



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Oberon Public School District No. 16

Oberon, North Dakota

Audit Report for the Year Ended June 30, 2021

Client Code: PS 3340



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Office of the
State Auditor

OBERON PUBLIC SCHOOL DISTRICT NO. 16

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OBERON PUBLIC SCHOOL DISTRICT NO. 16

School Officials and Audit Personnel

June 30, 2021

SCHOOL OFFICIALS

Doris Griffin	President
Matthew Friesen	Interim Vice President
Sharon Meudget	Board Member
Faron Stensland	Board Member
Norberta Greywind	Board Member
Jordan Brown	Superintendent/Principal
Maria Dunlap	Business Manager

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Izabelle Clarksean	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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Oberon Public School Board
Oberon Public School District No. 16
Oberon, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oberon Public School District No. 16, Oberon, North Dakota, as of the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Oberon Public School District No. 16's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oberon Public School District No. 16, Oberon, North Dakota, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oberon Public School District No. 16's basic financial statements. The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2021 on our consideration of the Oberon Public School District No. 16's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oberon Public School District No. 16's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Oberon Public School District No. 16's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 20, 2021

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,764,741
Intergovernmental Receivable	907,644
Taxes Receivable	6,763
Capital Assets	
Nondepreciable	4,011,361
Depreciable, Net	<u>99,551</u>
 Total Assets	 <u>\$ 6,790,060</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 562,773</u>
 LIABILITIES	
Accounts Payable	\$ 523,535
Salaries and Benefits Payable	36,356
Unearned Revenue	22,222
Retainage Payable	76,474
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	13,165
Due After One Year	
Compensated Absences Payable	13,165
Net Pension & OPEB Liability	<u>875,250</u>
 Total Liabilities	 <u>\$ 1,560,167</u>
 DEFERRED INFLOWS OF RESOURCES	
Derived from Pension & OPEB	<u>\$ 478,978</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 4,110,912
Restricted for	
Capital Projects	298,835
Special Purposes	43,882
Unrestricted	<u>860,059</u>
 Total Net Position	 <u><u>\$ 5,313,688</u></u>

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

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities				Governmental Activities
Regular Instruction	\$ 455,055	\$ -	\$ -	\$ (455,055)
Federal Programs	349,284	1,637,144	3,566,705	4,854,565
Administration	199,355	-	-	(199,355)
District Wide Services	130,796	-	-	(130,796)
School Food Services	178,021	49,530	-	(128,491)
Operations and Maintenance	105,936	-	-	(105,936)
Transportation	81,367	45,638	-	(35,729)
Other Programs & Services	112,198	-	-	(112,198)
Total Governmental Activities	<u>\$ 1,612,012</u>	<u>\$ 1,732,312</u>	<u>\$ 3,566,705</u>	<u>\$ 3,687,005</u>
General Revenues				
Property Taxes				\$ 171,903
Unrestricted State Aid				694,447
Interest Earnings				6,903
Miscellaneous Revenue				111,580
Loss on Disposal of Capital Asset				(52,179)
Total General Revenues				<u>\$ 932,654</u>
Changes in Net Position				<u>\$ 4,619,659</u>
Net Position - July 1				<u>\$ 694,029</u>
Net Position - June 30				<u><u>\$ 5,313,688</u></u>

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

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 1,323,328	\$ 397,531	\$ 43,882	\$ 1,764,741
Intergovernmental Receivable	384,109	523,535	-	907,644
Taxes Receivable	6,763	-	-	6,763
Total Assets	<u>\$ 1,714,200</u>	<u>\$ 921,066</u>	<u>\$ 43,882</u>	<u>\$ 2,679,148</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ 523,535	\$ -	\$ 523,535
Salaries & Benefits Payable	36,356	-	-	36,356
Unearned Revenue	-	22,222	-	22,222
Total Liabilities	<u>\$ 36,356</u>	<u>\$ 545,757</u>	<u>\$ -</u>	<u>\$ 582,113</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 6,763	\$ -	\$ -	\$ 6,763
Total Liabilities and Deferred Inflows of Resources	<u>\$ 43,119</u>	<u>\$ 545,757</u>	<u>\$ -</u>	<u>\$ 588,876</u>
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ 375,309	\$ -	\$ 375,309
Assigned				
Special Reserve	-	-	35,022	35,022
Food Service	-	-	8,860	8,860
Unassigned	1,671,081	-	-	1,671,081
Total Fund Balances	<u>\$ 1,671,081</u>	<u>\$ 375,309</u>	<u>\$ 43,882</u>	<u>\$ 2,090,272</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,714,200</u>	<u>\$ 921,066</u>	<u>\$ 43,882</u>	<u>\$ 2,679,148</u>

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

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

June 30, 2021

Total Fund Balances for Governmental Funds	\$ 2,090,272
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	4,110,912
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.	6,763
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions & OPEB	\$ 562,773	
Deferred Inflows Related to Pensions & OPEB	<u>(478,978)</u>	83,795

Long-term liabilities applicable to the 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.

