RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RUGBY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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RUGBY PUBLIC SCHOOL DISTRICT NO. 5
ROSTER OF SCHOOL OFFICIALS
AS OF JUNE 30, 2021

Dustin Hager	President
Carlie Johnson	Vice President
Kris Blessum	Board Member
Nicolas Schmaltz	Board Member
Brenda Heilman	Board Member
Mike McNeff	Superintendent
Dawn Hauck	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Rugby Public School District No. 5
Rugby, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Rugby Public School District No. 5 governmental activities and each major fund as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Rugby Public School District No. 5, 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.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 17 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Accounting and Financial Reporting for Fiduciary Activities*. As discussed in Note 17 to the financial statements, the District has restated the previously reported Net Position and Fund Balance in accordance with the statement. Our opinion are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The roster of school officials and budgetary comparison information for the capital projects fund and debt service fund listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

December 15, 2021

The discussion and analysis of Rugby Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

▪ Financial Highlights

Key financial highlights for the 2020-2021 fiscal years are as follows:

- Net position of the District decreased $138,791 from current year operations.
- Governmental net position totaled $3,184,190.
- Total revenues from all sources at the fund level were $10,963,916.
- Total expenses at the fund level were $10,541,074.
- The District's general fund had $9,423,649 total revenues, $9,311,054 in expenditures and $95,174 in transfers out. Overall, the general fund balance increased by $17,421 for the year ended June 30, 2021, compared to an increase of $120,232 in the previous year.

▪ Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Rugby Public School District No. 5 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

▪ Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2021?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

- **Reporting the School District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Food Service Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

- **Financial Analysis of the District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2021 and 2020.

As indicated in the financial highlights, the District's net position decreased by $138,791. Long term liabilities increased by $2,495,416 for the year ended June 30, 2021 primarily due to increases in net pension liability. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $3,184,190 is segregated into three separate categories. Net investment in capital assets represents $2,658,604 of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents $6,068,777 of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents $(5,543,191) of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations and is a deficit primarily due to the effects of the net pension liability.

Table 1

Assets	2021	2020
Current Assets	$ 8,580,538	$ 7,948,015
Capital Assets (Net of Related Debt)	9,812,734	9,877,681
Total Assets	18,393,272	17,825,696
Deferred Outflows of Resources	3,204,380	1,275,654
Liabilities		
Current Liabilities	387,986	397,391
Long-Term Liabilities	17,324,895	14,829,479
Total Liabilities	17,712,881	15,226,870
Deferred Inflows of Resources	700,581	723,240
Net Position		
Net Investment in Capital Assets	2,658,604	2,578,587
Restricted	6,068,777	5,499,552
Unrestricted	(5,543,191)	(4,926,899)
Total Net Position	$ 3,184,190	$ 3,151,240

Table 2 shows the changes in net position for the fiscal years ended June 30, 2021 and 2020.

	2021	2020
Revenues		
Program Revenues		
Charges for Services	$ 426,351	$ 315,120
Operating Grants and Contributions	1,750,077	1,082,228
General Revenues		
Taxes	3,330,324	3,114,338
State Aid	5,151,331	4,821,310
Other Federal Aid	299,836	297,634
Investment Earnings (Losses)	7,164	361,785
Total Revenues	10,965,083	9,992,415
Expenses		
Regular Instruction	4,814,945	3,905,342
Special Education	609,012	704,955
Vocational Education	326,620	392,547
Pupil Services	576,653	534,488
Business Support Services	152,968	145,465
Instructional Support Services	876,381	672,925
Administration	960,509	843,699
Operations and Maintenance	750,074	618,651
Transportation	548,354	554,864
Extra-Curricular Activities	652,237	369,483
Food Services	469,673	460,110
Interest and Fees on Long-Term Debt	366,448	370,545
Total Expenses	11,103,874	9,573,074
Change in Net Position	(138,791)	419,341
Net Position - Beginning	3,151,240	2,731,899
GASB 84 Adjustment - See Note 17	171,741	-
Net Position - Beginning as Restated	3,322,981	2,731,899
Net Position - Ending	$ 3,184,190	$ 3,151,240

Property taxes constituted 30%, state aid 47%, operating grants and contributions 16%, and charges for services made up 4% of the total revenues of governmental activities of the District for fiscal year 2021.

Regular instruction comprised 43% of District expenses, and includes the changes in the net pension liability and OPEB liability.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021	Total Cost for Year Ended 6/30/2020	Net Cost for Year Ended 6/30/2020
Business Support Services	$ 152,968	$ (152,968)	$ 145,465	$ (145,465)
Pupil Services	576,653	(576,653)	534,488	(534,488)
Instructional Support Services	876,381	(876,381)	672,925	(672,925)
Administration	960,509	(960,509)	843,699	(843,699)
Operations and Maintenance	750,074	(750,074)	618,651	(618,651)
Transportation	548,354	(359,012)	554,864	(317,112)
Regular Instruction	4,814,945	(3,670,597)	3,905,342	(3,262,604)
Special Education	609,012	(592,168)	704,955	(696,094)
Vocational Education	326,620	(241,192)	392,547	(306,981)
Extra-Curricular Activities	652,237	(357,760)	369,483	(359,868)
Food Services	469,673	(23,684)	460,110	(47,294)
Interest and Fees on Debt	366,448	(366,448)	370,545	(370,545)
Total Expenses	$ 11,103,874	$ (8,927,446)	$ 9,573,074	$ (8,175,726)

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

Extracurricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of $10,963,916 and $10,026,643 and expenditures of $10,541,074 and $9,124,298 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the unassigned fund balance of the District's general fund was $2,112,931 and $2,112,261 and total fund balance for all the District's governmental funds were $8,256,754 and $7,662,171, respectively.

General Fund Budgeting Highlights

Over the course of the year, the District did not revise the annual operating budget.

