

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

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June 30, 2021 and 2020

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OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

OFFICIAL DIRECTORY
June 30, 2021

Sonia Meehl	President
Bill Schmitz	Vice-President
Ryan Rosendahl	Board Member
Robert Thorpe	Board Member
Sheila Nagel	Board Member
Kraig Steinhoff	Superintendent
April Haring	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Oakes Public School District
Oakes, 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 the Oakes Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise Oakes Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Oakes Public School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

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 basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 13 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. The District also made corrections to capital assets and accumulated depreciation along with changing to the modified cash basis of accounting. 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 the Oakes Public School District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, schedule of expenditures of federal awards, and notes to schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, schedule of expenditures of federal awards, and notes to schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance, schedule of expenditures of federal awards, and notes to schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023 on our consideration of Oakes Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oakes Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
October 20, 2023

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,539,039	\$ 1,639,162
Total Current Assets	1,539,039	1,639,162
Capital Assets		
Non-depreciable		
Construction in Progress	50,886	192,976
Depreciable, net of accumulated depreciation		
Buildings and Improvements	5,884,013	5,808,248
Vehicles	257,263	207,027
Equipment	116,028	271,758
Total Capital Assets	6,308,190	6,480,009
Total Assets	7,847,229	8,119,171
LIABILITIES		
Current Liabilities		
Payroll Liabilities	192,848	189,660
Current Portion of Long-term Debt		
General Obligation Bonds Payable	200,000	190,000
Capital Leases Payable	63,099	25,126
Total Current Liabilities	455,947	404,786
Due After One Year		
General Obligation Bonds Payable	620,000	820,000
Capital Leases Payable	65,530	-
Total Long-term Liabilities	685,530	820,000
Total Liabilities	1,141,477	1,224,786
NET POSITION		
Net Investment in Capital Assets	5,359,561	5,444,883
Restricted	527,970	471,898
Unrestricted	818,221	977,604
Total Net Position	\$ 6,705,752	\$ 6,894,385

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 3,698,698	\$ 74,631	\$ 510,806	\$ (3,113,261)
Special Instruction	296,206	-	-	(296,206)
Vocational Instruction	199,060	-	-	(199,060)
Pupil Services	291,763	-	-	(291,763)
General Administration Services	247,037	-	-	(247,037)
School Administration Services	193,346	-	-	(193,346)
Other Support Services	343	-	-	(343)
Operation and Maintenance	1,001,976	-	29,750	(972,226)
Pupil Transportation	379,331	-	136,050	(243,281)
Student Activities	514,852	175,333	89,833	(249,686)
School Food Services	382,264	34,551	333,116	(14,597)
Interest and Other Charges	26,720	-	-	(26,720)
	<u>\$ 7,231,596</u>	<u>\$ 284,515</u>	<u>\$ 1,099,555</u>	(5,847,526)
General Revenues				
Taxes				
				1,398,112
				370,179
				3,969,496
				3,124
				(46,675)
				(35,343)
				<u>5,658,893</u>
				(188,633)
				<u>6,894,385</u>
				<u>\$ 6,705,752</u>

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Regular Instruction	\$ 3,120,821	\$ 71,816	\$ 207,136	\$ (2,841,869)
Special Instruction	294,487	-	-	(294,487)
Vocational Instruction	196,349	-	-	(196,349)
Pupil Services	265,921	-	-	(265,921)
General Administration Services	234,015	-	-	(234,015)
School Administration Services	175,982	-	-	(175,982)
Other Support Services	1,083	-	-	(1,083)
Operation and Maintenance	1,039,912	-	-	(1,039,912)
Pupil Transportation	383,433	-	205,244	(178,189)
Student Activities	486,430	111,266	142,016	(233,148)
School Food Services	351,277	135,264	189,693	(26,320)
Interest and Other Charges	31,134	-	-	(31,134)
	<u>\$ 6,580,844</u>	<u>\$ 318,346</u>	<u>\$ 744,089</u>	(5,518,409)
General Revenues				
Taxes				
				1,410,621
				372,822
				3,718,323
				11,595
				32,778
				<u>5,546,139</u>
				27,730
				<u>6,866,655</u>
				<u>\$ 6,894,385</u>