Compensated Absences Payable	\$ (26,330)	
Retainage Payable	(76,474)	
Net Pension & OPEB Liability	<u>(875,250)</u>	<u>(978,054)</u>

Total Net Position of Governmental Activities	<u>\$ 5,313,688</u>
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The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 192,012	\$ -	\$ -	\$ 192,012
State Sources	732,457	-	7,628	740,085
Federal Sources	1,637,144	3,566,705	49,530	5,253,379
Other Local Sources	88,927	2,388	8,699	100,014
Total Revenues	\$ 2,650,540	\$ 3,569,093	\$ 65,857	\$ 6,285,490
EXPENDITURES				
Regular Instruction	\$ 448,860	\$ -	\$ -	\$ 448,860
Federal Programs	349,284	-	-	349,284
Administration	194,079	-	-	194,079
District Wide Services	130,796	-	-	130,796
School Food Services	68,127	-	106,180	174,307
Operations and Maintenance of Plant	96,681	-	-	96,681
Transportation	65,214	-	-	65,214
Other Programs and Services	112,198	-	-	112,198
Capital Outlay	-	3,566,705	-	3,566,705
Total Expenditures	\$ 1,465,239	\$ 3,566,705	\$ 106,180	\$ 5,138,124
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,185,301	\$ 2,388	\$ (40,323)	\$ 1,147,366
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	\$ 6,122	\$ -	\$ -	\$ 6,122
Transfers In	-	-	45,103	45,103
Transfers Out	(45,103)	-	-	(45,103)
Total Other Financing Sources and Uses	\$ (38,981)	\$ -	\$ 45,103	\$ 6,122
Net Change in Fund Balances	\$ 1,146,320	\$ 2,388	\$ 4,780	\$ 1,153,488
Fund Balances - July 1	\$ 524,761	\$ 372,921	\$ 39,102	\$ 936,784
Fund Balances - June 30	\$ 1,671,081	\$ 375,309	\$ 43,882	\$ 2,090,272

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

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities

For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 1,153,488
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 3,649,350	
Current Year Depreciation Expense	<u>(17,066)</u>	3,632,284

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Loss on Sale of Capital Assets	\$ (52,179)	
Proceeds from Sale of Capital Assets	<u>(6,122)</u>	(58,301)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This consists of the net change in Compensated Absences Payable.

Net Change in Compensated Absences	\$ (440)	
Net Change in Retainage Payable	<u>(76,474)</u>	(76,914)

The net pension and OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are noreported in the funds.

Net Change in Net Pension & OPEB Liability	\$ 54,662	
Net Change in Deferred Outflows of Resources Related to Pensions & OPEB	199,872	
Net Change in Deferred Inflows of Resources Related to Pensions & OPEB	<u>(283,793)</u>	(29,259)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

<u>(1,639)</u>

Change in Net Position of Governmental Activities	<u>\$ 4,619,659</u>
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The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements
For the Years Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oberon Public School District No. 16 (hereafter referred to as "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

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

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

Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the School District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

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

Capital Projects Fund - This fund is used to account for financial resources to be used for acquisition or construction of major capital facilities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Under the terms of grant agreements, the School District funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply cost reimbursement grant resources to such programs, and then general revenues.

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the School District consist of certificates of deposit stated at cost with maturities in excess of three months.

Capital Assets

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

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

Vehicles & Equipment	10-15
Buildings	50

Compensated Absences

Full-time employees with a year of continuous service will receive 80 hours of vacation leave per year. Upon termination, unused vacation leave will be paid to the employee at their current rate of pay. Vested or accumulated vacation leave is reported in the government-wide statement of net position.

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

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

Assigned Fund Balances. Assigned fund balances are reported in the food service and special reserve fund for amounts that are spendable but have been earmarked for a specific purpose by the board.