Actual revenues were $143,318 higher than expected and actual expenditures were $152,220 over the budget in the general fund primarily due to higher federal revenues than expected and higher instructional staff service expenditures than expected, as well as including the student activity fund revenues and expenditures in the general fund in the current year.

Capital Assets

As of June 30, 2021 and 2020, the District had $9,712,734 and $9,877,681, respectively, invested in net capital assets. Table 4 shows capital asset balances as of June 30, 2021 and 2020. See Note 4 for details.

Table 4

	2021	2020
Land	$ 270,124	$ 223,599
Land Improvements	149,430	180,953
Buildings	9,096,930	9,325,236
Equipment	146,353	113,558
Vehicles	49,897	34,335
Totals	$ 9,712,734	$ 9,877,681

Outstanding Debt

As of June 30, 2021 and 2020, the District had $17,485,547 in outstanding debt. The District increased its overall debt by $2,453,083 from June 30, 2020. See below and Note 5 for a description of the District's debt.

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Qualified School Construction Bonds	$ 6,000,000	$ -	$ -	$ 6,000,000	$ -
Bond Discounts	(29,980)	-	(5,465)	(24,515)	-
HVAC Limited Tax Bonds, Series 2011	545,000	-	85,000	460,000	85,000
Limited Tax Bonds, Series 2013	735,000	-	55,000	680,000	50,000
Special Assessments	49,074	2,453	12,882	38,645	12,882
Early Retirement	101,432	-	88,662	12,770	12,770
Compensated Absences	19,896	961	-	20,857	-
Net OPEB Liability	45,258	29,188	14,804	59,642	-
Net Pension Liability	7,566,784	4,356,584	1,685,220	10,238,148	-
	$ 15,032,464	$ 4,389,186	$ 1,936,103	$ 17,485,547	$ 160,652

For the Future

The District's revenue is highly dependent on student enrollment. The level of the State's per pupil rate is unknown for the future. Without an increase to the rate, the District could deficit spend to offset increases in salaries and student needs; however, if enrollment increases, the District could maintain a balanced budget. Renovations and an addition to the Elementary School will begin in the spring of 2022 to combat issues with the lack of space. In addition, the District's Building Fund may be used for improvements that are needed at the high school athletic complex. However, with the uncertainty of the impacts of the current COVID-19 pandemic, costs and expenses may be shifted to other areas to better protect our students and staff.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Dawn Hauck, Business Manager, Rugby Public School District, 1123 South Main Ave, Rugby, ND 58368, or email at dawn.hauck@k12.nd.us

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	$ 8,098,843
Taxes Receivable, Net	179,897
Due from State	301,798
Total Current Assets	8,580,538
Non-Current Assets	
Capital Assets	
Land and Improvements	884,820
Construction in Process	100,000
Buildings	15,090,856
Equipment and Furniture	790,263
Vehicles	149,376
Less: Accumulated Depreciation	(7,202,581)
Total Capital Assets	9,812,734
TOTAL ASSETS	18,393,272
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,654,236
Cost Sharing Defined Benefit Pension Plan - NDPERS	1,521,112
Cost Sharing Defined Benefit OPEB Plan - NDPERS	29,032
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,204,380
LIABILITIES	
Accounts Payable	26,457
Accrued Payroll and Related Liabilities	135,037
Interest Payable	65,840
Early Retirement Due Within One Year	12,770
Special Assessments Due Within One Year	12,882
Bonds Payable Due Within One Year	135,000
Total Current Liabilities	387,986
Non-Current Liabilities	
Special Assessments (Net of Current Maturities)	25,763
Bonds Payable (Net of Current Maturities and Bond Discount)	6,980,485
Compensated Absences	20,857
Net OPEB Liability	59,642
Net Pension Liability	10,238,148
Total Non-Current Liabilities	17,324,895
TOTAL LIABILITIES	17,712,881
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	336,051
Cost Sharing Defined Benefit Pension Plan - NDPERS	360,829
Cost Sharing Defined Benefit OPEB Plan - NDPERS	3,701
TOTAL DEFERRED INFLOWS OF RESOURCES	700,581
NET POSITION	
Net Investment in Capital Assets	2,658,604
Restricted for Capital Projects	185,289
Restricted for Debt Service	5,694,966
Restricted for Student Activities	188,522
Unrestricted	(5,543,191)
TOTAL NET POSITION	$ 3,184,190

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Primary Government				
Governmental Activities				
Instruction:				
Regular	$ 4,814,945	$ 81,293	$ 1,063,055	$ (3,670,597)
Special Education	609,012	16,844	-	(592,168)
Vocational Education	326,620	-	85,428	(241,192)
Total Instruction	5,750,577	98,137	1,148,483	(4,503,957)
Support Services:				
Pupil Services	576,653	-	-	(576,653)
Instructional Staff Services	876,381	-	-	(876,381)
General Administration Services	575,535	-	-	(575,535)
School Administration Services	384,974	-	-	(384,974)
Business Services	152,968	-	-	(152,968)
Operations and Maintenance	750,074	-	-	(750,074)
Pupil Transportation Services	548,354	-	189,342	(359,012)
Extracurricular Activities	652,237	294,477	-	(357,760)
Food Service	469,673	33,737	412,252	(23,684)
Interest on Long-Term Debt	366,448	-	-	(366,448)
Total Support Services	5,353,297	328,214	601,594	(4,423,489)
Total Governmental Activities	$ 11,103,874	$ 426,351	$ 1,750,077	(8,927,446)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	2,557,915
Property Taxes, Levied for Debt Service	617,291
Property Taxes, Levied for Capital Projects	155,118
State Aid Not Restricted For Specific Purpose	
Per Pupil Aid	5,151,331
Federal Aid Not Restricted For Specific Purpose	
Other Federal Aid	299,836
Investment Income (Loss) and Other Revenues	7,164
Total General Revenues	8,788,655
Change in Net Position	(138,791)
Net Position - Beginning	3,151,240
GASB 84 Adjustment - See Note 17	171,741
Net Position - Beginning, as Restated	3,322,981
Net Position - Ending	$ 3,184,190