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Special Reserve	Other Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 1,212,205	\$ 229,952	\$ 96,882	\$ 1,539,039
Due from Other Funds	13,181	-	-	13,181
Total Assets	1,225,386	229,952	96,882	1,552,220
LIABILITIES				
Payroll Liabilities	192,321	-	527	192,848
Due to Other Funds	-	-	13,181	13,181
Total Liabilities	192,321	-	13,708	206,029
FUND BALANCE				
Restricted	201,136	229,952	96,882	527,970
Unassigned (Deficit)	831,929	-	(13,708)	818,221
Fund Balance	1,033,065	229,952	83,174	1,346,191
Total Liabilities and Fund Balance	\$ 1,225,386	\$ 229,952	\$ 96,882	\$ 1,552,220

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Special Reserve	Other Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 1,328,253	\$ 229,952	\$ 80,957	\$ 1,639,162
Total Assets	1,328,253	229,952	80,957	1,639,162
LIABILITIES				
Payroll Liabilities	189,660	-	-	189,660
Total Liabilities	189,660	-	-	189,660
FUND BALANCE				
Restricted	160,989	229,952	80,957	471,898
Unassigned	977,604	-	-	977,604
Fund Balance	1,138,593	229,952	80,957	1,449,502
Total Liabilities and Fund Balance	\$ 1,328,253	\$ 229,952	\$ 80,957	\$ 1,639,162

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2021 and 2020**

Total Fund Balance - Governmental Funds June 30, 2021		\$ 1,346,191
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	9,803,073	
Less Accumulated Depreciation	<u>(3,494,883)</u>	
Net Capital Assets		6,308,190
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable	(820,000)	
Capital Leases Payable	<u>(128,629)</u>	
Total Long-term Liabilities		<u>(948,629)</u>
Total Net Position of Governmental Activities June 30, 2021		<u>\$ 6,705,752</u>
Total Fund Balance - Governmental Funds June 30, 2020		\$ 1,449,502
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	9,775,567	
Less Accumulated Depreciation	<u>(3,295,558)</u>	
Net Capital Assets		6,480,009
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable	(1,010,000)	
Capital Leases Payable	<u>(25,126)</u>	
Total Long-term Liabilities		<u>(1,035,126)</u>
Total Net Position of Governmental Activities June 30, 2020		<u>\$ 6,894,385</u>

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Special Reserve	Other Governmental Funds	
REVENUES				
Local Sources	\$ 1,748,657	\$ -	\$ 431,145	\$ 2,179,802
State Sources	4,107,546	-	6,021	4,113,567
Federal Sources	508,806	-	327,095	835,901
Interest Income	3,124	-	-	3,124
Miscellaneous Income	27,827	-	3,335	31,162
Total Revenues	6,395,960	-	767,596	7,163,556
EXPENDITURES				
Current				
Regular Instruction	3,670,100	-	-	3,670,100
Special Instruction	296,206	-	-	296,206
Vocational Instruction	199,060	-	-	199,060
Pupil Services	291,763	-	-	291,763
General Administration Services	247,037	-	-	247,037
School Administration Services	193,346	-	-	193,346
Other Support Services	343	-	-	343
Operation and Maintenance	700,371	-	114,863	815,234
Pupil Transportation	429,567	-	-	429,567
Student Activities	482,198	-	-	482,198
School Food Services	-	-	381,375	381,375
Debt Service				
Principal	93,179	-	190,000	283,179
Interest and Other Charges	-	-	26,720	26,720
Facilities Acquisition and Construction	-	-	147,421	147,421
Total Expenditures	6,603,170	-	860,379	7,463,549
Excess (Deficiency) of Revenues over Expenditures	(207,210)	-	(92,783)	(299,993)
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-term Debt	196,682	-	-	196,682
Operating Transfer In	-	-	95,000	95,000
Operating Transfer Out	(95,000)	-	-	(95,000)
Total Other Financing Sources (Uses)	101,682	-	95,000	196,682
NET CHANGE IN FUND BALANCE	(105,528)	-	2,217	(103,311)
FUND BALANCE, BEGINNING OF YEAR	1,138,593	229,952	80,957	1,449,502
FUND BALANCE, END OF YEAR	\$ 1,033,065	\$ 229,952	\$ 83,174	\$ 1,346,191