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

NOTE 2 DEPOSITS

Custodial Credit Risk

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

OBERON PUBLIC SCHOOL DISTRICT NO. 16
Notes to the Financial Statements – Continued

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

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

At year ended June 30, 2021, the School District's carrying amount of deposits totaled \$1,764,710, and the bank balances totaled \$2,501,488. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 3 PROPERTY TAXES

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

NOTE 4 CAPITAL ASSETS

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

School District	Balance Jul 1	Increases	Decreases	Balance Jun 30
Capital Assets Not Being Depreciated				
Land	\$ 58,300	\$ -	\$ 58,300	\$ -
Construction in Progress	369,116	3,642,245	-	4,011,361
Total Capital Assets, Not Being Depreciated	\$ 427,416	\$3,642,245	\$ 58,300	\$ 4,011,361
Capital Assets Being Depreciated				
Vehicles & Equipment	\$ 156,445	\$ 7,106	\$ -	\$ 163,551
Less Accumulated Depreciation				
Vehicles & Equipment	\$ 46,934	\$ 17,066	\$ -	\$ 64,000
Total Capital Assets Being Depreciated, Net	\$ 109,511	\$ (9,960)	\$ -	\$ 99,551
Governmental Activities Capital Assets, Net	\$ 536,927	\$3,632,285	\$ 58,300	\$ 4,110,912

Depreciation expense was charged to the following functions:

Transportation	\$ 15,645
Food Service	1,421
Total Depreciation Expense	\$ 17,066

NOTE 5 LONG-TERM LIABILITIES

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

School District	Balance Jul 1	Increases	Decreases	Balance Jun 30	Due Within One Year
Compensated Absences *	\$ 25,890	\$ 440	\$ -	\$ 26,330	\$ 13,165
Net Pension Liability *	929,912	-	54,662	875,250	-
Total Governmental Activities	\$ 955,802	\$ 440	\$ 54,662	\$ 901,580	\$ 13,165

* - The change in compensated absences and net pension liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

NOTE 6 CONSTRUCTION COMMITMENTS

The School District has one open construction project at June 30, 2021 for a new school building. Construction commitments exist for different construction services as outlined below:

New School Building	Total Contract	Completed	Retainages	Remaining Commitment
Construction	\$ 4,429,902	\$ 3,548,896	\$ 76,474	\$ 957,480
Architecture	428,800	399,405	-	29,395
Total	\$ 4,858,702	\$ 3,948,301	\$ 76,474	\$ 986,875

NOTE 7 PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, for its respective proportionate share of the net pension liability, the following net pension liability was reported:

	Net Pension Liability
School District	\$ 618,976

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021, the entity had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurement	Pension Expense
School District	0.040443%	-0.027077%	\$ 2,835

At June 30, 2021, the following deferred outflows of resources and deferred inflows of resources were reported related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 128	\$ 23,229
Changes of Assumptions	27,859	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	38,210	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	196,629	420,421
Employer Contributions Subsequent to the Measurement Date	49,495	-
Total Deferred Outflows and Inflows of Resources	\$ 312,321	\$ 443,650

\$49,495, reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

2022	\$ (51,097)
2023	(42,324)
2024	4,241
2025	(17,625)
2026	(23,339)
Thereafter	(50,679)

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 824,443	\$ 618,976	\$ 448,223

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

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

	Net Pension Liability
School District	\$ 253,066

The net pension liability was measured as of June 30, 2020 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021, the entity had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurement	Pension Expense
School District	0.008044%	0.008044%	\$ 65,911

At June 30, 2021, the following deferred outflows of resources and deferred inflows of resources were reported related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 985	\$ 12,823
Changes of Assumptions	135,659	22,428
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	8,168	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	81,196	-
Employer Contributions Subsequent to the Measurement Date	20,015	-
Total Deferred Outflows and Inflows of Resources	\$ 246,023	\$ 35,251

\$20,015 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

2022	\$ 53,465
2023	49,027
2024	43,754
2025	44,511
2026	-
Thereafter	-

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	3.5% 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%.

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

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

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Proportionate Share of the Net Pension Liability	\$ 328,334	\$ 253,066	\$ 191,478

Pension Plan Fiduciary Net Position

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

NOTE 8 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

OBERON PUBLIC SCHOOL DISTRICT NO. 16
Notes to the 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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

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

	Net Pension Liability
School District	\$ 3,208

The net OPEB liability was measured as of June 30, 2020 respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurement	Pension Expense
School District	0.003814%	0.003814%	\$ 913

At June 30, 2021, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 71	\$ 77
Changes of Assumptions	430	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	110	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,061	-
Employer Contributions Subsequent to the Measurement Date	1,758	-
Total Deferred Outflows and Inflows of Resources	\$ 4,430	\$ 77