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Food Service	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	$ 2,147,849	$ 49,239	$ 175,826	$ 5,725,929	$ 8,098,843
Taxes Receivable, Net	136,557	-	8,463	34,877	179,897
Due from State	300,798	-	1,000	-	301,798
TOTAL ASSETS	$ 2,585,204	$ 49,239	$ 185,289	$ 5,760,806	$ 8,580,538
LIABILITIES					
Accounts Payable	$ 26,333	$ 124	$ -	$ -	$ 26,457
Accrued Payroll and Related Liabilities	134,699	338	-	-	135,037
TOTAL LIABILITIES	161,032	462	-	-	161,494
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	122,719	-	7,386	32,185	162,290
TOTAL DEFERRED INFLOWS OF RESOURCES	122,719	-	7,386	32,185	162,290
FUND BALANCES:					
Restricted for Capital Projects	-	-	177,903	-	177,903
Restricted for Debt Service	-	-	-	5,728,621	5,728,621
Restricted for Student Activities	188,522	-	-	-	188,522
Assigned for Food Service	-	48,777	-	-	48,777
Unassigned	2,112,931	-	-	-	2,112,931
TOTAL FUND BALANCES	2,301,453	48,777	177,903	5,728,621	8,256,754
TOTAL LIABILITIES AND FUND BALANCES	$ 2,585,204	$ 49,239	$ 185,289	$ 5,760,806	$ 8,580,538

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balance, governmental funds		$ 8,256,754
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore, are not reported as net assets in government funds:		
Cost of Capital Assets	$ 17,015,315	
Less: Accumulated Depreciation	(7,202,581)	
Net		9,812,734
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		2,503,799
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds.		162,290
Bond discounts that are amortized over the life of the debt issue.		24,515
Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds.		
Bonds Payable		(7,140,000)
Special Assessments		(38,645)
Compensated Absences		(20,857)
Early Retirement		(12,770)
Net OPEB Liability		(59,642)
Net Pension Liability		(10,238,148)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(65,840)
Net position of governmental activities in the Statement of Net Position		$ 3,184,190

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Food Service	Capital Projects Fund	Debt Service	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 2,553,497	$ -	$ 155,094	$ 618,143	$ 3,326,734
Other Local and County Revenues	374,104	33,737	20,924	-	428,765
Revenue from State Sources	5,410,400	597	-	-	5,410,997
Revenue from Federal Sources	1,078,765	411,655	-	299,836	1,790,256
Gain/(Loss) on Fair Value Investments	-	-	-	-	-
Interest	6,883	-	12	269	7,164
TOTAL REVENUES	9,423,649	445,989	176,030	918,248	10,963,916
EXPENDITURES					
Current:					
Regular Instruction	3,830,315	-	-	-	3,830,315
Special Education	609,012	-	-	-	609,012
Vocational Education	326,620	-	-	-	326,620
Pupil Support Services	576,653	-	-	-	576,653
Instructional Staff Services	864,127	-	-	-	864,127
General Administration Services	543,462	-	-	30,067	573,529
School Administration Services	384,974	-	-	-	384,974
Business Services	152,968	-	-	-	152,968
Operations and Maintenance	655,772	-	88,071	-	743,843
Pupil Transportation Services	539,791	-	-	-	539,791
Extracurricular Activities	649,612	-	-	-	649,612
Food Service	-	465,851	-	-	465,851
Capital Outlays:	177,748	-	125,309	-	303,057
Debt Service:					
Principal Retirement	-	-	12,882	140,000	152,882
Interest and Fees on Long-Term Debt	-	-	2,060	365,780	367,840
TOTAL EXPENDITURES	9,311,054	465,851	228,322	535,847	10,541,074
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	112,595	(19,862)	(52,292)	382,401	422,842
OTHER FINANCING SOURCES (USES)					
Transfers In	-	45,000	50,174	-	95,174
Transfers Out	(95,174)	-	-	-	(95,174)
TOTAL OTHER FINANCING SOURCES (USES)	(95,174)	45,000	50,174	-	-
NET CHANGE IN FUND BALANCES	17,421	25,138	(2,118)	382,401	422,842
FUND BALANCE - BEGINNING OF YEAR	2,112,291	23,639	180,021	5,346,220	7,662,171
GASB 84 Adjustment - See Note 17	171,741	-	-	-	171,741
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	2,284,032	23,639	180,021	5,346,220	7,833,912
FUND BALANCE - END OF YEAR	$ 2,301,453	$ 48,777	$ 177,903	$ 5,728,621	$ 8,256,754

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds:		$ 422,842
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 303,057	
Depreciation Expense	(368,004)	(64,947)
Changes in deferred outflows and inflows of resources related to net pension liability		1,951,385
Change in net OPEB liability		(14,384)
Change in net pension liability		(2,671,364)
Governmental funds report the effects of premiums, discounts, and similar items when debt is first issued. In contrast, these amounts are deferred and amortized in the Statement of Activities. This is the amount of current year amortization of bond discounts.		(5,465)
Changes in special assessments		10,459
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:		
Early Retirement		88,662
Compensated Absences		(961)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:		
Net change in unavailable property taxes		3,590
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		140,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		1,392
Change in net position of governmental activities		$ (138,791)

See Notes to the Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Rugby Public School District No. 5 operates the public schools in the City of Rugby, North Dakota. The District's basic financial statements include the accounts of all of the District's operations.

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

Based on the above criteria, there are no component units included in the District’s reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements:

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

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

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide statements.

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

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

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

Food Service:
This fund accounts for the financial resources associated with the District's hot lunch program.

Capital Projects:
This fund accounts for the financial resources associated with the District's capital projects.