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Year Ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Special Reserve	Other Governmental Funds	
REVENUES				
Local Sources	\$ 1,755,675	\$ -	\$ 502,755	\$ 2,258,430
State Sources	3,923,567	-	1,906	3,925,473
Federal Sources	207,136	-	187,787	394,923
Interest Income	11,595	-	-	11,595
Miscellaneous Income	12,822	-	5,331	18,153
Total Revenues	5,910,795	-	697,779	6,608,574
EXPENDITURES				
Current				
Regular Instruction	3,072,873	-	-	3,072,873
Special Instruction	294,487	-	-	294,487
Vocational Instruction	196,349	-	-	196,349
Pupil Services	265,921	-	-	265,921
General Administration Services	234,015	-	-	234,015
School Administration Services	175,982	-	-	175,982
Other Support Services	1,083	-	-	1,083
Operation and Maintenance	726,822	-	125,402	852,224
Pupil Transportation	394,489	-	-	394,489
Student Activities	461,014	-	-	461,014
School Food Services	-	-	350,388	350,388
Debt Service				
Principal	76,413	-	190,000	266,413
Interest and Other Charges	-	-	31,134	31,134
Facilities Acquisition and Construction	-	-	192,976	192,976
Total Expenditures	5,899,448	-	889,900	6,789,348
Excess of Revenues over Expenditures	11,347	-	(192,121)	(180,774)
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	-	119,161	119,161
Operating Transfer Out	(119,161)	-	-	(119,161)
Total Other Financing Sources (Uses)	(119,161)	-	119,161	-
NET CHANGE IN FUND BALANCE	(107,814)	-	(72,960)	(180,774)
FUND BALANCE, BEGINNING OF YEAR, AS ADJUSTED	1,246,407	229,952	153,917	1,630,276
FUND BALANCE, END OF YEAR	\$ 1,138,593	\$ 229,952	\$ 80,957	\$ 1,449,502

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
Years Ended June 30, 2021 and 2020

Total Fund Balance - Governmental Funds June 30, 2021		\$ 1,346,191
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	9,803,073	
Less Accumulated Depreciation	<u>(3,494,883)</u>	
Net Capital Assets		6,308,190
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable	(820,000)	
Capital Leases Payable	<u>(128,629)</u>	
Total Long-term Liabilities		<u>(948,629)</u>
Total Net Position of Governmental Activities June 30, 2021		<u>\$ 6,705,752</u>
Total Fund Balance - Governmental Funds June 30, 2020		\$ 1,449,502
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	9,775,567	
Less Accumulated Depreciation	<u>(3,295,558)</u>	
Net Capital Assets		6,480,009
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable	(1,010,000)	
Capital Leases Payable	<u>(25,126)</u>	
Total Long-term Liabilities		<u>(1,035,126)</u>
Total Net Position of Governmental Activities June 30, 2020		<u>\$ 6,894,385</u>

See Notes to Financial Statements

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Oakes Public School District, Oakes, North Dakota (the District) are presented on a modified cash basis of accounting. This 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.

A. Reporting Entity

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

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

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Oakes Public School District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

1. General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Special Reserve Fund – Used to account for resources restricted to, or designated for, specific purpose by the District.

Additionally, the District reports the following governmental fund types that are included in non-major funds:

Governmental Funds

1. Food Service Fund – Used to account for food service revenues and expenditures.
2. Capital Projects Fund - Used to account for financial resources related to capital outlays made by the District.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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 uninsured balance.

E. Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

F. Vacation Pay and Sick Pay

The District offers sick leave, emergency leave, personal leave, professional leave, jury duty, and sabbatical leave to some or all classes of employees in varying degrees. For certified staff, sick leave can accumulate up to 90 days and will be paid out at \$5 per day for every day of sick leave not used when an employee is leaving the District. For noncertified staff, vacation leave is for full-time employees only.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amount in those funds can be spent. These classifications are as follows:

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed
 - a. A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
 - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
5. Unassigned
 - a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

I. Net Position

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

J. Interfund Transactions

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

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures did not exceed budgeted amounts for the years ended June 30, 2021 and 2020.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, 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. For the years ended June 30, 2021 and 2020, the District's carrying amounts of deposits were \$1,539,039 and \$1,639,162. The bank balances were \$1,885,060 and \$1,876,952. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by pledging financial institution's agents in the government's name.

Credit Risk:

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

1. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.

Interest Rate Risk:

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

Concentration of Credit Risk:

The District does not have a limit on the amount it may invest in any one issuer.

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2021 and 2020:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 192,976	\$ 50,886	\$ (192,976)	\$ 50,886
Total Capital Assets, not being depreciated	192,976	50,886	(192,976)	50,886
Capital Assets, being depreciated				
Buildings and Improvements	\$ 8,385,196	\$ 289,511	\$ -	\$ 8,674,707
Vehicles	763,378	113,198	-	876,576
Equipment	434,017	-	(233,113)	200,904
Total Capital Assets, being depreciated	9,582,591	402,709	(233,113)	9,752,187
Less Accumulated Depreciation for				
Buildings and Improvements	2,576,948	213,746	-	2,790,694
Vehicles	556,351	62,962	-	619,313
Equipment	162,259	35,137	(112,520)	84,876
Total Accumulated Depreciation	3,295,558	311,845	(112,520)	3,494,883
Total Capital Assets Being Depreciated, net	6,287,033	90,864	(120,593)	6,257,304
Governmental Activities Capital Assets, net	\$ 6,480,009	\$ 141,750	\$ (313,569)	\$ 6,308,190
	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ -	\$ 192,976	\$ -	\$ 192,976
Total Capital Assets, not being depreciated	-	192,976	-	192,976
Capital Assets, being depreciated				
Buildings and Improvements	\$ 8,385,196	\$ -	\$ -	\$ 8,385,196
Vehicles	706,380	56,998	-	763,378
Equipment	434,017	-	-	434,017
Total Capital Assets, being depreciated	9,525,593	56,998	-	9,582,591
Less Accumulated Depreciation for				
Buildings and Improvements	2,370,440	206,508	-	2,576,948
Vehicles	510,409	45,942	-	556,351
Equipment	106,826	55,433	-	162,259
Total Accumulated Depreciation	2,987,675	307,883	-	3,295,558
Total Capital Assets Being Depreciated, net	6,537,918	(250,885)	-	6,287,033
Governmental Activities Capital Assets, net	\$ 6,537,918	\$ (57,909)	\$ -	\$ 6,480,009

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

	<u>2021</u>	<u>2020</u>
Governmental Activities		
Regular Instruction	\$ 28,598	\$ 47,948
Operation and Maintenance	186,742	187,688
Pupil Transportation	62,962	45,942
Student Activities	32,654	25,416
School Food Services	889	889
Total - Governmental Activities	<u>\$ 311,845</u>	<u>\$ 307,883</u>

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2021 and 2020, the following changes occurred in long-term liabilities:

	<u>Long-term Liabilites at July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Long-term Liabilites at June 30, 2021</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 1,010,000	\$ -	\$ (190,000)	\$ 820,000	\$ 200,000
Capital Leases Payable	25,126	196,682	(93,179)	128,629	63,099
Total - Governmental Activities	<u>\$ 1,035,126</u>	<u>\$ 196,682</u>	<u>\$ (283,179)</u>	<u>\$ 948,629</u>	<u>\$ 263,099</u>
	<u>Long-term Liabilites at July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Long-term Liabilites at June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 1,200,000	\$ -	\$ (190,000)	\$ 1,010,000	\$ 190,000
Capital Leases Payable	101,539	-	(76,413)	25,126	25,126
Total - Governmental Activities	<u>\$ 1,301,539</u>	<u>\$ -</u>	<u>\$ (266,413)</u>	<u>\$ 1,035,126</u>	<u>\$ 215,126</u>