\$1,758 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

OBERON PUBLIC SCHOOL DISTRICT NO. 16
Notes to the Financial Statements – Continued

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

2022	\$	554
2023		582
2024		577
2025		545
2026		333
Thereafter		4

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.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate Share of the Net Pension Liability	\$ 4,208	\$ 3,208	\$ 2,363

NOTE 9 RISK MANAGEMENT

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

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

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$250,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$701,700 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 10 TRANSFERS

The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2020:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ -	\$ 45,103
Nonmajor Funds		
Food Service	45,103	-
Total Transfers	\$ 45,103	\$ 45,103

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 181,920	\$ 181,920	\$ 192,012	\$ 10,092
State Sources	658,634	658,634	732,457	73,823
Federal Sources	842,010	842,010	1,637,144	795,134
Other Sources	-	-	88,927	88,927
Total Revenues	\$ 1,682,564	\$ 1,682,564	\$ 2,650,540	\$ 967,976
EXPENDITURES				
Regular Instruction	\$ 621,124	\$ 621,124	\$ 448,860	\$ 172,264
Federal Programs	420,570	420,570	349,284	71,286
Administration	144,293	144,293	194,079	(49,786)
District Wide Services	148,750	148,750	130,796	17,954
School Food Services	89,525	89,525	68,127	21,398
Operations and Maintenance	88,603	88,603	96,681	(8,078)
Transportation	88,683	88,683	65,214	23,469
Other Programs & Services	143,800	143,800	112,198	31,602
Total Expenditures	\$ 1,745,348	\$ 1,745,348	\$ 1,465,239	\$ 280,109
Excess (Deficiency) of Revenues Over Expenditures	\$ (62,784)	\$ (62,784)	\$ 1,185,301	\$ 1,248,085
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	\$ -	\$ -	\$ 6,122	\$ 6,122
Transfers Out	-	-	(45,103)	(45,103)
Total Other Financing Sources	-	-	(38,981)	(38,981)
Net Changes in Fund Balances	\$ (62,784)	\$ (62,784)	\$ 1,146,320	\$ 1,209,104
Fund Balances - July 1	\$ 549,663	\$ 549,663	\$ 524,761	\$ (24,902)
Fund Balances - June 30	\$ 486,879	\$ 486,879	\$ 1,671,081	\$ 1,184,202

The accompanying required supplementary information notes are an integral part of this schedule.

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Schedule of Employer's Share of Net Pension Liability and Employer Contributions

For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.040443%	\$ 618,976	\$ 295,094	209.76%	63.40%
2020	0.067519%	929,912	473,668	196.32%	65.51%
2019	0.052025%	693,419	353,671	164.27%	65.50%
2018	0.053098%	729,317	358,397	203.49%	63.20%
2017	0.042946%	629,180	279,029	225.49%	59.20%
2016	0.069140%	904,251	425,282	212.62%	62.10%
2015	0.075449%	790,572	437,642	180.64%	66.60%

Schedule of Employer Contributions
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 37,625	\$ 37,625	\$ -	\$ 388,141	9.69%
2020	60,393	60,393	-	473,668	12.75%
2019	45,093	45,093	-	353,671	12.75%
2018	45,696	45,696	-	358,397	12.75%
2017	35,576	35,576	-	279,029	12.75%
2016	54,221	54,221	-	425,282	12.75%
2015	47,046	47,046	-	437,642	10.75%

The accompanying required supplementary information notes are an integral part of this schedule.

OBERON PUBLIC SCHOOL DISTRICT NO. 16**Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued**

Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.008044%	\$ 253,066	\$ 88,737	285.19%	63.40%

Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 6,283	\$ 3,602	\$ 2,681	\$ 346,244	1.04%

The accompanying required supplementary information notes are an integral part of this schedule.

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended June 30, 2021

**Schedule of Employer's Share of Net OPEB Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.003814%	\$ 3,208	\$ 43,475	7.38%	48.91%

**Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 511	\$ 300	\$ 211	\$ 199,339	0.15%

The accompanying required supplementary information notes are an integral part of this schedule.

