payments as of June 30, 2021 are as follows:

Years Ending June 30,		
2022	\$	53,969
2023		53,969
Total future lease payments	\$	107,938

Note 10 - Risk Management

The 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 for which the District carries insurance through the following funds/pools established by the State:

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRF for its general liability, auto and public asset insurance coverage. The coverage by NDRF is limited to losses of one million dollars per occurrence. There is no additional liability for the District related to the risk pool as of June 30, 2021.

The District also participates in the North Dakota Fire and Tornado Fund and 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 State Bonding fund provides political subdivisions with blanket employee fidelity bond coverage in the amount of \$2,000,000. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety and Insurance Fund, an Enterprise Fund of the State of North Dakota. The Fund is a state insurance fund and a “no fault” insurance system covering the State’s employers and employees financed by premiums assessed to the employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 11 - Construction Commitment

During the year ended June 30, 2021, the District began a construction project to expand and improve school facilities, with estimated total costs of \$2,800,000. As of June 30, 2021, the District has incurred costs of \$242,950. The estimated completion date for the building projects is May 2022.



Supplementary Information
June 30, 2021 and 2020

Northern Cass Public School District

Northern Cass Public School District
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 2,001,911	\$ 2,072,628	\$ 2,038,402	\$ (34,226)
Other local sources	218,000	185,500	778,260	592,760
State sources	5,813,832	5,759,817	5,773,293	13,476
Federal sources	323,913	1,021,037	723,247	(297,790)
Total revenues	8,357,656	9,038,982	9,313,202	274,220
Expenditures				
Current				
Instruction	5,219,001	6,089,233	5,559,973	529,260
Support services				
Student	236,845	261,427	257,839	3,588
Instructional	240,070	320,308	315,972	4,336
Administration services	850,730	871,441	988,653	(117,212)
Operations and maintenance	591,700	607,159	428,492	178,667
Transportation services	611,315	635,479	403,495	231,984
Preschool	134,995	132,021	132,251	(230)
Extracurriculars	332,207	332,207	845,516	(513,309)
Food services	54,865	58,702	4,177	54,525
Capital outlay	-	-	153,521	(153,521)
Total expenditures	8,271,728	9,307,977	9,089,889	218,088
Excess (deficiency) of revenues over (under) expenditures	85,928	(268,995)	223,313	492,308
Other Financing Uses				
Transfers out	(220,000)	(220,000)	(220,000)	-
Net Change in Fund Balance	\$ (134,072)	\$ (488,995)	3,313	\$ 492,308
Fund Balance, Beginning of Year			2,035,612	
Fund Balance, End of Year			\$ 2,038,925	

Northern Cass Public School District
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 2,013,953	\$ 2,013,953	\$ 1,956,227	\$ (57,726)
Other local sources	215,400	215,400	1,034,590	819,190
State sources	5,620,430	5,620,430	5,654,738	34,308
Federal sources	118,753	118,753	43,352	(75,401)
Total revenues	<u>7,968,536</u>	<u>7,968,536</u>	<u>8,688,907</u>	<u>720,371</u>
Expenditures				
Current				
Instruction	4,804,807	4,785,027	4,781,615	3,412
Support services				
Student	243,490	243,490	216,176	27,314
Instructional	286,881	286,881	319,823	(32,942)
Administration services	859,969	859,969	742,903	117,066
Operations and maintenance	573,170	573,170	510,065	63,105
Transportation services	604,435	604,435	415,009	189,426
Preschool	124,055	124,055	128,656	(4,601)
Extracurriculars	268,712	268,712	1,116,887	(848,175)
Food services	61,000	61,000	59,006	1,994
Capital outlay	-	-	283,117	(283,117)
Total expenditures	<u>7,826,519</u>	<u>7,806,739</u>	<u>8,573,257</u>	<u>(766,518)</u>
Excess of revenues over expenditures	142,017	161,797	115,650	(46,147)
Other Financing Sources (Uses)				
Transfers in	-	-	62,000	62,000
Transfers out	(270,000)	(270,000)	(220,000)	50,000
Sale of capital assets	-	-	7,000	7,000
Total other financing sources (uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>(151,000)</u>	<u>119,000</u>
Net Change in Fund Balance	<u>\$ (127,983)</u>	<u>\$ (108,203)</u>	(35,350)	<u>\$ 72,853</u>
Fund Balance, Beginning of Year, as Restated (Note 7)			<u>2,070,962</u>	
Fund Balance, End of Year			<u>\$ 2,035,612</u>	