Debt Service:
This fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operations of the District are included in the Statement of Net Position.

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

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

Basis of Accounting:

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

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

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

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

Revenues-Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

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

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 10 of each year. The budget is then filed with the county auditor by August 25 of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

Cash and Cash Equivalents:

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

Investments:

Investments are certificates of deposit with maturities of more than three months and federal agency bonds. North Dakota state statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

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

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

Land Improvements	15 to 20 years
Buildings and Improvements	20 to 50 years
Equipment and Furniture	5 to 20 years
Vehicles	8 years

Accrued Liabilities and Long-Term Obligations:

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

Pensions:

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

Fund Balance Classifications:

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

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

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions and administered by the North Dakota Department of Education.

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

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

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

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

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

Net Position:

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources, and liabilities. Net investment in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt, net of unamortized discounts, associated with the purchase or construction of the related asset. Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Deferred Outflows/Inflows of Resources:

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

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

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.

Inter-fund Activity:

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

Estimates:

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

Revenue Recognition - Property Taxes:

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

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

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

Significant Group Concentrations of Credit Risk:

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

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

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

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

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

At June 30, 2021, the carrying amount of the District's deposits was $2,817,155 and the bank balance was $2,873,210. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

As of June 30, 2021, the District had the following investments and maturities:

					Fair Value Measurements Using		
	6/30/2021	Less than One Year	1-5 Years	6-10 Years	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level							
Debt Securities							
Federal National Mortgage Assn	$ 1,053,348	$ -	$ 1,053,348	$ -	$ -	$ 1,053,348	$ -
Federal Farm Credit Bank	1,383,679	-	1,383,679	-	-	1,383,679	-
United States Treasury Strips	1,142,359	-	1,142,359	-	-	1,142,359	-
United States Treasury Notes	640,619	-	640,619	-	-	640,619	-
Federal Home Loan Mortgage Corp	1,061,683	-	1,061,683	-	-	1,061,683	-
Total Investments by Fair Value Level	$ 5,281,688	$ -	$ 5,281,688	$ -	$ -	$ 5,281,688	$ -

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices that are observable for the investment, either directly or indirectly. All investments are rated Aaa by Moody’s.

Credit Risk

The District may also invest idle funds as authorized by North Dakota laws, as follows:

a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.

b. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

d. Obligations of the state.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance 7/1/2020	Additions	Deductions	Balance 6/30/2021
Capital Assets Not Being Depreciated:				
Land	$ 223,599	$ 46,525	$ -	$ 270,124
Construction in Progress	-	100,000	-	100,000
Total Capital Assets Not Being Depreciated	223,599	146,525	-	370,124
Capital Assets Being Depreciated:				
Land Improvements	614,696	-	-	614,696
Buildings and Improvements	15,012,072	78,784	-	15,090,856
Equipment and Furniture	736,640	53,623	-	790,263
Vehicles	147,493	24,125	22,242	149,376
Total Capital Assets Being Depreciated	16,510,901	156,532	22,242	16,645,191
Less Accumulated Depreciation				
Land Improvements	433,743	31,523	-	465,266
Buildings and Improvements	5,686,836	307,090	-	5,993,926
Equipment and Furniture	623,082	20,828	-	643,910
Vehicles	113,158	8,563	22,242	99,479
Total Accumulated Depreciation	6,856,819	368,004	22,242	7,202,581
Total Capital Assets Being Depreciated, Net	9,654,082	(211,472)	-	9,442,610
Net Capital Assets for Governmental Activities	$ 9,877,681	$ (64,947)	$ -	$ 9,812,734

In the governmental activities section of the Statement of Activities, depreciation was charged to expenses in the following governmental functions:

Depreciation	
Regular instruction	$ 332,503
General administration	2,006
Operations and maintenance	6,231
Pupil transportation	8,563
Extracurricular activities	2,625
Food service	3,822
Unallocated	12,254
Total	$ 368,004

NOTE 5 LONG-TERM DEBT OBLIGATIONS

As of June 30, 2021, long-term debt consists of special assessments, Qualified School Construction Bonds (QSCB), bonds issued to upgrade the District's heating, ventilation, and air-conditioning systems (HVAC bonds), bonds issued to finance construction and repairs of public school buildings (2013 Bonds), net pension liability and net OPEB liability.

Special Assessments - The District is in the process of paying off several special assessments to the City of Rugby.

Qualified School Construction Bonds – These bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the District are pledged. The proceeds of the bonds will be used for the purpose of financing the cost of construction, reconstruction, improvement, equipping, and repair of the public school buildings. The federal government will reimburse a percentage of interest payments and the bonds will be repaid when the sinking fund levy reaches the amount of the bonds. The District is accumulating funds in the debt service fund in order to pay the balloon payment due in fiscal year 2025.

HVAC Bonds – These bonds are special obligations of the District payable solely from a special levy. The proceeds of the bonds will be used for the purpose of financing HVAC improvements, asbestos abatement and required ancillary systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers, Inc. standards for the Rugby High School.

2013 Bonds – The proceeds of the bonds are to be used for the purpose of providing funds to finance the cost of the construction, reconstruction, improvement, equipping and repair of the public school buildings including energy efficiency improvements.