Outstanding debt at June 30, 2021 and 2020 are comprised of the following individual issues:

1. General Obligation Building Fund Refunding Bonds, Series 2014 – From an original issuance of \$825,000 at an interest rate of .6%-2.20%, \$285,000 remains outstanding. The principal and interest are payable through August 1, 2023.
2. Limited Tax School Building Fund Bonds, Series 2015 – From an original issuance of \$995,000 at an interest rate of 3%, \$535,000 remains outstanding. The principal and interest are payable through August 1, 2025.
3. Capital Lease – From an original issuance of 196,682 at an interest rate of 2%, \$128,629 remains outstanding. The principal and interest are payable through August 10, 2022.

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

The debt service requirements are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2022	\$ 200,000	\$ 16,838	\$ 63,099	\$ 4,954
2023	200,000	12,611	65,530	2,524
2024	200,000	8,080	-	-
2025	110,000	4,373	-	-
2026	110,000	1,485	-	-
Totals	\$ 820,000	\$ 43,387	\$ 128,629	\$ 7,478

NOTE 6 – 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.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRIF for its general liability, auto and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$3,000,000 per occurrence for general liability and auto coverage.

The District also participates in the State Bonding Fund. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 7 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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. Re-funded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2021 and 2020, if the District were to report on the full accrual basis, a liability of \$4,766,442 and \$3,904,600 for its proportionate share of the net pension liability would have been reported. 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 calculation as of that date. The District’s proportion of the net pension liability was based on the Districts share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2021 and 2020 the District’s proportion was .311430% and .283506%. The District’s pension contributions for the years ended June 30, 2021 and 2020 was \$319,032 and \$289,731.

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 measurement:

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

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

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

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

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

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

- 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%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the 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.

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement 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 multi-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. Members 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 will be 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 member's 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 ages. Member contribution rates are 7% and employer contribution rates 7.12% of covered compensation. For members hired after January 1, 2020 member contributes are 7% and employer contribution rates are 8.26% of covered compensation.

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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

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

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

At June 30, 2021 and 2020, if the District were to report on the full accrual basis, a liability of \$1,428,311 and \$675,758 for its proportionate share of the net pension liability would have been reported. 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 that date. The District’s proportion of the net pension liability was based on the District’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021 and 2020, the District’s proportion was .047117 and .057655 percent. The District’s pension contributions for the years ended June 30, 2021 and 2020 was \$39,675 and \$41,756.

Actuarial Assumptions

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

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

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

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

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

Discount Rate

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

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

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

Pension Plan Fiduciary Net Position

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

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. 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.

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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. The benefits are equal to \$5.00 for each of the employees, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2021 and 2020, if the District were to report on the accrual basis, a liability of \$38,354 and \$43,167 for its proportionate share of the net OPEB liability would have been reported. 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 that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021 and 2020, the District's proportion was .045594 and .053744 percent. The District's OPEB contributions for the years ended June 30, 2021 and 2020 was \$5,938 and \$6,685.

Actuarial Assumptions

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

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

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

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

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

Discount Rate

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

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

Southeast Region Career and Technology Center

Formed for the purpose of providing vocational services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are school board members. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from Southeast Region Career and Technology Center.

Sheyenne Valley Multi-District Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from Sheyenne Valley Multi-District Special Education Unit.

NOTE 10 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2021 and 2020 was \$23,246 and \$22,824.

NOTE 11 – CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

OAKES PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 12 – TRANSFERS

The following is a list of transfers that occurred during the years ended June 30, 2021 and 2020:

Fund	2021		2020	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ -	\$ 95,000	\$ -	\$ 119,161
Capital Projects	95,000	-	95,000	-
Food Service	-	-	24,161	-
Totals	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 119,161</u>	<u>\$ 119,161</u>

Transfers were made from the general fund to the capital projects fund and food service fund to cover deficits in the food service fund and expenditures in the capital projects fund.