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

- The annual budget must be prepared, and school district taxes must be levied on or before the tenth day of August of each year.
- The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year, but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed.
- The operating budget includes proposed expenditures and means of financing them.
- The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.
- No taxing district may certify any taxes or amend its current budget and no county auditor may accept a certification of taxes or amended budget after the tenth day of October of each year if such certification or amendment results in a change in the amount of tax levied.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

NOTE 2 CHANGES OF BENEFIT TERMS

Pension

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

OPEB

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

NOTE 3 CHANGES OF ASSUMPTIONS

North Dakota Teachers Fund for Retirement

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

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

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

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

Pension

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

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

OPEB

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

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

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

NOTE 4 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

CFDA Number	Program Title	Pass-Through Grantor's Number	Fiscal Year 2021 Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the North Dakota Department of Public Instruction			
Child Nutrition Cluster			
10.555	National School Lunch Program - Commodities*	3016	\$ 3,558
10.559	Summer Food Service Program for Children	F10559	45,395
10.560	State Administrative Expenses for Child Nutrition	F10560	344
10.582	Fresh Fruit and Vegetable Program	F10582	<u>3,025</u>
Total U.S Department of Agriculture			<u>\$ 52,322</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Program			
84.041B & 84.041C	Impact Aid	N/A	<u>\$ 4,565,720</u>
Total Direct Program			<u>\$ 4,565,720</u>
Passed through the North Dakota Department of Public Instruction			
21.019	COVID-19 - Coronavirus Relief Fund	N/A	\$ 89,035
84.010	Title I - Grants to Local Educational Agencies	F84010	423,349
84.367	Supporting Effective Instruction State Grants	F84367	28,863
84.424A	Student Support and Academic Enrichment Program	F84424A	27,920
84.425D	COVID-19 - Education Stabilization Fund	F84425D	<u>94,231</u>
Total U.S Department of Education			<u>\$ 5,229,118</u>
Total Expenditures of Federal Awards			<u>\$ 5,281,440</u>

* - Noncash assistance

See notes to the Schedule of Expenditures of Federal Awards

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Oberon Public School District under programs of the federal government for the year ended June 30, 2021. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Oberon Public School District, it is not intended to and does not present the financial position or changes in net position of the Oberon Public School District. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked "N/A", the Oberon Public School District was unable to obtain a pass-through grant number.

NOTE 5 INDIRECT COST RATE

Oberon Public School District has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.



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

Independent Auditor's Report

Oberon Public School Board
Oberon Public School District No. 16
Oberon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oberon Public School District No. 16, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Oberon Public School District No. 16's basic financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oberon Public School District No. 16's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oberon Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oberon Public School District No. 16's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oberon 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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

OBERON PUBLIC SCHOOL DISTRICT NO. 16

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

Oberon Public School District No. 16's Response to Findings

Oberon Public School District No. 16's response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs* and *corrective action plan*. Oberon Public School District No. 16's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 20, 2021



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Oberon Public School Board
Oberon Public School District No. 16
Oberon, North Dakota

Report on Compliance for Each Major Federal Program

We were engaged to audit Oberon Public School District No. 16'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 Oberon Public School District No. 16's major federal programs for the year ended June 30, 2021. Oberon Public School District No. 16's major federal programs are identified in the *summary of auditor's results*.

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 the Oberon Public School District No. 16's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oberon Public School District No. 16's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Because of the matter described in the Basis for Disclaimer of Opinion on All Major Federal Programs paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Oberon Public School District No. 16's compliance with major compliance requirements and therefore, express no opinion.

Basis for Disclaimer of Opinion on All Major Federal Programs

As described in the accompanying *schedule of audit findings and questioned costs* under items 2021-003 and 2021-005, Oberon Public School District No. 16 was unable to provide the auditor with detailed financial reports and supporting documentation for the years ended June 30, 2021, consequently we were unable to test all material compliance requirements regarding the Oberon Public School District No. 16's major programs as listed in the *schedule of audit findings and questioned costs*. Compliance with such requirements is necessary, in our opinion, for Oberon Public School District No. 16 to comply with the requirements applicable to that program.

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance – Continued

Disclaimer of Opinion on All Major Federal Programs

Because of the significance of the effects of the noncompliance described in the Basis for Disclaimer of Opinion on All Major Federal Programs paragraph, we were unable to obtain sufficient appropriate audit evidence to provide an audit opinion on the Oberon Public School District No. 16's compliance with material compliance requirements. Accordingly, we do not express an opinion on the Oberon Public School District No. 16's compliance with material compliance requirements.

Other Matters

The Oberon Public School District No. 16's responses to the noncompliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs and corrective action plan*. The Oberon Public School District No. 16's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Oberon Public School District No. 16 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 Oberon Public School District No. 16'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 Oberon Public School District No. 16'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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying *schedule of audit findings and questioned costs* as items 2021-003 through 2021-005 that we consider to be material weaknesses.