Information on the long-term debt individual issues as of June 30, 2021 is as follows:

	Interest Rate	Issue Date	Maturity Date	Amount Outstanding
Qualified School Construction Bonds	5.40%	8/12/2010	5/1/2025	$ 6,000,000
HVAC Limited Tax Bonds, Series 2011	1.50% - 4.00%	5/4/2011	5/1/2026	460,000
Limited Tax Bonds, Series 2013	0.75% - 3.25%	2013	8/1/2026	680,000
Special Assessments				
Parcel 09340000 Dist 1-09	4.00%	2011	2024	2,844
Parcel 10038000 Dist 1-09	4.00%	2011	2024	19,231
Parcel 10586000 Dist 1-09	4.00%	2011	2024	14,578
Parcel 08423000 Dist 1-09	4.00%	2011	2024	153
Parcel 08422000 Dist 1-09	4.00%	2020	2024	223
Parcel 08425000 Dist 1-09	4.00%	2020	2024	250
Parcel 08452000 Dist 1-09	4.00%	2020	2024	1,366
				$ 7,178,645

Long-term debt activity for the year ended June 30, 2021 is summarized as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Qualified School Construction Bonds	$ 6,000,000	$ -	$ -	$ 6,000,000	$ -
Bond Discounts	(29,980)	-	(5,465)	(24,515)	-
HVAC Limited Tax Bonds, Series 2011	545,000	-	85,000	460,000	85,000
Limited Tax Bonds, Series 2013	735,000	-	55,000	680,000	50,000
Special Assessments	49,074	2,453	12,882	38,645	12,882
Early Retirement	101,432	-	88,662	12,770	12,770
Compensated Absences	19,896	961	-	20,857	-
Net OPEB Liability	45,258	29,188	14,804	59,642	-
Net Pension Liability	7,566,784	4,356,584	1,685,220	10,238,148	-
	$ 15,032,464	$ 4,389,186	$ 1,936,103	$ 17,485,547	$ 160,652

Early retirement, compensated absences, net OPEB liability and the net pension liability is generally liquidated by the general fund. Special assessments are liquidated from the capital projects fund.

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2021 are as follows:

Qualified School Construction Bonds

Fiscal Year	Principal	Interest	IRS Subsidy	Total
2022	$ -	$ 324,000	$ (316,800)	$ 7,200
2023	-	324,000	(316,800)	7,200
2024	-	324,000	(316,800)	7,200
2025	6,000,000	324,000	(316,800)	6,007,200
Total	$ 6,000,000	$ 1,296,000	$ (1,267,200)	$ 6,028,800

Limited Tax Bonds, Series 2013

Fiscal Year	Principal	Interest	Total
2022	$ 50,000	$ 20,240	$ 70,240
2023	55,000	18,665	73,665
2024	55,000	17,015	72,015
2025	60,000	15,290	75,290
2026	60,000	13,490	73,490
2027-2029	400,000	22,460	422,460
Total	$ 680,000	$ 107,160	$ 787,160

HVAC Limited Tax Bonds, Series 2011

Fiscal Year	Principal	Interest	Total
2022	$ 85,000	$ 17,350	$ 102,350
2023	90,000	14,460	104,460
2024	90,000	11,400	101,400
2025	95,000	7,800	102,800
2026	100,000	4,000	104,000
Total	$ 460,000	$ 55,010	$ 515,010

Special Assessments

Fiscal Year	Principal	Interest	Total
2022	$ 12,882	$ 1,546	$ 14,428
2023	12,882	1,031	13,913
2024	12,881	515	13,396
Total	$ 38,645	$ 3,092	$ 41,737

NOTE 6 FUND BALANCE

A. Classifications

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

	General Fund	Food Service Fund	Capital Projects Fund	Debt Service Fund	Total
Restricted for:					
Capital Projects	$ -	$ -	$ 177,903	$ -	$ 177,903
Debt Service	-	-	-	5,728,621	5,728,621
Student Activities	188,522	-	-	-	188,522
Assigned for:					
Food Service	-	48,777	-	-	48,777
Unassigned	2,112,931	-	-	-	2,112,931
Total	$ 2,301,453	$ 48,777	$ 177,903	$ 5,728,621	$ 8,256,754

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2021, there were the following accounts:

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

Restricted for Capital Projects:
This account represents funds held by the School District available to pay for Building projects.

Restricted for Student Activities:
This account represents funds held by the School District received from students for future student activity use.

Assigned for Food Service:
This account represents funds held by the School District available for Food Service expenditures.

Minimum Fund Balance Policy

The District will strive to maintain a minimum unassigned general fund balance of not less than 10 percent and not more than 25 percent of the annual budget.

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of $7,933,090 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the Employer's proportion was 0.518332 percent which was an increase of 0.000203651 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of $868,354. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,636	$ 297,712
Changes in actuarial assumptions	357,059	-
Difference between projected and actual investment earnings	489,721	-
Changes in proportion	296,276	38,339
Contributions paid to TFFR subsequent to the measurement date	509,544	-
Total	$ 1,654,236	$ 336,051

$509,544 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

Year ending June 30:	Pension Expense Amount	
2022	$	177,153
2023		156,809
2024		202,256
2025		152,964
2026		56,977
Thereafter		62,482

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
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee Mortality Table, projected generational improving 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 and 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 disability mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with general 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 optimal asset allocation policy mix. The 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	2.10%
Global Real Assets	18.00%	5.40%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

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

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the TFFR net pension liability:	$ 10,566,449	$ 7,933,090	$ 5,744,633

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees' Retirement System

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

NDPERS is a cost-sharing 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 be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity.

For each member electing an annuity, total payment will not be less than the 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 of 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, the District reported a liability of $2,305,058 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District's proportion was 0.07327 percent, which was an increase of 0.00012821 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of $434,815. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 8,970	$ 116,799
Changes in actuarial assumptions	1,235,657	204,285
Difference between projected and actual investment earnings	74,396	-
Changes in proportion	142,425	39,745
Contributions paid to NDPERS subsequent to the measurement date	59,664	-
Total	$ 1,521,112	$ 360,829

$59,664 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 ending June 30, 2022.

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

Year ending June 30:	Pension Expense Amount
2022	$ 317,684
2023	283,419
2024	235,306
2025	264,210

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	2.50%
Salary Increases	3.5% to 17.75% including inflation
Investment rate of return	7.00% net of investment expenses
Cost-of-living adjustment	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	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	3.64%	4.64%	5.64%
District's proportionate share of the NDPERS net pension liability:	$ 2,990,640	$ 2,305,058	$ 1,744,085

Pension Plan Fiduciary Net Position

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

NOTE 8 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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

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

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

OPEB Benefits

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

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense.