NOTE 13 – ADOPTION OF NEW STANDARD AND RESTATEMENTS

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 and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The District also corrected errors in capital assets and accumulated depreciation and changed from the accrual basis of accounting to the modified cash basis of accounting as of July 1, 2019. Management changed from the accrual basis of accounting to the modified cash basis for ease of reporting and maintenance of records. The following table describes the effects of the implementation of GASB 84 and restatements on beginning net position and fund balance:

Net Position July 1, 2019 as previously reported	\$ 2,366,656
Taxes Receivable	(112,496)
Student Activity Fund Balances	137,035
Capital Assets	(299,044)
Accumulated Depreciation	226,507
Pension & OPEB	4,547,997
Net Position July 1, 2020 as restated	<u>\$ 6,866,655</u>
Fund Balance July 1, 2020 as previously reported	\$ 1,109,372
Student Activity Fund Balances	137,035
General Fund Balance July 1, 2020 as restated	<u>\$ 1,246,407</u>

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 20, 2023, the date on which the financial statements were available to be issued.

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 2,038,664	\$ 2,038,664	\$ 1,748,657	\$ (290,007)
State Sources	4,098,453	4,098,453	4,107,546	9,093
Federal Sources	369,089	369,089	508,806	139,717
Interest Income	10,000	10,000	3,124	(6,876)
Miscellaneous Income	24,000	24,000	27,827	3,827
Total Revenues	<u>6,540,206</u>	<u>6,540,206</u>	<u>6,395,960</u>	<u>(144,246)</u>
EXPENDITURES				
Current				
Regular Instruction	3,501,272	3,501,272	3,670,100	(168,828)
Special Instruction	396,239	396,239	296,206	100,033
Vocational Instruction	237,967	237,967	199,060	38,907
Pupil Services	366,556	366,556	291,763	74,793
General Administration Services	255,989	255,989	247,037	8,952
School Administration Services	179,540	179,540	193,346	(13,806)
Other Support Services	-	-	343	(343)
Operation and Maintenance	752,619	752,619	700,371	52,248
Pupil Transportation	456,099	456,099	429,567	26,532
Student Activities	464,000	464,000	482,198	(18,198)
Debt Service				
Principal	93,179	93,179	93,179	-
Total Expenditures	<u>6,703,460</u>	<u>6,703,460</u>	<u>6,603,170</u>	<u>100,290</u>
Excess (Deficiency) of Revenues over Expenditures	(163,254)	(163,254)	(207,210)	(43,956)
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-term Debt	196,682	196,682	196,682	-
Operating Transfer Out	(359,817)	(359,817)	(95,000)	(264,817)
Total Other Financing Sources (Uses)	<u>(163,135)</u>	<u>(163,135)</u>	<u>101,682</u>	<u>(264,817)</u>
NET CHANGE IN FUND BALANCE	(326,389)	(326,389)	(105,528)	(308,773)
FUND BALANCE, BEGINNING OF YEAR			<u>1,138,593</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,033,065</u>	