Northern Cass Public School District
Schedule of Employer's Share of Net Pension Liability
Years Ended June 30, 2021 and 2020

North Dakota Public Employees Retirement System*

	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.072512%	0.061599%	0.065007%	0.054920%	0.063925%	0.065070%	0.062030%
Employer's Proportionate Share of the Net Pension Liability	\$ 2,281,243	\$ 721,985	\$ 1,097,064	\$ 882,745	\$ 623,011	\$ 442,465	\$ 393,718
Employer's Covered Payroll	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217	\$ 579,695	\$ 522,535
Employer's Proportionate Share of the Net Pension Liability as A Percentage of Its Covered Payroll	285.2%	112.7%	164.3%	157.5%	96.7%	76.3%	75.3%
Plan Fiduciary Net Position as A Percentage of the Total Pension Liability	48.9%	71.7%	62.8%	62.0%	70.5%	77.2%	77.7%

North Dakota Teachers' Fund for Retirement*

	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.460214%	0.476453%	0.471994%	0.471610%	0.428614%	0.413713%	0.409839%
Employer's Proportionate Share of the Net Pension Liability	\$ 7,043,588	\$ 6,561,961	\$ 6,291,009	\$ 6,477,682	\$ 6,279,446	\$ 4,097,860	\$ 4,294,386
Employer's Covered Payroll	\$ 3,357,999	\$ 3,342,452	\$ 3,208,659	\$ 3,183,231	\$ 2,784,812	\$ 2,544,771	\$ 2,377,286
Employer's Proportionate Share of the Net Pension Liability as A Percentage of Its Covered Payroll	209.8%	196.3%	196.1%	203.5%	225.5%	161.0%	180.6%
Plan Fiduciary Net Position as A Percentage of the Total Pension Liability	65.5%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date.

Northern Cass Public School District
Schedule of Employer Contributions
Years Ended June 30, 2021 and 2020

North Dakota Public Employees Retirement System*

	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 56,640	\$ 46,649	\$ 49,188	\$ 40,654	\$ 46,640	\$ 44,032	\$ 37,204
Contributions in Relation to the Statutorily Required Contribution	\$ (59,217)	\$ (49,010)	\$ (49,760)	\$ (47,314)	\$ (44,621)	\$ (42,329)	\$ (37,204)
Contribution Deficiency (Excess)	\$ (2,577)	\$ (2,361)	\$ (572)	\$ (6,660)	\$ 2,019	\$ 1,703	\$ -
Employer's Covered Payroll	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217	\$ 579,695	\$ 522,535
Contributions as A Percentage of Covered Payroll	7.40%	7.65%	7.45%	8.44%	6.93%	7.30%	7.12%

North Dakota Teachers' Fund for Retirement*

	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 428,148	\$ 426,163	\$ 409,104	\$ 405,862	\$ 355,064	\$ 324,458	\$ 303,104
Contributions in Relation to the Statutorily Required Contribution	\$ (428,148)	\$ (426,163)	\$ (409,104)	\$ (405,862)	\$ (355,064)	\$ (324,458)	\$ (303,104)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Payroll Contributions	\$ 3,357,999	\$ 3,342,452	\$ 3,208,659	\$ 3,183,231	\$ 2,784,812	\$ 2,544,771	\$ 2,377,286
as A Percentage of Covered Payroll	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Date presented is as of the District's fiscal year-end.