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

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

At June 30, 2021, the District reported a liability of $59,642 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer’s proportion of the net OPEB liability was based on the Employer’s share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District’s proportion was 0.070901 percent which was an increase of 0.00014553 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of $9,960. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,324	$ 1,430
Changes of assumptions	7,997	-
Net difference between projected and actual earnings on OPEB plan investments	2,051	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	8,107	2,271
District contributions subsequent to the measurement date	9,553	-
Total	$ 29,032	$ 3,701

$9,553 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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

Year Ending June 30:		
2022	$	3,297
2023		3,827
2024		3,730
2025		3,156
2026		1,721
2027		47

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	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
Domestic Fixed Income	40.00%	1.15%
International Equities	21.00%	6.45%

Discount Rate

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

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

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50 percent, 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 in Discount Rate	Discount Rate	1% Increase in Discount Rate
	5.50%	6.50%	7.50%
District's proportionate share of the net OPEB liability	$ 78,222	$ 59,642	$ 43,930

Pension Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

Rugby Public School District No. 5 is exposed to various risks relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

The District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal periods.

NOTE 10 NONMONETARY TRANSACTIONS

The District received food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2021 was $30,605.

NOTE 11 EXPENDITURES IN EXCESS OF APPROPRIATIONS

The General Fund had actual expenditures in excess of budgeted appropriations in the amount of $152,220 for the year ended June 30, 2021.

The Food Service fund had actual expenditures in excess of budgeted appropriations in the amount of $54,175 for the year ended June 30, 2021.

The Capital Projects fund had actual expenditures in excess of budgeted appropriations in the amount of $14,162 for the year ended June 30, 2021.

NOTE 12 CONTINGENT LIABILITIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The District's management believes it has complied in all material respects with all applicable grant provisions. In the opinion of management, any possible disallowed claims would not have a material adverse effect on the overall financial position of the District as of June 30, 2021.

NOTE 13 COMMITMENTS

The District has a contract with Hartley's School Bus Service to provide rural route, activities, and winter in-city transportation for students in grades K-12. The term of the contract is from August 19, 2016 through the last day of the 2021-22 school year. The District pays for these services on a per-route or per-mile basis, with periodic adjustments for cost of living increases and fuel price changes. Transportation fees paid under this contract for the year ended June 30, 2021 totaled $547,035.

NOTE 14 TRANSFERS

The transfers as of June 30, 2021 consist of the following:

Transfers In	Transfers Out	Amount
Food Service Fund	General Fund	$ 45,000
Capital Projects Fund	General Fund	50,174

The transfer was made to support the Food Service Fund and Capital Projects Fund for expenses exceeding revenues.

NOTE 15 PROPERTY TAX ABATEMENTS

Pierce, Rolette, and Benson County's and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various commercial entities/businesses. These counties and political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2021.

The District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

Public Charity Exemption

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

As a result of agreements made by the counties and cities within, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities
Total program reduction in taxes – $139,530

New Residence

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria – Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

As a result of agreements made by the counties and cities within, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities
Total program reduction in taxes – $3,842

Childhood Service Exemption

A governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under NDCC 50-11.1 or used primarily as an adult day care center. (NDCC 57-02-08(36)).

This exemption is not available for property used as a residence.

As a result of agreements made by the counties and cities within, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities
Total program reduction in taxes – $463

NOTE 16 NEW PRONOUNCEMENTS

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

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

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

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

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

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

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

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

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

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND FUND BALANCE

The District implemented GASB Statement No. 84, *Accounting and Financial Reporting for Fiduciary Activities* in the fiscal year ended June 30, 2021. As a result, beginning net position and beginning general fund balance have been restated to reflect the student activity cash balance of $171,741, resulting in an increase in net position and general fund balance.

Net Position July 1, 2020 as Previously Reported	$ 3,151,240
Restatement for fiduciary accounting:	
Student Activity Fund Balance	171,741
Net Position July 1, 2020 as Restated	$ 3,322,981
General Fund Balance July 1, 2020 as Previously Reported	$ 2,112,291
Restatement for fiduciary accounting:	
Student Activity Fund Balance	171,741
General Fund Balance July 1, 2020 as Restated	$ 2,284,032

NOTE 18 SUBSEQUENT EVENTS

On December 1, 2021, a bond referendum for $7.87 million was approved with the proceeds to be used on various District building projects. The anticipated total cost of the projects are approximately $9.17 million. Subsequent events have been evaluated through December 15, 2021, which is the date these financial statements were available to be issued.

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property Taxes	$ 2,592,105	$ 2,553,497	$ (38,608)
Other Local Sources	279,691	374,104	94,413
State Sources	5,377,984	5,410,400	32,416
Federal Sources	1,009,951	1,078,765	68,814
Interest	20,600	6,883	(13,717)
Total Revenues	9,280,331	9,423,649	143,318
EXPENDITURES			
Instruction:			
Regular	4,079,837	3,830,315	249,522
Special Education	616,483	609,012	7,471
Vocational Education	333,225	326,620	6,605
Total Instruction	5,029,545	4,765,947	263,598
Support Services:			
Pupil Services	658,546	576,653	81,893
Instructional Staff Services	751,520	864,127	(112,607)
General Administration Services	494,105	543,462	(49,357)
School Administration Services	391,931	384,974	6,957
Business Services	146,051	152,968	(6,917)
Operations and Maintenance	594,475	655,772	(61,297)
Pupil Transportation Services	527,434	539,791	(12,357)
Extracurricular	565,227	649,612	(84,385)
Capital Outlays	-	177,748	(177,748)
Total Support Services	4,129,289	4,545,107	(415,818)
Total Expenditures	9,158,834	9,311,054	(152,220)
Excess (Deficiency) of Revenues Over Expenditures	121,497	112,595	(8,902)
OTHER FINANCING USES			
Transfers In	(35,000)	-	(35,000)
Transfers Out	(72,780)	(95,174)	22,394
Total Other Financing Uses	(107,780)	(95,174)	(12,606)
Net Change in Fund Balances	13,717	17,421	3,704
Fund Balances - Beginning	2,112,291	2,112,291	-
GASB 84 Adjustment - See Note 17	171,741	171,741	-
Fund Balance - Beginning, as Restated	2,284,032	2,284,032	-
Fund Balances - Ending	$ 2,297,749	$ 2,301,453	$ 3,704