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 1,778,720	\$ 1,778,720	\$ 1,755,675	\$ (23,045)
State Sources	3,959,064	3,959,064	3,923,567	(35,497)
Federal Sources	165,657	165,657	207,136	41,479
Interest Income	6,000	6,000	11,595	5,595
Miscellaneous Income	36,000	36,000	12,822	(23,178)
Total Revenues	<u>5,945,441</u>	<u>5,945,441</u>	<u>5,910,795</u>	<u>(34,646)</u>
EXPENDITURES				
Current				
Regular Instruction	3,081,872	3,081,872	3,072,873	8,999
Special Instruction	264,586	264,586	294,487	(29,901)
Vocational Instruction	235,518	235,518	196,349	39,169
Pupil Services	250,753	250,753	265,921	(15,168)
General Administration Services	230,955	230,955	234,015	(3,060)
School Administration Services	177,677	177,677	175,982	1,695
Other Support Services	600	600	1,083	(483)
Operation and Maintenance	863,315	863,315	726,822	136,493
Pupil Transportation	427,763	427,763	394,489	33,274
Student Activities	464,639	464,639	461,014	3,625
Debt Service				
Principal	76,416	76,413	76,413	-
Total Expenditures	<u>6,074,094</u>	<u>6,074,091</u>	<u>5,899,448</u>	<u>174,643</u>
Excess (Deficiency) of Revenues over Expenditures	(128,653)	(128,650)	11,347	139,997
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out	(57,214)	(57,214)	(119,161)	61,947
Total Other Financing Sources (Uses)	<u>(57,214)</u>	<u>(57,214)</u>	<u>(119,161)</u>	<u>61,947</u>
NET CHANGE IN FUND BALANCE	(185,867)	(185,864)	(107,814)	201,944
FUND BALANCE, BEGINNING OF YEAR			<u>1,246,407</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,138,593</u>	

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2021

	<u>Food Service</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 96,882	\$ 96,882
Total Assets	-	96,882	96,882
LIABILITIES			
Payroll Liabilities	527	-	527
Due to Other Funds	13,181	-	13,181
Total Liabilities	13,708	-	13,708
FUND BALANCE (DEFICIT)			
Restricted	-	96,882	96,882
Unassigned (Deficit)	(13,708)	-	(13,708)
Total Fund Balance (Deficit)	(13,708)	96,882	83,174
Total Liabilities and Fund Balance (Deficit)	<u>\$ -</u>	<u>\$ 96,882</u>	<u>\$ 96,882</u>

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2020

	<u>Food Service</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 80,957</u>	<u>\$ 80,957</u>
Total Assets	-	80,957	80,957
FUND BALANCE			
Restricted	<u>-</u>	<u>80,957</u>	<u>80,957</u>
Fund Balance	-	80,957	80,957
Total Liabilities and Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ 80,957</u></u>	<u><u>\$ 80,957</u></u>

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2021

	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 31,216	\$ 399,929	\$ 431,145
State Sources	6,021	-	6,021
Federal Sources	327,095	-	327,095
Miscellaneous Income	3,335	-	3,335
Total Revenues	367,667	399,929	767,596
EXPENDITURES			
Current			
Operation and Maintenance	-	114,863	114,863
School Food Services	381,375	-	381,375
Debt Service			
Principal	-	190,000	190,000
Interest and Other Charges	-	26,720	26,720
Facilities Acquisition and Construction	-	147,421	147,421
Total Expenditures	381,375	479,004	860,379
Excess (Deficiency) of Revenues over Expenditures	(13,708)	(79,075)	(92,783)
OTHER FINANCING SOURCES			
Operating Transfer In	-	95,000	95,000
Total Other Financing Sources	-	95,000	95,000
NET CHANGE IN FUND BALANCE	(13,708)	15,925	2,217
FUND BALANCE, BEGINNING OF YEAR	-	80,957	80,957
FUND BALANCE (DEFICIT), END OF YEAR	\$ (13,708)	\$ 96,882	\$ 83,174

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2020

	Food Service	Capital Projects	Total Other Governmental Funds
REVENUES			
Local Sources	\$ 129,933	\$ 372,822	\$ 502,755
State Sources	1,906	-	1,906
Federal Sources	187,787	-	187,787
Miscellaneous Income	5,331	-	5,331
Total Revenues	324,957	372,822	697,779
EXPENDITURES			
Current			
Operation and Maintenance	-	125,402	125,402
School Food Services	350,388	-	350,388
Debt Service			
Principal	-	190,000	190,000
Interest and Other Charges	-	31,134	31,134
Facilities Acquisition and Construction	-	192,976	192,976
Total Expenditures	350,388	539,512	889,900
Excess (Deficiency) of Revenues over Expenditures	(25,431)	(166,690)	(192,121)
OTHER FINANCING SOURCES			
Operating Transfer In	24,161	95,000	119,161
Total Other Financing Sources	24,161	95,000	119,161
NET CHANGE IN FUND BALANCE	(1,270)	(71,690)	(72,960)
FUND BALANCE, BEGINNING OF YEAR	1,270	152,647	153,917
FUND BALANCE, END OF YEAR	\$ -	\$ 80,957	\$ 80,957