Northern Cass Public School District
Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer Contributions
- ND Public Employees Retirement System
Years Ended June 30, 2021 and 2020

Schedule of Employer's Share of Net OPEB Liability - ND Public Employees Retirement System*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net OPEB Liability	0.070168%	0.057421%	0.061033%	0.051824%	0.063925%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	\$ 59,025	\$ 46,120	\$ 48,068	\$ 40,993	\$ 45,868
Employer's Covered Payroll	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217
Employer's Proportionate Share of the Net OPEB Liability (Asset) as A Percentage of Its Covered Payroll	7.4%	7.2%	7.2%	7.3%	7.1%
Plan Fiduciary Net Position as A Percentage of the Total OPEB Liability	63.4%	63.1%	61.9%	59.8%	59.2%

Schedule of Employer Contributions - ND Public Employees Retirement System*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily Required Contribution	\$ 9,397	\$ 7,452	\$ 7,833	\$ 6,517	\$ 7,344
Contributions in Relation to the Statutorily Required Contribution	\$ (9,481)	\$ (7,846)	\$ (7,967)	\$ (7,576)	\$ (7,344)
Contribution Deficiency (Excess)	\$ (84)	\$ (394)	\$ (134)	\$ (1,059)	\$ -
Employer's Covered Payroll	\$ 799,894	\$ 640,738	\$ 667,829	\$ 560,650	\$ 644,217
Contributions as A Percentage of Covered Payroll	1.19%	1.22%	1.19%	1.35%	1.14%

*It is the District's intent to include ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Date presented is as of the District's fiscal year-end.

Note 1 - Changes of Benefit Terms and Assumptions - Net Pension Liability

North Dakota Public Employees Retirement System

For the year ended June 30, 2021:

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

For the year ended June 30, 2020:

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 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, 2018.

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 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

For the year ended June 30, 2019:

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

For the year ended June 30, 2018:

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

North Dakota Teachers' Fund for Retirement

For the year ended June 30, 2021:

There were no changes of benefit terms.

Changes of Assumptions

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

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

For the year ended June 30, 2020:

There were no changes of benefit terms.

Changes of Assumptions.

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

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

For the year ended June 30, 2019:

There were no changes of benefit terms.

Changes of Assumptions.

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

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

Note 2 - Changes of Assumptions - Net OPEB Liability

Changes of benefit terms.

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

Changes of assumptions.

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

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

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

Changes of benefit terms.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

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 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



Other Supplementary Information
June 30, 2021

Northern Cass Public School District

Northern Cass Public School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Agriculture				
<i>Passed through the State Department of Public Instruction</i>				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	unknown	\$ 348,593	
State Administrative Expenses for Child Nutrition	10.560	unknown	3,129	
NSLP Equipment Grant	10.579	unknown	<u>6,465</u>	
Total Department of Agriculture				\$ 358,187
Department of Treasury				
<i>Passed through the State Department of Public Instruction</i>				
COVID-19 Coronavirus Relief Fund - Education Corps	21.019	SLT0013	\$ 165,756	
COVID-19 Coronavirus Relief Fund - Resiliency	21.019	SLT0013	186,801	
COVID-19 Coronavirus Relief Fund - Broadband	21.019	SLT0013	986	
COVID-19 Coronavirus Relief Fund - CTE Capital	21.019	unknown	<u>1,835</u>	
Total 21.019			355,378	
Total Department of Treasury				355,378
Department of Education				
<i>Direct Aid</i>				
Rural Education Achievement Program	84.358A	N/A	22,598	
<i>Passed through the State Department of Career and Technical Education</i>				
Career and Technical Education - Basic Grants to States	84.048	unknown	32,703	\$ 21,814
<i>Passed through the State Department of Public Instruction</i>				
Title I Grants to Local Educational Agencies	84.010A	S010A210034	65,091	
Special Education Grants to States	84.027A	unknown	5,141	
Supporting Effective Instruction State Grants	84.367	unknown	20,087	
Comprehensive Literacy Development	84.371C	S371C190005	178,395	
Student Support and Academic Enrichment Program	84.424A	unknown	10,491	
COVID-19 Education Stabilization Fund - ESSER I	84.425	S425020007	60,236	
COVID-19 Education Stabilization Fund - ESSER II	84.425D	S425D210007	170,303	
COVID-19 Education Stabilization Fund - ESSER III	84.425U	S425U210007	<u>104,256</u>	
Total 84.425			334,795	
Total Department of Education				<u>669,301</u>
Total Federal Financial Assistance			<u>\$ 1,382,866</u>	<u>\$ 21,814</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position/fund balance of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified cash basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported in the schedule are reported on the modified cash basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis.