Oberon Public School District No. 16's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of audit findings and questioned costs and corrective action plan. Oberon Public School District No. 16's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 20, 2021

OBERON PUBLIC SCHOOL DISTRICT NO.1

Summary of Auditor's Results
For the Year Ended June 30, 2021

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None Noted

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Type of auditor's report issued on compliance for major programs:	Disclaimer	
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> X </u> Yes	<u> </u> None noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
84.041	Impact Aid

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

OBERON PUBLIC SCHOOL DISTRICT NO. 16

Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2021

Section I – Financial Statement Findings

2021-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

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

Effect

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

Cause

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

Criteria

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

Prior Recommendation

Yes.

Recommendation

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

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Oberon Public School District's Response

See Corrective Action Plan.

2021-002 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

During testing, it was found that Oberon Public School District failed to include Accounts Payable in the amount of \$523,535 related to its School Construction. Adjustments were proposed and are included in the financial statements.

Effect

Without the proposed adjustments, Accounts Payable, Accounts Receivable, Federal Source Revenue, Capital Assets, Capital Contributions, and the Schedule of Expenditures of Federal Awards would have been understated by \$523,535.

Cause

Oberon Public School District, at times, may be unaware of what should be included in its Accounts Payable listing.

Criteria

Oberon Public School District is responsible for ensuring its financial statements are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend that Oberon Public School District carefully prepare and review its accounts payable listing to ensure its financial statements are accurately presented and in accordance with GAAP.

Oberon Public School District's Response

See Corrective Action Plan.

Section II - Federal Award Findings and Questioned Costs

2021-003 IMPACT AID DOCUMENTATION – CFDA 84.041 – MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition

Oberon Public School District does not have adequate support documentation for the Impact Aid Grant. Oberon Public School District was unable to substantiate amounts claimed on the 2021 application submitted for the Impact Aid Grant. Unsubstantiated items include children with disabilities who reside on eligible Indian lands and children who reside on eligible Indian lands.

Effect

Oberon Public School District may have improperly reported application information, resulting in receiving additional Impact Aid Grant money.

Cause

Oberon Public School District does not have adequate policies and procedures to assign oversight and records retention for the Impact Aid Grant.

Criteria

“Standards for Internal Control in the Federal Government” (Green Book) requires management to document in policies for each unit its responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.

Part 4 of the 2021 OMB Compliance Supplement, in the reporting section, requires auditors to test the membership data used to support the application.

Questioned Costs

None.

Prior Recommendation

Yes.

Recommendation

We recommend Oberon Public School District acquire and maintain the proper supporting documentation surrounding the Impact Aid Grant.

Oberon Public School District’s Response

See Corrective Action Plan.

2021-004 IMPACT AID REVIEW AND APPROVAL – CFDA 84.041 – MATERIAL WEAKNESS

Condition

Oberon Public School District does not have its Impact Aid Grant application reviewed and approved by someone other than the preparer prior to submission of the report.

Effect

Oberon Public School District may have improperly reported application information, resulting in receiving additional Impact Aid Grant money.

Cause

Oberon Public School District does not have adequate policies and procedures to review and approve the application for the Impact Aid Grant prior to submission.

Criteria

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Questioned Costs

None.

Prior Recommendation

Yes.

Recommendation

We recommend Oberon Public School District implement policies and procedures to ensure that Impact Aid Grant applications are reviewed and approved by someone other than the preparer, prior to submission.

Oberon Public School District's Response

See Corrective Action Plan.

2021-005 IMPACT AID WAGE RATE REQUIREMENTS – CFDA 84.041 – MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition

Oberon Public School District did not comply with the Wage Rate Requirements applicable to the Impact Aid Grant funds for the construction of the new school. Further, Oberon Public School District did not implement procedures to ensure certified payrolls are consistently received from the construction manager at risk.

Effect

Oberon Public School District was not in compliance with the Wage Rate Requirements for Impact Aid. In addition, laborers and mechanics may not have been paid the prevailing wage rates.

Cause

Oberon Public School District was not aware of the Wage Rate Requirements applicable to construction contracts in excess of \$2,000 financed by federal assistance funds.

Criteria

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages no less than those established for the locality of the project (prevailing wage rates) by the Department of Labor - 40 USC 3141-3144, 3146, and 3147.

Questioned Costs

None.

Prior Recommendation

No.

Recommendation

We recommend Oberon Public School District implement procedures to ensure compliance with the Wage Rate Requirements of 40 USC 3141-3144, 3146, and 3147.

Oberon Public School District's Response

See Corrective Action Plan.