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other Local Sources	$ 206,050	$ 33,737	$ (172,313)
State Sources	1,800	597	(1,203)
Federal Sources	140,000	411,655	271,655
Total Revenues	347,850	445,989	98,139
EXPENDITURES			
Support Services:			
Food Service	405,676	465,851	(60,175)
Capital Outlays	6,000	-	6,000
Total Support Services	411,676	465,851	(54,175)
Total Expenditures	411,676	465,851	(54,175)
Excess (Deficiency) of Revenues Over Expenditures	(63,826)	(19,862)	43,964
OTHER FINANCING SOURCES			
Transfers In	25,000	45,000	20,000
Total Other Financing Sources	25,000	45,000	20,000
Net Change in Fund Balances	(38,826)	25,138	63,964
Fund Balance - Beginning	23,639	23,639	-
Fund Balance - Ending	$ (15,187)	$ 48,777	$ 63,964

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$ 509,544	$ (509,544)	-	$ 4,004,449	12.72%
2020	482,214	(482,214)	-	3,782,067	12.75%
2019	445,408	(445,408)	-	3,493,393	12.75%
2018	426,354	(426,354)	-	3,343,949	12.75%
2017	424,292	(424,292)	-	3,327,781	12.75%
2016	410,724	(410,724)	-	3,221,363	12.75%
2015	392,295	(392,295)	-	3,084,775	12.72%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$ 59,664	$ (59,664)	-	$ 837,984	7.12%
2020	56,116	(56,116)	-	788,149	7.12%
2019	53,969	(53,969)	-	757,992	7.12%
2018	49,944	(49,944)	-	701,459	7.12%
2017	49,094	(49,094)	-	689,517	7.12%
2016	48,656	(48,656)	-	683,375	7.12%
2015	45,153	(45,153)	-	634,173	7.12%

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

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS

North Dakota Public Employees Retirement System – OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2021	$ 9,553	$ 9,553	-	$ 837,984	1.14%
2020	8,985	8,985	-	788,149	1.14%
2019	8,641	8,641	-	757,992	1.14%
2018	7,997	7,997	-	701,459	1.14%

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.5183320%	$ 7,933,090	$ 3,782,065	209.76%	63.40%
2020	0.4979690%	6,858,287	3,493,391	196.32%	65.50%
2019	0.4915467%	6,551,621	3,341,580	196.06%	65.50%
2018	0.4926886%	6,767,204	3,325,507	203.49%	63.20%
2017	0.4950282%	7,252,454	3,216,322	225.49%	59.20%
2016	0.5000360%	6,539,747	3,075,745	212.62%	62.10%
2015	0.5007200%	5,246,658	3,084,775	170.08%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.073270%	$ 2,305,058	$ 808,247	285.19%	48.91%
2020	0.060450%	708,494	628,763	112.68%	71.66%
2019	0.063375%	1,069,522	651,066	164.27%	62.80%
2018	0.066884%	1,075,045	682,780	157.45%	61.98%
2017	0.061802%	602,321	622,814	96.71%	70.46%
2016	0.071171%	483,951	634,043	76.33%	77.15%
2015	0.063320%	421,023	558,762	75.35%	77.70%

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

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

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS

North Dakota Public Employees Retirement System – OPEB

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.0709%	$ 59,642	$ 808,247	7.38%	63.38%
2020	0.0563%	45,258	628,763	7.20%	63.13%
2019	0.0595%	46,861	651,066	7.20%	61.89%
2018	0.0631%	49,923	682,780	7.31%	59.78%

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

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in an amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures in excess of budgeted expenditures by $152,220. In addition, the Food Service fund had actual expenditures in excess of budgeted by $54,175.

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 10th of each year. The budget is then filed with the county auditor by August 25th of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

NOTE 2 CHANGES OF BENEFIT TERMS

NDPERS

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

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

TFFR

Amounts reported in 2016 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 and 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 disability mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality 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.

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property Taxes	$ 157,435	$ 155,094	$ (2,341)
Other Local Sources	12,000	20,924	8,924
Interest	200	12	(188)
Total Revenues	169,635	176,030	6,395
EXPENDITURES			
Support Services:			
Operations and Maintenance	-	88,071	(88,071)
Capital Projects	206,860	125,309	81,551
Debt Service:			
Principal	7,300	12,882	(5,582)
Interest	-	2,060	(2,060)
Total Support Services	214,160	228,322	(14,162)
Total Expenditures	214,160	228,322	(14,162)
Excess (Deficiency) of Revenues Over Expenditures	(44,525)	(52,292)	(7,767)
Net Change in Fund Balances	3,255	(2,118)	(5,373)
Fund Balance - Beginning	180,021	180,021	-
Fund Balance - Ending	$ 183,276	$ 177,903	$ (5,373)

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property Taxes	$ 629,741	$ 618,143	$ (11,598)
Federal Sources	294,000	299,836	5,836
Interest	-	269	269
Total Revenues	923,741	918,248	(5,493)
EXPENDITURES			
Support Services:			
General Administration Services	-	30,067	(30,067)
Debt Service:			
Principal	540,000	140,000	400,000
Interest	365,780	365,780	-
Total Debt Service	905,780	535,847	369,933
Total Expenditures	905,780	535,847	369,933
Excess (Deficiency) of Revenues Over Expenditures	17,961	382,401	364,440
Net Change in Fund Balances	17,961	382,401	364,440
Fund Balance - Beginning	5,346,220	5,346,220	-
Fund Balance - Ending	$ 5,364,181	$ 5,728,621	$ 364,440

BradyMartz

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

To the President and Board Members
Rugby Public School District No. 5
Rugby, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rugby Public School District No. 5 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Rugby Public School District No. 5's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rugby Public School District No. 5's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rugby Public School District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Rugby Public School District No. 5's internal control.