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Through Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction			
National School Lunch Program - Commodities (Note 3)	10.555	N/A	\$ 23,246
Summer Food Service Program for Children	10.559	N/A	283,987
Total Child Nutrition Cluster			307,233
Fresh Fruit and Vegetable Program	10.582	N/A	18,832
State Administrative Expenses for Children Nutrition	10.560	N/A	1,029
Total U.S. Department of Agriculture			327,094
DEPARTMENT OF TREASURY			
Passed through North Dakota Department of Public Instruction			
COVID-19 - Coronavirus Relief Funds (Note 4)	21.019	N/A	296,389
ENVIRONMENTAL PROTECTION AGENCY			
Diesel Emission Reduction Act (Note 4)	66.039	N/A	21,725
U.S. DEPARTMENT OF EDUCATION			
Passed through North Dakota Department of Public Instruction			
Title I - Grants to LEA's	84.010	N/A	95,643
Student Support and Academic Enrichment Program	84.424A	N/A	13,630
Supporting Effective Instruction State Grants	84.367	N/A	37,407
COVID 19 - Education Stabilization Fund (Note 4)	84.425D	N/A	34,407
Small, Rural School Achievement Program	84.358A	N/A	9,606
Total U.S. Department of Education			190,693
Total Expenditures of Federal Awards			\$ 835,901

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Oakes Public School District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. The Oakes Public School District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 – NONCASH AWARDS

Federal reimbursement is not based upon specified expenditures. Therefore, the amounts reported here represent cash value received rather than federal expenditures.

NOTE 4 – MAJOR PROGRAM

This represents a major federal financial assistance program.



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

School Board
Oakes Public School District
Oakes, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakes Public School District, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Oakes Public School District's basic financial statements, and have issued our report thereon dated October 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oakes Public School 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 Oakes Public School 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 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2021-001 and 2021-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakes Public School 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 determination of financial statement amounts. However, providing an opinion on compliance with these 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*.

District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Oakes Public School District's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The Oakes Public School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
October 20, 2023



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

School Board
Oakes Public School District
Oakes, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Oakes Public School 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 Oakes Public School District's major federal programs for the year ended June 30, 2021. The Oakes Public School 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 compliance for each of the Oakes Public School 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oakes Public School 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Oakes Public School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Oakes Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Oakes Public School 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 Oakes Public School 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 Oakes Public School 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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.



Nadine Julson, LLC
Wahpeton, North Dakota
October 20, 2023

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Years ended June 30, 2021 and 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS 2021

Financial Statements

Type of Report Issued:	Unmodified		
Internal Control Over Financial Reporting			
Material weakness identified?	X	Yes	_____
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	X
Noncompliance material to financial statements noted?	_____	Yes	X
			No None reported No

Federal Awards

Internal Control Over Major Program			
Material weakness identified?	_____	Yes	X
Significant deficiency identified?	_____	Yes	X
Type of auditor's report issued on compliance for major programs:			
	Unmodified		
Any audit finding disclosed that are required to be reported in accordance with 2 CDF 200.516(a)?	_____	Yes	X
			No None reported

CFDA Numbers	Name of Program or Cluster
21.019	COVID-19 - Coronavirus Relief Funds
66.039	Diesel Emission Reduction Act
84.425D	COVID-19 Education Stabilization Fund

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

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

OAKES PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs – Continued

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated.

More segregation of duties would provide better control over the assets of the District.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation

The accounting 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.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

2021-002 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect of Potential Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

OAKES PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs – Continued

Views of Responsible Officials

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

OAKES PUBLIC SCHOOL DISTRICT
Oakes, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2021 and 2020

Prior Financial Statement Findings

2019-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting 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. This material weakness continues to exist under the current audit findings as finding number 2021-001.

2019-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit finding 2021-002.