Oberon Public School District No. 16
315 A Street
P.O. Box 2
Oberon, ND 58357

DATE: December 8, 2021
TO: Joshua C. Gallion, ND State Auditor
FROM: Maria Dunlap, Business Manager
RE: Oberon Public School District – FY2021 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: **Maria Dunlap, Business Manager**

Section I – Financial Statement Findings:

2021-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

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

Corrective Action Plan:

Due to the size of Oberon Public School, it is not feasible to obtain proper separation of duties. The bank reconciliations, credit memos and payroll registers will be spot-checked by a responsible official, such as Superintendent or Board member.

Anticipated Completion Date:

Fiscal Year 2021-22

2021-002 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

During testing, it was found that Oberon Public School District failed to include Accounts Payable in the amount of \$523,535 related to its School Construction. Adjustments were proposed and are included in the financial statements.

Corrective Action Plan:

We Agree, the business manager did not know what needed to be reported as Accounts Payable. The business manager will report all accounts payables to the auditors.

Anticipated Completion Date:

Fiscal Year 2021-22

Section II – Federal Awards Findings and Questioned Costs:

2021-003 IMPACT AID DOCUMENTATION – CFDA 84.041 - MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition:

Oberon Public School District does not have adequate support documentation for the Impact Aid Grant. Oberon Public School District was unable to substantiate amounts claimed on the 2021 application submitted for the Impact Aid Grant. Unsubstantiated items include children with disabilities who reside on eligible Indian lands and children who reside on eligible Indian lands.

Corrective Action Plan:

Oberon Public School District agrees with 2021-003 "Impact Aid Documentation". The District will acquire and maintain the proper supporting documentation surrounding the Impact Aid Grant.

Anticipated Completion Date:

Fiscal Year 2021-22

2021-004 IMPACT AID REVIEW AND APPROVAL – CFDA 84.041 - MATERIAL WEAKNESS

Condition:

Oberon Public School District does not have its Impact Aid Grant application reviewed and approved by someone other than the preparer prior to submission of the report.

Corrective Action Plan:

Oberon Public School District agrees with 2021-004 "Impact Aid Review and Approval". The District will ensure that Impact Aid Grant applications are reviewed and approved by someone other than the preparer, prior to submission.

Anticipated Completion Date:

Fiscal Year 2021-22

2021-005 IMPACT AID WAGE RATE REQUIREMENTS – CFDA 84.041 - MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition:

Oberon Public School District did not comply with the Wage Rate Requirements applicable to the Impact Aid Grant funds for the construction of the new school. Further, Oberon Public School District did not implement procedures to ensure certified payrolls are consistently received from the construction manager at risk.

Corrective Action Plan:

We Agree, business manager will ensure that all wage rate reports are received for all future construction.

Anticipated Completion Date:

Fiscal Year 2021-22

Oberon Public School District

405 A Street
Oberon, ND 58357

Date: September 29, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Maria Dunlap, Business Manager
RE: Oberon Public School District – FY2021 Schedule of Prior Year Findings

2020-001 LACK OF CONTRACTUAL OVERSIGHT – MATERIAL WEAKNESS

Condition

Oberon Public School District issued \$230,595 of total payments for services during fiscal years 2019 and 2020 without evidence of services received.

Oberon Public School District entered into a contract with a consultant for \$15,000 plus additional services billed at a rate of \$200/hr.

In addition,

Oberon Public School District entered into a contract with a grant writer for \$5,000, due upon signing of the contract, plus 2% of grants awarded to the School District, not to exceed \$75,000. The purpose of the grant was to obtain federal funding for the construction of a new school building.

Recommendation

We recommend Oberon Public School District thoroughly review and approve all contractual invoices to ensure obligations have been achieved, as specified in the contracts.

Current Status

The Oberon School Board will approve and review all contracts.

2020-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Oberon Public School District currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Recommendation

We recommend the Oberon Public School District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

Current Status

Oberon School District has hired and will continue to hire auditors.

2020-003 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

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

Recommendation

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

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Current Status

Oberon School District does not have the staff to segregate duties. Business Manager is beginning to provide bank reconciliations and payroll registers to be reviewed by Superintendent and occasionally by the Board.

2020-004 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition

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

Recommendation

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

Current Status

Oberon School has a fraud policy in place. The District is considering forming a fraud committee and who will be on the committee.

2020-005 INADEQUATE BOARD APPROVAL OF INVOICES– MATERIAL WEAKNESS

Condition

Oberon Public School District minutes do not consistently include a complete listing of invoices. We noted several check numbers, totaling \$51,662, which were never included in the minutes and thus were not properly approved by the School Board.