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

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

Compliance and Other Matters

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

The District's Responses to Findings

Rugby Public School District No. 5's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Rugby Public School District No. 5's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Brady Martz

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

December 15, 2021

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

To the Board of Education
Rugby Public School District No. 5
Rugby, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Rugby Public School District No. 5's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Rugby Public School District No. 5's major federal programs for the year ended June 30, 2021. Rugby Public School District No. 5's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance Rugby Public School District No. 5's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rugby Public School District No. 5's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rugby Public School District No. 5 compliance.

Opinion on Each Major Federal Program

In our opinion, Rugby Public School District No. 5, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Rugby Public School District No. 5, 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 Rugby Public School District No. 5'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 Rugby Public School District No. 5's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

Brady Martz

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

December 15, 2021

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

AL #	Description	Pass-Through Entity Identifying Number	Expenditures
Department of Education			
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	$ 157,798
84.367	Title II Part A - Teacher and Principal Quality	F84367	68,050
84.371	ND Striving Readers Comprehensive Literacy	F84371	325,148
84.424	Title IV Transferability	F84424	20,570
84.425D	COVID-19 Education Stabilization Fund	F84425D	153,115
Total Passed through ND DPI			724,681
Passed Through Drake-Anamoose Public School District			
84.048	Carl Perkins	F84048	15,710
Total Department of Education			740,391
Department of Treasury			
Passed Through the North Dakota State Department of Public Instruction			
21.019	COVID-19 Coronavirus Relief Fund	F21019	338,374
Total Department of Treasury			338,374
Department of Agriculture			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Child Nutrition - School Lunch - Commodities	F10555	30,605
10.559	COVID-19 Child Nutrition - Summer Food Service	F10559	362,861
	Total Cluster		393,466
10.560	State Administrative Expenses for Child Nutrition	F10560	3,569
10.582	Fruit and Vegetable Grant	F10582	14,620
Total Department of Agriculture			411,655
	TOTAL		$1,490,420

Federal Revenues per page 16	$1,790,256
Internal Revenue Service Interest Subsidy on Qualified School Construction Bonds	(299,836)
Total Schedule of Expenditures of Federal Awards	$1,490,420

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Rugby Public School District No. 5 under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rugby Public School District No. 5, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 4 PASS-THROUGH ENTITIES

All pass-through entities listed above use the same Assistance Listing (AL) numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_X_ Yes ___ None Reported
Non-compliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes _X_ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes _X_ No

Identification of major programs:

AL Number(s)	Name of Federal Program of Cluster
10.555/10.559	Child Nutrition Cluster
21.019	Coronavirus Relief Fund

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 Finding

Criteria
The District does not identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

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

Repeat Finding
This is a repeat finding of 2020-001

Management's Response
The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

2021-002 Finding

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

Condition
The District has one employee who is responsible for all accounting functions involved. The employee has access to all income monies, receipt documents, issuance of checks, and bank statements and reconciliations. The employee also maintains the general ledger.

Cause
There is only one business manager and due to the District's size, they are unable to hire more staff.

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

Recommendation
The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Repeat Finding
This is a repeat finding of 2020-002

Management's Response
The Superintendent reviews and signs off on all bank statements and reconciliations. The Superintendent also reviews and signs off on the payroll direct deposit report prior to releasing payroll to individual's accounts. Procedures have been implemented when feasible to promote the segregation of duties. Funds are counted by individuals in charge of the account prior to being given to the Business Manager or Executive Administrative Assistant to receipt and deposit at the financial institutions. The Board reviews and approves all checks written.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There are no findings to report in this section.

2020-001 Finding

Criteria

The District does not identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

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

Cause

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

Effect

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

Recommendation

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

Management's Response

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

Current Year Status

See current year finding 2020-001.

2020-002 Finding

Criteria

To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition

The District has one employee who is responsible for all accounting functions involved. The employee has access to all income monies, receipt documents, issuance of checks, and bank statements and reconciliations. The employee also maintains the general ledger.

Cause
There is only one business manager and due to the District’s size, they are unable to hire more staff.

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

Recommendation
The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Management’s Response
The Superintendent reviews and signs off on all bank statements and reconciliations. The Superintendent also reviews and signs off on the payroll direct deposit report prior to releasing payroll to individual's accounts. Procedures have been implemented when feasible to promote the segregation of duties. Funds are counted by individuals in charge of the account prior to being given to the Business Manager or Executive Administrative Assistant to receipt and deposit at the financial institutions. The Board reviews and approves all checks written.

Current Year Status
See current year finding 2020-002.

Rugby Public School District #5

1123 South Main Avenue
Rugby, North Dakota 58368
Phone: (701) 776-5201
Fax: (701) 776-5091

CORRECTIVE ACTION PLAN
JUNE 30, 2021

2021-001 Finding

Contact Person –Mike McNeff, Superintendent

Corrective Action Plan –Will document review of financial statements and notes.

Completion Data –Ongoing

2021-002 Finding

Contact Person –Mike McNeff, Superintendent

Correcting Plan–The District has the following procedures to mitigate the risk:

1) Review and approval of journal entries by Superintendent.
2) Board approves checks.
3) Superintendentperiodically reviews bank statement before turning it over to the business office for reconciliation.

Completion Data –Ongoing