Note 3 - Indirect Cost Rate

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

Note 4 - Noncash Assistance

As the District reports its financial statements under the modified cash basis of accounting, noncash assistance is not included in the schedule. The District has received noncash assistance as follows:

<u>Program Title</u>	<u>Federal Financial Assistance Listing/Federal CFDA Number</u>	<u>Amount</u>
Fresh Fruit and Vegetable Program	10.582	\$ 4,509
Universal Service Fund - Schools & Libraries	32.004	32,796



Additional Reports
June 30, 2021 and 2020

Northern Cass Public School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the School Board
Northern Cass Public School District
Hunter, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Northern Cass Public School District (“the District”) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated March 4, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

Northern Cass Public School District's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Saelly LLP".

Fargo, North Dakota
March 4, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the School Board
Northern Cass Public School District
Hunter, North Dakota

Report on Compliance for the Major Federal Programs

We have audited the District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2021. The District’s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on each major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for the major federal programs. However, our audit does not provide a legal determination of the District’s compliance.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Child Nutrition Cluster, Federal Financial Assistance Number 10.559, as described in finding number 2021-004 for Procurement, Suspension, and Debarment. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2021.

Opinion on the other Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota
March 4, 2022

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for major programs:	Child Nutrition Cluster - Qualified COVID-19 Coronavirus Relief Fund - Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Child Nutrition Cluster	10.559
COVID-19 Coronavirus Relief Fund	21.019

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

**2021-001 Segregation of Duties
Material Weakness**

Criteria - A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Condition - The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation.

Cause - There is a limited amount of office employees involved in the internal control process.

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

Recommendation - The District's functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

View of Responsible Officials - There is no disagreement with the audit finding.

2021-002 Preparation of Financial Statements
Material Weakness

Criteria - A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Condition - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Cause - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect - The disclosures in the financial statements could be incomplete.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials - There is no disagreement with the audit finding.

2021-003 Material Journal Entries
Material Weakness

Criteria - A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition - During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements and resulted in material misstatements in prior periods.

Cause - The District does not have an internal control system designed to identify all necessary adjustments.

Effect - This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation - A thorough review and reconciliation of accounts in each fund should take place at the accounting staff and supervisor levels prior to the beginning of the audit.

View of Responsible Officials - There is no disagreement with the audit finding.

Section III - Federal Award Findings and Questioned Costs

**2021-004 Procurement, Suspension, and Debarment
 Material Noncompliance and Material Weakness in Internal Control over Compliance**

Federal Agency and Pass-Through Entity	Federal Financial Assistance Listing/Federal CFDA Number	Program Title	Contract Number	Award Year
Department of Education Passed through the State Department of Public Instruction	10.559	Child Nutrition Cluster	N/A	2021

Criteria - Uniform Guidance and 2 CFR 200.317 through 200.327 set forth the standards non-federal entities other than states must follow when operating federal programs.

Condition - In our testing of procurement, suspension, and debarment, it was identified that the District did not satisfy the requirements of 2 CFR 200.317 through 200.327. The District did not comply with requirements of the grant for procurement of food service related services.

Cause - Lack of oversight, awareness, or understanding of all of the specific requirements under Uniform Guidance and applicable CFR sections, and controls were not adequately designed to ensure compliance with all of these requirements.

Effect - Lack of noncompliance to federal requirements increases overall risk on non-compliance.

Questioned Costs - None reported.

Context/Sampling - All food service contracts were selected for testing.

Repeat Finding from Prior Years - No.

Recommendation - We recommend that management establish controls to follow all applicable requirements under Uniform Guidance and applicable CFR sections.

View of Responsible Officials - There is no disagreement with the audit finding.