Recommendation

We recommend Oberon Public School District review, and update if necessary, its current board approval process to ensure that all payments are appropriate and approved by the School Board.

Current Status

Business manager ensures all invoices are approved by the board, using a report from the accounting software for a report so none will be missed.

2020-006 CONSTRUCTION MANAGER AT-RISK– MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition

Oberon Public School District hired a construction manager at-risk for the construction of their new school building. The School District was unable to provide the auditors with the necessary documentation relating to the selection process required under N.D.C.C. §48-01.2-20.

Recommendation

We recommend Oberon Public School District review N.D.C.C. §48-01.2-20 and update procedures, if necessary, to ensure compliance with Construction Manager At-Risk requirements. We further recommend Oberon Public School District review record retention procedures to ensure appropriate documentation is being maintained.

Current Status

Oberon School District has not needed to hire another Construction Manager At-Risk.

2020-007 POST DATED TRANSACTIONS– SIGNIFICANT DEFICIENCY

Condition

Oberon Public School District inappropriately included \$34,510 of expenditures in fiscal year 2019, which were applicable for fiscal year 2020.

Recommendation

We recommend that Oberon Public School District ensure its financial statements are properly cutoff in accordance with GAAP.

Current Status

The business manager ensures the expenditures are placed in the correct fiscal year.

2020-008 IMPACT AID BOARD APPROVAL OF EXPENDITURES – CFDA 84.041 – MATERIAL WEAKNESS

Condition

The Oberon Public School District Board did not have proper board approval for 2 construction invoices, totaling \$67,338, out of 21 tested.

Recommendation

We recommend Oberon Public School District assess and implement a process to ensure proper board approval of all invoices.

Current Status

Business Manager ensures all invoices are approved by the Board.

2020-009 IMPACT AID DOCUMENTATION – CFDA 84.041 – MATERIAL WEAKNESS AND NON-COMPLIANCE

Condition

Oberon Public School District does not have adequate support documentation for the Impact Aid Grant. Oberon Public School District was unable to substantiate amounts claimed on the applications submitted for Impact Aid Grant including:

- Basic Impact Aid (7003(b)) and Children with Disabilities (7003(d))
- Construction (7007(a))

Items unsubstantiated include:

- Children with Disabilities who reside on eligible Indian lands
- Children who reside on eligible Indian lands
- Federally connected children percentage (Federally connected children divided by Total School Enrollment)

Recommendation

We recommend Oberon Public School District acquire and maintain the proper supporting documentation surrounding the Impact Aid Grant.

Current Status

The District has followed all procedures and proper documentation.

2020-010 IMPACT AID REVIEW AND APPROVAL – CFDA 84.041 – MATERIAL WEAKNESS

Condition

Oberon Public School District does not have its Impact Aid Grant application reviewed and approved by someone other than the preparer prior to submission of the report.

Recommendation

We recommend Oberon Public School District implement policies and procedures to ensure that Impact Aid Grant applications are reviewed and approved by someone other than the preparer, prior to submission.

Current Status

The District has the list and number of students that reside on Indian lands approved by the Tribe. The Superintendent reviews the application.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
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ndsao@nd.gov

GOVERNANCE COMMUNICATION

Oberon Public School Board
Oberon Public School District No. 16
Oberon, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oberon Public School District No. 16, North Dakota, as of and for the year ended June 30, 2021, which collectively comprise Oberon Public School District No. 16's basic financial statements, and have issued our report thereon dated December 20, 2021. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated September 16, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Oberon Public School District No. 16, North Dakota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance 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, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Oberon Public School District No. 16, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Oberon Public School District No. 16's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the purpose of expressing an opinion on the Oberon Public School District No. 16's compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on the Oberon Public School District No. 16's compliance with those requirements.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Oberon Public School District No. 16 are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules list all misstatements detected as a result of audit procedures or provided by management that were corrected by management.

	Audit Adjustments					
	General Fund		Building Fund		Government Wide	
Expenditures	1,750	-	523,535	-	1,750	-
Capital Assets, Nondepreciable	-	-	-	-	523,535	-
Accounts Payable	-	-	-	523,535	-	523,535
Salaries Payable	-	1,750	-	-	-	1,750
Intergovernmental Receivable	-	-	523,535	-	523,535	-
Revenues	-	-	-	523,535	-	-
Capital Contribution	-	-	-	-	-	523,535

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2021.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the School Board and management of Oberon Public School District No. 16, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you to the employees of Ober Public School District No. 16 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Oberon Public School District No. 16.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 20, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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